The Right Stuff: The Making of an Entrepreneur

We've all heard the industry folklore—Wendy's icon Dave Thomas was an orphan and a high-school dropout. Chick-fil-A founder Truett Cathy grew up in a family so hard pressed that his mother had to take in boarders. And Taco Bell patriarch Glen Bell wore clothing sewn from discarded cement sacks.

Call it what you will—self-reliance, pluck, or just plain gumption—these guys had it. Nowadays, though, a young man sporting a Portland Cement logo on his shirttail would be apt to look more trucker chic than skid row. In fact, for the entitlement generation, rare is the problem that can't be solved with a credit card, a prescription, or an attorney. Has this sense of privilege bred a generation of milquetoast entrepreneurs who buckle under pressure? Or has a dash of Gen-X hubris delivered a welcome jolt to the maturing QSR segment?

Before we can answer those questions, we must define entrepreneurship itself—and that's tricky, according to Giuseppe Pezzotti, senior lecturer in restaurant entrepreneurship at the Cornell University School of Hotel Administration. For most of us, the word *entrepreneur* calls to mind railroad robber barons and Microsoft millionaires. But the term, says Pezzotti, encompasses everyone from Ghandi to the guy wielding the squeegee at your local car wash. "The essence of what it means to be an entrepreneur hasn't changed in 2,000 years," he explains. "Sometimes we put too much value on the money. But it's the challenges that count, and you can't quantify the challenges."

A similarly broad definition of entrepreneurship is favored by Stephen Caldeira, co-founder, president, and CEO of the not-for-profit Elliot Leadership Institute. Elliot is an entrepreneurial incubator that draws on research, education, and practical tools to help foodservice and hospitality executives identify and cultivate their intrinsic leadership qualities. Caldeira believes that these traits can flourish in any receptive niche. "Quite simply, an entrepreneur who's successful in one industry would most likely be successful in any given field he or she chose to enter," he explains.

"The genes are the same," agrees Pezzotti. "Entrepreneurs in every industry have certain indelible characteristics and cardinal values that make them similar." Although the QSR pioneers all possessed the virtues we recognize as hallmarks of entrepreneurship—tenacity, ingenuity, versatility, and so on—their journeys began simply by recognizing and seizing a good opportunity. In 1941, for instance, Carl Karcher drove a bakery delivery truck and noticed that the hot dog vendors on his route were purchasing a great many buns. He and his wife, Margaret, decided to buy a cart of their own for $326, the first investment in what would become Carl's Jr.

These days, it may seem like a guy should stick to driving the bread truck unless he has a seven-figure line of credit and a Wharton MBA. But the plain truth is that all it takes is a marketable idea and the wherewithal to execute it, even when the only available venture capital is beer money. Matthew Friedman, president and founder of Wing Zone, and his partner Adam Scott, senior vice president and co-founder, proved it more than 15 years ago when they began offering on-campus delivery of chicken wings made from recipes concocted in their fraternity-house kitchen. "I knew that I wanted to start my own business, although I wasn't necessarily trying to get into the restaurant business," recalls Friedman. "But as a consumer, I saw a need. There were lots of options for food on campus, but there were no restaurants that served or delivered buffalo wings." Today, Wing Zone boasts 82 units, and Friedman estimates the company's 2005 revenue at $35 million.

Friedman, age 35, is articulate and sedate—somewhere along the way, he obviously handed down his beer bong to a pledge who could truly appreciate it. He says he has studied the deans of the QSR industry and admires their imagination, especially that of Domino's founder Tom Monaghan, who conceived and streamlined the novel concept of home food delivery. But Friedman balks at any suggestion that his generation has coasted. "I can only speak for myself, but I don't think I'm entitled to anything. We've worked hard. There's an unfair stigma against this Gen-X generation. It's gotten a bad rap—people say that everything has been handed to us. There are a lot of us who respect the business and those who have been in our shoes. Nothing has come easy. There wasn't any trust fund—it was beg and plead and work hard every time to raise enough capital to open the next unit."

