

SMALL BUSINESS IN THE UNITED STATES: A
FIELD STUDY OF THREE CHINESE RESTUURANTS
IN MIDLAND TEXAS

By

ANDY LUI

Bachelor of Arts in History

Oklahoma State University

Stillwater, OK

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Andy Lui

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Thesis Approved:

Dr. James L. Huston

Thesis Adviser

Dr. Joseph F. Byrnes

Dr. L. G. Moses

A. Gordon Emslie

Dean of the Graduate College

PREFACE

This study was conducted to show that Chinese restaurants in Midland, Texas do have common themes that relate to what small business historians had been studied in some of the case studies in manufacture industry. Scholars tend to study small business in comparison with big business. There are a lot of connections had been drawn between the two. When historian, social scientists and economists look at small business in U.S, they tend to focus their study on industries that relate to big business such as manufacturers. Couple of main themes that scholars are trying to explore: (a) its innovations. (b) its overall and changing economic contribution. (c) How its response to the challenge pose by big business. (d) its relation with the local community (e) government and public policies toward small business, and finally changes that take place over the year.

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TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION	1
Historiography	3
Midland	8
Background of the Restaurant Industry	13
II. BLUE STAR INN.....	20
Analysis of The Blue Star Inn Case: Reasons of Success and Decline	31
III. HUNAN GARDEN.....	37
Analysis of Hunan Garden: Small Family-owned Restaurant Versus Franchise Restaurant	42
IV. TASTE OF CHINA SUPPER BUFFET.....	46
Analysis of Taste of China: An Evolving Restaurant Business	50
V. CONCLUSION.....	53
REFERENCES	57
APPENDIXS.....	60

APPENDIX A--UNITED STATES BUREAUS OF CENSUS, 1932.....	60
APPENDIX B--UNITED STATES BUREAUS OF CENSUS, 2004-2005.....	61
APPENDIX C—INSTUTIONAL REVIEW BROAD FORM.....	62

CHAPTER I

INTRODUCTION

Restaurants play a significant role in the American lifestyle, and dining out is a favorite social event. For some families, eating out has become a way of life. Everyone needs to eat and wants to enjoy good food in a pleasant environment. In addition, this is where romance starts, business is conducted, and people socialize. As a *Washington Post* food critic summed up, “Restaurants are one of the primary ways we fill our bodies, occupy our social lives, spend our money, learn about the world and conduct our business.”¹ Since the Great Depression, the restaurant industry has expanded within American society. In 1929, the United States Census of Retail Trade found eighteen billions dollars were spent on eating and drinking places out of the total of \$295 billions earned by retail establishments.² By 2003, the food and service and drinking places increased to \$357.1 billion out of the total of \$3,756.7 billion.³ This data suggests that restaurant establishments fill the streets in every major United States city, and one can find restaurants even in the remotest small town.

¹ Beth Panitz, “Year of the Restaurant: Unwrapping What the Industry Has to Offer,” *Washington Post Restaurant USA* 19, (February 1999) 26.

² U.S. Bureaus of Census, *Statistical Abstract of the United.States:1932*, No.788, 791.

³ U.S. Bureaus of Census, *Statistical Abstract of the United.States:2004-2005*, No.1020, 657.

In every aspect, the business operation of Chinese restaurant resembles a typical small business that historians have earlier studied in other areas. Like the majority of small business entrepreneurs, Chinese restaurant owners tend to seek opportunities in the restaurant industry because of its low-entry requirement and because they have some personal knowledge of the field. These small restaurant owners typically operate from one or possibly several locations, and deal in a specialized market. Their ventures are often undercapitalized, labor intensive, and yield fairly low net worth. Due to these features, small Chinese restaurants tend to have a short life span, and are likely to fail when they compete against major restaurant chains. In terms of management, the small Chinese restaurants are run in a personal way. There are no management layers, and the owner usually has direct control in the restaurant. Funds flow freely between business accounts and personal savings. Family members often are the core of the labor force. Once the founder dies, the business is likely to be closed when there are no children to inherit it or a new buyer to buy the venture. For small companies in other industries, adequate investment, specialization combined with flexibility in production and avoid direct competition with its larger competitor seem to offer the best strategy to survive and remain competitive. In the restaurant industry, the same business principles apply.

CHAPTER I

INTRODUCTION

HISTORIOGRAPHY

Small businesses attracted less attention from historians for mostly the twentieth century because most studies focused on understanding the development of big businesses prior to World War II. Such a phenomenon was understandable at the time because the rise of big businesses transformed parts of the American business system and big enterprises were the main engine of the American economy. Nonetheless, there was always a small group of historians concerned about the development of small businesses in the United States.

The retail industry attracted much of the early business historians' attention. In the 1930s and 1940s, historians like Lewis Atherton, Gerald Carson, and Thomas D. Clark explored the significant role small country stores played in the nineteenth century United States. These scholars studied southern country stores because they viewed these stores as the connecting link between southern farmers, merchants, and manufacturers. Because the supply of merchandise was vital to business, the shopkeeper was unable to run his store unless he had business connections and social influences with the local

community and beyond.⁴

In the 1950s, historians occasionally explored small businesses in manufacturing. Martha Taber wrote about the growth and development of the cutlery industry in the Connecticut Valley. Taber illustrated the human element in business when she showed how both entrepreneurship and labor relations played a significant role in maintaining a competitive edge for a set of companies that dominated the industry from the 1830s until World War II. In 1956, Theodore Marburg looked at a single firm in the brass-fabricating industry in Waterbury, Connecticut. Marburg divided his book into four periods, which covered the lifespan of the Smith and Griggs Co. The initiative to stay ahead of competition, able management, and good business connections guided the company through a period of expansion until about 1907. The firm declined after 1908, and eventually went out of business in 1936 when the next generation of management let the early success factors erode.⁵

There was a reemergence of interest in the history of small businesses in the 1970s and early 1980s. Topics related to small enterprises extended into new areas. Some historians investigated the dynamics of business operations; others studied what contributions small ventures made to the economy. Mansel G. Blackford's two publications about Southern Alaska and Central Ohio were valuable contribution to the regional studies of the development of small businesses. In these studies, Blackford found that the growth and the failure of small enterprises depended on many factors. It

⁴ Lewis E. Atherton, *The Southern Country Store, 1800-1860* (Baton Rouge: Louisiana State University Press, 1949); Thomas D. Clark, *Pills, Petticoats and Plows: The Southern Country Store* (Norman: University of Oklahoma Press, 1944); Gerald Carson, *The Old Country Store* (New York: Oxford University Press, 1954).

⁵ Martha Taber, *History of the Cutlery Industry in the Connecticut Valley* (Northampton, Ma: Smith College Studies in History, 1955), Theodore Marburg, *Small Business in Brass-Manufacturing: The Smith and Griggs Co. of Waterbury* (New York: New York University Press, 1956).

remained possible for small and medium size companies to succeed, but the odds against such success were extensive, and luck often played an important element. Philip Scranton and John N. Ingham showed the advantages and the limitations of small enterprises. Both authors concluded that small firms successfully competed with larger firms when small companies continued developed market niches, remained flexible in production techniques, were staffed with skilled labor, and maintain able management. Conversely, the erosion of these factors or the expansion of larger firms eventually led to the demise of many of the smaller firms.⁶

Social scientists continue to contribute our understanding of the development of small minority-owned businesses in the United States. Sociologists who studied ethnic businesses tried to identify the characteristics of African Americans in small businesses and what kind of difficulties they encountered during the start-up period. Joseph Pierce's pioneering study of small ethnic enterprises basically set the standard for later sociologists. In 1944, Pierce conducted a survey of 3,866 service and retail businesses owned and operated by African Americans in twelve cities where there was a majority African-American population. Based upon his data, Pierce showed that small African-American businesses faced exceptional difficulties and hazards compared to their white counterparts, because African-American entrepreneurs and their employees lacked the formal business training and the capital necessary for operation. Pierce used his study of small African-American businesses as an example to show the need to rethink business

⁶ Mansel G. Blackford, *A Portrait Cast in Steel: Buckeye International and Columbus, Ohio, 1881-1980* (Westport, CT.: Greenwood Press, 1982), *Pioneering in Modern Small Business: Wakefield Seafoods and the Alaskan frontier* (Greenwich, CT. : Jai Press, 1979); Philip Scranton, *Figured Tapestry: Production, Markets, and Power in Philadelphia Textiles, 1885-1941* (New York: Cambridge University Press, 1989); John N. Ingham, *Making Iron and Steel: Independent Mills in Pittsburgh* (Columbus: Ohio State University Press, 1991).

philosophy and business programs within the African-American community. The shortcomings of African-American businesses mentioned in his work simulated new interest in the study of ethnic business in the United States.⁷

Divertization into minority-owned enterprises became more widespread after 1965 when more immigrants came to the United States because of the changes made in the immigration policies. Among the new immigrant groups, Asians had the highest rate of population growth of any minority group; the number of Asian immigrants who entered the United States after 1965 increased by approximately 80 percent. The American public knew little about the new Asian immigrants. It became apparent that this growing Asian population would contribute to the evolution of American culture. For this reason, social scientists went beyond the analysis of African Americans and extended the study of minority-owned enterprises to other ethnic groups. Ivan H. Light's work is particular noteworthy because he raised many interesting research topics for later scholars to explore. Light compared the experience of three groups in business, showing that cultural backgrounds and conditions played a significant role in successful operation. He addressed the subject of discrimination as a factor that motivated minority groups to engage in self-employment; he pointed out self-employed businesses offered both economic opportunities and social mobility for minorities. His studies also tried to explain the reason why African Americans were less successful in business compared to Chinese and Japanese. He believed it was due to the "rotating credit association," which exists among the Chinese and the Japanese communities, but not in African-Americans communities. While social scientists followed Light's approach in seeking why there

⁷ Joseph A. Pierce, *Negro Business and Business Education* (New York: Harper and Brothers Publishers, 1947), 33-40.

were differences among various ethnic groups in their economic adaptations to American society, other social scientists investigated how the socioeconomic adaptations of particular ethnic groups vary in different regions. Social scientists have thereby been attracted to states that have a diverse population or a large concentration of certain ethnic groups.⁸

A few scholars who study Chinese restaurant enterprises suggest that the existence of Chinese restaurants in the United States helps promote cultural interaction between the Chinese and their host society. Zhang Jie in his dissertation examined the cultural role of the Chinese restaurant in the United States. He suggests that the Chinese restaurant is not simply a business establishment but a social institution that transformed the social identity and of Chinese immigrants as they became a part of American society. Others explore the connection between culture and architecture of Chinese restaurants. Tonia Chao's dissertation shows that the architectural evolution of Chinese restaurants in San Francisco from 1849 to 1984 was a product of cross-cultural interaction over time. Her researched demonstrates that the history of Chinese restaurants experienced three separate periods, and each period reflected certain cultural values and beliefs that serve as the landmark of the long process of socioeconomic adaptation in the United States society. Lu Tzu-Ching's dissertation is an analysis of Chinese restaurants in Kansas City. Written in two volumes, his work tries to provide both a description and an explanation of how the majority of Chinese restaurants in Kansas City operate. Focusing on Chinese restaurant entrepreneurship as one dimension of economic incorporation, his dissertation seeks to illuminate how the study of the Chinese restaurant fits into some conceptual

⁸ Ivan H. Light, *Ethnic enterprise in America; business and welfare among Chinese, Japanese, and Blacks* (Berkeley: University of California Press, 1972).

models utilized in previous social science literature that dealt with the small businesses of immigrants in the United States.⁹

Midland was the focus of this study for the following reasons. First, Chinese entrepreneurship in the restaurant business at Midland is worthy to investigate because of its demographic and geographical location. Geographically, Midland is an isolated city in the Permian Basin. Its estimated population is around ten thousand. The closest metropolitan areas are about three hundred miles away in every direction, and the nearest major Chinese community is approximately 560 miles away in Houston. For these reasons, what attracted the Chinese restaurateurs to open restaurants in a small isolated town is an interesting question to explore. In the past three decades, only an article by Edward J. M. Rhoads, "The Chinese in Texas," has dealt with the subject of Chinese immigrant history in Texas. Mainly describing the livelihood of early Chinese immigrants and their communities, the article only provides a general survey for understanding the history of Chinese immigrants in the region.¹⁰

What happened and what is happening to the Chinese restaurants in Midland offers a chance to comprehend changes in one specific ethnic business over time. The stories of success, failure, and difficulties Chinese restaurateurs faced and the solutions they devised to bridge obstacles provide a means to understand Chinese cultural and economic adaptation to culture in the United States.

