

The Elements of Sustainable Entrepreneurship at Wu Guan Tang Restaurant

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To successfully lead a sustainable organization, entrepreneurs must pay careful attention to social and environmental constraints, as well as to opportunities for growth. This applies to both big and small enterprises. Being able to discover or create those opportunities requires openness of mind, commitment to articulated values, and recognition of the fact that a business serves not only to generate profit but also to address social and environmental concerns. The evolution of Shanghai's Wu Guan Tang restaurant exemplifies such a successful approach.
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Since 2006, I have been a regular customer of Wu Guan Tang (WGT), which means Vegetarian Fine Dining, a very popular restaurant near the campus of Jiao Tong University in Shanghai. Even though I cannot read the restaurant's Chinese menu, I have always been served a wonderful meal. On a visit in 2015, I was surprised to see a menu in English. Soon after the waiter handed it to me, a woman approached my table, seemingly intrigued by the arrival of a lone foreign customer with no knowledge of Chinese. Introductions followed, and I learned she was the restaurant's owner, Yi'an Luo, better known as Frankie Luo.

Luo promptly invited me to a brainstorming and food testing lunch the next day, adding that she had also invited a prominent food writer to offer his insights as well. "I just opened a branch in the United Kingdom two weeks ago, and I am about to open a large veg lab restaurant in Shanghai business district, targeting business people and expats," she

said. I came to learn that veg lab stood for "vegetables laboratory," a type of restaurant where people can assemble various vegetables to produce their own dish. I also came to learn that Luo had a knack for spotting and following the thread of opportunities and then applying her own entrepreneurial skills and personal values to make the most of them. Her experiences throughout her career offer valuable lessons in the effective development of a sustainable business.

A Holistic Evolution Toward a New and Sustainable Enterprise

During the 1990s, Luo worked for a company specializing in teaching Mandarin to expatriates living in Shanghai. The massive inflow of foreigners to China in the early 21st century had left her with no shortage of teaching contracts, as many large foreign multinational companies were offering their staff (and their families) tuition assistance for Mandarin studies. In 2003, she decided to open her own Chinese cultural center. "Learning a language goes beyond just learning vocabulary and ideograms. You cannot learn a language properly if you do not learn about the culture," said Luo. "You learn more, and more effectively, if you engage in traditional Chinese activities, such as calligraphy, the art of Chinese knots, practicing Kung Fu, or trying Chinese checkers."

Such a holistic approach, which is woven throughout most, if not all, aspects of Chinese culture, lies at the heart of sustainability in any industry. As the

