

# JOURNAL OF ASIA ENTREPRENEURSHIP AND SUSTAINABILITY

REFEREED EDITION - ISSN 1176-8592

EDITORS: ROSEL FONACIER & JENS MUELLER

VOLUME III, ISSUE 3, DECEMBER 2007

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## RECONCILING ENTREPRENEURIAL DILEMMAS – A CASE STUDY OF A *HUAQIAO* (华侨) ENTREPRENEUR IN CHINA

Pi-Shen SEET

Adelaide Graduate School of Business, University of Adelaide  
3rd Floor 233 North Terrace, Adelaide, South Australia 5005, Australia  
Tel: +61 8 8303-6460 [pishen.seet@adelaide.edu.au](mailto:pishen.seet@adelaide.edu.au)

# RECONCILING ENTREPRENEURIAL DILEMMAS – A CASE STUDY OF A HUAQIAO (华侨) ENTREPRENEUR IN CHINA

## ABSTRACT

This paper is concerned with entrepreneurship explored through the lens of dilemma theory as developed by Charles Hampden-Turner (Hampden-Turner, 1990a; Hampden-Turner & Trompenaars, 1997, 2000). Specifically, it uses dilemma theory to examine, in detail, the experiences of a *huaqiao* (华侨) or *Overseas Chinese* entrepreneur who has attempted to create new ventures in mainland China. The study builds on the conceptual framework of understanding entrepreneurial phenomena through a paradoxical or dilemma-based perspective (Hampden-Turner & Tan, 2002; Seet & Hampden-Turner, 2005). Using a single case study incorporating in-depth interviews, the research finds that there are two key dilemmas for *huaqiao* entrepreneurs. Firstly, in engaging the local markets and authorities, they encounter the dilemma of Cheap Universal Government Provision of Common Goods versus the Costly allocation of Resources by Free Markets. And secondly, when they attempt to sell goods and services made in China in overseas markets, they encounter the dilemma of the Social Benefits of the Product versus the Purity of the Product. The research shows that dilemma theory can be an effective means to map failures in the entrepreneurial process thereby contributing to the development of both entrepreneurship and dilemma theory.

Key Words: Overseas Chinese; Entrepreneurship; Dilemma Theory

## INTRODUCTION

Overseas Chinese or *huaqiao* (华侨) entrepreneurs have been a fascination for many researchers and policy makers in the past century or so with studies alluding to the network effects, immigrant culture and business savvy characteristics to explain the success of overseas Chinese firms (Gambe, 2000; Lee & Loh, 1998; Menkhoff, 2002; Saxenian, 1999; Zapalska & Edwards, 2001). However, there are few studies on why and how *huaqiao* entrepreneurs are conducting and pursuing entrepreneurial opportunities in China since the opening up of China's economy. More crucially, while there have been studies on return migrant entrepreneurs in China (Ma, 2002; Murphy, 2000; Zhao, 2002), there have been no studies, as far as the authors are aware of, among *huaqiao* entrepreneurs going back to China to start new ventures.

As opposed to return migrant entrepreneurs, who were born in China and may have pursued education, business or employment opportunities overseas and returned to exploit similar opportunities in China, *huaqiao* entrepreneurs have been born, bred and worked in overseas Chinese communities for generations. They may have been descendants of the Chinese diasporas over the last few hundred years with most leaving China during the Opium Wars, World Wars and Civil War between the Communists and the Kuo Min Tang (Pan, 1990). This paper attempts to address this gap by presenting an exploratory case study of a *huaqiao* entrepreneur developing and pursuing new venture creation opportunity in China.

Given the lack of previous research into this area, it was also difficult to find appropriate entrepreneurship theories and concepts to interpret *huaqiao* entrepreneurship in China. In many ways, the same hurdles Tsang (1996) found 10 years ago still existed, namely that:

“The unique situation of China makes it questionable how far existing entrepreneurship theories are applicable.” (p. 21)

Given this, I have therefore gone outside traditional entrepreneurship theory and taken on dilemma theory that has been successful in exploring issues in international business and cross-cultural management (Hampden-Turner & Trompenaars, 1997, 2000; Trompenaars & Hampden-Turner, 1998) and has recently seen some conceptual developments in terms of creativity, entrepreneurship and innovation (Hampden-Turner, 1981; Hampden-Turner & Tan, 2002; Seet, 2007b).

The paper will firstly discuss the definition of and the thinking process behind understanding paradoxes and dilemmas. It then establishes a link between dilemma theory and entrepreneurship theory by arguing that a dilemma-reconciliation perspective is an appropriate one to analyse phenomena in the entrepreneurial process. Finally it applies dilemma theory to a case study of a *huaqiao* entrepreneur pursuing entrepreneurial opportunities in China and in so doing, it attempts to show that dilemma theory is an appropriate conceptualisation to explore this phenomenon.

## UNDERSTANDING DILEMMAS/ PARADOXES AND DILEMMA THEORY

### Defining Dilemmas and Paradoxes

What exactly are ‘dilemmas’ and ‘paradoxes’ and how acceptable is the practice of using these terms interchangeably? The Cambridge Advanced Learner's dictionary defines a dilemma (which comes from the Greek words *di* meaning ‘two’ and *lemma* meaning ‘propositions’ (Hampden-Turner, 1990a)) as “a situation in which a difficult choice has to be made between

two different things you could do.”<sup>1</sup> As for paradox (which also comes from the Greek words *para* meaning ‘beyond’ and *doxa* meaning ‘opinion’), this is defined as “a situation or statement which seems impossible or is difficult to understand because it contains two opposite facts or characteristics.”<sup>2</sup> A common response to both words is that they are ‘difficult’ to understand or choose. In addition, another feature is that there are ‘two different things’ or ‘two opposite facts’. One could argue that ‘different’ is not the same as ‘opposite’ but this is largely semantic and the reason why the ‘different things’ result in a difficult choice is that they are quite opposite, thereby giving rise to the term, ‘to be on the horns of a dilemma’ which is also defined in the Cambridge dictionary as “to be unable to decide which of two things to do because either could have bad results.”<sup>3</sup> This negative connotation probably explains why the term dilemma is more widely used than paradox.

