

Troy Smith and the Sonic Boom: Entrepreneurship and Innovation in Oklahoma

About this lesson

Grade Level: Upper
Elementary/Middle
School/High School

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Time: One to two class
periods

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Lesson Description/Summary Troy Smith's dream of owning a restaurant became a reality in 1953 when he opened the Cottage Café. The little diner in Shawnee was his first business venture but was too small to support his young family. He sold it and bought a larger place, which became Troy's Panful of Chicken. Initially, this new enterprise was successful. However, success faded as he attempted to expand and the business closed.

It was his third business venture that became his most famous and most successful. Why would someone choose to open another restaurant after having one fail? The answer is rather simple. Entrepreneurs believe they can make it work and they are willing to take the risk to make it happen.

That small diner and a failed chicken restaurant were the roots for a new dining concept. After running a successful steak restaurant in Shawnee, Smith realized that the small root beer stand on the same property as his restaurant was another potential source of income. So, instead of tearing it down as

planned, he decided to expand and open the Top Hat Drive In. Interestingly, that decision is what led to a major change in his business. The Top Hat was soon more profitable than his steak restaurant – and now the rest is history.

That early day Top Hat Drive In opened by a sole proprietor in Shawnee, Oklahoma, has grown into one of the most popular drive-in experience in the country. Smith's Top Hat was the early day Sonic, America's Drive In.

Smith's innovations are now legendary. While traveling through Louisiana, he saw a hamburger stand with an intercom system that allowed customers to order from their cars. He brought that idea back to Shawnee, installing speakers in his root beer stand and adding carhops to deliver food to the customers. That was 1954 and Sonic still uses that concept today.

Two years later, Charlie Pappé was visiting friends in Shawnee and happened to visit the Top Hat. He loved the concept and quickly made plans to open a Top Hat in Woodward. Smith now had a partner and they opened additional drive-ins in Enid and Stillwater. Before expanding further, the partners realized they had a problem: the name "Top Hat" was already taken. Copyright laws prohibit one company from using another company's name.

Wanting to take advantage of their drive-ins slogan that said “Service at the Speed of Sound,” the two men chose the name Sonic. Soon their business was expanding as others purchased franchises, giving them the right to use the Sonic name and concept.

Pappe passed away in 1967, leaving Smith to continue the business. Now a corporation, Sonic is based in Oklahoma City and Smith has handed over the daily management of his company to a new generation of managers. Through many successes and set backs, Troy Smith’s business has continued to growing, eventually expanding to all over the United States and Mexico The 3000th Sonic Drive In was opened in Shawnee in 2006. Today, Smith, his wife and other family members live in Edmond and follow the success of one entrepreneur’s dream.

Standards

Oklahoma History VII, A
Economics I. B, C. II. A

Instructional Objectives

- Define the term entrepreneur and explain why Smith is an entrepreneur.
- Determine the possible causes of Smith’s successes and failure.
- Discuss the role of innovation, incentives, and risk in Sonic’s development, and as factors found in all entrepreneurial pursuits
- Analyze, compare, and evaluate personal characteristics of entrepreneurs..
- Identify the advantages and disadvantages, costs and benefits of sole proprietorships, partnerships, and corporations.

Vocabulary

Entrepreneur –A person who takes a risk to create a new product or develop a better way to operate a business. Entrepreneurs are unique individuals who are creative, opportunity seekers, and people who are willing to take a risk when the possibility of great profit is at hand.

Risk - The possibility of suffering harm or loss, or following an uncertain course. Risks are one of the main incentives when trying to “make it big” in the business world.

Incentive - Something which encourages individuals to action or effort which may cause an increase in personal satisfaction.

Sole proprietorship – A business owned and operated by one person, the oldest, simplest, and most common type of business organization

Partnership- : A business owned and controlled by two or more people

Corporation: A business body that is granted a charter legally recognizing it as a separate legal entity, having its own rights, privileges, and liabilities distinct from those of its members.

Materials

Handout 1: Advantages and Disadvantages of Sole Proprietorships, Partnerships, and Corporations