⁹ Zhang Jie, "Transplanting identity: A study of Chinese immigrants and the Chinese restaurant business," Ph.D. diss., Southern Illinois University, Carbondale 1999; Tonia Chao, "Communicating Through Architecture: San Francisco Chinese Restaurants As Cultural Intersections, 1849-1984," Ph.D. diss., University of California, Berkeley 1985, and Lu Tzu-Ching, "*Ethnic Enterprise in the Kansas City Metropolitan Area: The Chinese restaurant business*," Ph.D. diss., University of Kansas 1990.

¹⁰ Edward J. M. Rhoads, "The Chinese in Texas," *Southwestern Historical Quarterly* 81(1977): 1-36.

CHAPTER I

INTRODUCTION

MIDLAND

It was 1882 when the first settlers began to settle around Midland. White men knew the about the area from Captain R.B Marcy's expedition in 1849. Before the Civil War, Texas was an unattractive place to settlers, because their impressions of the new territory were little more than wilderness, controlled by the Indians. News of Indians raiding on white settlements was common and fighting between the Texans and the Indians prevented a major migration. Shortly after the Civil War when meat was in great demand in the East, ranching began to attract people to settle in the region. Cattle and buffalo were around for several hundred years before the Marcy expedition, but only the Indians saw cattle and the buffalo as an important resource until the cowboys began to make a comfortable living by driving cattle to established markets. On average, one head of cattle could sell as high as thirty-eight dollars, with an expense of two dollars per head. It was because the cattle business was profitable that others soon followed the business, which brought investment and settlers to the region. Therefore, in the late nineteenth century, it was the cattle industry that gave life to the Midland area.¹¹

¹¹ John H. Griffin, *Land of the High Sky* (Midland, Tx: The First National Bank of Midland, 1954), 53.

The cattle industry gave birth to the Midland area, but it was the Texas & Pacific Railroad that enabled it to grow. Because of the railroad, a number of surrounding communities experienced rapid growth, including Abilene, Colorado (Texas), Big Spring, and Pecos. Among these communities, Midway Station-----a point designated by the Texas & Pacific Railroad that was halfway between Ft. Worth and El Paso was more attractive to passing travelers because of its appealing railroad platform. In March 25, 1885, Midland County was formally organized from Tom Green County (San Angelo), and the community changed its name from Midway to Midland after its first city officials learned that another community in Texas had the same name. In the next two decades, the little cowboy town continued to grow because it served as the transportation center for surrounding communities. However, drought and agricultural depression in the 1920s reduced the population to only 1,795. When the future of the community seemed uncertain, it was another new industry that transformed the community into a booming town in West Texas.¹²

That new industry was oil. The oil industry saved Midland, and turned it into one of the fastest growing communities in Texas. Since 1916, oil companies sent their geologists in search for oil in the Permian Basin. In the following years, exciting news of oil discovery led Samuel D. Meyers from the *Permian Basin Newspaper* to write that “the Permian Basin will become one of the great oil provinces of the world.”¹³ With major oil discoveries in the surrounding region, many oil companies began to establish headquarters in Midland due to its easy access to communication. Because of oil, the

¹² Bill Modisett, *Historic Midland: An Illustrated History of Midland County* (Midland, Tx: The First National Bank of Midland, 1998), 46.

¹³ *Ibid.*, 25.

little cowboy town became a commercial hub for the nearby booming areas.

However, the boom period did not last. Like other industries at the time, the oil industry suffered from overproduction. Oil prices at one time dropped to ten cents per barrel; many small companies went bankrupt. Those that did not become bankrupt stayed open by reducing staffs and cutting wages. In difficulties of the 1920s, Midland seemed just like her sister town Odessa: ‘it became a transient town, a place to come to and make money when the boom was on and then get as far away from as possible with the inevitable setting of the bust.’¹⁴

But what Bissinger writes about Odessa only happened to Midland briefly. With the United States involvement in World War II, Midland revived once again when the government demanded oil. In addition, Midland became the site for the Army Air Force Bombardier Training School as part of the war effort. Initially, the Army invested more than five million dollars in 1941 and 1942 in building the airfield and other facilities, which opened in February 1942. Unforeseen by anyone at the time, the facilities not only exceeded expectations in providing personnel for the air force, but it also became an important facility for the development of Midland when the war was over. The original airfield, which later underwent several expansions, became Midland International Airport. When more oil was discovered within Midland County during the late 1950s, Midland grew again to become a city with a population around sixty thousand people. While the Civil Rights Movement and the Vietnam War occupied the national headlines, the local newspaper *Midland Reporter Telegram* filled the front page with news about oil and rodeos. By the 1980s, when the oil industry was in decline, Midland suffered a

¹⁴ Henry G. Bissinger, *Friday night lights: a town, a team, and a dream* (New York: HarperPerennial, 1991), 121.

slower growth, but the recession that many residents expected did not last. In a short period of time, the city recovered from the recession and lowered its taxes to attract other types of industries. By the 1990s, many major retailing companies opened their stores in Midland, which made the town a shopping center for the surrounding region. Today, the population of Midland is over ten thousand, and with an international airport, Midland is not only the arrival and departure point for the region, but also a commercial hub of the surrounding towns and communities.¹⁵

¹⁵ Modisett, *Historic Midland*, 53-64.

CHAPTER I

INTRODUCTION

BLACKGROUND OF THE RESTAURANT INDUSTRY

Ethnic groups, especially immigrant minorities engaged in the restaurant industry, are one of the reasons why the industry experienced a rapid growth. There are several reasons why immigrant minorities tend to go into the restaurant business. First, opening a restaurant does not require a large capital investment. There is no expensive equipment involved except the building. In addition, the required investment can be reduced when restaurateurs are in partnership. Second, the restaurant business is a self-employed trade in which the restaurateur is not working for someone else. If successful, the venture allows for social mobility and wealth. Finally, there is a demand for ethnic cuisine in the United States because of the size of the ethnic populations especially in the metropolitan areas.

Different from a factory which is a production unit and different from the retail store which is solely a service unit, the restaurant is a combination of the two. Within the kitchen, food is processed and cooked into a perishable product for immediate sale. Success in the restaurant business requires a detailed management of food supplies, a consistent offering of good food at reasonable prices and prompts response to customers’

demands.

There are three categories of restaurants within the industry. There are the fast food, the intermediate, and the full service restaurant. Each type of restaurant uses different production processes and uses different worker groups.

The fast food restaurant has been the fastest growing segment of the industry since the 1970s. Fast food chains such as McDonald's, Burger King, and Wendy's owe their success to low prices, fast service, and advertising. These franchises are able to lower their cost because their menu is simple, and therefore, fewer ingredients to purchase. Another reason for their success is that fast food restaurants have less labor cost. Fast food workers do not need specialized skills to handle their tasks such as food preparation and cooking. Most of these procedures are done by highly specialized machinery, which eliminates the need for skilled workers. Teenagers are the primary work force in this type of restaurant because none of the jobs are specialized.

Different from the fast food restaurant, intermediate restaurants have table service for its customers, and the menu is more extensive than the fast food restaurant. Places like Outback, Redlobster, and Chili's represent this type of restaurant. They have a limited number of items on their menu, and they rely on their specialty items to attract customers. Because the meals served by this type of restaurant are more complex than the fast food restaurants, workers need more than a few hours to learn the skills to required handle their tasks. However, due to the casual atmosphere, which is another characteristic of intermediate restaurant, well-developed cooking and serving skills that predominate in the full-service restaurant are not required.

In the United States, full table service and a complete menu characterize full-

service restaurants. Usually possessing a decorated atmosphere, customers can order a wide range of dishes that require developed and specialized cooking skills, and are waited upon by the well-trained waiters or waitresses. Within the kitchen, unskilled or semi-skilled workers prepare raw food, which is then cooked by the chef who is usually the most skillful worker in the restaurant; the meal is finally served by waiters or waitresses. To ensure customers are treated with the best food quality and service, the prices are expensive due to the high labor and food costs.¹⁶

While there are many types of restaurants in the United States, the majority of them are small business and family-owned. There are many definitions of what is considered as small business, but generally the business is considered small when the owner is capable of maintaining direct communication with his work force, including managers and key personnel. In many cases, a typical small restaurant is under-funded during the startup period, and it might take years to become profitable. For this reason, a small restaurant would only have five to ten workers. Quite often, there is little division of labor, which means that everyone including the owner could be working as cook, waiters, and dishwashers. At the management level, the owner keeps track of everything, and frequently is called to do manual labor. To survive the startup period, small restaurant owners usually receive help from children and members of the extended family who would work at low or no wages when needed. This is definitely an advantage and a common scenario for small ethnic restaurants, but by no means is it the only reason why small restaurants succeed.

Chinese restaurants have been in the United States since the mid-nineteenth

¹⁶ Wallance L. Rande, *Introduction to Professional Foodservice* (New York: John Wiley & Sons, Inc, 1996), 11-14.

century. In the pioneering days, restaurant establishments were one type of many stores within the Chinese community. At first, members within the community were the only customers, but as owners noticed that American actually liked Chinese food, they gradually catered to American customers. After World War II, many Chinese restaurants began to appear in major cities besides the traditional Chinatown of San Francisco and New York, owing to American curiosity about Chinese food. Before Chinese cook books were available, one of the mysteries about Chinese food was its taste. Americans, who knew little about cooking, understood that a mixture of certain ingredients gives off certain aromas and tastes. But what puzzled American was how a change of cooking style and the use of special techniques could make a dish possess contrasting tastes and textures. A popular American dish grilled steak could become a popular Chinese dish of broccoli beef if the steak is not grilled in a whole piece but stir-fried in pieces in a wok with broccoli. However, this is just one of many styles of Chinese cooking. In general, there are four styles of Chinese cuisine feature in the United States today.¹⁷

The cooking style mentioned above belongs to the Cantonese style, which is the Chinese method most familiar to American. Cantonese style was the earliest cooking style introduced to the American public because the earliest Chinese immigrants were from Canton Province. Later immigrants helped popularize this style when entrepreneurs from the Canton Province and Hong Kong continued to migrate and open restaurants in the United States after 1965. Cantonese style is famous for stir-frying, steaming, and roasting a wide variety of meats, poultry, and seafood, and its subtle use of sauces to create various dishes.

