INTERNATIONAL JOURNAL OF: FINANCIAL RES. AND MANAGEMENT SCIENCE

TIMBOU-AFRICA ACADEMIC PUBLICATIONS
INTERNATIONAL JOURNAL, NOVEMBER, 2021 EDITIONS
VOL. 7 NO. 7 ISSN: 2773-1040

THE EFFECT OF BUILDING QUICK SERVICE RESTAURANTS (QSR) OUTLETS ON GROWTH & MEASUREMENT OF THEIR FINANCIAL PERFORMANCE IN NIGERIA.

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ABSTRACT

Of the greatest challenge of firms in a matured industry specifically the fast food firms are how grow and expand through innovation in terms of customers' satisfaction which could be in the form of speed of service, products quality and varieties but

Introduction

Fast foods outlets "also known as Quick Service Restaurants (QSR) within the industry are specific type of restaurants that serves fast food cuisines and has minimal table service…" (Wikipedia, 2020)". The (Webster.com.2020) dictionary defines Fast foods as "…. relating to, organization in food that can be prepared and served quickly…, designed for ready availability, use or consumption with little consideration given to quality or significance…" Therefore, fast foods for the purpose of this paper means fast-food companies. The proliferation, growth and expansion of fast-food companies is "a subject of the goodwill, quality of services, promptness of services, satisfaction of the clients, heart and environmental conditions the taste and provision

yet customers seem to be far away from being satisfied thereby scuttling their growth propensity. This study therefore sought to examine effect of expansion on the financial performance of Tantalizer Plc & Mr. Biggs through the performance elements of goal setting and financial indices of ROA, ROE & EPS and how they affect the growth of Tantalizer Plc & Mr. Biggs. The study adopted the use of proxy data from the quoted financial statements of the QSR's. Multiple regression analysis was employed to test the hypotheses formulated of which the study found a significant and positive effect of expansion and growth on the financial performance of the QSR's. it equally discovered that poor management and customer behaviour coupled with the economic effects as well as socio-political issues with security had negative impact on the financial performance as the expansion of these QSR's was stagnated with the period of 2016-2019. the study recommends that Management has to train and re-train branch staff, especially the chefs and waiters, and provide adequate supervision to ensure that corporate standards and culture are sustained. And also that appraisal be conducted in a fair manner and such results communicated to employees.

Keywords: *Performance-Management, Expansion/growth, Financial Performance, Return on Assets, Return on Earnings/investment & Earnings Per Share.*

of the desired menus" (Yayok, 2019). Therefore, "the setting and quality of serving tables and stewards, their location, the catchment area, the market niche they have carved-out, the weekly, monthly and yearly turnover, their production level, the marketing strategies and segmentation, the size of the fast-food company and the scope of services they offer; the strata of their customers in the society; the ownership, partnership, continuous unchanging taste and value of their products amongst other factors are key for the determination financial performance in the fast-food business" (Yayok, 2020). The conglomeration or the mix-matrix of some of these variables determine the profitability of these outlets.

(Nicky LaMarco: 2018) asserts that "fast foods get more and more popular every year despite rising economic concerns and health in the society. He identified the following as the factors affecting their growth/expansion; -

a) Insatiable love by consumers for fast foods;
b) Environmental factors;
c) Healthier menus and customer service;
d) New marketing strategies like brand focused on retaining their customers becoming customer friendly, increasing hospitality from staff and more delivery options for customers;
e) Reputation and goodwill are considered very important factors;
f) Effect of internet, social media are also of peculiar interest.

(LaMarco W. 2018) in his treatise categorically carved out economic factors that affect fast food industry to include-economic downturns, mergers, economic upturns, cost of labour, price of fuel, price of commodities etc. These economic factors are various seen as part of the financial indicators used in measuring the performance of fast food companies.

The researcher observed that, despite the economic recession, two major fast food companies seems to be expanding and opening new outlets; while others are closing down. The problem therefore is; *why are only these two fast-foods expanding, while others are folding up is the main thrust of this paper*. This paper aims at deciphering the reasons for the expansion of the fast food companies under study by evaluating the financial performance through the key indicators. To achieve the above by assessing the financial performance of two quoted fast foods in Nigeria namely- Tantalizer Plc. and UAC Restaurants Limited which operate under the brand name, Mr. Biggs. The financial performance evaluated is covering a period of 5 years (2015-2019).