Exhibit 1. The Environmental and Social Embeddedness of Economic Activities

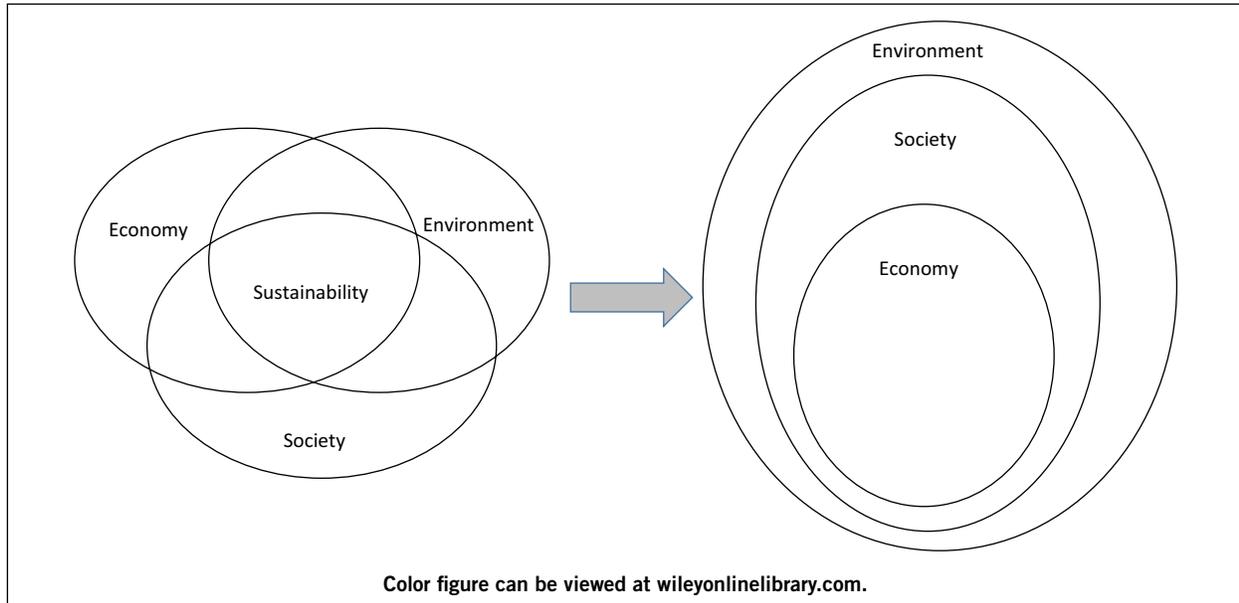


illustration on the left in **Exhibit 1** shows, sustainability models typically call for balancing environmental, social, and economic constraints. Yet, dividing any enterprise into three distinct spheres is a construct that bears little resemblance to reality. As the illustration on the right in Exhibit 1 depicts, those three spheres are deeply enmeshed: Any action in one area will affect the others. Economic activities essentially are social activities that use both human and environmental resources, and have social and environmental impacts. The business sphere cannot be treated as a stand-alone entity, separate from its greater environment.

After every class or event at her cultural center, Luo would invite the students to remain for a meal made with food she had purchased at the local supermarket and reheated. Inspired by her experiential language instruction methods, the students suggested that the center also conduct cooking classes in traditional Chinese food. Luo's ability to view a greater purpose to her teaching business and her willingness to experiment with diverse ways to

serve that purpose ultimately led her to diversify her repertoire of offerings to the point when she found an activity in which she excelled and that matched her true calling.

The cooking classes at Luo's culture center were so successful that in 2004, she opened an 80 square-meter restaurant that served traditional vegetarian hotpot cuisine and doubled as a school. "In a city like Shanghai, where space is scarce and expensive, one needs to make the most of it," she explained. "In the morning and afternoons, the space could be used for cultural activities and classes, and during lunch and dinner time, it could be used as a restaurant."

Any kind of entrepreneurship, and sustainable entrepreneurship even more so, entails having a mission to serve a purpose. Luo's was to convey and transmit traditional Chinese culture. Language learning is a powerful illustration of the concept of embeddedness. Effective language learning cannot be merely about vocabulary and grammar.

Fully understanding a language requires knowledge of the many facets of the culture that produced and has used the language over the ages. The student of the new language needs to learn to think differently, and to use new points of reference.

Sustainable entrepreneurship entails maximizing the use of production capacity so as to not waste space or resources, and serving the organization's basic purpose in diverse ways. Recognizing the scarcity of resources available to her (the space to run her operations), Luo made the most of her capacity utilization by diversifying her output while serving the single purpose of cultural instruction—running classes outside mealtime hours and a restaurant during dining hours.

Exhibit 2 details the key elements of sustainable entrepreneurship. It notes that the purpose of business is to serve needs that are situated in the environmental and/or the human sphere, while activities situated in the economic sphere are designed to