However, there is little to distinguish the two terms, and for that matter, other terms like ‘polarities’ or ‘dualisms’. Even when these terms do not appear explicitly, they are often implicitly assumed. What the terms do point towards is there is a common need to describe conflicting demands, opposing perspectives, or seemingly illogical findings. It is in this light that for the purposes of this study, and following other studies (e.g. McKenzie (1996)) the terms ‘dilemmas’, and ‘paradoxes’ will continue to be used interchangeably .

### **The ‘Thinking’ behind Responses to Dilemmas**

Bouchikhi (1998) claims that while researchers continue to unveil paradoxes, few explore them at great depth. In order to do so, there is a need to examine the thinking processes surrounding dilemmas and paradoxes. In particular, there are three thinking modes at work: (1) “either-or” or thinking, (2) “both/and” or “and-and” thinking, and (3) “through-through” or “parallel” thinking (Seet, 2007a).

In order to help understand these three modes, a graphical representation is used. Following Hampden-Turner, I have chosen to use bull horns (Hampden-Turner, 1989) as a pictorial representation by following the ancient idiom of being “caught between the horns of a dilemma”. These have been transposed to a dual-axes diagram (which is a set of horns tilted at a 45 degree angle) in figure 1 below with various points in different colours that will be elaborated on later.

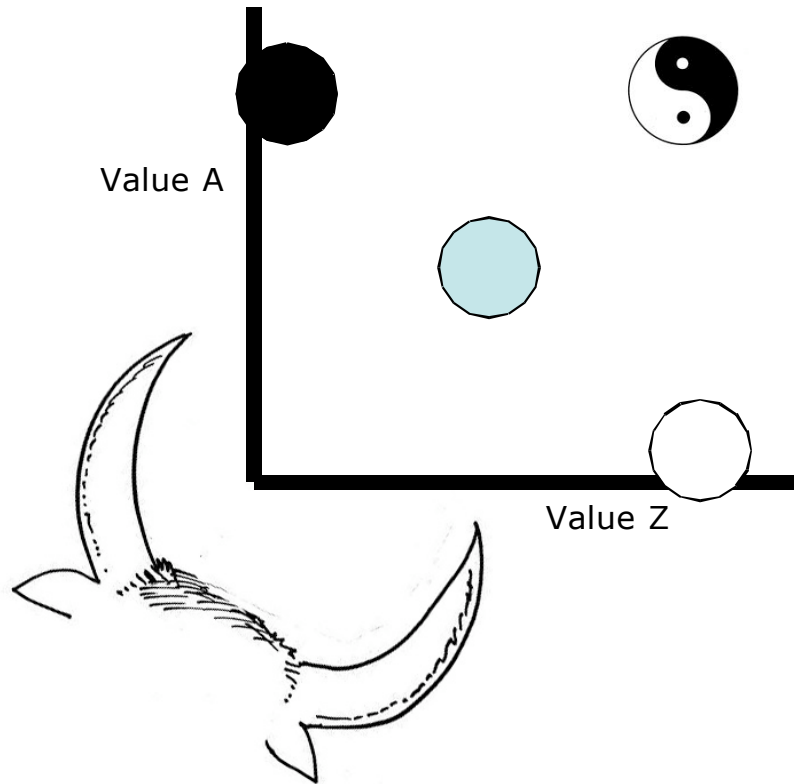
**Figure 1 – The different modes of response to paradoxes**

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<sup>1</sup> <http://dictionary.cambridge.org/define.asp?key=21757&dict=CALD>

<sup>2</sup> <http://dictionary.cambridge.org/define.asp?key=57464&dict=CALD>

<sup>3</sup> <http://dictionary.cambridge.org/define.asp?key=37915&dict=CALD>



The “either-or” approach to thinking is founded on formal conventional Aristotelian logic (Barrett, 1998). Aristotle’s law of non-contradiction states that a thing cannot be itself (X) and something else (Not-X) at the same time. It gives rise to “either/or” thinking and polarisation becomes the norm (Hampden-Turner, 1981). Westenholz (1999) observes that the “either/or” approach makes it difficult to deal with issues that are ambiguous and may be “more or less something”. One can only try to “manage” as best as possible, the problems arising from the paradox (Johnson, 1996). In figure 1, this is depicted by either taking the black or white circle position. There are no other options. In the context of creativity and innovation, the “either/or” approach does not provide a means to unify seemingly contradictory propositions and De Bono (1994, p.29) observes that this method of thinking “makes it very difficult (for) the emergence of new ideas. This is especially so when a new idea needs to be judged within a new paradigm not within the old paradigm which, by definition, it does not fit.”