¹⁷ Pan Lynn, *Sons of the Yellow Emperor : A History of the Chinese Diaspora* (Boston: Little Brown, 1990), p.333-337

Mandarin style is the most refined Chinese cuisine from the region around Beijing. It was considered the best style because the finest chiefs were recruited to create dishes for the court and imperial banquets of the Mandarins. When China was no longer an imperial state, Mandarin cooking began to spread into the public. Today, the style is modified so that it is more simplistic for the common people, but it is still noted for its subtlety and sophistication.

Hunan and Szechwan style are known for their hot and spicy dishes. They are the only two major cooking schools that specialize in using spices and peppers. The appeal of Hunan and Szechwan dishes are not as attractive when compared to other Chinese cuisines, but people often fell in love with its intriguing flavor combinations. Over the years, the taste and the appeal of Hunan and Szechwan dishes have been modified to accommodate western tastes.

The Shanghai style is the most sophisticated cuisine from the Eastern provinces of China. The liberal use of soy sauce combined with sugar to sweeten dishes is the signature of this style of cooking. Another feature of Shanghai style is called “red cooking”, a cooking process that simmers meat in dark soy sauce, imparting a reddish tinge to the meat. As a result, the flavor is soaked into the meat creating a taste without using extra sauce poured on the final product.¹⁸

One can learn each of these cooking styles in a Chinese cooking school or learn it from the master chef in the restaurant. Many recent immigrants who are interested in being a chef choose the later option because they cannot afford the tuition fee of a cooking school. In addition, they can earn themselves a salary, a room, and a meal.

¹⁸ Lu Tzu-Ching, “*Ethnic Enterprise in the Kansas City Metropolitan Area: The Chinese restaurant business*,” Ph.D. diss., University of Kansas 1990. Vol 1, p.230-231

Apprenticeship in the restaurant is different compared to the formal cooking institution. An apprenticeship is informal and it is not treated as a formal training program designed to train a skillful worker. The apprentice is one of the employees in the restaurant, which means there is no obligation in the master-apprentice relationship. The apprentice can quit anytime as long as he has given advance notice to the manager. In term of status, the apprentice is at the bottom of the managerial ladder in the kitchen, and usually receives less wages than a cook. Outside of the restaurant, the apprentice does not live with their master and is not required to sacrifice his free time to serve his master. But in reality, all workers tended to live together and works long hours due to the natural of the restaurant industry.¹⁹

It is under this informal system that many Chinese chefs in the United States learned their craft. Very often, the task for an entry-level cooks did not involve cooking at all for a year or two. They started out with the ‘basics’, which is cleaning work areas, equipment, utensils, dishes, and silverware. Basically, all manual labor in the kitchen is assign to the entry-level cook to prepare them for the upcoming hardship in the kitchen. Once the apprentice shows he can handle the ‘basics’, he would become a food preparation worker, and begin to learn some basic food preparation like peeling and cutting vegetables, trimming meat, and seasoning. Bigger establishments often have several chefs and assistant cooks along with food preparation workers. All have their own station that have the type of equipment and ingredients needed. However, in a smaller establishment like full service Chinese restaurants, the organizational structure of the kitchen staff is less formal, and job description is less specific, so that it is common to see food preparation workers perform tasks that are usually assigned to the assistant cooks,

¹⁹ Ibid, p.310-315

such as readying ingredients for complex dishes, getting pots and pans, and composing side dishes under the direction of chefs. As the assistant cook becomes more skillful, he would automatically become a chef himself once he hires out as a chef or opens his own restaurant. The responsibility of chef includes coordinating the work of the kitchen staff and directing the preparation of meals. In the kitchen, the chef cooks dishes according to his own recipe, and determines the presentation of meals according to the menu. In addition, the chef is also responsible for kitchen operation and ordering food supplies for the restaurant.²⁰

People may find it hard to distinguish each cooking style in Chinese restaurant today because a high transfer rate of kitchen staff and the taste of the American public has made the cooking of Chinese food in the United States more universal than before. The name may give hint of the style each restaurant features, but it is the same dishes appear on the menus, and there are not any significant differences in the soups and sauces each restaurant provides. Therefore, customers basically have certain expectation about Chinese foods, and restaurateurs typically include the most popular dishes from each style for the menu.

To show the Chinese entrepreneurship in restaurant industry, access to individual restaurants is essential. Currently, Midland has three full-service and five limited service Chinese restaurants. A narrative of the three full-service restaurants will lead toward a suggestive portrait of Chinese entrepreneurship in Midland when the first Chinese restaurant opened in 1952.

²⁰ Ibid, p.325-327

CHAPTER II

BLUE STAR INN

Three Chinese founded Blue Star Inn in 1952. Their names were Joe Chung, Richard Yee, and Joe Jot. The three men were not brothers, but they were best friends who decided to open a Chinese restaurant in Midland. They were able to foster such friendship was because they shared a similar cultural background and worked at the Dallas area where there were not many Chinese around at the time. All three of the founders were second generation Chinese immigrants in the United States. They spoke fluent English and maintained attentive to Chinese cultural values. All three men were former chefs who worked at other Chinese restaurants before they opened their own.²¹

Richard Yee was born in Taishan, China. When he was fourteen years old, he came to the United States as an immigrant after finishing junior high school in Guangzhou. Like many new immigrants, Richard knew little English, and he lived with his father. Throughout his teenage years, Richard worked as a dishwasher and assistant cook in his father's restaurant in Minnesota. As a principle heir of his father's share, Richard prepared himself to manage the restaurant someday, but when the United States

²¹ Alan Yee, Interview by author, tape recording, 2 cassettes, Midland, Tx., 15 June 2005, 1: side A.

entered World War II, he left the management to his uncle and he joined the military as a cook. When he returned after the war, the volume of sales was in decline due to mismanagement and competition. After considering other options, he sold his family share and took the capital to open a Chinese restaurant elsewhere. Through a friend who was a Chinese cook in Dallas, he knew that the South Central states like Oklahoma and Texas had fewer Chinese restaurants. Soon, Richard and a friend of his opened a restaurant together and made moderate profits for a while.²²

Like Richard, Joe Jot and Joe Chung each worked in a restaurant. At the time, Joe Chung was the owner of Blue Star Inn in Ft. Worth; Joe Jot was the cook of another Chinese restaurant nearby. Also a Chinese immigrant, Joe Chung was a teenager when he came to the United States. Like Richard, he worked as an apprentice cook in a Chinese restaurant to learn the craft. During World War II, he joined the navy and served in the Pacific as a cook. When he came back, he continued to work in the restaurant until he saved enough money to open his own venture. Richard Yee and Joe Jot shared the same business strategy, which emphasized food quality, but Joe Chung had other ideas. In Ft. Worth, he managed his restaurant and emphasized service. In Joe's opinion, good food obviously was important to business, but customer relationships were equally vital for a successful restaurant. A restaurant was not just a place to serve food, but it was a place where people gathered, socialized, and were entertained. With that philosophy, Joe initiated conversation with his customers, and greeted them with hospitality. He became attentive to the decoration of the interior, presentation of dishes, and setting table attractively. In addition, he spent time on training his waitresses to always greet customers with smiles, being thoughtful in taking orders, making sure the food arrived to

²² Ibid.

the correct tables, and fulfilling customer requests until the end of the meal.²³

The founders interested in catering Chinese food where there was no other nearby Chinese restaurants was the primary reason why they chose Midland to open their restaurant. It was in the 1920s that the town's population grew significantly as oil was discovered, first to the south of Midland, and then in several other directions. The oil boom that peopled the Permian Basin transformed Midland's economic foundation from ranching to oil exploration and production. During the boom period which lasted until the 1960s, Midland was the ideal location for management and became headquarters for many major oil companies. The city was a natural pivot for field activities, and office buildings and apartments sprung up to house various people that worked in the oil fields. While Midland's reputation as a headquarters town for the oil industry grew, so did the supporting businesses such as restaurants along with it. Despite the fact that Midland was a booming oil town, there were only a few diners and several American restaurants before the opening of The Blue Star Inn.²⁴

The Blue Star Inn is a medium size restaurant in terms of building size. A parking space for fifty cars surrounds the building. There are no oriental designs on the exterior to make a distinctive identity, only a big sign with The Blue Star Inn written on it. The interior layout of The Blue Star Inn was a typical large restaurant design. There were two major sections: one was the dining hall, and the other was the kitchen. Separating the dining hall and the kitchen was a bus station where waiters and waitresses fix drinks for the customer. The main wall in the middle of the dining hall physically divided the dining section into two sub-sections which the owner used as a party room. The total capacity of

²³ Ibid.

²⁴ Ibid.

The Blue Star Inn was between 80 to 100 people. There was more seating in the past, but the addition of the bar and the grill reduced seating capacity. The location of the restaurant is in the main residential area where the majority of the people are working class, and they have provided a large proportion of the customers. For over fifty years, The Blue Star Inn has been a full-service restaurant emphasizing good service, great food, friendly atmosphere, and an extensive menu at a reasonable price. Its menu includes Hamburger, French fries, steaks, Sweet and Sour Chicken, Chow Mein, and various Chinese dishes. Each main course is served with various side dishes and with salad or soup of the day, and a basket of rolls. The menu was purposely designed to attract families and working class customers who craved for great food at affordable prices. Unlike a typical Chinese restaurant, which only served Chinese cuisine, The Blue Star Inn offers its customers both Chinese-Americanize cuisine and American cuisine.

Many loyal customers remembered the excitement over the new restaurant in town despite the fact that the founders inadequately advertised in the newspaper. There were a few advertisements posted in the local newspaper during the grand opening month, but the announcement lasted a short period. Thereafter, the founders did not organize any promotion campaign. The founders' decision in not to emphasize promotions did not mean they ignored the importance of advising. Rather, the founders were convinced by the warm welcoming from the community that they believed the restaurant's name was well known in town during the grand opening period. With the big sign written 'Blue Star Inn' surrounded with shining light bulbs, the sign was an easy object to identify during the daytime, and caught people's attention at night. What does the food taste like? How does the new restaurant look? How is the service? Who owns it?

These were the questions people wondered when they knew a new restaurant came to town. In the initial months, it was curiosity that attracted people to The Blue Star Inn. Customers did not mind they had to wait for thirty minutes to get a table. Everyone wanted to eat at The Blue Star Inn so that they could give their own evaluation about the new restaurant.²⁵ The instant success of the restaurant and good responses from the customers explained why the founders never organized any promotion campaigns. From their perspective, advertisement was used to boost sales when business was in decline. But since the restaurant had a good start, there was no need for advertisements. The most effective way to promote the restaurant thereafter was through creditability, which means customers informed their friends about The Blue Star Inn instead of through the media. The advantage of this method was its low-cost even though it was not a consistent promotion method. The idea worked once people were convinced that The Blue Star Inn was a great place to eat. Furthermore, the fact that Midland was a small town and the restaurant noticeable location eliminated the need for elaborate promotion campaigns.²⁶

At the beginning, cutting operating cost was the restaurant's first concern. One way to lower operation costs was cheap labor; the founders of The Blue Star Inn and their family members took many essential positions in the restaurant instead of hiring help. Labor costs could represent one-half of the operation expenses depending on the degree of service provided in a full-service restaurant. The founders of The Blue Star Inn needed at least one head cook for Chinese food, one head cook for American food, and several cooking assistants to operate the kitchen. In addition, several waiters and waitress, coordinator of the waitpersons, and a person responsible for the counter were necessary

²⁵ Blue Star Inn's customers, interview by author, tape recording, Midland, Tx., 15-25 June 2005.