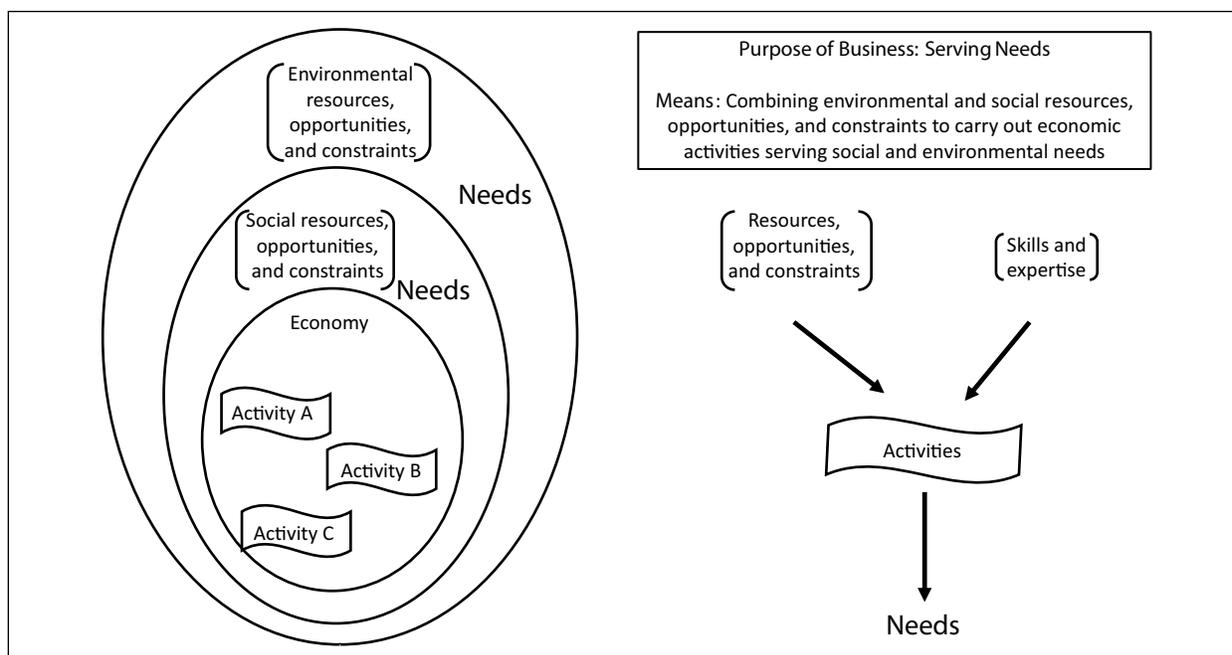
provide for those needs. These economic activities combine environmental and social resources to follow-up on environmental and social opportunities and cope with environmental and social constraints. Often, scarcity of resources and serious constraints call for a diversification of activities that will serve a single purpose.

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Old Plus New Equals Innovation and Success

Luo's choice to exclusively serve vegetarian food at her restaurant is rooted in her personal values; as a practicing Buddhist, she is a vegetarian. "Of course, I think that Buddhism is good, but my aim is not to covert people to my religion or promote it," she said. "My aim is to offer the benefits

Exhibit 2. Serving Environmental and Social Needs Through Economic Activities



of vegetarian food, because I strongly believe that it is healthy.” To attract discerning diners regardless of their beliefs, she makes sure to offer a wide selection of tasty and nutritious dishes. In her office, various cookbooks share shelf space with works on dietary advice, Chinese medicine, and Feng Shui, the Chinese philosophical system of creating a harmonious environment. The dishes she offers reflect the diversity of activities in her cultural center.

Luo’s Wu Guan Tang vegetarian hotpot restaurant became such a success that she opened two other branches: Frankie’s Kitchen, which is close to the original location, and WGT Suzhou in Shanghai’s business district. Classes are held for about 1,000 students per year at the Wu Guan Tang cultural center, while Frankie’s Kitchen, a traditional Chinese vegetarian 150-seat restaurant, serves about 600 meals in double lunch and dinner shifts, seven days a week, and employs a full-time staff of 17.

Luo opened a branch of WGT in the business district because of high demand. A number of factors fed that rising interest. In a city where many work in mostly nonphysical, sedentary jobs, an increasing number of people were turning to well-prepared vegetarian foods to achieve a more healthful lifestyle. They had become aware of the health risks of consuming processed foods—from heart disease to obesity—and of various environmental and ethical concerns over the manufacture of meat products.

Market opportunities can be created or discovered by those who scan the environment for new social and environmental trends, or a combination of both. These opportunities arise because of unserved or under-served needs among a particular cohort or even worldwide. Tapping into a need to create a business opportunity requires the application of a leader’s specific skills to serve a purpose and attend to stakeholders’ requirements. That is precisely what Luo did through her initial cultural center venture and subsequent expansion.

Capitalizing on a Chance to Internationalize

In the early 2010s, Luo would travel to the United Kingdom to visit her daughter, who was enrolled in a British boarding school. During her visits, she was struck by the limited variety of vegetarian food available in the local restaurants. Realizing that there was a need to be filled, she determined to open a branch of her restaurant there. It took her five years, however, to realize her goal.

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“In the beginning, I wanted to set up my restaurant in central London. I had the funds and a solid business plan; however, I faced recurrent difficulties to convince landlords to let premises to a foreign woman, even when I proposed to pay a year’s worth of rent upfront. On top of that, landlords did not believe that I could make money with a vegetarian restaurant,” recalls Luo. Therefore, she decided to test her concept outside London, where rents are lower and available properties less scarce, build her reputation so that she could strengthen her approach in the British market, and eventually implement a scalable project for central London. In 2015, she opened the WGT restaurant in Staines, near Windsor.