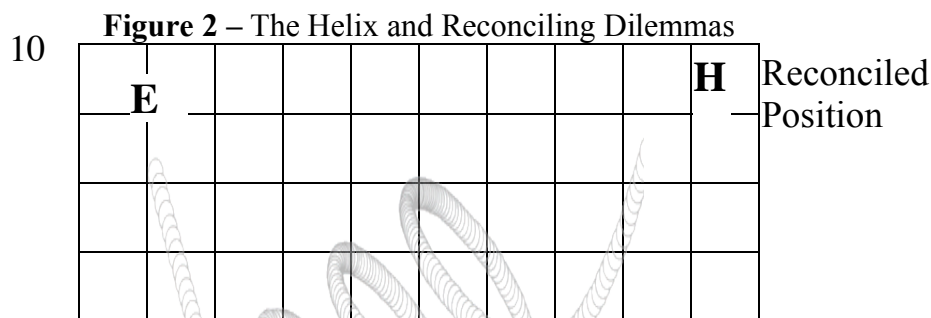
A second form of thinking is the “and-and” or “both/and” thinking (Burns & Stalker, 1961). As opposed to “either/or” thinking, this thinking sees one factor as true and a contradictory factor as simultaneously true (Lewis, 2000). There are two responses normally associated with this. The first response, occurring mainly in resource-rich conditions, is to do both things as much as possible at the same time, with the intention of reaping the “best of both worlds” (De Wit & Meyer, 2004). The second response, which occurs in resource-constrained environments, and is more likely to apply in entrepreneurial settings, is to go for a trade-off or a compromise. In reality, the choice will be contingent and will involve a mix of both approaches depending on the situation and resources available (Clegg, 2002). An example of this which is relevant to entrepreneurship can be found in the family-run business genre where Woolliams et

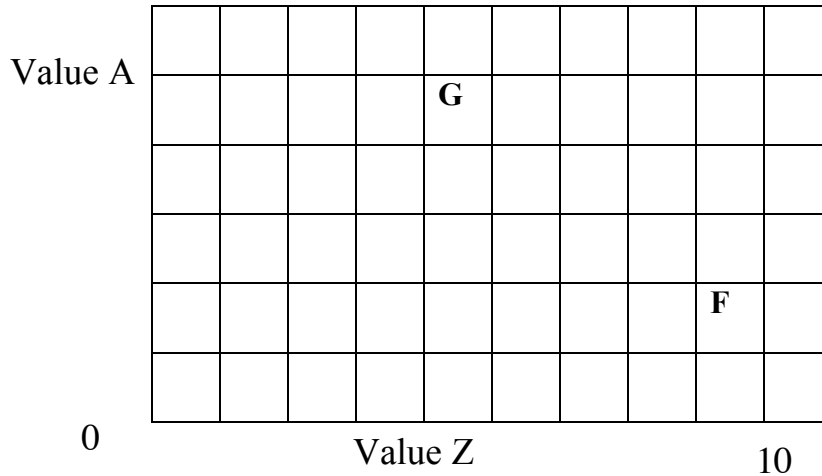
al. (2001, p.380) argue that the “lifestyle business” is “a compromise between the competing demands of the family and the organisation serving as a market”. Based on figure 1, this sees a grey circle, the result of mixing black and white circles.

However a third approach can help explain value creation better i.e. that of “through-through” or “parallel” thinking. Such thinking differs from the former two approaches and goes “beyond *either/or* and even *and/and* thinking ... by synthesiz(ing) seemingly opposed values into coherence.” (Trompenaars & Hampden-Turner, 2001, p.11). “Through-through” thinking goes beyond trade-off and compromise by unifying the opposites within the paradox. Hampden-Turner (1990a) observes that value creation lies in the capacity of acknowledging that paradoxes emerge from opposing claims and of synthesising both “horns” in a resolution that includes all values in contention. This process involves sub-processes of “bridging” or “integrating” and “generating” or “transcending” the paradox (De Wit & Meyer, 2004, p.17). In particular, competing representations of paradox can be held in conjunction by transcending conceptual limitations (Eisenhardt, 2000; Poole & Van de Ven, 1989). Barrett (1998) sees this as a combination of “Janusian thinking”, which identifies opposites, reconciles them, and ingeniously juxtaposes them to produce innovative new combinations, with “Hegelian thinking”, which integrates opposites such that the distinctions between them vanish through new discovery. In figure 1, this is depicted by the “Yin-Yang” pictogram, symbolising a constantly interacting and changing interaction between the values.

### Dilemma Theory and the Logic of the Double Helix

In the “Logic of the Double Helix” (Hampden-Turner & Trompenaars, 2000), dilemma theory provides a means to address some of these dynamic and interactive effects. Drawing from various concepts from cognitive theorists and psychologists like Freud and Jung (Hampden-Turner, 1981), cybernetics and schismogenesis (Bateson, 1972, 1979), learning loops (Argyris & Schon, 1978), positive and negative feedback loops (Senge, 1990) and of spiral dynamics (Graves, 1966), this is depicted metaphorically in terms of a ‘helix’ (see figure 2 below) which dynamically shows the learning and developmental process. In addition, following Sainsbury (1988) who commented that “Paradoxes come in degrees ... we can represent how paradoxical something is on a ten-point scale.” (p. 1), these dilemmas are able to be mapped dynamically. A strategy is developed to move back and forth between the two poles in a helix-like pattern. Over time, gaining the experience of both poles, a new optimal reconciled position is reached. Figure 2 below shows dilemma reconciliation in a developing upward spiralling (or virtuous) helix for two seemingly opposed values A and Z in a 10x10 grid matrix. E and F are extreme positions, G is the compromise and H is the so-called ‘optimal’ reconciled position.





The helix allows the reconciliation process to be mapped over time, an important perspective in the understanding of processes as different values will exert different influences at different periods of time (Lewis, 2000; Poole & Van de Ven, 1989).

**Dilemma Theory – An Appropriate Lens for Interpreting Entrepreneurship in Asia**

Hampden-Turner (1990a) explicitly states that dilemma theory is geared to loosen knots in the Western or Occidental mindset. Given that he acknowledges that some of the intellectual foundations of dilemma theory stem from Eastern philosophers, dilemma theory, it is argued, is an appropriate mechanism for the understanding of entrepreneurial processes in the Asian context.

