

EXPANSION AND RESTAURANT
ENTREPRENEURSHIP

A Thesis

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of Cornell University

In Partial Fulfillment of the Requirements for the Degree of
Master of Science

by

Jeffrey Starrett

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ABSTRACT

The Objectives of this study were to, first, determine the reasons individuals strive to become successful restaurant entrepreneurs; second, discover why restaurant entrepreneurs, after achieving success in their initial venture, expand beyond single-unit status; and third, identify how certain restaurant entrepreneurs have expanded their restaurant operations.

The data was collected by three methods – an in-depth research of restaurant trade journals, a questionnaire developed by the author and mailed to ten restaurant entrepreneurs in the United States, and, finally, personal interviews by phone or in person between the author and the ten entrepreneurs previously contacted by mail.

The author's conclusions concerning restaurant entrepreneurship and expansion to multi-unit operations comprise the final chapter.

BIOGRAPHICAL SKETCH

The author was born in Pittsburgh, PA on January 17, 1957. In May 1979, the author graduated from Bates College in Lewiston, ME with Bachelor of Arts degree in Russian History.

After spending two-and-one-half years working in restaurants in the Boston and Cape Cod areas, the author returned to graduate school to pursue an advanced level degree in the Masters of Professional Study Graduate Program in the School of Hotel Administration at Cornell University. The author submitted a final copy of his Master's Thesis in December 2013.

DEDICATION

To Two Friends Who Assisted Greatly in Keeping Me Sane

Throughout My Two Years at Cornell:

David and Michael

Thank You!

ACKNOWLEDGMENTS

I would like to express my appreciation and thanks to my advisor, Assistant Professor Antoinette Colucci, for her much needed help with this project. Her knowledge, understanding, humor, and little portable type-writer are four major reasons this project was completed.

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CHAPTER I INTRODUCTION

The choice of this monograph topic was made for the purpose of providing answers to the questions of students whose career objectives are specifically oriented to independent restaurant management. This monograph will investigate the dynamic function of single restaurant unit to multiple unit ownership with particular emphasis on determining why expansion follows an initial success and how a restaurant entrepreneur expands beyond his or her successful restaurant venture.

This author feels the topic of restaurant expansion and the successful entrepreneur is worthy of study because it is an area about which no organized study has been directed. Many studies have been directed towards attempting to define the entrepreneur's psychological makeup and explaining why men and women first take a career path as a restaurant entrepreneur. However, little research has been done in an attempt to explain why expansion occurred after being successful in an initial venture. Also, since the author aspires to self-employment in the restaurant business, the study of successful single-unit restaurateurs is critical.

It is the opinion of the author that expansion beyond single-unit status is not necessary nor desirable if an entrepreneur is successful in achieving his or her personal and financial goals in the initial restaurant venture. The author perceives expansion as the

end of the restaurateurs ability to enjoy entrepreneurial status. More often than not, an individual becomes self-employed for the purposes of enjoying certain freedoms while still accepting the responsibilities and the rewards associated with a successful entrepreneur.

Due to the changing nature of entrepreneurial status in the restaurant industry it is theorized here that the study of such individuals will reveal that expansion from one unit to many was purposeful, intentional, financially rewarding, and ego gratifying. Further, the author hopes to ascertain and determine whether or not expansion beyond an initial successful restaurant venture is essential for survival. It is the hypothesis of the author that expansion is not necessary for survival.

Objectives

The objectives of this monograph are as follows:

- Define the single-unit entrepreneur. By defining and profiling the entrepreneur, the monograph will attempt to answer the questions, "Why did this person enter the restaurant business as an entrepreneur?"; "Did the Restaurateurs contacted enter the restaurant business planning to expand?"; "Does expansion signal the end of entrepreneurship?"
- Answer the questions, "Why did expansion take place in the case of each restaurateur contacted?" "Was it the challenge, the money or a necessary business action?"
- Examine the steps each took to expand beyond their initial restaurant. "How did each accomplish the expansion?"

Scope and Limitations

The scope and limitations of this study are limited to the following:

- Profiling the successful restaurant entrepreneur.
- Discovering why restauranteurs expand beyond their initial successful venture.
- Explaining how several restauranteurs expanded after experiencing success in their first restaurant.
- Only 10 restauranteurs were contacted for this study; they were chosen on the basis of the author's knowledge of their business operation gained through reading and/or personal visits.

The monograph will not discuss the history and policies of specific restaurants contacted. The author will avoid an in-depth case study of each restauranteur's properties. The reasons why and how expansion took place are the focus of this study.

Definitions

For the purpose of this study, certain terms must be defined at the start. "Entrepreneur" is used by the author to denote a person owning and operating a single restaurant property. "Restauranteur" is used to denote an owner and operator of more than one restaurant.

CHAPTER II

Webster's defines entrepreneur as, "A person who organizes, operates and assumes the risk for business ventures, especially an impresario (i.e., a manager, producer)." Robert L. Schwartz, founder of the School for Entrepreneurs in New York, sees entrepreneurs as agents of change, a kind of poet and packager of new ideas (1). Whatever definition best fits, more and more of these entrepreneurs are entering the American marketplace each year. The number of new business starts in the last three years has gone from 90,000 to 450,000 (2)

Studies exist that examine those entrepreneurs that fail. One study discovers two-thirds of all new businesses fail by their fifth year (2). A Dun & Bradstreet Report suggests one of three new businesses survive the first four years (13).

But what about those entrepreneurs who do not fail? More importantly to this study, what makes the restaurant entrepreneur successful? Why do certain restaurant ventures survive beyond the fourth and fifth years? Papers examining successful restaurant entrepreneurs exist but in very small numbers, compared to papers discussing failure. This author has found that persons examining entrepreneurs seem to find discussing failure in quantitative terms much easier than discussing success in qualitative terms. Failure to most is easier to define in terms of numbers, dates, and other hard

facts; success, it seems, includes qualitative characteristics difficult to measure and make visual on paper.

Patrick Liles believes successful entrepreneurs possess strong characteristics of ambition and ability common to many individuals. Specific personal experiences and situational conditions -- rather than personality or ego -- are the major determinants of whether or not an individual becomes an entrepreneur (9). Barry Wine, owner of a gourmet New York restaurant, The Quilted Giraffe, began his restaurant as a side venture to his wife's art gallery, with the idea that the patrons of the gallery might want a "bit of quiche while art-gazing." Within three years, Wine had quit his law practice to spend all his time running the restaurant (18).

Robert Schwartz feels successful entrepreneurs are driven by the energy that comes from believing totally in the venture they have started (1). Mike O'Neal, owner of seven New York City restaurants, also believes that self-motivation is the key to a restaurant entrepreneur's success. He states,

The restaurant is the owner's livelihood and often his whole life; everything centers around it. That type of dedication is something you cannot always buy with profit sharing or big bonuses (7).

Others feel certain entrepreneurs are successful because they have made a business out of a hobby or something they love to do. Productivity is geometrically greater when the entrepreneur is working at something he loves to do (19). One entrepreneur formed his own game company, TSR Hobbies, to take advantage of his love for

board games. He subsequently created Dungeons and Dragons, a major contributor to TSR's sales of over \$22 million in 1982 (19).

Carrie Cerino began baking wedding cakes and pastries as a hobby in 1943. The demand for her products quickly outgrew the production capabilities of her small basement, and in 1961, she opened Carrie Cerino's Ristorante. Current annual sales have been reported at \$2.3 million (3).

Mr. Rob McClellan of Design Associates, feels successful restaurant entrepreneurs exist because they have first-hand capabilities to organize and to make input into every aspect of their venture (20). A manager within a large corporation does not always have easy direct access to channels of input that an entrepreneur does. Qualities such as spontaneous creativity, sound business savvy and interpersonal relationship skills can and are used more easily in the less rigid structure of entrepreneurship than in the more rigid confines of corporate organizational charts. Such qualities may be inhibited and lost in a large corporation, but an entrepreneur's position allows maximum utilization of these personal qualities and characteristics (20).