²⁶ The Blue Star Inn's customers, Interview by author, tape recording, Midland, Tx., 15-25 June 2005

in the dining area. These labor expenses were a financial burden when the owners of the Blue Star Inn started operations. To cut labor cost, Joe Jot and Richard Yee worked in the kitchen together, and Joe Chung was in charge of the front-counter. Meanwhile, the three founders' family members filled the positions of the waitpersons and the supporting staff positions in the kitchen. Instead of relying on their food supplier, The Blue Star Inn made home-made items such as dinner roll, pies, salad dressing, and various daily products. These extra items not only aimed to cut food cost, but the founders believed the quality of their homemade items were fresher and better quality than the ready-made items ordered from the supplier.²⁷

However, the volume of sales decreased when customers were no longer curious about the new restaurant. In response, Joe Chung suggested that they build a grill-stand that specialized in making grilled dishes in front of the customer. That idea turned out to be the turning point of the restaurant as the grill-stand not only attracted more clientele, but left a great impression on regular customers especially when the smell of the grilled dishes filled the entire dining room. Soon, customer attendance would be the least concern for the founders as The Blue Star Inn emerged as one of the most popular restaurants in town. By the 1960s, the restaurant had paid off its building payments, and was generating moderate profits for the founders.²⁸

For about thirty years, the ownership and operation of The Blue Star Inn had been equally divided between the three founders. In theory, the managerial duties were shared by the three founders, but in practice, Joe Chung emerged as the leader of the group. Joe earned the respect and trust from his partners because of his years of successful

A ²⁷ Ronny Gee, interview by author, tape recording, 2 cassettes, Midland, Tx., 14 June 2005, I: side

²⁸ Ibid

management that made The Blue Star Inn a profitable venture. Beside the fact that Joe was a good bookkeeper in the office, he was also a charming manager in maintaining good public relations with customers. While some restaurants gave customers impersonal service, Joe Chung made sure each of his customers received personal attention. When regular customers passed through the front door, Joe dressed in a suit greeted his guests by name with smiles and did his best to look thrilled to welcome the clientele. In the front-counter area, Joe always initiated a conversation with his customers to keep them entertained while they were waiting for a table or when they were paying the bill. There was much to talk about when Joe was talking with the regular customer. But even Joe did not know his customers by name, he would do his best to greet them in a polite manner. Joe loved children, and therefore, children often received Joe's special treatment whenever they came to the restaurant with their parents. Joe's enthusiasm definitely left an impression on his guests. Regular customers felt other restaurants were just as good as The Blue Star Inn when the food quality and service were compared. Yet, The Blue Star inn was always the best restaurant, because Joe and the other employees were able to create a pleasant and an enjoyable dinning environment for family diners.²⁹

Despite the restaurant's success in establishing its marketing position in town, the founders had not thought about expanding their business operation. Unwillingness to take the risk of starting a new restaurant and possible management problems led by expansion were the main reasons The Blue Star Inn did not expand. To the founders, a second restaurant meant funding additional capital, and labor; but most importantly the new restaurant would complicate operation and divert resources from The Blue Star Inn. Instead of dividing their resources to open another Blue Star Inn, the founders wanted to

²⁹ Yee, Interview by author, 2: side A

concentrate their effort on one restaurant. For that reason, the business operation of the Blue Star Inn never expanded to other locations. Instead, its operation expanded internally when its labor force increased to about thirty plus employees during the oil boom period.³⁰

In the late 1970s to early 1980s, there were a few personnel changes occurred in the restaurant. Health conditions and the onset of age required Joe Chung and Richard Yee to consider retirement. When Richard died in 1976, he left his part of the share to his wife and daughter Betty as an inheritance. In name, Betty Yee and her mother hold the share of The Blue Star Inn, but it was Betty's husband Ronny Gee that made use of this share to utilize in decision making for the restaurant. Ronny was an experienced chef in Canada before he joined The Blue Star Inn in 1968. As Richard's son in-law, Ronny helped Richard manage the kitchen even through he never finished high school. An easygoing man, Ronny has been working in Chinese restaurants for over thirty years. At the beginning, he started as an apprentice and worked his way to become chef. Because of his experience, he was capable of making quick adjustments in production of each dish, and able to modify old dishes when needed.³¹ As for Joe Chung's share, he had put his for sell for \$200,000 including the ownership of the business and the building. After some negotiations with possible buyers, Joe sold his part of the share to Richard Yee's son Alan for a total of \$230,000 in 1982. In the contact, Alan paid \$90,000 as down payment, and paid the remaining amount in installments at thirteen percent interest a year with a negotiable monthly payment.³²

Alan Yee was born in Canton, China in 1947. He received his secondary

³⁰ Gee, Interview by author, 2: side A.

³¹ Ibid.

³² Ibid.

education in Hong Kong and went to Taipei University at Taipei and majored in physical education. He was a high school coach in Hong Kong before he moved to the United States with his wife in the early 1970s. Alan wanted to utilize his language skills in San Francisco, as he was fluent in English, Cantonese, Mandarin Chinese, and Taishanese. However, he was unable to start a career as an interpreter because the United States. Employers did not recognize his education in Taiwan and his work experiences in Hong Kong. Between 1974 and 1976, Allen was one of the chefs in The Blue Star Inn when his father asked for his help. He left The Blue Star Inn that year to start his own café restaurant named Green's several blocks away and also invested in a motel. He came back in 1982, when he partnered with his brother-in law Ronny after he bought Joe Chung's share. Since then, The Blue Star Inn has been the Yee's family business when Joe Jot retired several years later.³³

The changes of ownership did not affect the operation of The Blue Star Inn as the new owners continued to manage the restaurant without any major changes. Alan continued to focus on management at the front counter while Ronny managed the operation of the kitchen. Family members of the two men continued to fill other key positions and left the rest of the vacancies to outsiders. To the regular customers, the service and the food quality of The Blue Star Inn remained the same except Alan was the one who greeted them at the front door instead of Joe Chung.

A year after the takeover, Alan and Ronny began to face a problem that had not been an issue for The Blue Star Inn for thirty years. That problem was source of new patronage—it was a common problem for any small restaurant. In the past, Midland was the workplace for commuters in the region because of the booming oil industry. But

³³ Yee, Interview by author, 2: side A.

when the industry was in a down cycle during the early 1980s, this segment of the people disappeared along with the oil companies that they worked for. The Blue Star Inn also lost its good location when the Mayor of Midland Ernest Angelo, Jr. implemented many policies in hopes of reviving the town's economy. During his eight-year tenure, Angelo initiated the construction of Loop 250, which was a closer route to Highway I-20, and the building of numerous shopping centers around the town. On the surface, the project was beneficial to The Blue Star Inn because the proposed Loop and those newly developed areas eventually made Midland a regional shopping center. However, Midland Park Mall, which was the most popular mall among a group of newly constructed shopping centers, was located on the other side of the town; if shoppers wanted to go to The Blue Star Inn, they had to drive approximately fifteen minutes to get to the restaurant. As a result, The Blue Star Inn failed to entice this new group of potential customers and only a few shoppers knew the existence of The Blue Star Inn.³⁴

While The Blue Star Inn struggled to entice new customers, Alan and Ronny found that it was equally difficult to please the regular customers. That was because the upcoming years marked the beginning of fierce competition in the restaurant industry in Midland. As mentioned before, the city constructed numerous shopping centers to attract and promote the retailing industry as part of the city economic measures to diversify its economy. As a result, new retail chains and new restaurants rapidly filled the town's shopping centers. Among the new restaurants opened that decade, three were three full-service Chinese-American restaurants and several fast-food type Chinese restaurants. Not only had each of these restaurants introduced a new concept, but also featured a new type of Chinese cuisine that included all the popular dishes from each cooking style. As a

³⁴ Modisett, *Historic Midland*, 71.

result, these new Chinese-American restaurants shared the Chinese cuisine market that was once dominated by The Blue Star Inn. The appearance of new dishes in the market eventually made the old menus unsatisfactory to the current patrons.³⁵

By 1983, with about \$80,000 in sales monthly, the business of The Blue Star Inn was in decline compared to the past. But while the volume of sales was dropping gradually, the yearly sales performance of the restaurant at this point was still profit enough to provide employment for its thirty plus employees at a pay rate of five to six hundred dollars for chef per month and a moderate salary for Alan and Ronny at about \$1,700 each. In an attempt to boost sales, Alan refurnished the interior with new carpet, furniture and constructed a bar. He also added several popular dishes on the menu, and began to sell alcohol along with the dinner menu, which made The Blue Star Inn the only Chinese restaurants that sold cocktails to customers.³⁶

However, these measures did not improve sales as the business shown no signs of improvement. Sales continued to drop gradually throughout the 1990s, and Alan and Ronny were forced to cut their labor force to break even. Chefs were the first ones laid off because of their high salaries; then the rest of the kitchen staff was reduced. Waitresses left voluntarily simply because they could not earn enough from tips. As a result, a business that once employed thirty plus people was cut to less than ten, and the majority of those working came from the owners and their family members. Today, with an approximate twenty-three thousand dollars in sales monthly, The Blue Star Inn is able to break even simply because of its low operation expenses. “This restaurant would have been closed years ago if we had to pay rent. Its stays open because we can live off the

³⁵ Yee, interview by author, 2: side B.

³⁶Ibid.

building that we owned,” says Alan.³⁷

³⁷Ibid.

CHAPTER II

BLUE STAR INN

ANALYSIS OF THE BLUE STAR INN CASE: REASON OF SUCEESS AND DECLINE

Americans like to dine at Chinese restaurants in addition to Italian and Mexican restaurants. Chinese restaurants became part of the American landscape with the arrival of the first group of Chinese immigrants in the second half of the nineteenth century. Chinese food was not well known to the American public because early Chinese restaurants served dishes that were different from American tastes. Restaurateurs began to open restaurants offering Amercianized versions of Chinese food when American tastes became exposed to Asian cuisine after World War II. The new cooking style was significant because the new type of Chinese-Americanized restaurants did better than the older Chinese restaurants.