Cheah (1996) claims that the dual nature of entrepreneurship is more predominant in Asia and that Asian philosophical models can help in interpreting attempts to resolve paradoxes. One of this is the synthesis of one of the major paradoxes of economics namely one school which sees entrepreneurs as important in helping the economy in adjusting to ceaseless changes while another school which sees entrepreneurs causing change, rather than just responding to them (Glancey & McQuaid, 2000). Cheah (1996) adds that there should not really be a controversy between the two forms of entrepreneurship since they both play a role in economic development and perform different roles in the change process. He shows that there can be a synthesis with both disequilibrium-generating entrepreneurship and equilibrium-building entrepreneurship working together in tandem. Although Cheah (1996) did not subject his theory to any empirical testing, the understanding of the dual nature of entrepreneurship gives a new dynamic and integrative perspective of the entrepreneurial process.

**RESEARCH OBJECTIVES**

The objectives of this research are twofold. Firstly, I aim to explore the use of dilemma theory in understanding the entrepreneurial process among *huaqiao* entrepreneurs. Secondly, from the research, to understand how to extend dilemma theory, as a conceptual framework, further.

## RESEARCH METHODOLOGY

### Case Study Methodology

The primary research method used is an in-depth case study. In particular, exploratory case study research is the recommended design for studying phenomena that are subtle and/or poorly understood (Eisenhardt, 1989; Miles & Huberman, 1994). However, using case studies to build theory does not mean that the researcher begins with no theory. In that situation, research may end up being a curious and rich ‘story’ with little application in wider contexts. An initial framework is normally helpful in guiding the research. Theory-building then results from an iterative approach whereby the ideas rising from the field research lead to a redefinition of the research question and to the search for additional evidence (Eisenhardt, 1989). In this research, the intention is that besides entrepreneurship theory, dilemma theory will also benefit from the theory building exercise. Case studies are important as they deal with the ‘how’ and ‘why’ questions that need to trace operational links over time, rather than just frequencies or incidences (Yin, 1994).

In the context of *huaqiao* entrepreneurs in China, there has been limited research but there is enough anecdotal evidence and some empirical findings supported by secondary material that suggest that potentially rich data can be uncovered to further theoretical developments and these circumstances support the use of the case study approach (Price, 1985).

Given that there are certain preconceived ideas about entrepreneurship in China, the case study method also can advance theory by giving a ‘counter-instance’, a case that violates a universally accepted principle (e.g. it is widely believed that given the high-risk and high-investment nature of knowledge-based entrepreneurship, government help is needed and forthcoming to support these endeavours) or a general proposition (Kazdin, 1980).

Case studies are also appropriate given the assumption that all knowledge is always local, situated in a local culture (the entrepreneurial culture in China in this instance, which is different from that found in other parts of the world) and embedded in organisational sites (the identified case studies). In particular, given the uniqueness of the entrepreneurial experiences, the case study method is also better able to analyse

“fragments of entrepreneurial activity that are understood in their processual complexity without claiming any direct transfer to other contexts.” (Steyaert, Bouwen, & Van Looy, 1996) (p.67).

The research adopts the approach of a holistic study that focuses on local knowledge i.e., the case study method following an informant-base approach is used “to explain how and why a set of events (the growing pains of *huaqiao* entrepreneurs in China) occurred over time” (Yin, 1994).

### A Single Case Study

According to Shaughnessy *et al.* (1994), a single case study is seldom accepted by academics as evidence for a particular hypothesis. However, I follow Dyer *et al.* (1991) in recognising that in reality, if sufficient depth of understanding has been obtained through immersion and analysis of the case, even a single case can contribute to theory generation and building. Also, as this was research was exploratory in nature, it was felt that a single case study



was sufficient. The case was largely developed via a series of interviews conducted with a *huaqiao* entrepreneur from 2003-2005.

## CASE STUDY DESCRIPTION AND ANALYSIS

### Introduction

There were many casualties in the run-up to and the aftermath of the mega-mergers in the global pharmaceuticals industry of the late 1990s. Many of these were in senior management. One of the casualties was SLC, who left GlaxoWellcome China (GW-C) in 1998 at the age of 55 as its Managing Director (Greater China). This was after a career that spanned more than 30 years which saw him occupying major positions like the Chief Medical Officer of the Singapore Armed Forces (SAF), Regional Medical Director for Ciba-Geigy (now Novartis) and General Manager and Director of Tianjin SmithKline & French Labs Ltd (TSK&F) and Vice-President, SmithKline Beecham International (SKBI). Instead of trying to get a job with various large organisations, SLC decided to capitalise on his skills and experience to become an entrepreneur. So in the last 6 to 7 years, he became involved in a series of start-up ventures with some success but with a large portion of pain and failure. The most significant involvement has been in a biotech start-up which in 2004 was listed on the Australian Stock Exchange.

### Background

SLC is a Malaysian-born Singaporean Chinese. After spending about almost 20 years with the Ministry of Defence and Ministry of Health in various medical positions, SLC decided to join the private sector and in 1984, at the age of 40, he was recruited by Ciba Geigy / Novartis as its regional medical director. After 10 years of being responsible for the Asian region which covered all countries from Pakistan to South Korea, he was head-hunted in 1994 to join SmithKline Beecham as its General Manager of its Chinese Joint Venture in Tianjin. This saw him responsible for a team of 835 persons with an annual turnover of US\$160 million in what some have argued as the most successful pharmaceutical manufacturing joint-venture in China in the 1980s and 1990s (Gross, 1997). In 1997, he was again head-hunted to join GlaxoWellcome as its Managing Director (Greater China) with an annual US\$70 million turnover and a staff of 650 persons. However, a year later, due to consolidations in the global pharmaceutical markets, SLC and his management team were removed.

“After 15 years in the corporate world, I was again ‘jobless’ and I had to decide whether to carry on in that sector or do something else. It was difficult then and it is difficult now, when you are in your 50s, and have held senior positions, to find a job. People either don’t trust you or think that you are too old.”