Leaders of sustainable organizations do not take no for an answer. Focusing on their purpose and mission, they aim at breaking vicious cycles that prevent innovation. They do not shy away from taking action in hostile environments so that they can bring to market new goods and services that can make a difference in people’s lives or serve markets that have historically been underserved. Luo’s vegetarian restaurant offers a good case in point. Believing that such an enterprise would be neither scalable

nor profitable, most investors and potential business partners did nothing to help resolve those issues through innovation. Unfamiliarity with or even prejudice toward outsiders—who can include such stakeholders as customers and beneficiaries (in this case, vegetarians), employees, or the entrepreneur (in this case, a foreign woman)—are often among the barriers that prevent changing the way business is conducted and shapes the broader environment. It takes a determined entrepreneur to break those barriers through clever initiatives for securing needed resources, such as crowdfunding; the use of social networks and partnerships; or, as Luo did, by changing tactics to aim at more accessible intermediary targets using readily available resources.

WGT in Staines has since been thriving, earning reviews that praise the superb quality and variety of the vegetarian food. Mirroring the Shanghai branch, it also provides Chinese cultural experiences through various activities, including yoga classes conducted in collaboration with a local studio.

Making the Most Out of the Unexpected

In early 2016, Luo had to close her restaurant in Shanghai's business district when the small building that housed it was sold as part of a parcel of land that was to be redeveloped as a high-rise. As painful as this episode was, Luo says that it pushed her to develop her business ideas further. She seized what, at first glance, appeared to be a reversal in fortune as an opportunity to rethink her concept for the business district branch of her restaurant. After several formal and informal brainstorming sessions with her cooks, close friends, and relatives and consultations with a young British marketing and branding agency, she had devised a concept for a veg lab eatery that would target both expats and native customers and make the most of several prominent trends.

Luo realized that, the emerging middle- and upper-class Chinese who were working in the city for both

local and foreign corporations were increasingly interested in vegetarian food. They also seemed ready to embrace the Western trend of adapting food intake to office life. Thus, they were seeking quick service but did not want to consume large quantities of fat and sugar. A new approach to offering high-quality vegetarian food grounded in China's ancient culinary and cultural traditions would suit the bill. The concept Luo developed was to enable customers to either eat in or take out healthy vegetarian food, an option that was not available in her other outlets. The new restaurant also incorporates sustainability into the production process, buying locally grown vegetables with a low carbon footprint, recycling, and using biodegradable packaging materials for takeout. Luo's idea of a vegetable-based fast food service is currently expanding to include online orders and an office delivery service.

Through her new restaurant, Luo hoped to not only capitalize on her homeland's heritage but also to help preserve it by reviving old recipes and inventing new ones based on traditional techniques that would transmit the tastes and textures of traditional Chinese vegetarian cooking to a new generation. The initiative would also tap into the recent trend—rooted in ancient Chinese tradition—of using healthful food as preventive medicine. Finally, by offering nutritional, vegetarian dishes in a setting designed to evoke the great outdoors, Luo sought to help satisfy city dwellers' craving to be closer to nature. To that end, the restaurant is decorated in restful earth tones and adorned with fresh plants and orchids, some of which are set in glass test tubes to reinforce the veg lab theme. Respectful of the natural flavor and shape of the ingredients she uses, Luo refuses to offer vegetarian dishes that mimic meat in either taste or appearance. Herbal teas and fruit-flavored waters are served in transparent glassware so as to not mask their color.

The veg lab concept also echoes a new trend in consumption, whereby people want an active and expanded role in choosing what they eat, and in full

conscience of the impact of their choices on nature and society. Rather than passively consuming something that has been prepared for them and scores of others, they relish the opportunity to create a custom dining experience suited to their individual preferences. They also appreciate the additional outlet for their creativity, which the veg lab experience affords.

Sustainable Entrepreneurship: Serving Needs Through Values

Sustainable entrepreneurship is often defined in terms of merely enhancing performance in the economic, social, and environmental spheres (Choi & Gray, 2008; Schaltegger & Wagner, 2011; Shepherd & Patzelt, 2011), with:

- economic objectives described as for-profit, prosperity, or gains;
- social aims described in terms of justice and cohesion, progress, or preservation of community; and
- environmental objectives described as environmental protection, environmental progress, preservation of nature, or life support.

Decades ago, a United Nations World Commission on Environment and Development report proposed that “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of ‘needs,’ ... and the idea of limitations [of resources]” (1987, p. 27).