Following this trend, being the first restaurant that served Chinese-Americanized food, definitely gave The Blue Star Inn a competitive niche to compete against the established American restaurants in town. During the 1950s and 1960s, The Blue Star Inn had a successful concept that exploited the growing cosmopolitan taste of Americans and their curiosity for Asian cuisine. The Chinese-Americanize cuisine was a new type o

cooking style created for Western tastes. It first appeared in the late nineteenth century when Chinese restaurateurs modified their traditional recipes to cater to American customers. The cuisine tends to emphasize meat over vegetables while the traditional cuisine emphasizes vegetables over meat. The Americanize version is cooked in Chinese cooking style, but it uses western ingredients and a mixture of Chinese and western seasoning to create a taste that Americans like. By selling this type of specialized Chinese cuisine; The Blue Star Inn thrived by filling niches in the Midland restaurant industry. Throughout the next decade, the restaurant has benefited from the growing taste for inexpensive, delightful, and unique cuisine. Customers selected a Chinese dish from the menu and then had the choice of an American or Chinese side-dish to accompany the main course. Once the customers chose one dish on the menu and were satisfied with its taste, they would frequently come back for the same dish. Because of this lasting impression of Chinese-Americanize cuisine The Blue Star Inn was able to attract customers in its early years when the restaurant served a familiar type of food that the American liked, and a taste that they craved on a consistent basis.³⁸

The early success of The Blue Star Inn also lay in its emphasis on catering to local tastes and customs at an affordable price. Casual dining environment, reasonable prices, and a menu that fit all ages were the characteristic of family-style service designed to improve appealing to the family-oriented community. There was no dress code and customers were not subject to extra expenses. In an attempt to accommodate different tastes, American items were on the menu along with the Chinese dishes. At the end, it was the price that mattered. “Compared to other restaurants in town, The Blue Star Inn is

³⁸ Blue Star Inn’s customers, Interview by author, tape recording, Midland, Tx., 15-25 June 2005.

reasonable. And I believe it remains this way for a long time” one of the customers said.³⁹ Maintaining good public relations with customers is always the most fundamental principle in the restaurant industry, especially in a small community where reputation and credibility matter. The probable downside of family-style service is that customers receive less personal attention but Joe Chung solved the problem by personal charms by being extra attentive to his customers.⁴⁰

It was the combination of good location, and the size of the restaurant that made The Blue Star Inn a successful venture from the start despite a lack of promotion efforts. The Blue Star Inn is located at one of the eastern blocks on Wall Street, a street that led travelers to Interstate 20 on the east side of town and also to the down town area from the west. Travelers could take Wall Street directly to I-20 until the city constructed Loop 250 in the 1970s. There was a movie theater several blocks away that was one of the favorite places for the locals. During the 1950s and 1960s, the restaurant was only five minutes driving distance from the main residential area where the majority of the population lived. While other restaurants were too small for gatherings, The Blue Star Inn had a party room for guests to hold special events, and enough remaining seats in the dining room for gathering. This allowed The Blue Star Inn to become a favorite place for locals in the weekend especially after church services.⁴¹

Factors outside of the control of the founders also explain the success of the Blue Star Inn. The restaurant was fortunate in opening at a time of general prosperity in Midland. Because of the oil boom, Midlanders could afford to dine out more often. As the restaurant acquired credibility, it developed a regional reputation as one of the best

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Ibid.

Chinese restaurants around, capable of commanding a premium market price.⁴²

Increased competition and changing demographics of the area hindered The Blue Star Inn's success. As mentioned before, the oil industry was the core of the Midland's economy since the early twentieth century. To buttress against the repeated cycles of the past when the economy was shaken by upheavals in the petroleum industry, there were serious efforts toward diversifying the economic base. As part of the plan to attract new industries, the city constructed Loop 250, added shopping centers, and expanded its airport. By 1980, the city successfully lured more retail chains to fill its shopping centers and added new land to the industrial area as companies found the southwestern part of the city agreeable to light manufacturing.⁴³ On the surface, The Blue Inn's success should continue because these measures were aimed to improve and broaden the local economy. But in reality, it redirected the city proper toward the southwestern part of the city, and encouraged competition in the retail industry. For example, Loop 250 which was the new route to Interstate 20 reduced The Blue Star Inn commuter customers, and the effect of additional shopping centers and new apartments enticed incoming residents to settle in the newly developed part of the town which is far away from the location of the restaurant.⁴⁴

The current owners' failure to develop a new restaurant concept that fit with the changing markets and economic conditions were another reason that caused The Blue Star Inn to decline. While other restaurants incorporated many new ideas and concepts to entice customers of all ages, the appeal of The Blue Star Inn experienced changed little

⁴² Ibid

⁴³ Chamber of Commerce Midland, Tx, *Profiles of Midland*, (Midland, Tx: The First National Bank of Midland, 1982) p.129

⁴⁴ Yee, interview by author, 2: side B.

over three decades. Since 1952, the owners never remodeled or redecorated the interior. The theme and decoration of the restaurant remained the same. Although there were new dishes added to the menu, the surrounding dining environment remained unchanged. As a result, a good portion of the current business is from the elderly who had been regular customers for years. This gave a negative appeal to younger customers who were predominantly professional and more attracted to other cheerful and exciting restaurant concepts.⁴⁵

Finally, the lack of capital and foresight from the aging management handicapped the growth of The Blue Star Inn. For example, ideas such as making cocktails available to customers increased the restaurant's sales for a short period; however, the owners closed the bar after seven years of operation because accounting and inventory control were too much for Alan to handle. Alan explained how age affected his managing the bar. "It's a lot of pressure and time consuming to keep up the accounts. If we are careless about it, we might get ourselves into legal problems. I don't want to do it anymore because I plan to retire in a couple of years. I don't want to deal with the legal problems during my retirement."⁴⁶ A conservative mentality definitely characterized Alan and Ronny's business vision and prevented them from making the capital investment in remodeling or opening another restaurant. When the city proper was shifting away from the location of the restaurant, what Alan and Ronny should have done was to have either remodeled the restaurant to entice new customers or expanded the business to other location; but they had done none of these things. The major obstacle that prevented them from expanding the business was the unwillingness of both parties to meet the costs. "Back then, once we

⁴⁵ From the author own observations.

⁴⁶ Yee, interview by author, 2: side B.

failed to borrow money from the bank using the restaurant's name; there is no more discussion about expansion. Neither of us had mentioned about putting more money into the restaurant, because it was too risky and too expensive for us.⁴⁷”

All businesses resemble a human life cycle-birth, growth, maturity, senescence, and death; The Blue Star Inn is no exception. The story of The Blue Star Inn shows that small family-owned Chinese restaurant could succeed and grow into a bigger venture. But the odds against such success persuaded the founders to settle for a stable monthly salaries and a moderate profit instead. In a small town where there was no available Chinese cuisine, The Blue Star Inn was able to carve out its own market by creating specialized products and services for a market niche. Even with the arrival of restaurant chains and other Chinese eating-places, The Blue Star Inn survived when the second generation of owners keeps operation costs to minimum, modified its menu and served cocktails. In this way, The Blue Star Inn's owners avoided direct competition with American restaurant chains while modifying their Chinese-Americanized cuisine. However, once the owners lost the interest to reinvest and failed to adapt to the changing market, The Blue Star Inn fell behind the competition. In effect, sale declined and new customers went to other restaurants. Although changing demographics and increased competition did affect the restaurant business, insufficient funds and aging management also played a role in turning the restaurant into an unprofitable venture

⁴⁷ Ibid.

CHAPTER III

HUNAN GARDEN

The Blue Star Inn exemplifies the success and failure of a typical Chinese restaurant in terms of marketing, management, public relations, and surrounding economic environment. There are other elements explaining the success and failure of their restaurants; they consist of the dedication of the owner, contributions from family members, landlord negotiation, and competition. The story of Hunan Garden, which involves the Chen family, can reach into those matters where the survival of the restaurant depends on the hard work of the owners and from his family members.

The Hunan Garden is a small, full-service, family-style Chinese restaurant located in the shopping plaza across the Midland Park Mall. Midland Park Mall attracts local and commuter shoppers because of its easy access to Loop 250 which directly takes shoppers to Interstate 20. The restaurant is one of the businesses inside the plaza with twenty parking spaces. There are some oriental designs on the exterior--such as the restaurant sign written with Chinese characters and a pair of Chinese stone statues at the forefront of the building to make a distinctive identity. There are no divisions of the area

inside the interior. Customers came into the dining area and are greeted by the hostess as soon as they pass through the front door. In between the kitchen and the dining hall is a bus station where waiters and waitresses fix drinks for the customers. In the middle of the dining area is a buffet table where customers help themselves with over fifteen different items to choose from.

The head of the Chen family, Michael Fang Chen, founded Human Garden in 1991. Before he came to the United States at the age of twenty-four, Michael was a marine corporal in the Taiwan military. When the military discharged him from active duty, he found a job on board an international cargo ship. In October 24th 1981, Michael became an illegal immigrant when he decided not to go back with his cargo ship during a stop in one of the United States harbors. For the next several years, Michael lived with his father in Chicago where he found work at a Chinese restaurant as a cook. After another several years of hard work, Michael saved enough money to open his own restaurant in Dallas. Lisa Chen, wife of Michael, worked at the Chinese restaurant when she first came to the United States as a refugee from Cambodia. She and her entire family settled at Midland in 1981 as a result of church sponsorship. When Lisa moved to the United States, she knew little English and received no formal training on how to manage a business. It was working in The Blue Star Inn as a waitress that she learned how to speak fluent English and observed the secrets of managing a restaurant.⁴⁸

Michael and Lisa opened their own restaurant at a cost of \$50,000 when they took over the business ownership from the previous owner. Half of the amount was from Michael's personal saving, and the other half was borrowed from Lisa's father. Before

⁴⁸ Michael Chen, Interview by author, tape recording, 2 cassettes, Midland, Tx., 23 June 2005, 1: side A.

the buyout, the establishment was a Chinese restaurant named The Imperial Garden owned by the Lu family from Taiwan. Unlike The Blue Star Inn, The Imperial Garden did not serve American cuisine. Instead, the restaurant served Chinese-Americanized cuisine and featured popular Cantonese style of dishes. Michael and Lisa changed only the name of the restaurant from The Imperial Garden to Human Garden when they took over the establishment. The reason why the owners took the name Human Garden was because they wanted a name that would make a mark in Midland; a name that customers would know the restaurant served Chinese food, and yet the name would not easily be forgotten in customers' minds. In addition, Michael and Lisa intentionally preserved the word 'Garden' in the new name to inform clientele that a transition of business ownership had taken place. Furthermore, Hunan Garden was an appropriate name because Michael's best dishes were Hunan style cuisine, and he wanted to promote the Human style of cooking as the restaurant's signature. While Michael and Lisa changed the name, they preserved the previous restaurant concept and the interior decoration. Initially, the new owners thought that it was unnecessary to make major changes because they did not want to lose customers who liked the old setting. Moreover, the amount of money required for introducing a new concept was too burdensome. Fortunately, the restaurant was doing well in the first three years of operation; Michael and Lisa earned their investment back in just eighteen months.⁴⁹

From 1991 to 1994, there were five full-time kitchen staff and four part-time waitresses working at Human Garden. At that time, the core of the labor force was not filled with family members because the business could afford to hire outsiders. With the restaurant generating an average of \$30,000 dollars per month in sales, labor costs were

⁴⁹ Ibid.

not an urgent issue; the venture brought the Chen family approximately \$6,000 of profit per month.⁵⁰

However, by the late 1990s, there was a restaurant boom along the Loop 250 and several major restaurant chains had opened their units in the newly constructed shopping centers. With their brand names, these restaurant chains were offering various restaurant concepts to diners. Although Chinese restaurant chains were not present in the restaurant boom, the situation was damaging for all kind of small restaurants who rarely had the resources to compete. At the beginning of 1994, sales dropped for the Hunan Garden from \$30,000 per month to \$21,000 dollars per month. In an attempt to improve sales, Michael and Lisa decided that the restaurant needed some dramatic changes. About that time, a new Chinese restaurant concept emerged that featured a super-buffet, and it had become a popular trend across the country. Instead of ordering the dishes from the menu, guests served themselves from various dishes presented on specially designed buffet tables. The idea was to showcase all the popular Chinese-Americanized dishes and a variety of other ethnic dishes to create an impressive exhibit. Customers only had to pay one price, and they could eat all the food offered on the buffet tables they wished. Michael and Lisa were attracted to the concept, but lacked the manpower and capital for the change. Therefore, the restaurant only offered a small buffet table that included ten different items during lunch time. To reinforce the overall presentation, Lisa replaced plastic cups and the outdated dinner wares with glass drinking vessels and appropriate table wares that fit with the restaurant theme. In addition, delivery service was provided

⁵⁰ Lisa Chen, Interview by author, tape recording, 1 cassettes, Midland, Tx., 25 June 2005, 1: side A.

to increase sales volume.⁵¹

While it was difficult to compete with franchise restaurants, negotiation with the landlord was just as troublesome. Ironically, negotiations with the landlord became more complex on the mall property. Because the location of the restaurant was along Loop 250 and across the Midland Park Mall, land values increased when more major retail stores and franchise restaurants opened. Michael's landlord had no other plans for the building, but continued property development nearby definitely gave the landlord an advantage in lease negotiation. Meeting the new rent charges seemed impossible, so Michael and Lisa hoped that someone would come in to buy out the exiting lease; otherwise, they hoped for some fortunate happenstance that would give them an edge in the next negotiation with the landlord.⁵²

Today, with sales stabilized at \$22,000 per month, Michael and Lisa follow what the majority of small business owners would do when their business is in survival mode; they are working extra hours to keep expenses down—notably rent, salaries, and costs. In practice, that meant eighty to ninety hour workweeks with a salary about seventeen hundred dollars per month for the couple. It also meant hiring family members who were flexible in terms of wages and benefits but who would never undermine the business. It also meant doing everything that needed to be done such as all the cooking and food preparation in the kitchen, bookkeeping, table services, and dishwashing. In these ways, Michael and Lisa cut labor costs to the minimum by taking over all kind of duties in the restaurant themselves with some help from their children and family members.⁵³

⁵¹ Ibid

⁵² Michael, interview by author, 2: side A.