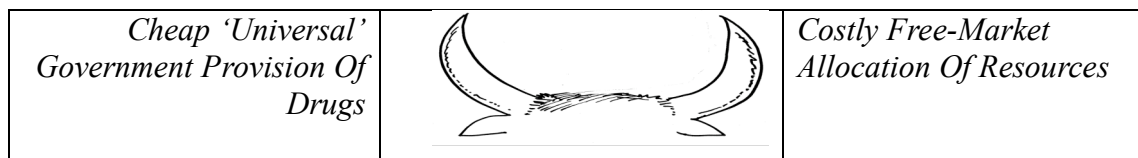
So SLC thought about it and decided to take some of his savings and become an entrepreneur. In particular, he decided to be an entrepreneur in the Chinese market, making him a *huaqiao* entrepreneur.

### Dilemma 1 – Cheap Universal Government Provision of Drugs vs. Costly allocation of Resources by Free Markets

SLC’s experience in his corporate and professional life was crucial in helping him identify and exploit opportunities in his entrepreneurial ventures. He was able to synthesise the best of the East from the best of the West to create new opportunities. His in-depth understanding of the Asian market, especially China, and the pharmaceutical business, allowed him especially to bisociate different concepts in these two areas to create value.

SLC decided that the quickest and least risky way to start on entrepreneurship was to seek out opportunities in the pharmaceutical industry in China, a US\$12 billion annual market that was growing steadily every year (The Economist, 1998). The Chinese pharmaceutical industry was dominated then still by many State-Owned Enterprises (SOEs). These mainly made generic drugs and were a closed-off sector as China had yet to sign up to World Trade Organisation (WTO) treaties. So the only way multinational pharmaceutical companies could effectively enter the Chinese pharmaceutical market was by Joint Ventures (JVs) or by their own investment. SLC had experience of both methods in TSKF and at GW-C. JVs were the main instrument in the late 1970s and early 1980s but with further market deregulation, foreign pharmaceutical companies were allowed in to run their own operations in the late 1980s. However, this had added pressure to the SOEs and SLC saw that the SOEs were facing pressure from the multinationals and had lobbied the Chinese government to set up controls to protect their market. On the one hand, the SOEs had thrived behind protectionist barriers that were designed to supply cheap drugs to everyone under a communist state-provided healthcare system. On the other hand, China's fast-paced economic growth, combined with relatively free entry barriers, had created a sizable population that wants, and can afford to buy, medicine from US and European pharmaceutical companies (Einhorn, Magnusson, Barrett, & Capell, 2004),

The dilemma looks like this:



SLC recognised that entering the market from the consumers and users perspective was not a viable option as the pharmaceutical industry was heavily regulated. Also, tackling it from the traditional JV or strategic alliance method was also not ideal as many of these had underperformed especially if the Chinese had retained majority shares (Clissold, 2005). SLC, however, saw that with the deregulation of financial markets, by the late 1990s, it was possible to buy-out an underperforming SOE with potential and with lessons from TSKF, improve production and marketing efficiency and product quality so as to gain a leading presence in the Chinese pharmaceutical market before it was forcibly opened up by WTO regulations.

“Biggest challenge (in TSKF) ... improving processes, especially in product prioritisation and registration (improving management and significantly shortening product registration times), rationalising product lines, increasing production capacity, rationalising warehousing, extending sales coverage and improving marketing support especially in Rx products ... I believed that we could do the same in a Chinese State-Owned Enterprise and beat both the SOEs and the multinational pharmaceuticals at the game.”

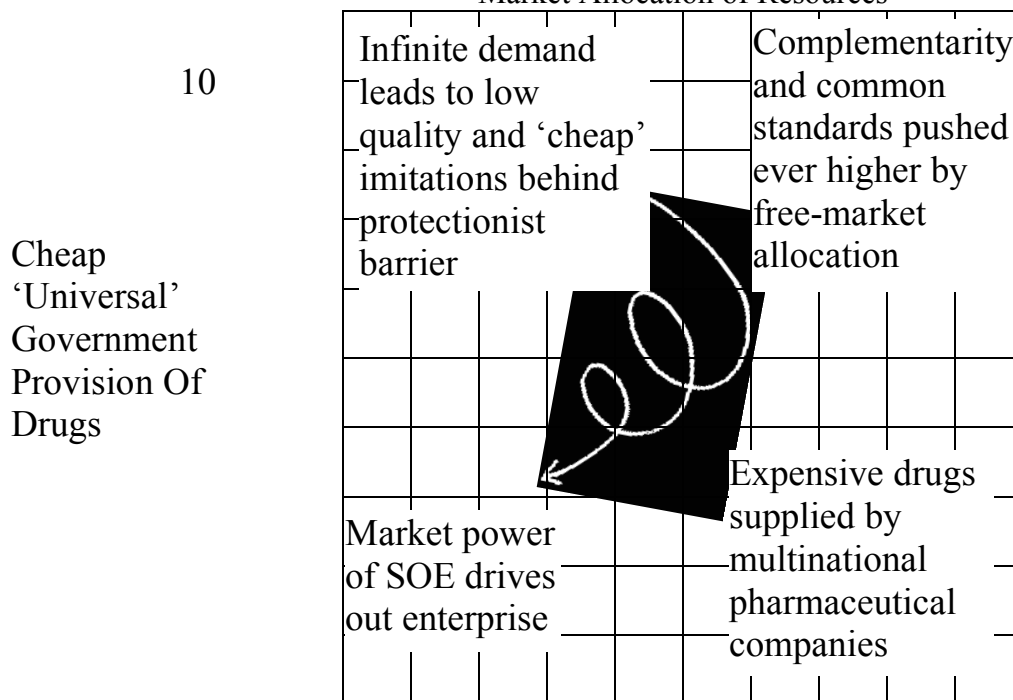
SLC recognised the merit in continuing providing cheap drugs as the bulk of the Chinese population were still living at or below the poverty line. Much of the healthcare provision of this majority group also came from the state and the state healthcare system was intricately intertwined with the pharmaceutical SOEs and multinational pharmaceutical companies had difficulty penetrating it. But the SOEs were highly inefficient as they had a history of waste and fat from not being subject to competition as well as not adopting best management and

manufacturing practices. SLC felt that unless more professional and free-market type practices were introduced first, the SOEs could not survive in the long term when the market was opened up.