But why do successful restaurant entrepreneurs enter the restaurant business in the first place? Evan Shark, a former real estate developer turned restaurateur in Bismark, N.D., feels that everyone thinks they can do better than the restaurants in which they eat. Their ego makes them believe that their homemade onion soup or their cheesecake recipe is better. On these credentials, they think they can run a restaurant (17).

Being the boss spurs entrepreneurial endeavors. The chance to be independent and the challenge of proving to others how smart one is fuels this burning desire to be the boss. Robert Kuhn, Professor at New York University School of Business, feels the entrepreneur wants achievement, not power (19). The entrepreneur has a need to be master on his/her own destiny. Robert Penrod, founder of Penrod's Casual Theme Restaurants in Atlanta, worked for eight years running a McDonalds franchise. In 1976 he broke the corporate ties with McDonalds to begin using his experience, ideas and expertise in the opening of his own restaurant (14).

Fred Bleakley, in an article for Venture Magazine, discusses the psychic rewards an entrepreneur seeks when first creating the business. Included among the list of psychic rewards are the emotional satisfaction of meeting a challenge, a sense of accomplishment and achievement, and the pride that comes when people recognize what you have done (19).

The successful restaurant entrepreneur is successful because of a combination of many of the characteristics and factors previously discussed. Schwartz feels success is a result of:

1. A romantic drive for change and personal fulfillment, both impossible to obtain within the politics of a corporate structure.
2. The ability to take advantage of major social changes in our society (e.g., a recession) when new ideas and concepts are of enormous interest.
3. A real business sense, i.e., the ability to organize and present your ideas to potential investors and consumers.
4. The commitment to stand behind his/her ideas and decisions.
5. The on-the-job experience that teaches you to "buy low and sell high" (1).

With their initial venture, many restaurant entrepreneurs follow a standard business progression, experiencing a wide spectrum of peaks and valleys along the way. Typically, the successful entrepreneur has worked five to ten years in a variety of restaurants before opening his/her own restaurant (10, 14, 18). One example is the award-winning chef, Ryo Sato. He worked for seven years in Los Angeles with Davres, the Fine-Dining Division of A.R.A. He supervised forty-five cooks producing 8,000 meals daily. In September 1982, he opened Chez Sateau, where he personally prepares, wholly or partially, every menu item that is served. At Davres, Sato was able to practice and perfect cooking and organizational skills that he now uses to operate his own restaurant (18).

A large percentage of today's successful restaurateurs opened their first restaurant venture alone or with a single partner. Only after success had been achieved were investors and managers approached as potential partners (Exhibit A). Robert Hillson of Boston, Massachusetts opened Cityside Bar & Restaurant in 1977 in the then newly-opened Fanevil Hall Marketplace. Cityside was, and is, wholly owned by Hillson and a college roommate. Hillson himself designed the restaurant, created the menu, hired and trained the initial management team and line employees, and worked as host day and night for the first month. After this first month, Hillson realized he had a successful venture and decided to try it again. In planning Seaside Restaurant & Bar, Hillson approached three potential investors for their ideas and money. In late 1977, Seaside opened with the financial backing of five investors, and was being managed by a team of managers. Hillson was a minor interest financial

investor and a major supervisory thrust of the management team. Subsequent expansion of the Seaside theme into Cleveland, Ohio and Newport, Rhode Island followed the same plan as the initial Seaside Restaurant -- Hillson oversees the entire operation in the role of President of R&J, Inc., the parent company, while other men and women invest their money and operations expertise (Exhibit A).

Many restauranteurs took advantage of a "can't-miss" location to become successful. Management expertise and creativity contributed; however, the locations of their restaurants were the primary reasons for success in their ventures (18). Bill Klaess of Denver opened Brendles Restaurant and Harry's Bar & Grille in September 1981. The restaurants are located in a renovated, brick meatpacking plant, in downtown Denver. This area of Denver is currently in the process of rehabilitation of its historic elements, construction of high-rise commercial and residential developments, and completion of a pedestrian mall. A newcomer to the restaurant business, Klaess had worked in the advertising departments over 15 years for such corporate giants as IBM and J. Walter Thompson. Despite his lack of restaurant experience, Brendles grosses about \$70,000 per month, while Harry's does about \$60,000 per month (18).

As can be seen by this review of literature and discussion of restaurant ownership, little qualitative information about successful restaurant entrepreneurship can be documented. It is for this reason that subsequent chapters were undertaken to begin to determine this information.

CHAPTER III

A questionnaire sent to ten restauranteurs (Appendix A) in early February 1983 was designed for the following purposes:

1. To collect background information on each restauranteur.
2. Act as a tool that initiated thought processes about future points of discussion with the interviewer.
3. Act as a springboard for additional discussion during the interview with the author.
4. Specifically determine why and how expansion took place.

One week later each restauranteur was contacted to ensure he had received the questionnaire and for the purpose of arranging a personal interview with the author to discuss the topic in detail.

The restauranteurs selected to receive the questionnaire were chosen for the following reasons:

1. Each restauranteur began with one restaurant and expanded after initial success.
2. Each restauranteur is currently involved with at least two restaurants.
3. On site or personal visitation by the author is possible in eighty percent of the cases.

The questionnaire also was developed to introduce the author's monograph topic to the restauranteurs, before attempting to arrange a personal interview with each one. The cover letter (Appendix B) and questionnaire (Appendix C) allow each restauranteur to develop some thoughts about entrepreneurial stance and expansion prior to a personal interview with the author.

A few of the restaurateurs contacted were in distant locations. Because of this factor the questionnaire returned by them served as the sole source of information. In these cases telephone conversations were conducted to supplement the questionnaire.

The questions were designed to provide the author with preliminary answers to why entrepreneurs expanded beyond their initial successful restaurant. To re-emphasize, it is the opinion of the author that expansion beyond single unit status is not necessary if the original unit is a financially successful venture. Questions #5, 9, 10, 12, and 13 direct questions as to why expansion took place.

The author is attempting to determine whether expansion occurred because the initial restaurant concept and strategy was successful in and of itself. Did the restaurateur recognize that his restaurants had the potential to be consistently successful by creating the necessary market demand? Was the expansion a desire to create an empire and provide ego gratification? Or, on the other hand, did expansion take place because expansion was necessary for some type of survival? This, in essence is the underlying crux of the study -- to determine what was or were the determining factor(s) which led the restaurateur to expand his initial success beyond one facility.

Certain questions -- #1, 3, 4, 8, 11 and 14 -- were asked to discover each restaurateurs definition of "entrepreneurship." By comparing these answers to how their respective careers have actually progressed, the author will be able to determine whether or not each restaurateur considers himself an entrepreneur after

expansion. The author wants to discover whether each still feels he is an entrepreneur, contributing daily on a personal basis to the operation of his restaurants.

Results from the questionnaire were tabulated in chart form and analyzed in discussion format. Prior to this analysis, a brief profile of each of the respondents to the questionnaire is presented in Chapter IV for the purpose of establishing a framework of understanding for the discussion of the results found in Chapter V.

CHAPTER IV

This chapter provides a profile of the restaurants whose ownership and/or management responded to the questionnaire. Data used for this profile was obtained from one or more of the following sources:

1. Date sheets from the restaurants.
2. Personal interview via telephone call.
3. On-site visitation by the author.
4. Pertinent articles from professional trade journals.

Growth Enterprises

Growth Enterprises, Inc. is the parent company of several unique restaurants in the north central part of New Jersey.

Growth was started and is owned and managed by two Cornell graduates, Jack Welch and Jeff Beers. They started in a small diner and now own restaurants doing more than nine million dollars in sales per year.

Their expertise has been in renovating and restoring buildings in an early 1800's motif. These include:

The Store

An early 1800's landmark in Basking Ridge, N.J. renovated as a "general store".

The Publick House

A N.J. historical landmark. This building was originally a stagecoach hotel and is located in picturesque Chester, New Jersey. Overnight lodging and dining in an "old inn" atmosphere make this restaurant a "must" for travelers in the area.

