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Glory Tent, Now Closed

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Appendix F – Business Profile: Low End Manufacturing

Glory Tent, Now Closed



Background

History

This business venture began as the result of the vision of two individuals who were business as mission (BAM) enthusiasts, David, USA worker in China and a USA businessman from David's home church in Illinois. The business opened in 2006 as a Hong Kong holding company funded by USA investors (church friends and relatives). The subsidiary, a WOFE (Wholly Owned Foreign Enterprise), named Glory Tent Co, Ltd. was established in a town in the Guangdong province. The company renovated and rented a factory for sewing operations and began producing products in 2006. The company closed in the spring of 2009 after about three years of operations as the result of the 2008 economic crisis in the USA and a lack of demand for their product.

Business focus

The business model was a business-to-business commerce with the factory in China using an affiliate USA company for distribution to small hardware stores. The company manufactured awnings for the do-it-yourself (DIY) USA housing industry. The awnings came in 4 different colors with three different sizes for 4, 6 and 8 foot windows. They were a low-end product that opened mechanically by hand. The awnings came with the parts for exterior mounting and could be easily installed by the homeowner. The USA businessman owned a company which was the distributor for the awnings. Their customer target was the smaller hardware store chains, throughout the USA Midwest, South, and Southwest rather than superstores such as Home Depot.

Faith background

David and his wife joined a US based mission agency in 1993. They lived in Hong Kong for four years and then moved to mainland China for nine years, teaching Business English, prior to starting the BAM company in 2005 and 2006.

David was the managing director of Glory Tent Co, Ltd. His objective and purpose was to strengthen the Chinese believers who worked in the factory, introduce Christ to all the suppliers and other contacts, and improve the welfare of the factory workers and the community where the factory was located.

Professional background

David received his BA degree in Political Science and minor in Asian Studies from a state university in the USA. He also has a degree from a Biblical seminary. Prior to the 2006 BAM venture, he did not have any formal business education or practical experience in starting a business. However, he did have retail experience with his family's clothing store. David had a close mentoring relationship with a Hong Kong businessman, T.K., who also had local connections in the same town. He mentored David weekly in starting, and then , the business operations. David also had significant assistance from local Chinese Christians and his management team. His business partner in the USA provided the expertise to distribute the product to business customers in the USA. David finished an MBA from a University after returning from his BAM experience in China.

Strategy and Vision

Purpose

The purpose of the business was a triple bottom line of:

- Business – to have a successful and profitable sewing manufacturing center.
- Mission – to see a community of Christ followers be established in the district in which the factory was located, a district that did not have a church.
- Holistic – to provide a quality work environment for employees and find ways to bless the larger community.

Values

The business values were:

- Integrity
- Humility
- Accountability
- Servant Leadership
- Quality
- Stakeholders

Business goals and objectives

The business goals and objectives were to become a sustainable and profitable business enterprise that reflected Christ to the Chinese community.

The specific BAM objectives were:

- To hire local Chinese Christians
- To disciple Chinese Christians in the marketplace context
- To proclaim Christ and convert Chinese in the factory
- To begin a factory fellowship or house church
- To proclaim Christ and convert Chinese vendors
- To interact with all stakeholders in a godly way
- To provide humane working conditions
- To live and exemplify Christ in the local community

Additional facts and statistics

The company started in 2006 as a Hong Kong holding company with shares owned by USA investors. The investors were mostly church members, friends, family and the USA distribution company. A mainland Chinese factory, Glory Tent Co, Ltd, was the 100 percent subsidiary of the Hong Kong company. The start-up capital used was about US\$100,000. The final amount invested was US\$250,000. Upon closure, there were no outstanding debts. However, no money was returned to the investors.

The number of employees at peak levels was 20, with about 12 factory women who sewed the awnings. The women were all from the local community except for one migrant worker. All of the management team, consisting of: the factory manager, secretary, and bookkeeper were Chinese Christians. David was the Managing Director of the Chinese factory and took a small salary from the operations (8,000 RMB per month), but the majority of his living and housing allowance and ministry funds came from USA donations through his sending organization.

The financial model was designed around these basic targets:

- 10% profit to mainland China factory,
- 30% profit to the Hong Kong Holding Co,
- 30% profit to the USA distribution company,
- 30% profit to the customer-the hardware store.

For example, the 4 foot awnings cost approximately UD\$30 to make and sold to Hong Kong for US\$33. The Hong Kong company sold them to the USA distributor for US\$60, who in turn sold them for US\$90 to 100—retail list price of US\$109 or 119.

The factory produced at its peak two shipping containers per year of about 2,000 awnings per container, or 4,000 awnings per year. The materials for the awnings involved working with primarily 3 suppliers: the awning fabric, the awning aluminum bars, the awning metal brackets and screws. The women were provided Japanese quality (Chinese assembled) high-speed sewing machines.

