

Hospitality is an  
exciting and  
multifaceted industry



**ASSIGN  
BUSTER**

In 1934, Joseph Schumpeter's contribution to innovation has become more pronounced in this modern era for researchers to embrace the potentials it possesses which all give rise to competitive advantage for different organizations either on a small or large scale. In other words, Joseph Schumpeter was regarded as the founder/god father of innovation studies because the ultimate aim of entrepreneurs is to make money in their business otherwise known as "monopoly profits". This innovation concept made us to come up with an idea after creative and integrative thinking as a group in starting up a restaurant business named Afro-Asian cuisine on East Road in Cambridge, United Kingdom.

Our vision is to be the first and distinctive in all aspects of the business because the target market that we are considering is mainly students coming over to study in the UK i. e. from Asia, Africa and Multinational tourists. Our mission is to delight numerous customers' needs and exceed their expectations through good customer services. The reason is because one of our forecasted prospects is to unite people of different cultural backgrounds in Cambridge city by serving affordable food. The team members of the group will be assigned different roles to support the successful running of the restaurant business: Allen Ude (Chairman), Zeren Guder (Marketing Director), Jerin Josey (Finance Director), Amatobi Chidi (Operations Director), Palmer Ayodeji (Development Director).

Finance is the mother of all invention perhaps as without having finance in pocket, one can theoretically think about inventions but cannot do so (Deakins. D & Freel. M, 2006). Being the finance director, my job is to create the financial reports like the cash flow forecast of our restaurant for the next

five years to determine whether the restaurant will live or die, to evaluate and manage various financial risks we are likely to face etc.

Hospitality is an exciting and multifaceted industry that offers a variety of opportunities for young and new entrepreneurs (Alison Morrison, Mike Rimmington, Claire Williams, 1999). United Kingdom is one among the few countries where different restaurants with worldwide cuisines can be found, each of which is famous for one reason or the other.

An entrepreneur is an innovator who develops untried technology (Schumpeter, 1934). It is possible to find different restaurants specializing in Asian and African food in the United Kingdom but it might be impossible to find restaurants which combine these two cuisines to develop a whole new taste. This concept of Afro-Asian Cuisine Restaurant is hence being developed by a team of five of us.

Money is the mother's milk of any start-up. Access to capital often determines whether a fledgling enterprise succeeds or dies in infancy. The restaurant outlet is going to be setup in the business centre of Cambridge, United Kingdom with an investment of £110, 000 (£22, 000 per partner) for the first two years. Even though we are a struggling entrant in the restaurant business field with low initial investment to construct an elegant setup, we have the spirit to run a fabulous kind of restaurant.

## **2. 1 RESEARCH & EVIDENCE**

The restaurant (food) business involves high risks which has maximum rate of wastage, so customers should be treated well by remaining inside the

quality circles or else there will be a higher rate of losing customers especially in this industry.

Initially, restaurants have to operate with minimum profit margins because this is perhaps the right time to make good reputation in the mind of customers. However, restaurant management has to make their home in the heart of every customer. If a restaurant effectively utilizes its resources then it can reduce its expenditure cost up to twenty percent per month (Restaurant Guide UK, 2010). In reality, repair and maintenance is in the list of expenditures, in order to run the operations smoothly we need to maintain each valuable asset with great care. Proper planning for restaurant business can not only enhance our business practices but also give a professional look to our idea.

According to Lorri Mealey (2010), it is not essential to keep huge amount of inventory (helps reduce the working capital requirements) when there is not much sales, i. e. restaurant businesses need to adopt Just in Time (JIT) system by employing a better chef because he/she may normally know the ways to minimize wastage each day. It is difficult to estimate consumer trends as it is a highly trendy kind of business, and only those businesses can choose to stagnant practices, which are either having specific national food or has good brand reputation.

There are some mandatory and fundamental business practices that we have to follow. For instance, we need to pay off vendor bills and miscellaneous expenses on time, but on the other hand in order to maximize

cash flow rate and to minimise the need of working capital, we need to delay the payments to the suppliers till last dates (Sara Williams, 2010).

Multinational hotels need to realize its clientele base that they are not sitting at some foreign restaurant but they are inside some local restaurant eating their own local food. Hence, it is big success for any business if management can do so. So we also want to imply same philosophy to entertain African and Asians with good food restaurant.

## **2. 2 FINANCIAL RISKS**

Financial resources are necessarily required in order to run even a small scale business and raising money is the hardest part of setting up a new business (David Stokes & Nicholas Wilson, 2006). We are facing various financial constraints while opening our restaurant business in Cambridge, for e. g. insufficient capital, large investment in rent and raw materials, difficulty in raising bank loan etc.