The Office

Three "Offices" have been opened in suburban New Jersey locations. One menu of lighter items is offered in surroundings suggesting a 1900's office theme. All restaurants have surpassed budgeted sales and profits by wide margins on a continuing basis ... a very successful venture.

Whitehouse Junction

Imagination and skill were needed in restoring an old restaurant building that included two railroad parlor cars on the property. Whitehouse Junction's unique design and decor feature a "subterranean" entertainment and banquet facilities appropriately called "TRACK 29".

They feature "value given for value received" and enjoy a fine reputation for return business. The menus are medium-priced and feature one-half portions and daily "specials" as a regular attraction. Steaks, daily fish items, quiches, various beef and fowl items, as well as an assortment of burgers, salads, etc. offer a generous and varied selection.

R & J, Inc.

R & J, Inc. is the parent company of three restaurant/bars in the Quincy Marketplace area of Boston, Massachusetts.

R & J was created in 1976 by major shareholders Jerry Feldman and Robert Hillson. Feldman has only financial interest in the corporation while Hillson actively manages all operations in his role as President of R & J, Inc.

Their expertise has been in creating a casually elegant atmosphere featuring light wood, brass, and greenery. Their restaurants include:

Cityside Restaurant
& Bar

A high-volume sandwich, burger, salad, and beverage restaurant/bar located in a renovated cellar of Boston's Quincy Marketplace.

Seaside Restaurant
& Bar

An upscale, full dinner seafood restaurant and high volume bar located on the second floor of a renovated warehouse in Quincy Marketplace. ✓

Dockside Restaurant
& Bar

This "workingman's bar" was created to attract the customer tired of visiting the Marketplace. Sandwiches, soups and beverages are the menu features.

R & J attempts to attract the upper-middle-to-higher class customer desiring good seafood, sandwiches, and drink while visiting Quincy Marketplace. Location, decor and menu are designed together to create a modern yet comfortable atmosphere for tourists and regulars alike.

Church St. Station

Church St. Station is the parent company for Rosie O'Grady's Goodtime Emporium Restaurants in Pensacola and Orlando, Florida, and Cheyenne's saloon and opera house, in Orlando.

Church St. Station was created by Robert Snow in 1967. His restaurants now gross \$18 million annually.

The theme present in each operation is best summed up by the name Rosie O'Grady's Goodtime Emporium. Snow attempts to attract Florida's tourists and natives to his restaurants and bar for a few hours of Dixieland Jazz, drink specials, innovative menu items and a lot of good company.

His business ventures include:

Rosie O'Grady's

Four acres of Dixieland Jazz, Bluegrass music, Disco dancing, full service restaurants and reduced drink specials -- all under one roof in a renovated railroad station.

Cheyenne's Saloon & Opera House

A Texas-style dance hall with full bar, restaurant and game rooms overlooking the dance floor and band's stage.

All operations feature stained glass windows, large bar areas, polished wood, brass and live entertainment. Snow's policy of providing a high class atmosphere of fun attracts over 4,000 people daily.

Ridgeway, Inc.

Ten years ago Tony Ridgeway opened The Chef's Garden in Naples, Florida. In 1978, he and his partner Beirne Brown took advantage of the opportunity to expand to the second floor of the building that housed the Chef's Garden. The new venture was named Truffles.

Today, Ridgeway and Brown own and operate the two restaurants previously mentioned as well as a second Truffles located in Sarasota.

Ridgeway is the Executive Chef and supervises the menu for all restaurants. Brown is the "Front Man" handling customers and employees' matters.

The Chef's Garden:

A sophisticated, continental menu served in a main indoor dining area and enclosed patio decorated in pink and green. More formal than Truffles with a large market of tourists.

Truffles:

Hearty salads, sandwiches and entree specials served in a casual, butcherblock table atmosphere. A take-out deli is a highlight.

The Daniel's Group

The Daniel's Group was founded in 1976 by Mr. Daniel Fravil. The company's first restaurant, Danny's Place, opened in Ithaca, New York on the first of that year. In February 1979, Daniels was opened in Johnson City, New York and in 1982, the company assumed control for total food and beverage operations at the Ithaca Yacht Club on a contract basis.

Danny's Place

Soups, salads and sandwiches served in "colonial" atmosphere -- heavy, dark wood and stained windows -- emphasis on wine sales with a changing wine list.

Daniels

Patterned after Danny's Place from decor to menu.

Ithaca Yacht Club

Dining room, snack bar, and bar operated on a contract basis. Currently in second year in this seasonal operation. Steak and seafood menu.

Penrod's Inc.

Penrods, Inc. is the parent company for three "casual but dignified" theme restaurants in the Atlanta, Georgia area. Robert Penrod, President, founded the first Penrod's in 1976 after 8 years as a McDonalds franchisee.

The restaurants feature high liquor sales, an emphasis on hot appetizers, a casual service style and a predominantly white, affluent crowd. The decor includes dark wood paneling, greenery, framed drawings and sketches and tiffany-style lamps. The restaurants are not segmented into separate areas but tend to have an open feel through the use of multi-leveled floor design.

Rusty Pelican Restaurants

The Rusty Pelican Restaurant Group opened its first restaurants in 1965. These included the Ancient Mariner, The Rusty Duck and the Walnut Creek Railroad Station, all based in California. Shortly thereafter, The Rusty Pelican was opened. This concept was an immediate, and lasting success. The owners decided that this concept was strong and would continue longer in popularity than the others. The initial concepts were phased out and additional Rusty Pelican restaurants were developed. Since then, the company has grown outside of California with twelve restaurants in cities such as Houston, Texas and Portland, Oregon. Future goals project openings of three to five restaurants of the Rusty Pelican theme each year.

The Rusty Pelican*

Waterfront atmosphere - emphasis on seafood and liquor sales - hot and cold appetizers served in the bar - live entertainment nightly in the bar.

Peter Siracusa, one of the originators of Chart House, founded the company and remains president.

Clydes, Inc.

Clydes was started in 1963 in the Georgetown area of Washington, D.C. as a classy saloon with great drinks, burgers and chili. Today the Clydes group has grown to four units: the original Georgetown location, a 100 year old "grill" on Capitol Hill and two high-volume locations in two affluent suburbs of D.C.

Clyde's of Georgetown

Burgers, chili, omelettes, salads and desserts served in a classy saloon atmosphere.

The Old Ebbitts Grill

Similar to Clyde's of Georgetown.

Clyde's of Columbia

More lavish decore, an expanded menu and a higher check average than the other two locations. More "family" business than Georgetown or Capitol Hill.

Clyde's of Tyson Corner

Six distinct dining areas, each with its own decore and menu. Three rooms include The Oyster Bar, The Grill Room and the Palm Terrace.

* Author's Note: Rusty Pelican group is included in this compilation because the author felt that the expansion that took place was an expansion of an entrepreneurial endeavor despite the fact that it has grown to a region restaurant chain.

Partners Stuart Davidson and John Laytham emphasize the quality and activity of the decor of each operation. They feel they can expand more easily with this emphasis rather than relying on fad items and trendy gimmicks to attract and keep customers.

Monolith Enterprises

Monolith Enterprises began in 1970 when three college students, opened a Blimpie's sandwich franchise. Over the past 13 years, the company has developed a still growing restaurant concept named American Cafe.

Currently there are 5 American Cafe units in the Washington, D.C. area. Current annual sales are over \$10 million and the company plans a national expansion that would be financed in-part through a public stock offering.

American Cafe:

All feature a sleek, modern decor with a traditional menu of sandwiches, soups and light entrees prepared with quality ingredients and for eye appeal. A central commissary prepares all food items and then distributes them to the various units, thus insuring quality control and consistency. Each unit also features a market deli, adjacent to the restaurant where take-outs of all menu items products are available.

Mr. James Sullivan, Vice-President of Monolith, was one of the three 19-year-old students who created the company. He credits success to the company's ability to target and attract the nation's most influential market segment -- the upwardly mobile, 20 to 40 year old segment.