“Eventually the market would be opened up. But if they had good systems in place, like at TSKF, they would be able to survive and profit while those that did not have them in place would go under ... The SOE that we were looking at had an established market in generic drugs but would be extremely better if it adopted some modern practices to cut its fat and tidy up its management inefficiencies.”

He had experience doing it in TSKF and after convincing a group of ex-colleagues who had also left GlaxoWellcome and some friends from McKinsey Consulting, SLC approached a SOE to begin negotiations. Figure 3 below illustrates the potential reconciliation of the dilemma. Starting at the top left-hand corner where the SOE was only surviving because of state protection, by improving quality and professionalism and adopting best practices from the rest of the pharmaceutical market, thereby improving efficiency, they could take on the rest of the market even without any protection resulting in a synthesis of complementary and common standards which are improved continuously by free-market allocation. However, despite the good intentions and prospects, the negotiations could not resolve the issue of who retained majority shares. SLC felt that the streamlining initiatives were going to need authority to execute and therefore a majority buy-out was necessary. The SOE felt otherwise and any possible solution to the impasse was ended when in November 1998, the Chinese State Development Planning Commission announced price controls on pharmaceuticals that were aimed at driving some multinationals out of the market and push the others into the red (The Economist, 1998). The net effect was that any gains from free market practices were driven out (bottom-left).

**Figure 3 – SLC Dilemma 1 – Cheap ‘Universal’ Government Provision Of Drugs vs. Free Market Allocation of Resources**



**Dilemma 2 – The Social Benefits of the Product vs. The Purity of the Product**

While SLC was negotiating the deal to acquire the state-owned pharmaceutical company, he realised that instead of painfully negotiating and taking over state-owned assets, one could look for opportunities where the Chinese government would wholeheartedly support.

At that time, there was strong support being given in China for developing of export markets for products from the interior, where many people were still being denied the benefits of economic prosperity. One-quarter of the Chinese population of 1.3 billion lived in the ‘Western’ provinces<sup>4</sup> which, despite having more than half of China’s land, were home to more than half of China’s poorest 80 million. A farmer there earned about a third of a coastal farmer’s average of 3,600 Yuan (US\$435) a year and this half of the country attracted less than 5% of the foreign investment committed to China between 1980-2000 (Ziegler, 1997). In the late 1990s, with overcrowding and congestion plaguing the coastal regions, and with little sign that eastern prosperity had trickled westwards, the Chinese government decided to launch a “Go West” campaign, with up to US\$13 billion to be made available in the year 2000 with equal, or larger, sums to come for the years to come, to assist the development of the less-developed western provinces (The Economist, 2000).

At about the same time, there was much noise in the Western media about supporting beneficial initiatives in Tibet. This followed the successful launches in 1997 in Hollywood of 2 movies based on Tibet – ‘Seven Years in Tibet’ which starred Brad Pitt and ‘Kundun’, which was produced by Martin Scorsese. SLC realised that if a uniquely Tibetan product could be found that could be consumed in the West, this would have potential to do very well.

“There was a mystique about Tibet that the media had built up and we could capitalise on ... we just had to move quickly.”

Among the Tibetan products, SLC found that those that were in the natural remedies and homeopathic market had the highest potential as they appealed to a growing demand among Western consumers of ‘pure’ products. But there were not many choices and after some market analysis, Tibetan tea was selected as a trial product.

“Tibetan tea was already being sold in China, albeit in Chinese medicine shops. We could sell it at a higher price based on the image of it being specially grown in high altitudes with pure air and water and also that it would help the Tibetan people ... We also did not need to get any FDA (US Food and Drug Administration) or regulatory body approval. It could enter the US market and be scaled up pretty quickly.”

Unlike the heavily regulated foreign pharmaceuticals and drugs markets, the homeopathic markets was had no regulators and players could enter and exit freely without having any fear of incumbents appealing to local authorities to protect their markets. In particular, it was relatively easy to penetrate the US market which by 1990, saw Americans spending US\$13.7 billion yearly

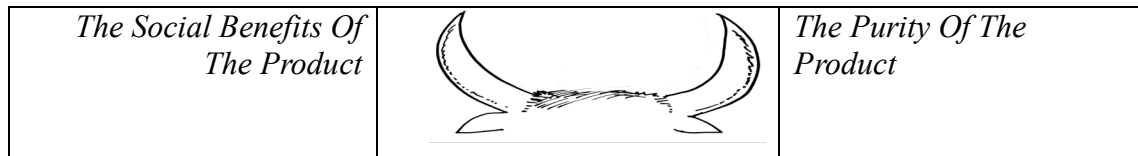
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<sup>4</sup> Sichuan, Gansu, Guizhou, Yunnan, Qinghai and Shaanxi, the municipality of Chongqing, the tiny, “autonomous” province of Ningxia and the two vast ones of Tibet and Xinjiang.

on alternative medicines and natural remedies with one in three Americans using some sort of alternative therapy at least once a year (The Economist, 1997).