That discipline is paying off. The company is growing at a pace of 25% to 30% annually, which translates to about 20 store openings. Wing Zone has franchise units in 24 states throughout the Southeast and mid-Atlantic regions, as well as locations in Texas, Washington, and the Midwest. Friedman predicts that take-out buffalo wings will ultimately become as popular a meal as home-delivered pizza is now. In fact, he sees himself as a pioneer in familiarizing Americans with wings as a staple menu item.

Such confidence and optimism form the nucleus of the entrepreneurial spirit, and Martin Sprock has a shortage of neither. Sprock, age 40, is the megawatt CEO of Raving Brands, a portfolio of eight concepts: Mama Fu's Asian House, PJ's Coffee, Shane's Rib Shack, Planet Smoothie, Boneheads Grilled Fish and Piri Piri Chicken, Moe's Southwest Grill, Doc Green's Gourmet Salads, and Monkey Joe's.

In contrast to Friedman's resolute composure, Sprock's demeanor is candid and folksy, with a well-deserved trace of swagger. He's a glib Southerner whose ideas bubble to the surface like Texas tea—plentifully and profitably. Propelled by common sense and charisma, Sprock doesn't see the point of parsing his mistakes. "I've failed, but I don't sit around dwelling on it. While other guys are beating themselves up, we get right back in there. We keep setting the bar higher. If world domination was a billion dollars before, let's make it $5 billion."

If it sounds as though Sprock has knocked back a little too much Scottish courage, consider this: In the six years since he founded the company, its portfolio has swelled to eight concepts with nearly 600 units among them, and Sprock estimates that the company racked up $500-$600 million revenue in 2005. Raving Brands is on pace to cross the 1,000-unit threshold by 2008.

Like Harlan Sanders, Richard and Maurice McDonald, and others who have shaped the QSR segment, Sprock has a vision for the industry's food quality, customer service standards, and financial model. Like it or not, other operators have responded. "My goal is to build something powerful and great that makes people happy and that's food-safe and healthy for a fair price," Sprock explains earnestly. "We're not nickel-and-diming the franchisees because we have pride. We don't charge for marketing and rob them for the food. I've got 50 or 60 guys who are with me because they couldn't sleep at night knowing they were ripping off their franchisees."

Such talk of putting people over profits may sound warm and fuzzy, but it would be a mistake to construe Sprock's genuine idealism as a vulnerability. When pressed, he and his ilk can get just as down and dirty as their predecessors. "You might have a lawsuit with a franchisee, for example," he says. "If you can't win them over, you have to run them over. You're a scrapper every day. Short of using a gun, you can't let people get in your way if you've been more than fair."

Friedman, too, is prepared to spar with his rivals. "We're the leader in our particular segment, and that represents some challenges—finding the next menu item or the next marketing tactic to stay ahead of the competitors below us. Every restaurant is a competitor, especially any concept that focuses on takeout and delivery or anyone selling our core product—buffalo wings."

As cocksure as Friedman and Sprock may be, they are also keenly aware of their own limitations. "I think that all entrepreneurs start off as lone wolves," says Friedman. "When you're young you think you can take on the world and don't need the team around you. But you quickly learn that not only are you not Superman, but you need to develop quality people who have strengths that you don't."

"A consistent trait among successful entrepreneurs," explains Caldeira, "is that they are able to identify and develop great people who will complement and strengthen their vision. Good entrepreneurs know what they don't know, and they go out and seek people to fill those voids."

Three years ago, when Wing Zone had only about 35 units, the partners placed industry veteran Stan Friedman (no relation to Matt) at the helm of the company's franchise development, franchisee relations, and marketing. "That's one of the keys of a successful entrepreneur—knowing when to bring on some experience," says Matt Friedman. "We've brought in other qualified people since then, in marketing and operations. I think that's the most common mistake among new entrepreneurs—refusing to bring in qualified people, either for financial reasons or ego reasons. You'll limit your growth if you don't do it."