CHAPTER V

RESULTS

Of the ten questionnaires distributed, eight responses were returned. Follow-up telephone calls to the other two non-respondents were not successful.

Because of the unique nature of the data this chapter is presented with an overall synopsis of the response of each of the respondents highlighting reasons and methods for expansion. The remainder of the chapter analyzes the responses on a question by question basis.

The reasons for, and methods of, expansion varied among the respondents. Robert Hillson of R & J, Inc., expanded beyond his initial restaurant because:

1. He needed another challenge to show the public he could do it again.
2. He did not want to lose any of his managers or staff who also wanted new challenges and working areas.
3. He saw an opportunity to make money and he "grabbed" it.

Hillson was initially successful with Cityside Restaurant & Bar, which opened in 1977 in Boston's Quincy Market area. Eight months later, he opened Seaside Restaurant & Bar. Hillson's ego, his wish to keep his employees happy, and a desire for more financial rewards led to further expansion of the Seaside theme into Cleveland, Ohio

in 1978 and Newport, Rhode Island in 1980. Both were financial disasters and each closed its doors within 2 years of opening. Hillson subsequently opened Dockside Bar in 1982 in Boston (see Exhibit A).

The expansion process in each case followed the same pattern. First, Hillson would be contacted by a developer with space available for a restaurant. Hillson would then recruit investors to provide the finances necessary. Hillson would then hire a construction firm to build a restaurant according to his designs. Finally, Hillson staffed his new restaurant with employees and managers from the original Cityside & Seaside employees. Little was done in terms of a feasibility study, a market plan, or formal training of management personnel. Hillson felt his ideas, concerns, and theme would work anywhere.

Today, Hillson has established central offices where administrative functions for Cityside, Seaside, and Dockside are centralized. Accounting, payroll, and advertising are three of the functions done in the offices. However, each of the restaurants remains separate in every other sense. Each has its own manager, assistant managers, chef, and head bartender; purchasing, staff hiring, and training, and menu planning are separate. Besides the offices, Hillson is the only link between the three operations; he visits each restaurant daily and takes his turn acting as host on a regular basis at Cityside and Seaside. His word is the final word in any decision concerning the three restaurants.

When Monolith Enterprises was created in 1970 by Jim Sullivan and two college friends, expansion was in mind from the very beginning. It hired a large management team that could be trained and transferred

to new locations. They also created a central kitchen to assure food quality and consistency. The name American Cafe and the same menu are used at each location. Today, the corporation operates 5 units in the Washington, D.C./Baltimore area (see Exhibit A).

When choosing a site for expansion, Monolith desires a location where the 20-40 year old market segment comprises a large portion of the nearby population and traffic centers. With the early establishment of a formal training program for managers and the central commissary kitchen, Monolith expansion decisions are based on a suitable location being available. Expansion is going to happen; the only question left is where. (By 1990, the corporation plans to operate 99 restaurants in three eastern seaboard cities with projected sales topping \$50 million annually.)

To finance expansion, Monolith obtained financing initially from several different sources, including small business administration, loans, banks, equipment leasing, landlord participation and company profits. Presently, the corporation plans a public stock offering to finance further expansion.

According to John Laytham of Clyde's Restaurant group in Washington, D.C., his corporation's success is a result of expanding "where we are desperately needed." He feels saloons that combine successful elements of casual bars and classy restaurants are more fun to eat and drink in. The four Clyde's Restaurants offer their patrons a relaxed, comfortable atmosphere where one can escape and enjoy themselves (see Exhibit A).

Soon after opening the original Clyde's in D.C.'s Georgetown District in 1963, Laytham began making expansion plans for a variety of reasons.

First, the original location could no longer handle the demand by its customers; there were not enough hours in a day nor seats in the restaurant and bar to serve everyone who wanted to come to Clyde's. Second, Laytham looked for expansion possibilities to find places for management personnel who have grown in experience and ability. Third, Laytham wants to take advantage of financial opportunities despite the extra work, time, and worry associated with opening and operating another restaurant.

When expanding, Laytham looks for locations in heavy traffic centers. In each new location, Laytham attempts to create that atmosphere that attracts people who want to relax and have fun away from the busy world around them.

Laytham also emphasizes the quality and activity of decor when expanding. Each Clyde's must provide action for patrons to view at every point in the restaurant. The new Clyde's in Tysons Corners is actually six distinct restaurant/bar areas, designed to attract six market segments under one busy roof.

Laytham feels the saloon theme of Clyde's facilitates expansion due to its ability to create a busy, fun atmosphere in a relatively small area. A larger more extravagant theme is more difficult to expand into a multi-unit concept. "A saloon full of character," operated by capable management, and staffed by energetic and concerned personnel, is an expandable theme according to Laytham. (Exhibit A)

Each unit is operated as a separate business entity with their own purchasing, personnel and maintenance departments. Accounting and other administrative are centralized in the corporate offices.

Beirne Brown of Ridgeway, Inc., states that he and his partner expanded because of the opportunity to do so was challenging to them and had the right management personnel with which to expand at that time. They opened The Chef's Garden in Naples, Florida in 1972.

In 1978, they had an opportunity to take over the second floor of the building that housed The Chef's Garden. They worried about spreading themselves too thin, but Brown felt that the employees had reached a certain skill level, necessitating additional challenges. Brown and his partner also looked upon the opportunity as a personal challenge and decided to open Truffles.

In expanding, the partners decided to create a different atmosphere than that of The Chef's Garden. The Garden's more sophisticated environment features an extensive wine list, high priced entrees and an enclosed patio decorated in forest green trim and azalea pink tablecloths. Truffles check average is half that of the Garden's \$25 check average. It was designed to be an intimate bistro with butcher block tables, hearty salads and sandwiches, and daily, light-entree specials.

In January 1982, Ridgeway, Inc. opened their third unit -- a Truffles in Naples, Florida. Brown states that the Truffles concept was used as a basis for expansion because its lower check average and more casual atmosphere seemed to be the right concept upon which to base growth. Any further expansion will be done using the Truffles

concept. Each new unit is part of the larger group but is operated as a separate business entity with separate management operations, offices, and personnel.

Jack Welch of Growth Enterprises opened his first restaurant in 1972, two years after graduating from Cornell University's School of Hotel Administration. As a senior at Cornell, he and his present partner did a feasibility study of limited menu restaurants. That project provided a working plan Welch used to develop a corporation owning 7 restaurants in New Jersey, with annual sales of over \$9 million (Exhibit A).

Welch credits two keys to the success in creating a small restaurant company: (1) People - the staff must be trained, enthusiastic, and talented; and (2) Don't try to get rich over night - give value for value received. For example, food cost in all units averages 45-48%, well above national averages of 39-42%. However, Welch wants huge, substantial portions and high quality food on each customer's plate.

Growth's expansion plan is centered on "the office" theme (see Exhibit A). for details on Growth's early restaurant concepts). The Office theme is a limited menu restaurant featuring a "light pub" atmosphere. The decor depicts an authentic 1890's office - pages from ledger books decorate the walls, old typewriters, punch-locks, and files are everywhere. Food entrees are piled high and drinks are served in oversized glasses. Welch feels this decor, menu and atmosphere are easily adaptable for expansion, more so than the corporations Publick House and Store (Exhibit A). Company plans

call for expansion to Connecticut and New York. Welch feels that as long as loyal, talented, and enthusiastic people are available and high traffic locations can be found, Growth Enterprises will continue to expand The Office concept.

Rusty Pelican Restaurant's Vice President Randy Howatt, cites personal challenge and financial opportunity and the company's need to create new challenges for its employees as the major reasons his company has expanded. The company has a current goal of opening three-to-five restaurants a year at sites outside of the home base of Southern California.

The company owns individual restaurant concepts, such as The Walnut Creek Railroad Station and The Ancient Mariner. But by the late 1970's, Rusty Pelican settled on a strategy of using the Rusty Pelican concept that had proven successful in areas such as Newport Beach and Sacramento, as a basis for expansion (Exhibit A).