For Sen (1999), human development entails reducing deprivation or broadening choices and real freedoms that people enjoy in a large number of dimensions. The provision of an enhanced set of goods and services stemming from market or non-market sources results in a set of capabilities (what needs an individual *could* fulfill through the *utilization* of the goods and services that are *actually*

on offer), which are then transformed into actual functionings once the individual has made a choice and selected the capabilities that she or he wants to develop or use. The theory of human development implies that both the economy and the natural environment are places in which to find *resources* that shape both capabilities and functionings. The central constituents of human development are the capabilities, which are also called needs.

Both the traditional definition of sustainable development and Sen’s theory of human development allow for the proposal that sustainable entrepreneurship aims at providing wide access to goods and services that can help enhance the set of capabilities and/or functionings of individuals. That is, depending on the quality of each capability and/or the number of capabilities on offer—under the double constraint of limited and to-be-renewed resources—the availability of those goods and services increases the likelihood that human needs will be fulfilled. This definition implies that business leaders who really want to make a difference in terms of sustainable development should cast a spotlight on the needs that are to be served.

Building on Sen’s works (1999), the proponents of the capabilities approach contend that assessing the capabilities to which individuals have access constitutes a superior analysis of human development, choices, and freedoms compared to assessing their access to resources or utility achievement. As Nussbaum argues, “Sen’s ‘perspective of freedom’ is too vague” (2003, p. 33). She builds on the theory of adaptive preferences and proposes a normative theory of social justice specifying “a definite set of capabilities as the most important ones to protect.” This normative theory takes the form of a list of capabilities or needs that are part of human development: life, bodily health, bodily integrity, senses, imagination, thought, emotions, practical reasoning, affiliation, relations to other species, play, and political and material control over one’s environment. Hence, enterprises can be classified as sustainable if

they contribute to the enhancement of those capabilities, under the resource-scarcity constraint.

Focused on fulfilling a need for meals that are nutritious and enjoyable, allowing customers the opportunity to manifest their creativity, and bridging the divide between city and country, Frankie Luo illustrates a clever entrepreneurial path to sustainability. Her success in finding and working toward a purpose lies in remaining true to herself; drawing from her own life story, experiences, and values; and embracing embeddedness—that is, recognizing that any economic activity is deeply enmeshed in the social and environmental spheres. “I love food and I wanted to share the benefits of vegetarian foods and traditional Chinese culture,” she said. “I think it is essential to follow your dreams, but to be able to do [that], you need to pay the bills as well, so it has to take a business form, with a purpose.” This ensures the viability of the activity and its scalability, so that a wider audience can ultimately be captured. In essence, sustainable entrepreneurship is about capitalizing on new opportunities to build on core values so as to spread and share well-being.

The Value of Learning from the Young

Although the study of large, long-established companies is useful, it often yields very little information on the actual process of entrepreneurship. On the other hand, the study of ventures-in-the-making offer entrepreneurs insight into experiences with which they can identify rather than look up to—on a peer-to-peer rather than a subordinate-to-superior level. They illustrate crucial lessons of the early expansion process of an entity, which are rarely captured in academic research.

Studying the experiences of smaller and relatively new businesses that have succeeded in achieving their sustainability goals, such as Luo’s Wu Guan Tang, imparts two important lessons. First, doing so yields insights into the early motives of

entrepreneurship. Later in the life of an enterprise, these are often diluted and reworked to match more sophisticated corporate strategies—and may even depart from the original rationale behind the company’s creation.

Second, spontaneous sustainable entrepreneurship, as exemplified by Luo—entrepreneurship that happens to fit sustainability definitions and criteria—provides different food for thought than constructed sustainable entrepreneurship—entrepreneurship that first spots an opportunity and then constructs a business model that aims at sustainability. The former is inductive and lets definitions and criteria emerge (to help validate, invalidate, and modify theories), while the latter is deductive, assumes that definitions and criteria are true, and tests whether reality conforms those criteria.

In the case of Wu Guan Tang, the combination of Frankie Luo’s personal history marked by Buddhist values with a first market experience gained in the wake of China’s sudden transition to capitalism provided the breeding ground for an opportunity that Luo managed to translate into a genuine sustainable venture. At her scale, she exemplifies the role of agency in sustainable entrepreneurship, whereby the actors create and define sustainability—and ultimately change the reality.

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