

Final Project 1

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Cost Management and Sustainability in Startup Restaurants

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Project title

The Impact of Poor Cost Management on the
Sustainability of Startup Restaurants

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Table of Contents

1. Chapter 1: Introduction	3
1.1. Research Background	4
1.2. Research Problem	6
1.2.1. Theoretical Gaps	6
1.2.2. Practical Gaps	6
1.3. Research Significance.....	6
1.3.1. At the practical level.....	7
1.4. Research Questions	7
1.5. Research Objectives.....	8
1.6. Research Hypotheses.....	8
1.7. Research Model	8
1.8. Research Methodology.....	9
1.9. Scope of The Study	9
1.10. The Suggested Project Structure	9
2. Chapter 2: Literature Review.....	11
2.1. Introduction	11
2.2. The independent variable	11
2.3. The dependent variable	12
2.4. The relationship between the independent and the dependent variables.....	12
2.5. Conclusion	12
References.....	13

1. Chapter 1: Introduction

This chapter introduces the general background of the research and highlights the importance of cost management in the restaurant industry. The chapter discusses the research problem and explains why many startup restaurants face financial challenges due to poor cost management.

In addition, this chapter presents the research significance, research questions, and research objectives of the study. The purpose of this chapter is to provide a clear overview of the study and explain the main concepts related to the sustainability of startup restaurants.

1.1. Research Background

The restaurant industry is one of the most competitive sectors in the business world. Many entrepreneurs are attracted to this industry because of the increasing demand for food services and dining experiences. However, despite its popularity, many startup restaurants fail within the first few years of operation.

One of the main reasons for this failure is poor cost management. Restaurants usually face several operational costs such as rent, employee salaries, food supplies, utilities, and maintenance expenses. If these costs are not carefully managed, they can significantly affect the financial performance of the restaurant.

Many entrepreneurs focus mainly on food quality, restaurant design, and customer service while underestimating the importance of financial planning and cost control. As a result, operational expenses may become higher than expected, especially when restaurants operate in large buildings that require more employees to manage different sections.

Therefore, effective cost management plays an essential role in ensuring the sustainability and success of startup restaurants.

1.2. Research Problem

Many startup restaurants face serious financial challenges during their first years of operation. One of the main reasons for these challenges is poor cost management. Restaurants usually have many operational expenses such as rent, employee salaries, food supplies, and utilities. When these costs are not properly managed, they can reduce profitability and threaten the sustainability of the business.

1.2.1. Theoretical Gaps

Although many studies have examined restaurant management and business performance, limited research has focused specifically on the impact of poor cost management on the sustainability of startup restaurants.

1.2.2. Practical Gaps

In practice, many startup restaurants experience financial difficulties because operational costs are higher than expected. High rent, staff salaries, and food supply expenses often consume most of the restaurant's revenue, which may lead to financial losses and business failure.

Main Research Question:

How does poor cost management affect the sustainability of startup restaurants?

1.3. Research Significance

This research is important because it highlights the role of cost management in the sustainability of startup restaurants. Many new restaurants fail due to financial challenges related to high operational costs. Understanding these challenges can help entrepreneurs make better financial decisions when starting a restaurant business.

1.3.1. At the practical level

At the practical level, this research provides useful insights for entrepreneurs and restaurant owners about the importance of controlling operational costs. Understanding cost management can help startup restaurants avoid financial losses and improve their chances of long-term sustainability.

1.3.2 At the theoretical level

At the theoretical level, this study contributes to the academic literature on cost management and small business sustainability in the restaurant industry.

1.4. Research Questions

- 1. How does poor cost management affect the sustainability of startup restaurants?**
- 2. What are the main operational cost factors that influence the profitability of startup restaurants?**
- 3. To what extent does effective cost control improve the long-term survival of startup restaurants?**

1.5. Research Objectives

- 1. To examine the impact of poor cost management on the sustainability of startup restaurants.**
- 2. To identify the main operational costs that affect restaurant profitability.**
- 3. To highlight the importance of effective cost management in improving the survival of startup restaurants.**

1.6. Research Hypotheses

H1: Poor cost management negatively affects the sustainability of startup restaurants.

1.7. Research Model

This research examines the relationship between cost management as an independent variable and the sustainability of startup restaurants as the dependent variable.

1.8. Research Methodology

This study adopts a descriptive research approach to examine the impact of cost management on the sustainability of startup restaurants. The descriptive method is appropriate for this research as it focuses on analyzing and explaining the relationship between the independent variable (cost management) and the dependent variable (sustainability).

The study relies on secondary data collected from academic books, journal articles, and previous research related to restaurant management and cost control. This approach helps provide a comprehensive understanding of the topic without conducting primary data collection.

In addition, the research analyzes key operational cost components such as rent, employee salaries, food supplies, and utilities to evaluate their impact on business performance and sustainability.

The data is analyzed using a qualitative method by reviewing and comparing previous studies. This allows for identifying patterns and drawing conclusions about the relationship between cost management and long-term sustainability.