Howatt feels The Rusty Pelican restaurants offer the customer a high perceived value and a high degree of consistency. The long term viability of his restaurant concept is necessary for successful expansion. This, coupled with location, provide two major reasons why the Rusty Pelican group met the challenge for expansion.

Howatt also credits the company's ability to expand to the West Coast consumers transition from red meat to seafood concurrently with the opening of the first Rusty Pelican restaurant. This, and the fact that there was limited competition in that particular market segment, fueled the company's desire to grow.

Robert Snow opened Rosie O'Grady's Saloon in Pensacola, Florida in 1967. He expanded to Orlando with the Rosie O'Grady's concept

because he felt there was a void in the market that he could fill and in doing so be financially successful. His company, Church St. Station, presently operates three units in Florida with total sales of over \$18 million per year (see Exhibit A).

Snow felt no one in Florida was serving the needs of the large market segments of tourists and natives searching for a restaurant and bar offering fun and excitement in a classy atmosphere of high quality food, drink, and decor. In fact, he felt no one in the U.S. was doing what he planned to do.

In 1974, Snow opened Church St. Station in Orlando, Florida to fill the void in the market he had discovered. Snow used the following guidelines as the basis for expansion:

1. To become an entrepreneur in the restaurant business and to expand successfully, you must be the best at what you provide or be the only one providing such a product(s).
2. Specialize in what your operations will offer.

His Church St. Station and Cheyenne's Saloon and Opera House are renovated railroad station terminals across the street from each other. No one else in downtown Orlando has the central location, large facilities, or theme that Snow's operations have. In fact, there are few, if any, other restaurant/bars in Central Florida that can provide the products and services Snow does. Church St. Station and Cheyenne's offer tablecloth dining, live country bands, disco dancing, a dixieland quartet, huge bar areas, deli sandwiches -- all under 2 roofs and all done in first class style.

Snow is a true entrepreneur overseeing every aspect of his restaurant's operations. He inspects each restaurant daily to be sure maintenance work is being done properly. Snow designed the decor himself for each of his operations. He hires, with his assistant, all the management personnel. He develops the advertising and promotion campaigns, including the purchasing of a hot-air balloon with Rosie O'Grady's name on it to ride above Orlando.

Snow plans to expand again but only if "the right opportunity" is there. Snow wants to always be able to build his unique style of restaurant/bar and always be able to take charge of their operation. Each new operation must be an extension in its decor, personnel and atmosphere of Snow's eccentric and vibrant personality.

Danny Fravil of the Daniel's Group grew beyond his first restaurant because of the personal challenge and financial expansion offered in 1976. He had opened his first restaurant, Danny's Place, because he felt he could do a better job running a food and beverage operation than anyone else he had worked for previously (see Exhibit A).

In 1979, Fravil opened Daniels in Johnson City, New York because he felt it was a good financial opportunity. Daniel's restaurant is patterned after Danny's Place from decor to menu, thus facilitating the expansion process.

A third expansion project for Fravil was an agreement to operate the Ithaca Yacht Club Dining Room on a contract basis. Fravil is responsible for the dining room, bar and snack bar. 1983 is

second year Fravil has operated this seasonal facility. Again, financial opportunity spurred Fravil to expand.

Fravil states that he will expand again but at less risk than any of the other ventures. The contract agreement with the Ithaca Yacht Club is a clear example of Fravil's desire to expand but without taking a financial risk.

An interesting note: It was impossible to interview Robert Lily because he was spending all of his time in Southern California attempting to make the final arrangements for the expansion of his fifth restaurant into that area.

QUESTIONNAIRE RESPONSES EXHIBIT A	A. W. RIDGEWAY, INC. BEIRNE BROWN, PRES.	GROWTH ENTERPRISES, INC. JACK WELCH, PRES.	DANIEL'S GROUP, INC. DANIEL FRAVIL, PRES.	CHURCH ST. STATION, INC. ROBERT SNOW, PRES.	R & B, INC. ROBERT HILLSON, PRES.	MONOLITH ENTERPRISES JAMES SULLIVAN VICE PRESIDENT	RUSTY PELICAN RESTAURANT, INC. PETE SIRACUSA C.E.O.	CLYDES, INC. JOHN LAYTHAM, PRES. JOHN LAYTHAM, PRES.
Description of restaurants used in the study.	<p>1. <u>The Chef's Garden</u>-Naples, FL- Nov. 1976 Opening- "Creative Cuisine"- French and Italian Specialities- \$1.6/Yr. Sales- 75/25% F/B- "Sophisticated Casual"</p>	<p>1. <u>The Store</u>- Basking Ridge, NJ- Nostalgic 19th Century decor- "The General Store" \$1.5/Yr. Sales- American Food- steak and seafood- 67/33% F/B ratio- Open July 1972</p>	<p>1. <u>Danny's Place</u>- Ithaca, NY- Dark wood & stained glass-soups, salads, & sandwiches- emphasis on wines with changing wine list- \$500,000/Yr. Sales- 60-40% F/B ratio- Open Jan. 1976</p>	<p>1. <u>Rosie O'Grady's</u>- Pensacola, FL- Open Aug. 1967- "Dixieland Jazz"- draft beer, roast beef sandwiches & peanuts- 20/80% F/B- \$200,000/Yr. Sales</p>	<p>1. <u>Cityside</u>- Boston, MA- Open Jan. 1977- Casual cafe & lively underground bar-All fresh food- quiche, burgers & salads- Oak, navy blue, 45° angles, & plants- 55/45% F/B- \$2.4/Yr. Sales</p>	<p>1. <u>Blimpies</u>- Washington, DC- Open June 1971- 100 seat sub shop- Closed 1977 for remodeling, reopened 6 months later as American Cafe (See #2)- \$1.0/Yr. Sales as Blimpies in 1976</p>	<p>1. <u>Rusty Pelican</u>- Sacramento, CA- Nautical, wood atmosphere on the water-Fresh seafood, sandwiches & salads- Live entertainment in bar-Hot & cold appetizer bar- \$2.4/Yr. Sales- 60/40% F/B</p>	<p>1. <u>Clyde's</u>- Open 1963- Georgetown, MD- High class saloon- soups, burgers, chili- Busy bar area- Average check \$7.25, lunch \$11.50 dinner- \$4.0/Yr. Sales- 188 seats</p>
<p>2. <u>Truffles</u>- Naples, FL- Open Dec. 1978- "Cafe-Bistro"- Butcher block tables-ethnic specialities, salads, sandwiches, and plates- \$1.2/Yr. Sales- 75/25% F/B</p>	<p>2. <u>The Club</u>- Basking Ridge, NJ- Open April 1974- Seafood menu- "Trendy Avant Garde Natural" decor- Located on C.C. Golf Course- \$300,000 to \$1.4/Yr. Sales</p>	<p>2. <u>Daniels</u>- Johnson City, NY- Opened Feb. 1979- Same as first restaurant- \$400,00/Yr. Sales</p>	<p>2. <u>Church Street Station</u> - Orlando, FL- Four distinct atmospheres- Rosie O'Grady's- Dixieland Jazz, beer & sandwiches-</p>	<p>2. <u>Seaside Restaurant & Bar</u> - Boston, MA-Also in Quincy Market- Open Aug. 1977- Two levels-400 person bar 1st level-4 dining rooms & small bar 2nd level-Oak, rust & plants-Tablecloth dinner- Cityside Menu at Lunch-emphasize fresh fish- \$3.3/Yr. Sales- 50/50 F/B</p>	<p>2. <u>The American Cafe</u>- Original Blimpies- soup, salads & sandwiches-Light airy decor with oak, brass, & plants-Casual sophistication- \$2.55/Yr. Sales- 80/20% F/B</p>	<p>2. <u>Rusty Pelican</u>- Same as above in 12 locations in So. California, Houston & Phoenix- Average Sales/Yr. \$2.4 Million- Irvine, CA Unit has \$4.0 Sales/Yr. - Houston Unit \$3.9/Yr. Sales- 6 of the units are located on the water.</p>	<p>2. <u>Old Ebbitt Grill</u>- Washington, DC- Similar to first Clyde's in every aspect-Open 1972- Will be moved in 1983 to new location due to end of lease- \$2.0 annual sales</p>	
<p>3. <u>The Publick House</u>- Chester, NJ- Open Feb. 1977- steakhouse & salad bar-18th Century Stage-coach- 65/35% F/B- 2.0/Yr. Sales- Banquet rooms</p>	<p>3. <u>The Publick House</u>- Chester, NJ- Open Feb. 1977- steakhouse & salad bar-18th Century Stage-coach- 65/35% F/B- 2.0/Yr. Sales- Banquet rooms</p>	<p>3. <u>Ithaca Yacht Club</u>- Open March 1982-Contract basis-bar, snack bar, 1st quality dining room- seasonal operation- \$125,000/Yr. Sales</p>	<p>Apple Annes- Bluegrass, fresh fruit drinks- Lili Marlenes- Full service, 175 seat restaurant- Phineas Phogg- "Disco"- \$14/Yr. Sales 60/40% F/B</p>	<p>3. <u>Seaside</u>- Beachwood, OH- Same as Boston- In the wrong location -high rent, no seafood market-wrong from the beginning-closed Dec. 1979, 14 months after opening</p>	<p>3. <u>The American Cafe</u>- Washington, DC- Open May 1979- Same as #2- \$2.4/Yr. Sales</p>	<p>4. <u>The American Cafe</u>- Open May 1979-The Harbor Place- Baltimore, MD- Same as #2-but with larger bar to attract the drinking crowd- 60/40% F/B ratio- \$2.6/Yr. Sales</p>	<p>3. <u>Clyde's of Columbia</u>- Columbia, MD- Open 1975-More lavish decor and an expanded new more family business than #1 or #2- \$3.0/Yr. Sales- 210 seats</p>	
<p>5. <u>The American Cafe</u>- Washington, DC- Same as #4- Sales Sept. to Jan. 1983 were \$760,000</p>	<p>3. <u>Chevyenne's Saloon & Opera House</u>- Open June 1982-Across street from Church Street Station-live country entertainment- "Dancing, dining & drinking"- \$4.0/Yr. Sales</p>	<p>3. <u>Chevyenne's Saloon & Opera House</u>- Open June 1982-Across street from Church Street Station-live country entertainment- "Dancing, dining & drinking"- \$4.0/Yr. Sales</p>	<p>3. <u>Chevyenne's Saloon & Opera House</u>- Open June 1982-Across street from Church Street Station-live country entertainment- "Dancing, dining & drinking"- \$4.0/Yr. Sales</p>	<p>5. <u>The American Cafe</u>- Open Sept. 1982- Washington, DC- Same as #4- Sales Sept. to Jan. 1983 were \$760,000</p>	<p>5. <u>The American Cafe</u>- Open Sept. 1982- Washington, DC- Same as #4- Sales Sept. to Jan. 1983 were \$760,000</p>	<p>5. <u>The American Cafe</u>- Open Sept. 1982- Washington, DC- Same as #4- Sales Sept. to Jan. 1983 were \$760,000</p>	<p>4. <u>Clyde's of Tyson's Corner</u>- Open July 1979- 6 distinct areas with 6 different menus and decor- chili, pasta, lamb, seafood, burgers- 400 seats- \$6.0 annual sales</p>	