Sprock agrees that the most effective way to lead is, paradoxically, to relinquish some measure of control. “Part of not screwing up is to surround yourself with smart partners,” he says. “Real estate, architecture, insurance, construction, contract law—I have guys who are good at each one.”

It’s tempting to conclude that the key attributes of extraordinary QSR entrepreneurs have remained constant from one generation to the next. The entrepreneurial temperament and core character traits have indeed survived intact. But the evolution of the industry itself and changes in the general business climate now tend to favor entrepreneurs who are technologically adept, media savvy, and more financially astute than ever before.

Ray Kroc might have had time to collect litter in his franchisees’ parking lots, but Martin Sprock’s generation wrests productivity from every moment. “Anytime you speed the world up, there are more opportunities to be on the lookout for,” says Sprock. “I’m ten times more efficient than I was earlier in my career. I don’t exchange pleasantries anymore—‘How’s your wife?’—blah, blah, blah. Now I’m on my crackberry getting things accomplished.”

In addition, those who most effectively exploit the internet and new technologies, such as innovative cashless payment methods, will secure a fundamental competitive advantage. The Elliot Leadership Institute, in fact, ranks the strategic use of technology as one of the ten critical areas in which remarkable executives must excel.

In decades past, only large franchise systems retained a public relations firm to manage the company's image. Today, however, even many single-unit operators hire a publicist to generate buzz about the restaurant in the local press. “Oftentimes the difference between those companies that are written about and those companies that aren’t written about is not just the quality of the story—it’s that the story ended up on the right desk,” observes Aaron Allen, founder and CEO of Quantified Marketing Group, the largest full-service marketing and PR firm in the country whose clientele is limited to restaurants.

A PR firm can, for example, handle damage control in the wake of an animal-rights protest, issue public comment if an outbreak of food-borne illness occurs, or advise the company whether to pull a controversial advertising campaign. Entrepreneurs themselves must develop a polished media persona and be ready for the unexpected. Allen’s company has helped Carlos ‘n Charlie’s respond to the crush of media inquiries following the Natalee Holloway disappearance in Aruba. “The restaurant’s first news that that had happened was when a national media outlet came into the store and asked them about it directly. What do you do when the camera crews come in with the lights going and a microphone is shoved in your face? What’s the first thing you say? If you’re not prepared for that, you can lose a business that you spent 10, 20, or 30 years building—overnight.”

Finally, today’s QSR entrepreneur must have a tactical understanding of finance. “On the surface, folks might think it’s easier to manage a QSR than to manage another kind of business, but at the end of the day it’s a tough job,” says Caldeira. “It requires all the same strategic skills, organizational structure, operational expertise, and ability to execute.”

“People are trying to follow in the footsteps of the QSR pioneers because they see the value of franchising. The early entrepreneurs established the concept, and it’s understood now,” adds Pezzotti. The franchising model forms the substrate, he explains, from which new financial paradigms are emerging.

Today’s QSR mavericks have an irrational exuberance that’s given them the chutzpah to craft a legacy all their own—but you can’t tack a dollar sign in front of it. “The etymology of the word *entrepreneur* is from the Latin and French meaning ‘to reach out and grasp an opportunity,’” says Pezzotti. “It’s about people who have passion, not riches.”

“People admire the guy in the neighborhood with the biggest car, not the guy who’s the best dad and out there throwing the football with his kids on the weekends,” Sprock laments. “But no matter how much you earn, you remember the buddies who were there jump starting your 1969 Plymouth Fury because you didn’t have enough money for gas. I know more about Barney and *The Incredibles* movie than I do about Carl Karcher. There are a lot of us who don’t know how other entrepreneurs did it. At the end of the day, we’re just excited to tell our own story.”