Research Objectives

i. To examine the effect of outlet expansion (OE) on the financial performance (FP) of QSRs in Nigeria.
ii. To determine the changes in ROA and ROE and earnings per share (EPS) of the selected QSRs over the five- year period of 2015 to 2019;
iii. To provide guidance to promoters and management of QSRs in Nigeria, for their outlet expansion decision-making.

Research Questions

i. What is the effect of goal setting on growth of selected Quick Service Restaurants (QSR)?
ii. What is the effect of expansion on the financial performance of selected Quick Service Restaurants (QSR)?;
iii. What is the of growth on of selected Quick Service Restaurants (QSR)?

Research Hypotheses

i. H1: Outlet expansion has an effect on the financial performance (FP) of QSRs in Nigeria.
ii. H2: The outlet growth has effect on Return On Assets (ROA) and Return On Earnings (ROE) as earnings per share (EPS)?

iii. The effect of expansion and growth on these selected QSR's will have positive guidance to promoters and management of QSRs in Nigeria, for their outlet expansion decision-making.

Literature Review:

a) Tantalizer Plc.: This is a leading fast food restaurant chain in Nigeria (Williams I; Shenley.M. 2012); (The Nation, 21 July, retrieved December 2020). It opened with a simple location in Festac town, Lagos in 1997 initially serving hamburgers. The success achieved at this location led to an expansion that has seen the company and franchises opening additional locations in cities such as Lagos, Abuja, Ibadan, and Port Harcourt. As at 2015, the restaurant had 50 outlets across Nigeria according to (Tantalizer's homepage retrieved August 21, 2015 and accessed December, 2020). Tantalizer had 50 outlets as December 2018, nut as December 2019, it had 66 outlets (Emmanuel A. B,2020)
b) UAC Food Company (Mr. Biggs): Mr. Biggs started in 1973 owned by United African of Nig Plc. It started with 23 outlets in Lagos had 170 locations in Nigeria as at 2013 (Wikipedia, 2020). 49% of the sale in Mr. Biggs was bought by famous brand South Africa (Maritz, Jaco, 2013 retrieved December 2020). As at 2019, Mr. Biggs had 173 locators (UAC; 2020).

   The two companies are the only publicly quoted fast-food companies in Nigeria at the moment. While Tantalizers Plc has been quoted on the Nigeria Stock Exchange since 2008, UAC Restaurants Ltd is a subsidiary of a larger conglomerate, the United Africa Company Plc, which is equally a quoted company on the Exchange. Big Treat, another QSR that was on the Exchange got de-listed in 2008 for some ethical infractions and is therefore, not considered in this research. The research would also be limited to the analysis of the proxy variables of financial performance, namely Return on Assets (ROA) and Return on Equity (ROE), while the Earnings Per Share (EPS) would serve for control testing of hypotheses. Thus, this research would not be concerned with other equally strong performance influencing constructs like customer satisfaction and customer loyalty.

Financial Performance Management

Globally, there has been increased attention on performance management of organizations especially by large companies that employs the use of measurement systems to align their different country outlets towards the overall company goals (Cruz *et al*, 2011). This performance is measured by use of financial indicators. Performance management is within the broader organizational profession that develops into a sub-discipline and established itself as a key resource for strategic human resource departments.

According to (Armstrong *et. al,* 2009), "performance management functions as an instrument that relates a firm's goals with work which focuses on workers accompanied with target setting and formal evaluation at the center of the process along with expansion and growth factors in fast-food conglomerates". Goal setting through financial performance major indicators has been argued to be an important and sensitive element of performance management (Pulakos, 2009).

In Nigeria, aside the several small-scale sole proprietorship restaurants (operated mostly by women) that dot the streets, several other modern restaurants have surfaced over the years. Notable among these are such leading brands like Tantalizers, Mr. Biggs, Big Treat, Sweet Sensation and Tastee Fried Chicken. More recently had been

TIJFRMS
ISSN: 2773-1040

the arrival of some foreign brands like KFC, Domino Pizza and Coldstone. These Fast-Food Companies are also commonly referred to as Quick Service Restaurants (QSRs).