EXHIBIT B

A DISCUSSION OF QUESTIONS 1 THROUGH 10

1. Enjoy setting my own goals and achieving them.	100% of the Restaurateurs answering the Questionnaire "agreed completely". These responses indicate a desire on each respondent's part to have direct access to a business's creative changes. Sometime a large corporation's rigid structure stifles creativity by not allowing for easy presentation and implementation of new ideas and concepts.
2. I am generally optimistic.	100% of the Restaurateurs "agreed completely" with this statement.
3. I enjoy planning things more than carrying out plans.	75% of the Restaurateurs "agreed completely" while 12% "disagreed completely" and 12% were noncommittal (#3).
4. Part of being successful in business is reserving adequate time for my family.	50% responded and "agreed completely" and 50% were noncommittal (#3). No one "disagreed completely".
5. Expansion beyond an initial successful venture is necessary to survive in my business.	75% of the Restaurateurs "disagreed completely", 12% "agreed completely", and 12% were noncommittal.
6. I became an entrepreneur to become more financially well off than I could ever be working for someone else.	88% responded and "agreed completely" and 12% "disagreed completely".
7. The hours my presence is required at my restaurant(s) lessens each year.	88% "agreed completely" and 12% were noncommittal.
8. Being able to spend my time as I desire rather than as scheduled by a boss is a major reason I became an entrepreneur.	63% of the Restaurateurs "agreed completely", 25% "disagreed completely", and 12% were noncommittal.
9. I expanded beyond my initial venture because a "can't miss" opportunity presented itself and I could not pass it up.	50% responded noncommittal (#3), 38% responded and "disagreed completely" and 12% "agreed completely".
10. Expansion in my case was a result of taking advantage of a financial opportunity rather than taking a challenge to start over again.	38% were noncommittal, 38% "agreed completely", and 24% "disagreed completely".

QUESTIONS	RIDGEWAY, INC. B. BROWN	GROWTH, INC. J. WELCH	DANIELS, INC. D. FRAVIL	CHURCH STREET R. SNOW	R & J, INC. R. HILLSON	MONOLITH J. SULLIVAN	R. PELICAN P. SIRACUSA	CLYDES J. LAYTHAM
#11-Reasons for becoming entrepreneur.	Freedom to be responsible for my own success or lack thereof.	Opportunity to achieve and be recognized for it and for financial independence.	Felt I could do a better job than any one I had worked for.	Nobody else in U.S. doing what he does not-nor could it be done by anybody but an individual.	I wanted to run my own co. I wanted to create-I love motivating and planning.	Opportunity to become entrepreneur was there and I took it.	The opportunity was appealing.	Had a chance to open a neighborhood saloon.
#12-Can a single venture provide sufficient income -is expansion necessary.	Yes-A single venture can be sufficiently profitable if volume is high enough-no.	Yes-Expansion is <u>not</u> required -no.	Yes-A single unit entrepreneur can be profitable enough to avoid expansion-no.	Yes-Expansion was necessary to maintain enthusiasm and morale of management-yes in most cases.	Yes-One operation with history can be a tremendous winner-no, one "Loser" unit will ruin everything.	Yes-As long as entrepreneur can pay himself 3% of sales & leave 8-12% for profit an operation is justifiable-no.	A single unit entrepreneur can be very profitable-no.	Yes but can get stagnant-no but its more fun.
#13-Why did expansion take place.	Business volume had exceeded the original capacity.	Bored with one restaurant and challenge to be successful again and again.	The challenge and the opportunity.	I get bored easily.	We had great people and a solid concept-we were riding a winner and we wanted the whole "9 yards".	Original concept developed to be multi unit.	The challenge and the management team needed opportunity to grow and see a new point of view.	To keep key personnel motivated and saw a great financial opportunity.
#14-Is expansion the end of entrepreneurship.	Definitely not-still an operations man daily.	Yes-After 4th operation, my day is now 90% administrative.	No.	Not yet-only more delegation of responsibility.	Yes to some degree-we take pride in our staff relations but as you grow, a "corporate system" within management develops.	Yes but some entrepreneurial talents are still utilized: 1. Each new unit must appeal to that specific market. 2. "Tinkering" with menus, promos, staff is necessary to remain successful-"Harnessed Entrepreneurial Spirit".	No but down the road a need for a professional management team arises.	Yes but we are not yet in the chain restaurant business.
#15-List any centralization of services, offices, personnel, etc.	Accounting-the comptroller and an IBM 34 Computer do it all.	Accounting, food purchasing and maintenance are centralized.	Purchasing & recipe revision under an executive chief.	Individual profit centers still to this day.	Billing, credit, insurance, payroll, maintenance-all else are separate entities.	Central Food Commissary; accounting, payroll and other services from central administration office.	Accounting and processing services.	Accounting, maintenance, payroll.