⁵³ Ibid

CHAPTER III

HUNAN GARDEN

ANALYSIS OF HUNAN GARDEN: SMALL FAMILY-OWNED RESTAURANT VERSUS FRANCHISE RESTAURANT

In 1988, a research conducted by the National Restaurant Association had predicted that the competition in the industry will be more intense at the turn of the century. Competition not only will come from the growth of restaurant chains, but also from other fields such as grocery stores and convenience stores. Independent restaurateurs would have an edge in the competition only when they remained flexible and adapted to local consumer dining preferences.⁵⁴

What the report had forecasted about the restaurant industry had turned into reality in Midland. In his own assessment, Michael believes the arrival of franchise restaurants was the reason why business performance of his restaurant had been dreadful over the years.⁵⁵ Although bad business performance cannot usually be attributed to a single factor, Michael believed the competition of Loop 250 created his current difficult

⁵⁴ National Restaurant Association, "Current Issues Report: Foodservice Industry 2000," *National Restaurant Association* (Washington, D.C.: The Association, 1988), p.5

⁵⁵ Michael, interview by author, 2: side A.

situation. On Loop 250 alone, there are dozens of restaurant chains. Six of these restaurant chains are national wide full-service franchise like Olive Garden, On The Border, Outback, Chili, Applebee, and I-Hop. The rest of the restaurants are fast-food chains or less well known franchises. This fierce competition among restaurants could be reduced if the population of Midland increased accordingly. While the population of Midland increased from estimated 62,000 to 100,000 from 1960 to 2000, the number of eating and drinking places had increased significantly as well. In 1963, there were ninety-five eating and drinking places in the county. By 2000, there were a hundred eating places in Midland alone.⁵⁶

Business-format franchising is responsible for much of the franchising in the United States after World War II. Including all types of restaurant, business-format franchise includes not only food product, service, and trademark but also the entire restaurant concept. Besides granting the license to sell a company's product exclusively, the restaurant franchisor also provides marketing strategy and promotion plans, operating manual and performance standards, quality control, group purchasing power, research and development, and a continuous program of training and assistance to the franchisees. In return, the franchisee is obligated to pay a franchise fee, a monthly royalty on gross, and a percentage of the profits from sales. In addition, the franchisee is compelled to follow the franchisor's guidelines in business operation, including operating procedures, the quality of the products and services, and the appearance of the business building. Unlike the traditional system, this new method of distributing goods and services in the restaurant industry offers many advantages to restaurant franchisor, franchisee, and the

⁵⁶ Business Development information service, Chamber of Commerce, Midland, Tx, and Midland's 2005 phone book.

consumer. For small restaurateurs who have a successful product, process or concept, franchising provides an opportunity to expand his or her business operation rapidly with a minimum of financial investment. To prospective restaurateurs, franchising allows them to own and operate a restaurant that has a proven concept, with minimum risk. For customers, franchising presents a way to standardize food product and services; customers obtain a reliable and predictable dining experience.⁵⁷

The rise of franchise restaurants cut into the sales of Hunan Garden, which crippled the restaurant's ability to compete. Although none of the new franchise restaurants specialized in Asian cuisine, the increased number of restaurants plus Midland's slow population growth reduced the overall restaurant market share. In a growing competitive restaurant industry, Michael simply lacks the funds to entice clienteles away from his rivals. For example, in Midland where there are not many entertainments, whenever local or national major sport events are on television, they draw fans to gather in front of the television screen. But not every household has the specific television network to watch sport events. This, however, provided a marketing opportunity for restaurants. By broadcasting these sport television programs, sports enthusiasts could watch their favorite sport events while dining away from home. Such is one of the successful marketing strategies behind franchise restaurants like Chili's and Applebee. Nevertheless, with extensive Chinese menu and cheaper price, Hunan Garden would have an edge in enticing this segment of customers. But to set up the entire system, Michael needs several widescreen televisions and a sport program package at a cost of several thousand dollars and three hundred dollars monthly fees for the sport channels.⁵⁸

⁵⁷ Mahmood A. Khan, *Restaurant Franchising* (New York: John Wiley, 1999), p.5-7

⁵⁸ Michael, interview by author, 2: side A.

In the restaurant industry, small restaurateurs usually were ineffective in blunting the encroachments of their larger competitors. In the case of Human Garden, lack of language skills and legal knowledge barred Michael and Lisa from seeking resources other than family. Long working hours also prevent the owners from engaging in community work, which is vital for building a necessary network to rally any political efforts. For these reasons, the possibilities for Hunan Garden to profit are dim, unless Michael and Lisa could adjust to a new way of marketing Chinese cuisine.⁵⁹

⁵⁹ Michael, interview by author, 2: side B.

CHAPTER IV

TASTE OF CHINA SUPER BUFFET

A new restaurant concept seemed to be one possible way to succeed in the growing competition in the restaurant industry in Midland. The case study of Taste of China examines one such situation by looking at how the concept of buffet not only changed the way of representing Chinese cuisine, but also altered the conventional way of managing a full-service Chinese restaurant. The concept was brought into Midland when Taste of China began its operation in 2003. By selling a wide selection of Chinese food, Taste of China showed how small independent Chinese restaurateurs could profit and prosper when major franchise restaurants seemed to dominate the market share.

The exterior façade of Taste of China is located in one of the shopping mall, lined up with variety of neighboring shops, without distinctive identity at one of the exits on Loop 250. In term of size, Taste of China has more seating and more space compared to other Chinese restaurants in town, despite the limited space in the shopping mail. When the restaurant is full, it can host 100 to 150 customers. The restaurant is divided into three sections that separate the dining hall, the kitchen and the buffet tables. Except the kitchen, there are extensive decorations at the dinning hall and at the buffet section that

features different seasons of the year. There is no seating in the buffet section except six long buffet tables that occupy the entire section. For convenience purposes, the buffet tables are arranged in categories much like how food are organized in supermarket that customers can easily find their favorite dishes and avoid overcrowded situations at a single buffet table.

Taste of China is owned and financed by a partnership of four unrelated owners. Like many Chinese restaurateurs, lack of professional skills and language problems convinced the owners to go into the restaurant business over other ventures. All four of the owners worked as cooks for other employers and learned their craft through accumulation of working experiences instead of specializing in a specific style of Chinese cooking. Like the first group of immigrant workers arrived in the United States during the mid-nineteenth century, none of the owners wanted to stay in the United States permanently; they want to work for a time and return home with whatever savings they had set aside from their work. After each of the owners had accumulated some financial means, they wanted to open their own venture. The fact that there were no well-established super-buffet Chinese restaurants in Midland meant there was a chance to earn a considerable amount of money. At the end, the owners formed a partnership and decided to open a super-buffet restaurant.⁶⁰

From the start, Taste of China called for two blocks of funds, \$180,000 for the remodeling and equipment, and an estimated \$50,000 for the opening month food cost and operation expenses. Each partner invested about \$50,000 to \$60,000. Three of the owners' investments were from personal saving from selling their previous restaurant,

⁶⁰ Ivy Bonham, Interview by author, tape recording, 2 cassettes, Midland, Tx., 30 June 2005, 1: side A.

and one of the owners had to secure a loan from a friend.⁶¹

Certain elements such as wide selection of food, no limit on food consumption, good service, reasonable price and convenience made the concept of super-buffet popular in Midland. Customers were greeted by the hostess at the front door and were directed to the buffet by the waitperson. The waitperson refills drinks and clears out dishes throughout the course of the meal. Instead of waiting for the kitchen to cook their orders, diners can start their meal as soon as they finished filling their plates from the buffet. With over a hundred items on display for its customers, Taste of China is a new type of full-service Chinese restaurant featuring an 'all you can eat' super-buffet. The phrase 'all you can eat' is a common advertising practice used to promote this type of business. Unlike the orthodox full-services Chinese restaurant which specialized in one particular style of cooking, the buffet of Taste of China includes all the popular dishes that are liked by the Americans. In addition to the wide selection of Chinese-Americanized cuisine, the buffet also includes salad, dinner rolls, fruits and deserts that are popular in the American cuisine. During promotion period, the buffet also offered seafood and sushi to attract customers. The price for a customer is \$8.99, with no restrictions on food consumption and refills in drink. Diners have unlimited access to the buffet. Beside the buffet, the restaurant also offers carry-out service. In theory, customers can consume as much as they want throughout the restaurant operation hours, but in reality, courtesy demand that customers finish the food on their table before taking more off from the buffet.

Despite the increased sales from the buffet style, large labor costs and high food costs accompany it. Not only chefs are more needed in the kitchen, but the burdensome workload of preparing more than a hundred items for the buffet also requires the help of

⁶¹ Ibid.

additional kitchen staff. Besides the regular restaurant positions in the dinning hall, a position called the buffet supervisor is responsible for refilling the buffet and explaining the ingredient of little known dishes when asked by the customers. With the monthly sales averaging between \$110,000 to \$120,000, total labor expenses could reach \$20,000 to \$30,000 a month with about fifteen to twenty people working in the restaurant. In addition, high food costs also claim a large portion of expenses that cut into the owners' profit. While a variety of ingredients account for the high food cost, maintaining the buffet at full display at all times is also a major factor. For example, owners would like to see that customers are consuming food off the buffet as soon as the kitchen refilled the empty items. There should be little or no food left on the buffet when the restaurant finishes its business for the day. However, there is very slight chance of such ideal situation to happen considering the fact that diners do not come to the buffet and finished their meal at the same time. Therefore, the buffet needs to keep in full display at all times in order to provide the same service and food quality to customers who did not come to the buffet during rush hours. For this reason, much food is wasted during non-busy hours when there are not many customers. As a result, an estimate of thirty to forty percent of the total monthly sales could go into food cost depends on the amount of food consumption, and food quantity control.⁶²

⁶² Ivy, interview by author, 2: side A.