Goal setting in the context of financial performance is to find out why the selected fast-foods have more outlets within Nigeria. This has become the crux performance management and is therefore the management process which entails clear specification of employees functions that enhances the growth of the conglomerates. Financial performance has generic and enhancing factors with which growth and expansion can dovetail around with the imperatives of breaking new grounds and the "the accomplishment of such functions are towards maximizing their contributions to the overall business" (Williams, 1991).

According to Gungor (2011), firms are very reliant on the financial performance geared by the efforts of their employees towards customer's satisfaction. Attracting new customers and creating an ambient for healthy fast foods that consummate the taste and fashion of high class customers connotes a positive foray on employees' performances which translates to organizational performance hence, organizations set goals they intend to achieve mostly are achieved to reflect what is captured in the mission and vision statements of such organizations. These goals are further broken into individual goals which are then assigned to employees and reviewed on a regular basis. Amongst the services offered, marketing especially in fast food restaurants, the process and speed of delivering a service is as important to the customer as the actual service which implies that the faster the service speed the more satisfied the customer may likely be and vice versa. Yet, customers continue to encounter delay in obtaining services from restaurants. Similarly, customers sometimes opt in for undesired meals which is as a result of unavailability of desired ones. These amongst others have over time discouraged the repurchase behaviour of customers leading to decline in sales thereby hampering growth. (Devarajan *et.al,* 2018) argued that goals affect action as well as derive desired behaviour, productivity and effectiveness in work organizations. There are goals once set, must be evaluated overtime to ascertain whether or not it is being carried out properly by employees concerned.

Concept of financial performance goal Setting

Several definitions of goal setting by different authors have been put forward. According to Wariso (2017), goal setting is defined as "the process of identifying what ought to be achieved as well as developing plans to accomplish such and also the commitments necessary to achieve that goal." Similarly, Khan (2014), also defined goal setting as a process aimed at controlling the attitude, behavior which focuses on the specific target aiming to be achieved. Sauer's and Bass (1990) defined goal setting as "a formal program of setting numerical or quantitative performance goals for individuals with the common objective of increasing employee motivation and performance". Goal setting have been posited to focus mainly on encouraging employees to do better at their jobs and aligned with the overall organizational picture (Avci, 2015). Also, GeorG (2015) asserts that "that goals are most beneficial in straightforward workplaces, where efficiency is characterized along a sole element of effort, for example, yield amount, and where chances for unfavorable conduct are low". Goal setting has also been defined as "a process of formulating and formalizing targets or goals that an employee is expected to complete". (Umstot *et al.*, 2013). An interplay of financial performance is introduced and interlaced into goal setting to give the concept under discussion; the comeliness of astute performance indices in goal setting.

Financial performance is a concept that describes the outcome of the utilisation of a firm's resources over a period of time that the services offered by the employees. It provides a basis for assessing how well the resources deployed have increased investors value. Financial performance can be either positive, (when a firm reports profit) or negative, (in the case of a loss). Financial performance is a basic measure of the health of a firm and indicates the effectiveness of the executive management. The higher the financial performance, the more effective the management is in utilising resources to create value for investors. (Ali Matar & Bilar M, Eneizan, 2018).

To strengthen the intellectual propensity and acumen on the need of goal setting for efficient financial performance, Haughey (2014) argued that "goals provide the needed inspiration to carry on even when motivation is low and also; that goals are measured in terms of quality by how they are being set".

The Concept of SMART in achieving performance goals

SMART is an acronym that stands for Specific, Measurable, Achievable, Realistic, and Timely. Therefore, a *SMART* goal incorporates all of these criteria to help focus your efforts and increase the chances of achieving your goal. *SMART* goals are: Specific: Well defined, clear, and unambiguous. SMART goals were developed by **George** Doran, Arthur Miller and James Cunningham in their 1981 article "There's a S.M.A.R.T. way to write management goals and objectives". SMART is a mnemonic acronym, giving criteria to guide in the setting of objectives, for example in project management, employee-performance management and personal development. The letters S and M generally mean specific and measurable. Also, history has another way clinching the pivots of SMART. They are introduced in this pattern -: The SMART goal-setting approach, is also commonly attributed to Peter Drucker, a prolific author, and management consultant whose writing helped shape modern business, first appeared in a November 1981 issue of *Management Review*. Since then, SMART has evolved to facilitate broader interpretations than the original intent. The acronym has even expanded to SMART***ER*** for some in order to accommodate two additional criteria: **E**valuated and **R**eviewed.