Procedure

1. Ask students if they have been to a Sonic Drive In. What differentiates it from other fast food restaurants?. (*Students will probably say that Sonics workers come out to the car to take orders and bring the food to the car.*)
2. Explain the history behind the business. Determine the possible causes of Smith's successes and failures. Why do you think he was ultimately successful? (*See Lesson Description at the beginning of this lesson. Also a complete history is available at www.sonicdrivein.com/history).*)
3. Introduce the concept of entrepreneurship. Encourage students to discuss the meaning of entrepreneur and the personal characteristics necessary to be a successful entrepreneur. What characteristics did Troy Smith exhibit that make him a successful entrepreneur? (*See definitions in Vocabulary above.*)
4. What is risk? What is incentive? (*Risk is the possibility of suffering harm or loss, or following a course involving uncertain danger. Incentive is something inciting to action or effort or factors, which may cause an increase in personal satisfaction.*) Did Troy Smith take risks? What were they? What were his incentives?
5. Discuss the development of Sonic in relation to historical changes in demographics, transportation, income, and trends that help make Sonic successful. Why do you think it is still successful? (*Post war baby boom, move to suburbs, supremacy of the auto, affluent post war period ,growth of fast food, working mothers, successful locations of Sonics, changes in menus to reflect changes in tastes, etc.*)
6. What characteristics do entrepreneurs have? (*Entrepreneurs are creative and individualistic. They are thinkers who take their ideas and transform them into goods and services. Entrepreneurs are enterprising individuals who see opportunities and take risks in hopes of earning profits*)
7. What are some of the results of successful entrepreneurship? (*When entrepreneurs take a risk and their enterprise is rewarded, new goods and services are developed that raise the standard of living for everyone.*)
8. What do you predict will happen when an entrepreneur perceives that the risks outweigh the incentives? (*When entrepreneurs perceive that the risks outweigh the incentives, they usually will look for other ideas to pursue.*)
9. What do you predict will happen when an entrepreneur perceives that the incentives outweigh the risks? (*When entrepreneurs perceive that the incentives outweigh the risk, they are willing to move forward and act on their idea. Entrepreneurs are agents of change and the stimulus for economic growth.*)
10. Introduce the types of business organization: sole proprietorships, partnerships, and corporations.(*Use the Attachment for comparisons of the advantages and disadvantages of each.*) Have students research the costs and benefits of sole proprietorships, partnerships, corporations and franchises, and find examples of each type in their community. (One source of information is <http://usinfo.state.gov/products/pubs/oecon/chap4.htm>).
11. Have students find examples of sole proprietorships, partnerships, and corporations in their local communities or in other parts of Oklahoma.

Debriefing/Closure

Have students identify examples of successful local entrepreneurs in their community or in other parts of Oklahoma and the business they founded. Then, research and describe their contributions to Oklahoma's economy. Find out which type of business organization they chose and why.

Assessment and Evaluation

Based on the information students found in their research in the Debriefing/Closure activity above, have them prepare one of the following to present to the class: a Power Point report, a poster board display, or other visual presentation.

Bibliography

Sonic-e-card. <http://www.sonicdrivein.com/history/part1.jsp>

<http://www.sonicdrivein.com/history/part2.jsp>

<http://www.sonicdrivein.com/history/part3.jsp>

Also available from the Archives of The Oklahoman:

“Growth Continues for Sonic”, 10/14/07

“Pleasing Every Customer Remains Key to Sonic’s Menu” 10/16/07

”Annual Meeting Draws Thousands as Sonic Comes Back to Beginning” 9/13/07

“Sonic Founders Give \$3 Million in Stock to UCO” 2/15/07

“Sonic Founder Finds New Way to Serve Others” 2/18/07

<http://www.cabrillo.edu/~dambrosini/188Web/classsessions/legalforms.htm>

http://startupbiz.com/Reference/choosing_a_legal_form_of_business.htm

<http://usinfo.state.gov/products/pubs/oecon/chap4.htm>

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Handout 1

Business Organization: Sole Proprietorship, Partnership, and Corporations

Sole Proprietorship

*A business owned and operated by one person,
the oldest, simplest, and most common type of business organization*

Advantages

Easy to start up

Full control, being your own boss

Less money needed to start

Exclusive right to profits

No complicated legal documents needed
From state and local governments

Owner keeps all profits

Disadvantages

Unlimited liability (responsible for
all debt)

Taxed as individuals

Responsible for running all aspects
of business

Limited ability to borrow money
(capital and collateral) and expand

Limited length of life, dependent on
health, commitment, and competence
of one person

Partnerships:

A business owned and controlled by two or more people.

Advantages

Ease of start up

Some specialization

Disadvantages

Unlimited liability (responsible for all debts)

Potential for conflict

Shared decision making

Limited length of life, dependent on health, commitment and competence of one or more persons

Shared business losses

Corporations:

A body that is granted a charter legally recognizing it as a separate legal entity having its own rights, privileges, and liabilities distinct from those of its members

Advantages

Stockholders may lose only their stock

Stockholder flexibility to sell stock

Separation of ownership from management

Specialization of management

Easier to raise capital

Longevity of corporation

Disadvantages

Charter hard to obtain

More government regulation

Slower decision making process

Stockholders far removed from running of the company;
lack of control