Research shows that on average, businesses in the UK receive £20, 000 in start-up finance: typically £10, 000 from personal investments (founder), £5, 000 from family and friends ('3Fs'); the remainder from external sources (David Stokes & Nicholas Wilson, 2006). As a part of initial investment in our restaurant business our team comprising of five members decided to invest £14, 000 each during the first year and £8, 000 in the second year. We are planning to borrow this much amount of money for our business from our family and friends.

Research indicates that financial information and personal interview are the most important sources of information for bank lending decisions to small

business (David Stokes & Nicholas Wilson, 2006). Our team comprises of students and so it is obvious that we won't have enough bank balance or any other type of financial resources or collateral to show for financial institutions and especially in a country like UK, it won't be easier for us to get the bank loans and overdrafts.

A finance gap (for e. g. the finance gap for bank loan is called credit rationing) will arise when the demand from small firms is greater than the willingness of financial institutions to supply the finance at current market conditions (Deakins. D & Freel. M, 2006). Since our business is only in the start-up stage, it is obvious that our financial demand might be higher and the financial institutions may not be able to meet with our high demands, hence we are likely to face a financial gap.

Venture capital funds in the UK provide finance for growing businesses, usually through equity capital with some loan element but their rate of return target is high, varying from 25-60 per cent depending on the risk involved (David Stokes & Nicholas Wilson, 2006). As stated earlier since our group comprises of mainly students the risks involved in our business will be much higher such as the risk of not enough financial support to show initially and so it is practically impossible for us to pay the high interest rates and hence seeking financial help from venture capitalists will not be considered.

## **2. 3 SIX DIMENSIONAL ANALYSES**

As far as six dimensional analyses is concerned, entrepreneur doesn't name of particular traits or doesn't name of any economy benchmark but perhaps

the management style through which newly entered business people are supposedly to manage its business function (Howard Stevenson, 2000).

### **2. 3. 1 Strategic Orientation:**

Afro-Asian cuisine restaurant is a unique idea, which requires a practical shape in order to give maximum outcome. Hence, we need to evaluate the strategic position of our idea like whether it is going to be successful or we will receive bad word of mouth. Our main purpose is to bring Africans and Asians on one venue so as to enable them to associate better and to improve multi cultural fluidity. It has been observed that large number of other ethnic hotels is available in Cambridge that particularly facilitating its clientele with some specific taste buds. On other hand, we need to be competitive enough plus have to introduce novel promotional package in order to crumble down our competitor inside the market place.

### **2. 3. 2 Commitment to opportunity:**

Afro-Asian cuisine is not enough, as a team we should work harder in order to get maximum opportunities for making business successful. For instance the management can attract more customers by effective promotional strategy. On other hand, business can get profitable results at the time of local ritual celebrations because at that time, people likely to go out to find food of their own taste. Opportunities normally bring certain risks with it but true management has to mitigate all expected risk factors in order to resume balance in practices. An entrepreneur is a person who maximizes opportunities (Drucker, 1964). We are foreseeing opportunities in our idea therefore our sales will increase in a descent manner in the following years compared to the previous year or base year.

### **2. 3. 3 Commitment of resources:**

Availability of resources is gigantic issue for business therefore it is necessary for every business to have better relationship along supply chain network; otherwise there is a less chance for the business to be successful. In order to make a business successful, availability of resources is important thing. For the first few years, directors are required to work without deducting their salaries from the restaurant account. Commitment to resource philosophy will takes us towards personal risk reduction, capital allocation of systems, managerial turnover, incentive compensation and form planning system.

### **2. 3. 4 Control of resources:**

Afro-Asian cuisine needs to be managed well; directors should have tight control over resources whether it is physical resources or logical resources. On other hand, for this particular purpose, we need to increase resource specialization, flexibility, operational efficiencies, inertia and cost change etc. As far as source of profit is concerned, management is seemingly dedicated to receive profit via charging price, deducting cost and turnovers etc.

### **2. 3. 5 Management structure:**

For a new entrepreneurial venue, management structure is much more important as decision making part has to be done through management channel. It has been observed that restaurant environments do have extensive need for flexibility and independence (Restaurant Guide UK, 2010). Therefore, our target segment may come to eat meal in our restaurant. Majority of our target segment is university and college students living in



Cambridge environs. Our core purpose is to provide them a multicultural fashioned place, where they can eat their own dishes together.