Tibetan tea could also be marketed in the speciality tea market segment which was also growing in the West. The focus was on the ‘purity’ and ‘rarity’ of Tibetan tea which would inspire people to drink it. While Tibetan tea was being sold in the Chinese market in small quantities as an herbal tea and was available in Chinese medical pharmacies, there was potential to effectively package it and market it overseas as a speciality tea. It could follow the model of the best tea grown in China, called Longjing tea, which is grown on the hills around the eastern town of Hangzhou. A few leaves, enough to make a small cup, can cost the equivalent of US\$3.50.<sup>5</sup> The market research indicated that the speciality tea market was growing in North America and this was very much in line with the growth of speciality coffee outlets like Starbucks and Peet’s Coffee & Tea. In 1993, the coffee market in America was worth US\$13.5 billion; most of this came from cheap beans of the sort sold in tins in supermarkets. The “speciality coffee” market for stronger, Arabica brews that are sold by Starbucks and Peet’s was worth less than US\$1 billion. By 1999, the total market had expanded to US\$18 billion, of which US\$7.5 billion was speciality coffee. Analysts were projecting that a similar trend in the tea market, especially among drinkers who felt that tea had more healthy qualities than coffee (The Economist, 2001a).

In essence, the dilemma was to reconcile the elements of the product that would bring about social benefits for the Tibetan people, with the ‘pure’ elements of the product that would enable it to appeal to speciality tea drinkers. The dilemma could be framed as such:



To test the market for the product in the US, three promotional methods were tried. The first was the more traditional method of getting consumers in US supermarkets to try-out the product. A booth would be set up with a promotional agent passing out free trial samples for consumers to try before encouraging them to try the product at a promotional price. However, this did not work.

“We tried but it was extremely difficult to gain access to the US supermarkets, even those in the speciality niche.”

A second method was to promote the product in public places, not necessarily at supermarkets. This was to test whether the product would sell in other places like Starbucks or

<sup>5</sup> The best quality Longjing is harvested only during a two-week period, usually between April 5th and 21st, after which the weather tends to turn humid. A sifu, or tea-leaf master, will lightly roast the leaves to seal their flavour. In brewing the tea the water should be hot, but not too hot. After five minutes, the brew is ready to be sipped accompanied by expressions of bliss of a sort that in the West accompany bottles of over-priced wine. In 2001, it was reported that some people had bid the equivalent of US\$1,200 for 50 grammes. (Source: (The Economist, 2001b))

hot-drinks and snacks vendors. Through an agent was contracted in San Francisco, the idea was mooted to set up a booth in a prominent place to do that. So in late 1998, a Tibetan tea booth was set up in Times Square to promote the product and test the market. The reaction was immediate and vociferous.

“While there was some interest in the product, many people started coming up to us to say that we were taking advantage of the oppressed people in Tibet. Others accused us of commercially capitalising on the Dalai Lama’s good reputation. Yet there were others who claimed that if we sold the product, they would sue us or campaign the authorities to do so. There was a lot of negative feedback.”

The reaction from the public went against all the market research that had been conducted. SLC felt that it would be extremely difficult to reconcile the good product characteristics of Tibetan tea with the market’s feedback. In particular, there were deeply-felt entrenched views of what the Tibetan people were undergoing that was very much part of the messages being put forward by the exiled Dalai Lama. This clashed with the fact that a key component of the product development plan was to ride on the Chinese government investments into Tibet. One explanation is that the critics felt that the real benefactors were not the Tibetan people but the supplier or producer of the teas and the Chinese government and that SLC and his partners were part of the Chinese Communist Party’s strategy of cooptation and corporatism of technical experts and entrepreneurs (Dickson, 2000). To an extent, the dilemma cannot be reconciled as to the Free Tibet supporters, helping Tibet is regarded as a pure non-economic, compassionate activity and any business activity that supports this process will be seen as adulterating the pure with the impure.

With limited resources to mount a prolonged campaign to change the consumers’ perceptions, the decision was made by the team to stop plans to launch the product in the US.

“There was already an aggressive campaign among fair-trade advocates for people to stop drinking coffee as this only benefited the large coffee chains like Starbucks and not the coffee growers in South America and Africa. We would be facing up not only to them but also to a group that we failed to anticipate i.e. the pro-democracy campaigners who wanted a free Tibet. This was just too much risk for a niche product that was just entering the market like Tibetan tea. Maybe a bigger company would have had the resources to do it but not us.”

### **Summary of Case Study**

The table below summarises SLC’s entrepreneurial dilemmas. In the case of the Tibetan tea, SLC did not have sufficient resources to reconcile the highly inner-directed product that was on offer with the biased attitudes of the market.

Table 1 - Summary of SLC' Entrepreneurial Dilemmas

<b>Dilemma #</b>	<b>Value A</b>	<b>Reconciliation</b>	<b>Value Z</b>
1	Cheap 'Universal' Government Provision Of Drugs	No reconciliation - Market power of SOE drives out enterprise	Costly Free-Market Allocation Of Resources
2	The Social Benefits Of The Product	No reconciliation	The Purity Of The Product