1.9. Scope of The Study

This study focuses on examining the impact of cost management on the sustainability of startup restaurants. The research specifically highlights operational costs such as rent, employee salaries, and food supply expenses that may affect the financial stability of new restaurants.

1.10. The Suggested Project Structure

This research is organized into several chapters. Chapter one introduces the research background, research problem, research questions, and research objectives. Chapter two will review the previous literature related to cost management and restaurant sustainability. Chapter three will explain the research methodology used in the study.

2. Chapter 2: Literature Review

This chapter provides an overview of the existing literature related to cost management and the sustainability of startup restaurants. It highlights key concepts and examines the relationship between cost control and business success.

2.1. Introduction

This chapter presents a review of previous studies related to cost management and the sustainability of startup restaurants. It discusses the importance of cost control and its role in improving business performance. The chapter also highlights the relationship between cost management and long-term sustainability (Davis et al., 2018).

2.2. The independent variable

Cost management is one of the most critical factors affecting the performance of startup restaurants. It involves planning, controlling, and monitoring all operational expenses such as rent, employee salaries, food supplies, utilities, and maintenance costs.

According to Walker (2017), effective cost management allows restaurant owners to maintain financial stability and improve profitability. Without proper cost control, operational expenses may exceed revenues, leading to financial difficulties and possible business failure.

In startup restaurants, cost management becomes even more important due to limited financial resources. Many new businesses fail because they lack proper budgeting and financial planning.

Therefore, cost management plays a vital role in ensuring the sustainability and long-term success of startup restaurants (Horngren et al., 2015).

In addition, cost management includes different techniques such as budgeting, cost control, and financial planning. Budgeting helps restaurant owners plan their expenses in advance, while cost control ensures that actual expenses do not exceed the planned budget.

Financial planning is also essential for startup restaurants because it helps in allocating resources efficiently and avoiding unnecessary expenses (Drury, 2018).

Without proper financial planning, restaurants may face cash flow problems that affect their daily operations.

Moreover, technology plays an important role in cost management.

Many restaurants use digital systems to track expenses, monitor inventory, and control waste. These tools can help improve efficiency and reduce operational costs.

2.3. The dependent variable

Sustainability refers to the ability of a business to survive and continue operating over a long period of time. In the restaurant industry, sustainability means maintaining profitability, controlling costs, and adapting to market changes.

Many studies have shown that a large number of startup restaurants fail within the first few years of operation. According to Parsa et al. (2005), financial problems are one of the main reasons behind restaurant failure.

According to Davis et al. (2018), sustainable businesses depend heavily on financial stability and effective resource management.

Sustainability is influenced by several factors such as cost control, management skills, and market conditions. However, financial stability remains one of the most important factors for long-term success (Davis et al., 2018).

For startup restaurants, achieving sustainability requires effective planning and proper management of financial resources. Without good cost control, businesses may struggle to survive in a highly competitive market.

Furthermore, sustainability is not only about financial performance but also about maintaining a strong customer base and providing consistent service quality. Restaurants that fail to manage their costs properly may compromise on quality, which can negatively affect customer satisfaction.

Therefore, sustainability requires a balance between cost control and service quality to ensure long-term success in the competitive restaurant industry (Davis et al., 2018).

2.4.The relationship between the independent and the dependent variables

The relationship between cost management and sustainability is strong and direct. Effective cost management helps reduce unnecessary expenses, improve profitability, and increase the chances of business survival.

According to Horngren et al. (2015), effective cost control is directly linked to improved financial performance and long-term business success.

On the other hand, poor cost management can lead to financial losses, reduced profitability, and eventually business failure(Parsa et al., 2005). Startup restaurants are especially vulnerable to poor cost control due to limited financial resources.

Previous studies indicate that businesses with strong cost management practices are more likely to achieve long-term sustainability (Davis et al., 2018).

Therefore, improving cost management¹⁶ practices is essential for enhancing the sustainability of startup restaurants (Davis et al., 2018).

Additionally, effective cost management allows restaurant owners to make better strategic decisions. By understanding their costs, managers can adjust pricing strategies, control waste, and improve operational efficiency.

This strong relationship between cost management and sustainability highlights the importance of financial awareness in business success (Davis et al., 2018).

Research Gap

Despite the existing literature on cost management and business sustainability, limited studies have specifically focused on startup restaurants.

Most previous studies have examined general business sectors, while few have analyzed the impact of poor cost management on the sustainability of startup restaurants.

Therefore, this study aims to fill this gap by focusing on startup restaurants and their financial challenges in order to provide a better understanding of the relationship between cost management and long-term sustainability.

2.5. Conclusion

This chapter reviewed the existing literature related to cost management and the sustainability of startup restaurants. It highlighted the importance of controlling operational costs and maintaining financial stability.

The findings from previous studies indicate that poor cost management is one of the main reasons behind restaurant failure. On the other hand, effective cost management improves business performance and increases the chances of long-term sustainability.

Therefore, cost management plays a key role in ensuring the success and survival of startup restaurants (Davis et al., 2018).

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