QUESTIONS	RIDGEWAY, INC. B. BROWN	GROWTH, INC. J. WELCH	DANIELS, INC. D. FRAVIL	CHURCH STREET R. SNOW	R & J, INC. R. HILLSON	MONOLITH J. SULLIVAN	R. PELICAN P. SIRACUSA	CLYDES J. LAYTHAM
#16-How important is size, location, F/B ratio, etc., to existence of a single unit entrepreneur.	Size and volume relates directly to compensation one can and wants to take.	Location has an inverse relationship to individual ability-check average and gross profit very important.	All are very important as are individual goals.	Depends on individual's goals, ambitions and <u>talent</u> .	<u>Location is #1</u> -size becomes relevant in terms of potential gross-size has to be there to insure gross-but location is #1.	Size depends on individual goals -F/B ration only important as it affects the customer perception-location is #1.	Depends on ego, financial needs and <u>long term</u> viability of concept-a high food-to-beverage ratio is best in long run-fickle bar crowd.	Location and atmosphere very important.
#17-Will you expand if the opportunity arises again.	Yes but only in the area of management consulting, which assumes a no-risk involvement.	Yes. We plan to double sales over next 3 years.	Yes but at less risk.	Hell Yes!	No!-We do 7 million in sales in 3 units-I want challenges outside of the restaurant - business.	Yes!	Absolutely.	Yes-Plan to open <u>City Limits Bar & Grille</u> in Chevey Chase.
#18-Any additional notes or comments about entrepreneurship and expansion.	It's the greatest. I parlayed a \$20,000 investment into a company that grosses \$2.8 million annually. The rewards, financially and otherwise can be great.	If more people "did it" and less "analyzed it" our trade deficit would disappear and there would be more entrepreneurs in government, which would result in slower tax increases, less budget deficits and better services. <u>GO DO IT and STOP TALKING ABOUT IT.</u>	Your letter and questionnaire came 17c postage due.	Just make sure you budding entrepreneurs (Note how it rhymes with manure?). <u>Know the basic truth: you better be the best there is at what you specialize in or you won't last.</u>	<u>Be careful with expansion!</u> -entrepreneurship is great. I have 3 great partners and we have succeeded in a tough, tough business-the downside is a lot rougher to handle than the upside.	There always have been and always will be entrepreneurs, consumers demand their input, the financial world accepts them and the business community respects them. Unfortunately, the educational system does not recognize them.	No.	None.

Responses to Questions 11 through 16 are summarized in Exhibit A. However, the responses also warrant a more in-depth comparison and analysis.

The reasons given for becoming an entrepreneur were similar from restaurateur to restaurateur. Each took advantage of an opportunity that presented itself to them. An extensive search for an ideal entrepreneurial opportunity was not the method used by those restaurateurs responding. Many of the respondents, especially Hillson, Brown and Snow wanted the freedom to create and plan and to be responsible for their success or failure.

Each respondent felt that a single restaurant venture can provide sufficient income. Sullivan stated that as long as 3% of sales can be used to pay the entrepreneur's salary and 8-12% of sales is still left as company profit, a single venture can be very profitable.

In explaining why expansion took place, many of the respondents cited the personal challenge of proving that he could be successful again. Snow and Welch claimed a single-unit business bored them. Sullivan explains that expansion was planned before the first American Cafe opened its doors. Many respondents claimed that to provide key personnel with new challenges required expansion.

Church St. Station was the only company to treat each restaurant entirely as its own profit center. All other respondents' companies have centralized certain services and offices such as accounting, payroll and maintenance. Monolith Inc., Daniel's Group and Ridgeway, Inc. were the three companies to have centralized their food production operation under a single executive chef.

Location was cited as being most important to the ability of an entrepreneur to exist with only a single restaurant. Many of the respondents also listed size and business volume. Hillson states that "... size has to be there to insure the gross (sales) necessary to continue business." (see Exhibit A). Welch feels "... location has an inverse relationship to individual ability."

Each restaurateur responding to the questionnaire, except Hillson, plans to expand. Sullivan, Sircusa, Laytham, and Welch all had new restaurants under construction at the time the questionnaire was completed. Hillson, the only negative vote against expansion, was the only restaurateur to experience failure with expansion.

A majority of the respondents who added their own comments and thoughts expressed their enthusiasm and the positive aspects of entrepreneurship. Welch especially urged more people to stop talking about entrepreneurship and go out and do it. Snow, on the other hand, said entrepreneurship is not for everyone. Hillson was positive towards entrepreneurship but warned of the personal and financial risks that accompany the successes.

CHAPTER VI
CONCLUSIONS

After analysis of the material found in business periodicals (Chapter II) and the responses to the Questionnaire (Chapter V and Exhibit A), this author has formed the following conclusions:

1. A single unit restaurant entrepreneur can exist in the American Business Market if
 - A. The annual sales are high enough to support a salary equal to 3-4% of total sales and still allow 8-12% of total sales to be reinvested in the company as profit.
 - B. Personal ego is satisfied by operating one profitable restaurant; the psychic rewards of operating one successful unit must be sufficient.
 - C. The location of the single restaurant can continue to be accessible to the necessary market segments; new customers must be attracted to provide a fresh supply of demand and enthusiasm.
 - D. The operation is the best in terms of decor, product and service; a single restaurant must specialize in its offerings and know its strengths and weaknesses.

2. Expansion beyond an initial successful restaurant is possible but the initial success does not guarantee future success, and it can signal the end of entrepreneurship. Each subsequent restaurant becomes easier to open and operate as the restauranteur's and his employees' expertise and experience in operations becomes greater. But, each new venture still requires inordinate amounts of time and energy from the restauranteur to insure that the personal touches are part of the new restaurant's atmosphere and operation. Without the personal touches in product offerings and customer service, the entrepreneur has allowed the business to grow too fast. This uncontrolled growth signals the end of entrepreneurial status and all the privileges and personal success associated with such status.

3. The reasons for expansion can vary from restauranteur to restauranteur but one reason appears to be more common than the others: the desire to accept one more personal challenge by "showing the world" (self included!) that success can be achieved again.
4. The methods of expansion vary also from case to case (Appendix C), but to be successful when expanding, the entrepreneur must have a core of talented and motivated workers.

We feel the three keys to success are people, people, people. You can't grow unless your system has well trained, talented people behind it ... it's tough to accept the idea that you can't have your fingers in everything but ... (6)

You can have nice decor, good food and moderate prices, but if you don't have the proper staff and personalities behind the management you will fail. (6)

5. Entrepreneurship offers the individual psychic rewards as well as tangible, financial rewards. Entrepreneurial status offers the individual the freedom to determine his/her own success or failure, the opportunity to have direct input inot business planning, and operations, the opportunity for increased financial benefits, and finally the personal satisfaction of realizing that his/her ideas and concepts were successful.

... entrepreneurs fill market demand quickly and creatively. There always have been and always will be entrepreneurs. Consumers demand their input, the financial world accepts them and the business community respects them.
(Exhibit A)

At this point in the summation of the data and the study the author feels the necessity to express his educated, candid, yet sensitive observation and conclusions about all of the restauranteurs studied and interviewed. Further, the author is able to assimilate a role identification with the restauranteur. Ultimately, the author plans to enter the realm of restaurant entrepreneurship.