### **2. 3. 6 Reward philosophy:**

Reward is the basic thing to blow up innovations and creativity inside the organization. Hence, we are in the business where it is thought mandatory to harvest innovative values favourable to business. We have decided to not deduct even a single penny from our joint bank account for the first few years in order to support our business in miserable time frame. Business operations should be increased by investing more money on the workforce (David Stokes, Nicholas Wilson & Martha Mador, 2010). The decision of increasing the number and salary of the chef will be seriously considered once the restaurant starts getting better profit i. e. after the first five years.

### **2. 4 CASH FLOW STATEMENT**

Cash flow is the lifeblood of any business. Financial management for the entrepreneur and, indeed, for the most modest of a small businesses, starts with the management of cash flow (David Stokes & Nicholas Wilson, 2006).

The cash flow forecast shows that our total income for the first year (2010) will be £161, 000, which includes, investment: £70, 000, sales: £91, 000 and expense will be £181, 465, which includes, rent (including electricity, gas and telephone): £108, 000, stock of food: £40, 000, public liability insurance: £2, 400, health and safety: £3, 000, interior decorations and modifications: £1, 000, marketing: £500, maintenance: £800, furniture's and kitchen equipments: £4, 050, salaries: £21, 715 (the salary of the chef will remain the same for the first five years i. e. £5. 80 per hour).

The spending for rent, public liability insurance and health and safety are expected to remain constant for the first five years. Six percent of the total cost of rent represents the cost of energy requirements (heating water, refrigeration, cooking food and lightening) i. e.  $6 \times 108,000 / 100 = \text{£}6,480$  and a sum of  $\text{£}1,520$  for telephone, internet and television and the remaining  $\text{£}100,000$  for room/building rent ( $\text{£}8,333$  per month).

We are expected to spend more money (an increase of  $\text{£}100$ ) every year for the maintenance and an increase of almost 20% for the raw materials with increase in sales. We will keep a constant amount of  $\text{£}500$  from the second year (2011) onwards for kitchen equipments. With the growth in our business an amount of  $\text{£}200$ ,  $\text{£}400$ ,  $\text{£}500$ ,  $\text{£}650$  will be kept aside for the furniture's and fixtures from second to the fifth year respectively. An amount of  $\text{£}700$ ,  $\text{£}900$ ,  $\text{£}900$ ,  $\text{£}900$  will be kept aside for marketing from second year to the fifth year respectively. We have decided to keep the amount for marketing to be constant (or even less) from the third year ( $\text{£}900$ ), as from the third year onwards we are expecting a steady growth in sales.

Our closing balance for the first year shows that we went on to a deficit of  $\text{£}20,465$ . In the second year (2011) we are expecting a sale of  $\text{£}145,600$  with only a limited increase in the expenses, mainly for stock of food. But still even with this increased sales, the cash flow forecast shows that we are still closing with a more deficit. So in order to enhance the cash flow position of our business, we decided to inject an additional capital of  $\text{£}40,000$  ( $\text{£}8,000$  per head) to our business.

In the third year (2012) we are expecting a good increase in the sales (£218, 400) and the cash flow shows that our closing balance is getting healthier. Closing balance in the fourth year (2013) shows a positive figure of £190, which means our business is on profit and we will be healthier there onwards. By the end of the fifth year (2014) we are expecting a sale of £300, 000 and a closing balance of £46, 625. So from the fourth year onwards the business is expecting a steady growth in sales and profit as well in terms of the cash flow generated by the business.

### **2. 4. 1 Sample Calculation for the Salary of Chef**

Basic Pay = £5. 80 per hour

No. Of Working Days in a Week = 6

Total Opening Hours in a Day = 12 (11am to 11pm)

No. Of Weeks in a Year = 52

Therefore, Salary for the Chef in One Year =  $5.80 * 6 * 12 * 52 = £21715$

## **CONCLUSION**

Afro-Asian cuisine is basically a wonderful idea, which has never been thought before. Hence, we want to entertain our target segment with maximum consumer satisfaction. On other hand, we will design our hotel in such a way that consumer may feel it as sitting in home and eating with his own family member.

The cash flow statement of our restaurant is predicting a loss in the initial years but we have planned it well to safeguard ourselves by increasing cash

flows. Proper planning and controlling of the available financial resources will help us to have the required working capital and hence will help us to increase our sales each year consistently.

We will not confine ourselves by catering our services only to the African and Asian community in Cambridge but we will also focus our attention to the other parts of the society as well. In short, we believe that our idea will be appreciated inside the market, and people will definitely come to taste our delicious food: Afro-Asian cuisine will be a golden opportunity for us to get profitable future results.