**CASE STUDY**

**Vanust – a tale of two perspectives**

In 2001 John and Mia purchased the Vanust Restaurant in Melbourne. Although the site had previously been a restaurant for a number of years, it had lately been closed for some months. Both Mia and John were in their early thirties and had previously each operated their own restaurants, where they enjoyed the sense of freedom and control that comes with being the decision maker, so they were keen to become business owners again.

There was no goodwill included in the purchase price, and the acquisition cost was relatively low. By using their own funds, getting some help from their families, and utilising finance leasing for kitchen equipment, restaurant tables and chairs, they were able to self-finance the full amount of capital needed to establish the business. Neither owner had wanted to be indebted to the banks. Although a small overdraft had been set up with the purchase of the business, trade credit was used in preference to the overdraft for any short-term cash flow issues. This was easily obtained because of the good relationship fostered by John and Mia with their suppliers.

The new owners refurbished the premises so that it could seat approximately 40 customers at a time, and they opened for breakfast, lunch and dinner, seven days a week. After a short while, and contrary to their business plan, they decided that breakfast and lunch were not going to be profitable so they stopped providing these. However, evening meals were quickly becoming popular. The restaurant was soon taking an average of 90 diners per night.

Vanust served traditional Italian food, made with local ingredients at a very affordable price. Patrons came largely from the local area and neighbouring suburbs, and many guests were dining there more than once a week.

In the early years of Vanust, John and Mia wanted to create a restaurant with an atmosphere, service and cuisine that would communicate their personality but also provide them with a comfortable income. Vanust soon gained a reputation for providing great food at very reasonable prices. Since many restaurants often lose sales when patrons cancel, the owners made the decision not to take bookings, and a customer waiting list formed each night. On busy nights customers sometimes waited for over an hour before being seated. They would either wait at the small bar inside the premises or else go to a nearby hotel for a pre-dinner drink and wait to be called by the restaurant when a table became free.

Three floor staff, including Mia, were needed to wait on tables. Mia had completed one year of a university commerce degree, so initially she looked after the bookkeeping side of the restaurant as well. Mia also compiled the wine list and ordered wine, managed staff rosters and dealt with hiring, firing and paying staff. John worked principally as the head chef, in charge of a small team that consisted of a second chef, an apprentice chef and a kitchen hand. Both Mia and John were now working quite long hours --- about fifty a week --- but were taking home an income slightly above the average wage.

In early 2006, the two partners brought in a third business owner. The workload was becoming too great for them to manage, so they decided to invite a ‘friend of a friend’ to buy into the partnership. Jennifer had strong management and financial experience, and took on the financial responsibilities of the business, as well as staffing and marketing. She also computerised what had previously been a manual accounting system.

Jennifer noticed that some enquiring customers would not wait for a table, often moving to other nearby restaurants where they could get a table straight away. With Vanust at capacity, and prices very low, net profit had stabilised at approximately five per cent. Jennifer believed that by increasing prices and renegotiating trade terms, she could more than double the net profit margin without reducing the number of diners seated each night. However, John and Mia felt uncomfortable with this change in direction. They took great pride in the fact that it was difficult to get a seat at their restaurant and were unwilling to tamper with a ‘successful’ formula.

In addition to increasing profitability, Jennifer wanted to grow the business by increasing the seating capacity, and possibly even opening further restaurants. Although in principle each of the owners agreed with this new strategy, tensions soon developed. Mia and John liked the way things had traditionally been done and the stability associated with the past. They were becomingly increasingly uncomfortable with Jennifer’s new systems and the more formal procedures needed for her proposed growth strategy.

*Case study prepared by Michael a Campo, The University of Newcastle, Australia.*

**Questions**

1. What are the qualitative and quantitative points that may define Vanust as a small business?

* **This question is about the application level.**
* **You can speculate out your logical elements based on this case study.**
* **Must put the example in the case study.**

1. Are all three owners entrepreneurs? Justify your answer.
2. Compared to a large business, why are the management perspectives different for a small business?

* **Must include THEORY + THE CHARACTERISTICS + WHY IN THIS CASE?**