

# CHALLENGE CASE

## Professor Becomes Restaurateur

Wilmington College professor Steven Austin Stovall took his course on entrepreneurship one step further by creating a business plan alongside his students for a restaurant in the small Ohio town of Wilmington, a town of 12,000 people. A seventh-generation Texan, Stovall moved to Ohio to become a management professor at Wilmington College in 2002. Along the way, he provided consulting to the restaurant industry and learned what worked and what didn't. "Some restaurants have some fantastic ideas," he said, "but don't understand all the business aspects. Others understand the business, but can't go beyond copying what everyone else does."

In 2012, Stovall taught the college's only section of entrepreneurship to 20 students. During that class, students crafted business plans for their fictitious businesses in order to earn credit for the course, but Stovall did every step with the students. When they were conducting feasibility analyses, he conducted one, too. When they were thinking about marketing, so was he. By the end of the semester, he had written a business plan for a new entrepreneurial venture. He put the finishing touches on his business plan, he realized that he had a viable idea for a restaurant—he called it Austin's Casual Eatery, after his middle name as well as the vibrant college town in the heart of Texas. He wanted something different than what already existed, which was several chain restaurants and many competitors offering overly processed dishes or frozen ones that were simply heated up when the customer ordered one of them.

In August 2013, Austin's Casual Eatery, a 150-seat restaurant with a full-service bar, opened. After months of work turning the 140-year-old building into a modern restaurant, Stovall discovered that owning a restaurant is a lot different than consulting with one. "We thought we were prepared," he admitted, "but we weren't." The first night the store opened, a line of people went around the block, all of them waiting impatiently for a table at the newest restaurant in town. "We ran out of food on the first day," he said. "We literally only had half the menu available by 5 p.m." But the half that did remain wasn't quite what customers were wanting.

It was a learning experience for Stovall. His forecasting and food preparation were not meeting the demands of the market. After the first week, Stovall closed early one night and met with his team. "I told them we need to rethink this business. We had to ask ourselves why some things were selling beyond imagination and others weren't moving at all." Originally, Austin's opened as a tapas restaurant: small



Kasey Lynch/Dr. Steven Austin Stovall

**Dr. Steven Austin Stovall standing outside his 150-seat namesake restaurant in Wilmington, Ohio, faced several challenges in seeing his dream become a reality.**

plates of a wide variety of food offerings that are meant to be shared. "People liked our food and the outstanding customer service, but they weren't really willing to share their order with others at the table!" So the tapas idea was gone after that first week, and Stovall and his team developed a menu of 35 appetizer and entrée items that would change seasonally. Collaboration is important for an entrepreneurial venture because when the business is small, relying on the team provides more ideas than the owner can possibly provide on his or her own. Every three months, Stovall and his general manager would sit down and determine what the top 10 selling items for the previous quarter were. Those top 10 items would remain, and 25 new menu items would appear that would feature that season's freshest offerings. A typical menu might include crab cakes, chicken empanadas, stuffed bell peppers, and a variety of hand-made desserts.<sup>1</sup>

"As we researched and developed new menu items," said Stovall referring to his collaboration with the general manager, "our mantra became, 'ok, if our grandmothers read the list of ingredients for this dish, would they be able to pronounce and recognize each of those ingredients?'"

If they wouldn't, that menu idea was gone." This philosophy of offering "real food" became the driving force of operating the business. Certainly, Stovall could have utilized more pre-processed and frozen dishes that would have been less costly to make, but his clientele was clamoring for something different than what was already available in the local restaurant market.

After the first year, Austin's Casual Eatery made close to \$1 million in revenue. With a team of 32 full- and part-time staff members, Stovall's lessons in management and entrepreneurship were discovered through trial and error. "It was the mistakes we made that made us better," Stovall offered. "I'm glad we made big mistakes early so we could correct them and I'm glad we were small enough to be able to do so quickly." After several years of operations, Stovall continues to collaborate with the general manager and other employees in the restaurant to change the menu every three months and has developed a loyal following. One thing almost every customer mentions is that he or she enjoys ordering and tasting "real food."

### THE ENTREPRENEURSHIP CHALLENGE

The Challenge Case illustrates the different entrepreneurship challenges that Steven Austin Stovall and Austin's Casual Eatery had to overcome. The remaining material in this chapter explains entrepreneurship concepts and helps develop the corresponding entrepreneurship skill you will need to meet such challenges throughout your career. After studying the chapter concepts, read the Challenge Case Summary at the end of the chapter to help you relate chapter content to meeting entrepreneurship challenges at Austin's Casual Eatery.

## Fundamentals of Entrepreneurship

### 2-1 An understanding of the three stages of entrepreneurship

Entrepreneurship can be defined in a variety of ways. Most people believe that entrepreneurship entails an individual starting a new business to make money, but the meaning of the term is actually much broader. For our purposes, **entrepreneurship** refers to the identification, evaluation, and exploitation of opportunities.<sup>2</sup> **Figure 2.1** illustrates this process. Opportunities, in a general sense, are appropriate or favorable occasions.<sup>3</sup> In the entrepreneurship sense, however, the definition of *opportunity* is slightly different. Specifically, an **entrepreneurial opportunity** is an occasion to bring into existence new products and services that allow outputs to be sold at a price greater than their cost of production.<sup>4</sup> In other words, entrepreneurial opportunities exist when individuals are able to sell new products and services at a price that produces a profit.

Although *entrepreneurship* has a wide-ranging definition, the process still involves starting new businesses. Understanding entrepreneurship is important; one survey reports that, on average, 550,000 people start new businesses in the United States each month.<sup>5</sup> Other studies suggest that somewhere between 20 and 50 percent of all individuals engage in entrepreneurial behaviors.<sup>6</sup> Despite these new businesses, evidence also suggests that entrepreneurs find it difficult to keep their businesses going. Research reports, for example, that approximately 20 percent of new businesses do not make it past the first two years, 40 percent do not make it past four years, and 50 percent do not make it past six years.<sup>8</sup> **Table 2.1** displays the results of studies examining the failure rates of some new businesses. Note, however, that research also suggests that new

**Figure 2.1**

Stages of the entrepreneurship process