The author feels that many restauranteurs have little definitive planning skills. Their operations tend to be highly flammable and combustible, in the sense of management and thereby require that the restaurateur constantly act as the fire extinguisher dousing fires on a daily basis. The personal traits of the individuals who appear to be successful restauranteurs have few common threads. Aside from the textbook and somewhat sage views of the academic fortress of knowledge that purports that location and sound business practices are the sole foundations to successful restaurantship, it is the opinion of this author that the following are the true characteristics to successful restaurantship:

- Money to risk
- Ability to talk to a wide variety of people
- Personability
- Honesty in dealing with everyone
- Crazyness

Prior to graduate study, the author was convinced that a career as a restaurateur was desirable. Now, at the completion of an intensive graduate degree in the hospitality industry and this epic document, the author feels more prepared, convinced, and committed to the aspiration of being a restaurateur. This aspiration has been fueled by the uncanny success, frequently termed by academia as foolish, doomed for failure, less than prepared and deluded, that these and other aberrant and unhinged restauranteurs have achieved.

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APPENDICES

APPENDIX A

APPENDIX A
RECIPIENTS OF THE QUESTIONNAIRE

Mr. Jack Welch
Growth Enterprises, Inc.
Basking Ridge, New Jersey 07920

Mr. James Sullivan
The American Cafe
1211 Wisconsin Avenue NW
Washington, D.C. 20007

Mr. Robert Hillson
R & J, Inc.
183 State Street
Boston, Massachusetts 02109

Mr. Daniel Fravil
The Daniels Group
23 Cinema Drive
Ithaca, New York 14850

Mr. Robert Kily
The Lily Company
77 Washington Street
Boston, Massachusetts 02113

Mr. John Latham
Clyde's Restaurants
3236 M Street NW
Washington, D.C. 20007

Mr. Robert Snow
Church St. Station
129 W. Church St.
Orlando, Florida 32801

Mr. Randy Howait and
Mr. Peter Siracusa
Rusty Pelican Restaurants
2862 McGaw Avenue
Irvine, California 92714

Mr. Beirne Brown
Chef's Garden/Truffles
1300 3rd Street South
Naples, Florida 33940

Mr. Robert Penrod
Penrod's
3805 N.E. Expressway
Suite 101
Atlanta, Georgia 30340

APPENDIX B

APPENDIX B

(1)

Dear (1):

As an independent restaurateur and entrepreneur you represent part of the backbone of the American economic system. In this capacity you have the potential to make a significant impact on young entrepreneurs as well as experienced ones who may consider independent restaurant ownership after many years in other sectors. It is for these reasons and more that we are contacting you.

We here at the School of Hotel Administration hold individuals like yourself in high esteem because of the fine expertise and savvy that you have brought to the industry. In our attempt to identify those successful entrepreneurs, we also seek to identify those factors which surround success such as expansion, concept, capital investment, trends, return on investment. Most specifically, we wish to ascertain the point at which you expanded your restaurant. We are attempting to determine what were the factors surrounding this decision as well as how the actual expansion took place. Your input to the enclosed questionnaire will provide the foundation upon which Jeff Starrett's monograph, here in the School of Hotel Administration, will be based. The monograph is a problem solving exercise as partial fulfillment of the Masters in Professional Studies Program here at the Hotel School. Observations and information gained as the result of this investigation are compiled by Jeff. The end result is a monograph which remains as a future source of reference in the Hotel School Library.

It is our intent to follow up the enclosed questionnaire with a personal visit, because it is felt that discussion about the growth of your restaurant will provide us with better insight as well as help to establish a common denominator for success. We would request that you read the questionnaire and utilize it as a guide and tool to stimulate discussion at a later date.

Within a week of the receipt of this letter you should receive a telephone communication from Jeff Starrett for the purpose of scheduling a personal meeting with you at a mutually agreeable time. The purpose of this meeting will be to discuss in detail the development and expansion of your restaurant(s).

Thank you in advance for all your cooperation and Jeff looks forward to speaking with and meeting you.

Very truly yours,

Antoinette L. Colucci, R.D.
Assistant Professor

Jeffrey Starrett
Graduate Student
MPS '83

ALC/bb

ENTREPRENEURS AND EXPANSION QUESTIONNAIRE

Prepared by Jeffrey Starrett
To Gather Information for His Monograph,
February 1983

Please answer the questionnaire in the spaces provided.

Any additional comments can be written on the back of each page.

All answers received will be included in the Monograph submitted by Jeffrey Starrett in May, 1983.

THANK YOU FOR YOUR COOPERATION!

Please rank on a scale of "I Agree Completely (#1)" to "I Disagree Completely (#5)". Circle the number that best reflects your response.

	<u>I Agree Completely</u>				<u>I Disagree Completely</u>
1. I enjoy setting my own goals and achieving them.	1	2	3	4	5
2. I am generally optimistic.	1	2	3	4	5
3. I enjoy planning things more than carrying out plans.	1	2	3	4	5
4. Part of being successful in business is reserving adequate time for my family.	1	2	3	4	5
5. Expansion beyond an initial successful restaurant venture is necessary to survive in my business.	1	2	3	4	5
6. I became an entrepreneur to become more financially well off than I could ever be working for someone else.	1	2	3	4	5
7. The hours my presence is <u>required</u> at my restaurant(s) lessens each year.	1	2	3	4	5
8. Being able to spend my time as I desire rather than as scheduled by a boss is a major reason I became an entrepreneur.	1	2	3	4	5
9. I expanded beyond my initial venture because a "can't miss opportunity" presented itself and I couldn't pass it up.	1	2	3	4	5
10. Expansion in my case was a result of taking advantage of a financial opportunity rather than taking a challenge and starting all over again from the ground up.	1	2	3	4	5

NAME OF INITIAL RESTAURANT _____

ADDRESS _____

DATE OPENED _____

AVERAGE ANNUAL SALES _____

BRIEF DESCRIPTION OF RESTAURANT (EX.: MENU SPECIALTIES, AVG. CHECK, F/B RATIO, DECOR)

NAME OF SECOND RESTAURANT _____

ADDRESS _____

DATE OPENED _____

AVERAGE ANNUAL SALES _____

BRIEF DESCRIPTION OF RESTAURANT (EX.: MENU SPECIALTIES, AVG. CHECK, F/B RATIO, DECOR)

NAME OF THIRD RESTAURANT _____

ADDRESS _____

DATE OPENED _____

AVERAGE ANNUAL SALES _____

BRIEF DESCRIPTION OF RESTAURANT (EX.: MENU SPECIALTIES, AVG. CHECK, F/B RATIO, DECOR)

Answer as briefly as you desire in the spaces provided.

11. List your original reasons for becoming an entrepreneur.

12. Can an entrepreneur reap a moderate level of income by operating a single restaurant or is expansion necessary?

13. Why did you expand after your initial success?

14. Does expansion signify to you the end of entrepreneurship and the beginning of "Corporate Presidency"?

15. Once expansion occurred, were the individual restaurants treated as separate business entities or were any services, offices, personnel, etc. centralized? (Example: One Purchasing Agent for all operations.)

APPENDIX C

Concrete Guide to Biological Specimens
of the Methods of Preparation

The Physical

Materials

APPENDIX C

APPENDIX C

In his book, The Entrepreneurs Guide to Restaurant Expansion, David Seltz lists the ten most common methods of expansion a restaurant entrepreneur can use:

1. Increasing seating capacity within existing physical constraints.
2. Increasing patron-service capacity within the limitations imposed by existing facilities.
3. Introducing ancillary forms of service that are not directly related to existing customer service facilities.
4. Expanding the amount of space associated with existing operations by construction of contiguous addition(s).
5. Expanding the amount of space associated with existing operations by acquiring or constructing non-contiguous addition(s).
6. Constructing additional restaurant unit(s) that are identified with the original restaurant by continuity of name, decor, menu, or other unique identifying characteristics.
7. Acquiring additional restaurant unit(s) that are presently in operation, that are modified to conform with one or a number of characteristics of the original operation.
8. Constructing additional restaurant unit(s) that are separate and distinct from the original operation, possibly to attract a new market segment.
9. Acquiring additional restaurant unit(s) that are separate and distinct from the original operation, that will continue in operation with little or no modification to existing operation.
10. Developing and implementing a franchise program or another licensing program with the intention of creating a licensed chain, rather than a system of company-owned operations.