CHAPTER IV

TASTE OF CHINA SUPER BUFFET

ANALYSIS OF TASTE OF CHINA:

AN EVOLVING RESTAURANT BUSINESS

In 1980, Judith DeCrescente, founder of the Character Typographic Service, Inc., at New York was started with seven employees. By maintaining her business strategy which is to deliver timely and premium service at a premium price, her small typographer shop had grown to become one of the top five typographers in New York with about \$8 million in sales. However, due to the rapid technological changes in the typographers' industry, a personal computer and a laser graphic printing system became capable handling routine office work that DeCrescente's company had been offering to her clients. To remain in the business, DeCrescente was forced to adapt to the technical trends that specialize in high-quality esoteric work that cannot be done by regular computer or printing system.⁶³

A similar situation where has happened in Midland as Taste of China represented the result of many changes that had happened in the Chinese restaurant business. One of these changes was in financing a super-buffet restaurant in which the business ownership

⁶³ Steven Solomon, *Small Business USA: The Role of Small Companies in Sparking America's Economic Transformation*. (New York: Crown Publishers, 1986), p. 52-53

was equally divided into four to five shares so that multiple owners shared the enormous risk and capital. In the past, Chinese restaurateurs hesitated to form multiple partnerships outside of their family circle simply because the amount of capital needed for opening a small order-menu restaurant was feasible for a family to handle. Furthermore, many Chinese restaurateurs believed that multiple ownerships would generate conflicts, which would hamper the chance of success. However, as competition in the restaurant industry continued to intensify, it demanded Chinese restaurateurs open restaurants that emphasized larger buildings, better interior decoration, more food selection, and more services. To do this, more capital is needed from owners. Taste of China was capable to follow this new trend because the restaurant had more financial resources from their multiple owners as compared to the typical single family-owned restaurant.

In terms of economic commitment, the owners of Taste of China also had a different business mind-set than their older colleagues. Previous Chinese restaurateurs viewed their business as a long term family investment. When financially capable, these restaurateurs made improvements in their restaurants and became the landlord of the building, hoping that these long term investments were capable of generating values for a long time to come. Wealth then accumulated in the process when the business of the first restaurant was successful. Then they expanded the business by opening another unit, trying to duplicate the successful business model of the first. However, as the business ownership of the Chinese restaurants became less family-oriented, restaurateurs, especially those who are involved in multiple partnerships, tended to view the traditional business concept are too time-consuming in generating wealth. To hasten wealth creation, these new entrepreneurs have refined a method by staying in the United States to work

for short terms and then returning home. The concept of the new method is similar to speculation in which restaurateurs want to engagement in business transactions on the chance of making considerable profit by selling their venture at a high price. Buyouts are common in the restaurant industry when restaurants become unprofitable. However, the opposite outcome can also attract a potential buyout. Therefore, as long as Taste of China remains a profitable venture, owners are in position for financial gain. If the buyout ever takes place, the owners can join another group of restaurateurs to open another restaurant elsewhere with the profit they makes from the transaction. In this way, less economic commitments are required, but the expectation of receiving profitable returns is increased.⁶⁴

As the case of Taste of China has shown, the Chinese restaurant business is evolving compared to the past. Due to the increasing competition in the industry, the market demands more sophistication in entrepreneurship and more capitals. To get market share or gain a competitive edge, new restaurants have to be equipped with better interior decorations, gave various services, provide a wide selection of food, and offer a distinctive restaurant concept. As a result, these new standards not only weakened the use of a single family resource as the basis to finance restaurants, but also changed the managerial operation of the Chinese restaurant in which bookkeeping and the restaurant account is closely monitored. Over time, the restaurateurs who only stay in the United States for a short time adapt a different business concept in which profit can be made quickly by engaging in a risky business transaction of restaurant ownership.

⁶⁴ Ivy, interview by author, 2: side B.

CHAPTER V

CONCLUSION

Like the other small businesses in the United States, Chinese restaurant business continues to thrive primarily by implementing small business principles in specialized Chinese-Americanized cuisine. But not all Chinese restaurants are profitable ventures; success is determined by how well restaurateurs market and present their food. After examining the business operations of three Chinese restaurants in Midland, it is possible to reach some general conclusions in each of the following areas: the restaurateurs' ability to allocate their financial means is essential in devising business strategies and operations, the interaction of franchised and small family restaurants in the modern economy, and the importance of specialization and the development of new restaurant concepts and services to market specialties to gain or sustain a competitive edge.

As the case of The Blue Star Inn had shown, the first and only Chinese restaurant in the Midland County during the 50s and the 60s found that even in the remote small town, Americans loved Chinese cuisine. In order to tap into the potential profitable market, the founders of The Blue Star Inn did what other Chinese restaurateurs have done elsewhere: they adapted modified traditional recipes so that the tastes of the traditional

Chinese dishes satisfied American tastes but the cooking style remained authentically Chinese. Chinese-Americanized cuisine, as this new cuisine was called, became the main reason for The Blue Star Inn to establish and consolidate its position in the predominately American cuisine market.

Once The Blue Star Inn monopoly ended in the 1980s when other Chinese restaurants came into Midland, it became necessary to formulate a new business strategy to maintain the restaurant's business position. It is here that marked the turning point of The Blue Star Inn. Fierce competition in the restaurant business began with the arrival of major retailers and service industries that brought the flow of people around the region into Midland. To compete with their rivals, the second generation owners began to expand their menu and services to attract potential patrons. By working longer hours and replacing hired labor with family members, they reduced operation costs that had characterized a family restaurant. In this way, the restaurant was able to stay in business with minimum expenditure despite a decrease in the volume of sales. But owing to the shifting demand of the restaurant market, which demands restaurateurs improve their products and services periodically, the second generation owners showed little flexibility to adapt to the rapid changing market because of their unwillingness to commit more financial means.

The survival of Hunan Garden is an example of how a small family restaurant business operates in the existence of dual economy in which small and large businesses coexist. In the growing competitive restaurant market, Human Garden's business is in survival mode for the same general reasons as The Blue Star Inn, but Human Garden's location put the restaurant aside a different group of competitors. Once various franchise

restaurants filled alongside the Loop 250, Human Garden's business began to decline because more sophisticated franchise restaurants with better interior decoration and a flexible menu supported by periodical marketing research, took away its potential customers. Michael Chen has the option to match the services his competitors offer but several factors contribute to Michael's hesitation to make any major adjustments in his establishment: the amount of investment involved, the additional monthly expenditure, the possible failure to entice new customers, and the shaky relationship between him and the building owner. As a result, the restaurant is able to break even by avoiding direct competition with its larger rivals, even though it has a good business location and offers specialized Chinese food that people like. However, as franchising became an emerging trend in the restaurant business the arrival of a Chinese franchise restaurant into Midland will greatly decrease Michael Chen's chances for survival.

Like other businesses, the restaurant industry was to change to meet market demand. As various franchise restaurants entice diners with unique concepts, distinctive food, and glamorous decorations, these franchises are lifting the overall restaurants' quality to a higher standard. Within the Chinese restaurant business, the concept of buffet became one of the new methods developed in response to the changing market. As a result, this new trend of marketing Chinese-American cuisine changed how Chinese restaurateurs finance their venture. This alteration only affected the managerial structure of their business but also their entrepreneurship. Taste of China has shown that financial means play an important role in establishing a position in the existing Chinese cuisine market. To finance a better location and more sophisticated restaurant, non-familial business partnerships were formed to increase the financial capability of the

entrepreneurs. Relatives and family members of the owners were the core within the managerial structure and business decisions were made collectively instead of determined by the head of a single family. Although some adjustment in the operation and additional personnel has been made to manage the buffet, the basic business strategies remain the same in which the main objective is to provide good service and high-quality food to the customer while reducing expenditure to maximize profit. Non-familial formation of ownership explains why Taste of China's workers do not view the restaurant as a familial business and therefore, labor relation at Taste of China are more formal and business like than at Hunan Garden and The Blue Star Inn. Finally, the owners of Taste of China are more mobile and they pay close attention to the bookkeeping and the liabilities of restaurant operation so that they can make a profit by selling their share.

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APPENDIX A

R MORE

RETAIL TRADE

791

No. 787.—RETAIL TRADE: BY TYPE OF OPERATION

[All money figures in thousands of dollars]

Net sales	Number of stores	Employees		Pay roll		Total net sales	Stocks on hand, end of year (at cost)
		Full time	Part time	Total	Full time	Part time	
United States, total.....	1,543,158	3,833,581	876,559	5,189,670	5,028,282	161,388	49,114,653
Single-store independents.....	1,230,300	2,421,438	499,192	3,247,936	3,138,981	108,955	31,486,128
2-store independents.....	49,071	256,497	29,835	367,249	360,002	7,247	4,981,910
3-store independents.....	15,512	108,769	14,764	165,264	161,861	3,403	474,886
Local branch systems.....	231	5,447	404	8,771	8,554	217	207,501
Local chains.....	52,465	293,588	38,646	398,577	386,612	12,965	64,441
Sectional chains.....	41,083	180,496	33,779	259,390	251,216	8,174	3,293,890
National chains.....	51,058	341,772	79,906	412,447	396,688	15,759	3,993,832
Other types of operation:							376,017
Mail-order houses (catalogue only).....	271	41,736	1,563	45,408	45,039	369	86,862
Direct selling (house-to-house).....	1,661	30,880	435	33,018	32,923	95	4,335
Roadside markets or stands.....	840	214	274	151	115	36	213
Curbside markets or stands.....	3,662	365	114	396	372	24	483
Itinerant vendors.....	1,384	208	111	260	232	28	200
Rolling stores.....	244	411	62	719	712	7	371
Industrial stores (including commissaries).....	1,347	6,104	542	8,837	8,721	116	14,732
Leased departments—inde-							
pendent operators.....	596	2,460	439	3,176	3,088	88	4,550
Leased department chains.....	3,675	16,702	1,831	22,310	21,947	363	14,534
Utility-operated retail stores.....	4,053	10,462	4,347	29,370	25,177	1,193	31,906
Manufacturer-controlled chains.....	3,431	43,453	1,416	51,605	51,306	299	54,151
Cooperative stores.....	1,143	3,429	733	4,553	4,436	117	9,759
Cooperative buying associa-							
tions.....	566	1,294	399	1,788	1,707	81	3,696
Retailers—country buyers.....	73,274	63,356	24,888	65,510	60,831	4,679	298,287
Retailers—wholesalers.....	7,121	28,407	4,775	37,964	36,827	1,137	63,981
All other types of operation.....	170	590	73	948	896	52	1,347

Source: Bureau of the Census, Department of Commerce.