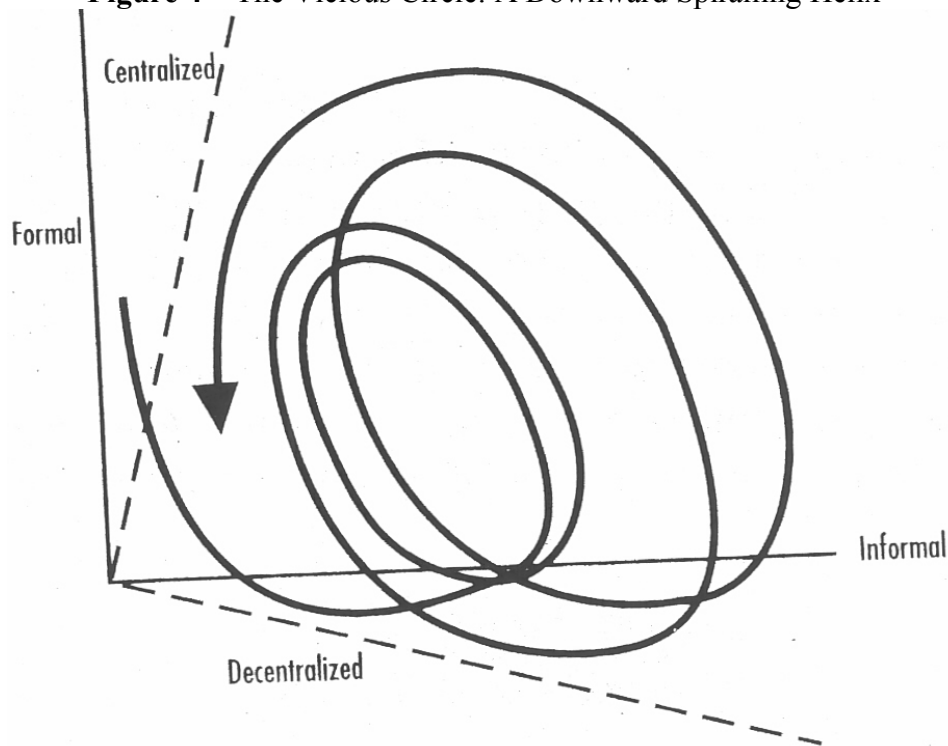
## DISCUSSION

### Advancing Dilemma Theory

It may seem strange that the 2 dilemmas presented in the case study were not reconciled. However, it offers a unique insight to the application of dilemma theory in the context of entrepreneurship in that the theory has a strong ability to map entrepreneurial failure.

Firstly, in much of the previous research, the focus has been on understanding success (an upward spiralling helix). However, another aspect of the helix that is often neglected is that of explaining failure i.e. a downward spiralling helix.

**Figure 4 – The Vicious Circle: A Downward Spiralling Helix**



Source: Hampden-Turner (1992)

This builds on earlier research conducted by Ropo *et al.* (1995) who examine the interplay of organisational and individual capabilities and argue that successful reconciliations of paradoxes are seen as virtuous spirals while unsuccessful ones are seen as vicious spirals across time. Ropo *et al.* found that entrepreneurship developed in both types of spirals. In terms of vicious spirals, they observe that in situations forced by the threat of closure or annihilation, entrepreneurial processes are initiated. However, their model did not account for how entrepreneurs converted situations of vicious spirals into virtuous ones.

In contrast, dilemma theory has the ability to map much of the entrepreneurial process – with upward spiralling helixes showing successful combinations of values and downward spiralling helixes showing failed attempts. This ability to map a process of learning through failure highlights why dilemma theory represents an effective lens for the understanding of the entrepreneurial process. Taking it further, if depicted as a double-helix with ‘spliced rungs’ on the spirals (see figure 5 below), this allows for the analysis of how entrepreneurs develop innovative solutions to halt the downward spiral to transform their firm or product or market towards the upward spiral, i.e. converting a vicious circle into a virtuous one (Hampden-Turner, 1990b).

**Figure 5 – A double helix with ‘spliced rungs’**





Source: Watson (1968)

Creativity and innovation, which are important factors in knowledge-based entrepreneurship, require some disorder, some slack, some ferment and some casting around before the best solution is discovered (Florida, 2002). Among Timmons *et al.* (2004)'s ten major paradoxes in entrepreneurship, there is one that is often highlighted but not much researched on i.e. in order to succeed, one has first to experience failure. Most entrepreneurship studies study entrepreneurs or firms that have survived (Sexton & Landstrom, 2000). As a result, most entrepreneurship and innovation models or constructs are simple linear and pipeline approaches. As such, dilemma theory also contributes to entrepreneurship research by providing an interpretive framework to understand entrepreneurial failure.

#### LIMITATIONS

The main limitation for the case study has to do with retrospective bias.

“An appreciation of the temporal sequence of activities in developing and implementing new ideas is fundamental to the management of entrepreneurs, because entrepreneurs need to know more than the input factors required to achieve outcomes.” (Van de Ven, 1992) (p.216)

Most research on descriptive case histories is built on retrospective recollections by entrepreneurs of their past activities. Pre-selection of outcomes results in both retrospective and survival biases (Van de Ven, 1992). Although retrospective bias results in simplifying the entire entrepreneurial process and often ignores the complexity that is part of the whole process, most research is backward-looking.

This had been identified many times as an area for significant improvement across the entrepreneurship field (Bygrave & Churchill, 1989; Gartner, 1988; Reynolds & White, 1997; Van de Ven, 1992). However, I have tried to overcome this by engaging the entrepreneur with emails and interviews over time, thereby allowing for gaps or discrepancies in the narrative to be addressed and a more accurate picture built up.

#### SUMMARY AND CONCLUSION

I started the paper by highlighting the dearth of research on *huaqiao* entrepreneurs pursuing ventures in China. We then applied dilemma theory to the analysis of the entrepreneurial

experience of one such *huaqiao* entrepreneur and found that through the idea of dilemma reconciliation, it provides a highly appropriate and relevant framework for the understanding of complex entrepreneurial phenomena. Moreover, the research also found that the double-helix conceptualisation provides a way to map entrepreneurial failure and as such can have applications on a much wider scope in entrepreneurial research.

#### **ACKNOWLEDGEMENTS**

The author would like to thank Dr Charles Hampden-Turner, Judge Business School, University of Cambridge and Dr Vesa Kangaslahti, Nanyang Technopreneurship Centre, Nanyang Technological University for their helpful comments and feedback.

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