The factory was operating effectively producing the awnings to produce inventory for the USA distributor when the economic crisis effectively stalled demand. The factory produced only awnings and did not have other products to sell. The company was dependent on only one customer, the USA distributor. There were also detrimental changes to employment contract laws in China which increased costs and changed the conditions of hiring, firing, and letting go or calling back. These factors created a cash flow crisis and an inability to keep the workers employed.

In late 2008, the decision was made to shut down the operations in China, which was finalized in the spring of 2009. As of fall 2012, the USA distributor was continuing to sell stockpiled inventory of awnings through direct selling with Sky Mall Magazine, the official magazine of Delta Airlines and Star Alliance affiliates.

BAM Experiences

David operated the company on Biblical principles of love and caring for the employees and the relationships with other stakeholders in the community. The factory was closed on Sundays for a day of rest. The factory workers were provided individual fans and lighting over their sewing tables. They worked 8am to 6pm with a 2 hour break for lunch. The demand for the awnings was not enough to require overtime work. The factory workers were paid by the piece. The management team consisted of Chinese Christians who met once a week for a prayer meeting.

Many BAM purposes and objectives were accomplished in the short three year history of this company. Local Christian Chinese were hired into management and disciplined in living the Christian life in the marketplace. One non-Christian Chinese, the sewing supervisor, became a believer through the witness and lives of the Christian management team and is part of the local church. The company employed 12 women for sewing from the local area. One vendor and one consultant made conversions to Christ during the time of operating this company. Godly business behavior was exemplified to the local community. The company was never able to establish a new fellowship in the factory district but was able to lead a total of three people to Christ, witness to many who were not being reached through traditional church activities.

One of the highlights of this BAM enterprise was hiring and disciplining a local Christian Chinese management team. This team grew through the initial success and then the adversity of closing down the company. The factory employees were positively impacted by the work conditions and employment practices. After closing, all of them were able to find jobs locally. The experience for three years was valuable to David who continues to consult and advise on BAM matters in Asia.

The factory business enabled David, his own family, and his teammates to continue living in this city. Many other contacts and activities initiated outside of the factory setting which led to many people being witnessed to. One of David's teammates helped establish a new church in a small town that has since started two more churches. That would not have happened if David and his family weren't living and working in the city.

However, the company had to close its doors in 2009 due to a lack of sales. Although this could be considered a failure, the lessons learned, both business and spiritual, were valuable to the Christian Chinese management team and David.

Success criteria

Success was defined by the business stakeholders as a profitable and thus sustainable enterprise which would employ local Chinese and impact positively the community. However, positive cash flow to continue operations became impossible, thus limiting longer-term success by causing the close-down of operations. The spiritual success was harder to define as the changes in both Christian and non-Christians hearts, minds and attitudes is sometimes unknowable. However, the Christian management team grew in their understanding and walk with Christ and there was at least one conversion of a Chinese worker and two other contacts.

Lessons learned

The key *business* findings were:

- Lack of product diversification was contributory to shut-down.
- Reliance on one customer was risky and limited sales demand.
- Product development and market research was missing.
- Lack of marketing expertise hindered expansion in the USA.
- Lack of business experience and training was challenging for GM.
- The USA economic downturn had a strong negative impact.
- Alliances and networks of committed companies and people is crucial to successful start-up of the company.

The key *mission* findings were:

- Opportunities for witnessing and living Christ were abundant because of the marketplace setting.
- It was difficult to establish spiritual momentum when the factory business started to flounder.
- There were positive opportunities for community involvement because of the business operations.

Recommendations

Future BAM start-ups in China should consider finding a franchise to establish the business. The franchise has the advantage of established “how to” manuals for the business operations. This would enable an inexperienced BAM manager to have a greater chance of success. The franchise model would allow the Christian managing director to also focus time and energy on social and spiritual issues.

Conclusion

BAM enterprises are subject to the same forces that all businesses and entrepreneurs experience —the free-market. The first five years are crucial to establishing a sustainable business operation that is diversified in products or services and dependent on multiple customers. Relationships with vendors, customers, mentors and other stakeholders are key to a successful launch of a business. Commitment of key stakeholders, such as investors, joint-venture relationships, and mission agencies are critical to initial success. BAM is successful at establishing companies that are examples of integrity, fair employment and working practices, and contributory to local economy. The inexperience of the BAM entrepreneur, along with a dependency on one product and one customer were negative impacts on the sustainability of the business. The BAM spiritual impact, although perhaps unknown, is a building block when integrated with other organizations such as churches and Chinese Christians that will lead to greater long-term fruit.

Research:

Interviewee: Company founder and managing director, David (pseudonym)

Interviewer: Daniel Sterkenburg, Associate Professor of Business, Cedarville University