No. 788.—RETAIL TRADE, INDEPENDENTS, CHAINS, AND OTHER TYPES: 17 KINDS OF BUSINESS

[Net sales in thousands of dollars]

Kind of business	Independents (1, 2, and 3 store independents)		Chains (local, sectional, and national)		All other types of operation	
	Number of stores	Net sales	Number of stores	Net sales	Number of stores	Net sales
Department stores.....	2,166	3,140,287	1,964	725,021	91	484,790
Variety, 5-and-10, and toy-dollar stores.....	6,603	88,340	5,377	814,762	130	1,045
Men's and boys' clothing and furnishings stores.....	25,113	929,099	2,816	232,620	268	11,003
Clothing stores—men's, women's, and children's.....	8,860	394,707	1,585	150,739	106	6,907
Women's ready-to-wear specialty shops—apparel and accessories.....	15,966	807,811	1,914	246,960	373	32,830
Shoe stores.....	17,938	431,818	5,092	306,216	1,229	68,795
Furniture stores.....	23,902	1,268,112	1,004	215,861	248	28,877
Radio and music stores.....	15,081	443,974	794	107,279	162	10,519
Grocery stores (without meats).....	142,245	2,674,805	35,369	1,576,232	14,292	188,072
Combination stores (groceries and meats).....	91,837	2,463,173	17,249	1,257,727	6,463	182,762
Restaurants, cafeterias.....	94,546	1,551,912	2,153	245,788	251	5,213
Cigar stores and cigar stands.....	30,910	301,328	2,162	102,980	176	5,756
Filling stations.....	90,365	1,113,012	28,617	605,204	2,331	69,207
Coal and wood yards—ice dealers.....	17,258	811,159	1,401	185,666	459	16,544
Drug stores.....	54,885	1,371,986	3,326	312,451	147	5,962
Hardware stores.....	24,659	667,829	332	21,141	319	17,083
Jewelry stores.....	19,534	498,602	370	34,346	94	6,432

Source: Bureau of the Census, Department of Commerce.

APPENDIX B

NUMBER OF FARMS AND VALUE

621

TABLE 630.—Farms: Number, average acres per farm, value per acre, and total value, by States, 1940 and 1950¹

State and division	Number of farms		Acreage per farm		Value per acre		Total value	
	1940	1950	1940	1950	1940	1950	1940	1950
	Number	Number	Acres	Acres	Dollars	Dollars	1,000 dollars	1,000 dollars
Maine.....	28,980	30,358	108.3	137.7	29.38	54.17	124,083	226,518
New Hampshire.....	16,554	13,391	109.3	128.0	34.38	72.85	62,207	124,845
Vermont.....	23,582	19,043	155.5	185.2	30.30	55.08	111,109	196,405
Massachusetts.....	31,897	22,220	60.8	74.7	109.40	189.54	212,014	314,710
Rhode Island.....	3,014	2,598	73.6	73.5	118.67	232.02	26,334	44,328
Connecticut.....	21,163	15,615	71.5	81.5	135.41	247.77	204,761	315,251
New England.....	135,190	103,225	98.9	121.5	55.38	97.40	740,508	1,222,057
New York.....	153,238	124,977	112.1	128.2	55.16	91.62	947,074	1,467,452
New Jersey.....	25,835	24,838	72.6	69.5	121.54	292.84	227,805	505,278
Pennsylvania.....	169,027	146,887	96.3	96.1	59.22	107.19	864,200	1,512,756
Middle Atlantic.....	348,100	296,702	96.6	107.4	60.62	109.42	2,039,079	3,485,486
Ohio.....	233,783	199,359	93.7	105.2	65.91	136.34	1,443,917	2,858,969
Indiana.....	184,549	166,627	107.3	118.0	63.20	136.90	1,251,492	2,691,273
Illinois.....	213,439	195,268	145.4	158.6	81.76	174.15	2,537,117	5,394,905
Michigan.....	187,589	155,589	96.2	111.0	50.59	98.52	912,945	1,701,440
Wisconsin.....	186,735	168,561	122.5	137.8	51.96	88.58	1,186,860	2,686,924
East North Central.....	1,006,095	885,404	113.0	126.6	64.53	131.17	7,333,631	14,703,511
Minnesota.....	197,351	179,101	165.2	183.5	44.26	84.46	1,443,021	2,777,312
Iowa.....	213,318	203,159	160.1	168.7	78.79	160.71	2,690,744	5,506,670
Missouri.....	259,100	220,045	155.6	152.7	51.87	63.96	1,107,303	2,235,939
North Dakota.....	73,962	65,401	512.9	629.9	12.92	28.86	490,197	1,188,860
South Dakota.....	72,454	66,452	544.8	674.0	12.80	31.30	505,452	1,401,787
Nebraska.....	121,962	107,183	391.1	442.9	24.03	57.62	1,137,808	2,735,039
Kansas.....	156,327	131,394	308.2	370.0	29.51	65.80	1,421,388	3,198,628
West North Central.....	1,090,574	982,735	251.6	289.3	32.05	66.98	8,795,913	19,044,235
Delaware.....	8,994	7,448	99.6	114.3	61.30	114.11	54,899	97,141
Maryland.....	42,110	36,107	99.7	112.3	65.27	125.07	273,980	507,225
District of Columbia.....	63	28	36.0	45.2	2,538.62	3,688.41	5,943	4,666
Virginia.....	174,885	150,997	94.0	103.1	41.04	82.01	674,975	1,277,084
West Virginia.....	96,282	81,434	89.7	100.9	30.29	59.31	299,827	487,209
North Carolina.....	278,576	288,508	67.7	67.0	39.09	98.65	736,708	1,905,715
South Carolina.....	137,558	139,364	81.7	85.2	30.12	69.06	358,495	830,349
Georgia.....	216,033	198,191	109.6	129.9	20.28	43.28	480,345	1,114,506
Florida.....	62,248	56,921	133.9	290.4	38.90	57.23	324,378	945,871
South Atlantic.....	1,019,451	958,998	90.8	106.5	34.14	70.03	3,159,550	7,159,766
Kentucky.....	252,894	218,476	80.2	89.0	38.26	80.87	776,494	1,572,256
Tennessee.....	247,617	231,631	74.7	80.0	35.03	77.26	664,474	1,431,966
Alabama.....	231,746	211,512	82.6	98.8	21.35	48.69	408,783	1,017,075
Mississippi.....	291,092	251,383	65.8	82.4	24.80	55.42	474,986	1,147,791
East South Central.....	1,023,349	913,002	75.3	87.2	30.16	64.96	2,324,737	5,169,088
Arkansas.....	216,674	182,429	83.3	103.4	25.32	60.18	456,848	1,135,672
Louisiana.....	150,907	124,181	66.6	90.2	35.40	82.21	353,873	920,939
Oklahoma.....	179,687	142,246	193.7	253.1	23.88	51.42	831,141	1,851,460
Texas.....	418,002	331,567	323.4	438.5	18.81	46.21	2,589,979	6,718,426
West South Central.....	964,370	780,423	207.9	271.0	21.10	50.25	4,331,841	10,626,497
Montana.....	41,823	35,085	1,110.7	1,688.7	7.54	16.86	350,179	998,912
Idaho.....	43,663	40,284	235.8	328.3	32.94	69.82	339,194	923,313
Wyoming.....	15,018	12,614	1,866.1	2,728.8	5.67	13.21	158,971	454,700
Colorado.....	51,436	45,578	612.9	832.7	12.32	31.93	388,344	1,211,842
New Mexico.....	34,105	28,699	1,139.4	2,013.7	4.83	15.01	187,326	713,302
Arizona.....	18,468	10,412	1,388.9	3,833.7	5.99	15.13	153,677	603,886
Utah.....	25,411	24,176	287.4	449.4	21.14	43.37	154,358	471,222
Nevada.....	3,978	3,110	1,059.4	2,271.2	12.57	19.24	47,594	135,902
Mountain.....	233,497	194,858	821.9	1,284.1	9.27	22.03	1,779,843	5,513,129
Washington.....	81,086	69,820	185.9	248.8	39.08	84.64	593,367	1,470,133
Oregon.....	61,829	59,827	290.9	339.8	26.51	59.82	476,817	1,216,002
California.....	132,658	137,168	230.1	266.9	70.97	154.32	2,166,453	2,650,163
Pacific.....	276,173	266,815	230.6	278.5	50.82	112.18	3,236,637	8,336,298
United States.....	6,096,799	5,382,162	174.0	215.3	31.71	64.96	33,641,739	75,260,067

¹ Compiled from releases of the Census of Agriculture.
Bureau of Agricultural Economics.

APPENDIX C

Oklahoma State University Institutional Review Board

Date: Friday, April 28, 2006
IRB Application No AS0694
Proposal Title: Small Business in the United States: Chinese Restaurant Business in Midland, Texas

Reviewed and
Processed as: Exempt

Status Recommended by Reviewer(s): Approved Protocol Expires: 4/27/2007

Principal
Investigator(s)

Andy Lui	James Huston
1626 W. Maine	526 LSW
Enid, OK 73703	Stillwater, OK 74078

The IRB application referenced above has been approved. It is the judgment of the reviewers that the rights and welfare of individuals who may be asked to participate in this study will be respected, and that the research will be conducted in a manner consistent with the IRB requirements as outlined in section 45 CFR 46.

☒ The final versions of any printed recruitment, consent and assent documents bearing the IRB approval stamp are attached to this letter. These are the versions that must be used during the study.

As Principal Investigator, it is your responsibility to do the following:

1. Conduct this study exactly as it has been approved. Any modifications to the research protocol must be submitted with the appropriate signatures for IRB approval.
2. Submit a request for continuation if the study extends beyond the approval period of one calendar year. This continuation must receive IRB review and approval before the research can continue.
3. Report any adverse events to the IRB Chair promptly. Adverse events are those which are unanticipated and impact the subjects during the course of this research; and
4. Notify the IRB office in writing when your research project is complete.

Please note that approved protocols are subject to monitoring by the IRB and that the IRB office has the authority to inspect research records associated with this protocol at any time. If you have questions about the IRB procedures or need any assistance from the Board, please contact Beth McTernan in 415 Whitehurst (phone: 405-744-5700, beth.mcternan@okstate.edu).

Sincerely,



Sue C. Jacobs, Chair
Institutional Review Board

VITA

Andy Lui

Candidate for the Degree of

Master of Arts

Thesis: SMALL BUSINESS IN THE UNITED STATES: A FIELD STUDY OF
THREE CHINESE RESTAURANTS IN MIDLAND TEXAS

Major Field: History

Biographical:

Education: Graduated from Chisholm High School, Enid, Oklahoma in May 1999; received Bachelor of Liberal Art degree in Asian Studies and Bachelor of Liberal Art degree in History from University of Texas, Austin, Texas in December 2003. Completed the requirements for the Master of Art degree with a major in History at Oklahoma State University in December, 2006

Experience: waiter in various Chinese restaurants; employed as summer teacher with Summer-Bridge during summers; employed by Stillwater High School as a teaching assistant; employed as a substitute teacher for Enid School District in 2005 to present.

Name: Andy Lui

Date of Degree: December, 2006

Institution: Oklahoma State University

Location: Stillwater, Oklahoma

Title of Study: SMALL BUSINESS IN THE UNITED STATES: A FIELD STUDY OF
THREE CHINESE RESTAURANTS IN MIDLAND, TEXAS

Pages in Study: 61

Candidate for the Degree of Master of Art

Major Field: History

Scope and Method of Study: The purpose of this study is to examine the business operation of three Chinese restaurants in Midland, Texas. Through interviews from the restaurant owners and the study of local history, this paper shows that Chinese restaurants in Midland encountered the same struggles and difficulties in business operations that historians of small business have found among other ethnic groups.

Finding and Conclusion: Because the capital required to start a restaurant is less compared to other small businesses, operating a restaurant business has always been an attractive career path for many Chinese immigrants. From the 1950s to the present, the business operation of Chinese restaurants has evolved due to growing competition. As a result, a new generation of Chinese restaurants emerged. With better financial resources and formal business models, the new generations of Chinese restaurant entrepreneurs are able to compete with other franchise restaurants. Although small family-owned restaurants are struggling to maintain their position in the market, many of these restaurants are able to avoid bankruptcy by employing family members to limit costs.

Adviser's Approval: Dr. James L. Huston