SMART framework provides the framework for setting clear, attainable goals in project management. The acronym stands for **S**pecific, **M**easurable, **A**ttainable, **R**elevant, and **T**ime-bound.

SMART Goal Setting

S	Specific: Define a clear, specific goal.
M	Measurable: Make sure you can track progress.
A	Attainable: Create a goal that is realistic.
R	Relevant: Ensure your goal aligns with the organization.
T	Time-bound: Assign a target date to keep accountable.

A SMART goal incorporates all of these elements to bring greater clarity, focus, and motivation, all of which help increase the odds of successfully achieving the desired results. It is found out that; persons and organizations that set goals with the Doran (1981) S.M.A.R.T. technique succeed in their endeavours more than those who do not because, even though they are intelligent and courageous, they did not organize their energies around a goal. The S.M.A.R.T technique hold that for goals to be successful, (as already indicated above and with the portrait autografts), it must be specific (area for improvement), measurable (by any chosen indicator), assignable (identifying the executor of such goals), realistic (whether it is achievable considering available resources) and time related (timing for accomplishing task should be specified). Some scholars have expanded the SMART technique by adding two more areas of concern and interest to the acronym to read S.M.A.R.T.E.R. The additional E.R. stands for evaluation and review. Evaluation is to compare outcome with set goals while review is for feedback, rethinking and adjustment if any (Haughey, 2014). SMART goal setting in this study is conceptualized as the process of identifying what ought to be achieved, when, why, who and what competence is required to accomplish such.

SMART GOALS GUIDE	
Specific	What exactly needs to be accomplished? Why do we want to accomplish this goal?
Measurable	How will we know we have succeeded? How much change needs to occur? How many actions or cycles will it take?
Attainable	Do we have the resources to achieve the goal? Is the goal a reasonable stretch? Is the goal likely to bring success?
Relevant	Is this a worthwhile goal? Will it be meaningful to management/the team? Can we commit to achieving this goal?
Time-bound	What is the deadline for reaching the goal? When will we begin taking action?

Concept of Financial Performance Appraisal

Financial performance appraisal is defined as a process by which managers judge and evaluate organizations performance and contribution towards the economy over a defined period of time through financial indicators. (Welsh, 2003). It is put essentially as the way toward assessing work execution, settling on choices on the successful use of resources, implementation of financial standards, measurement of liquidity ratios and rewarding and inspiring staff that makes things to happen, redressing unacceptable dismal staff performance and giving feedback to the system through the financial performance indicators as well as every employee in a formal way (Swanepoel *et al.*, 2010). It is the review of workers' work performance as it contributes to the organization (Jones and George 2009).

Ahmad and Bujang (2013) defined Financial performance appraisal as the logical explanation of individual employee's strengths and weaknesses associated with his/her job for the purpose of decision making about the said individual. Also, it refers to the process of evaluating the behaviour of the employees in the workplace and providing reports about such evaluation of employee's performance. It is also seen as an instrument employed by organisations to assess an employee's performance against set standards or objectives with financial matrices induced by such employees (Bayon, 2013).

Concept of Human Resource management in achieving measurable growth & expansion.

The human resource of any organization is viewed as the most significant assets. The individuals engaged with the manufacturing and dissemination of products and ventures; recruitment and selection as well as training and development exercises are utilized to guarantee workers have essential knowledge and abilities to be productive. While in financial performance appraisal and feedback supplement recruitment, selection, training, accounting, auditing and development through the sharing of evaluation reports with employees, gives them the chances to think about their own work performance and also, by designing future strategies with the organization's interest at heart and economic growth and possible expansion paramount through the effectiveness of employees (Jones and George, 2009).

Jones and George (2009) further asserted that accurate performance appraisal avails managers' useful information for decision about on pay-rise, bonuses, promotions, job moves as well as identifying employees requiring training and development in different areas. Moreover, performance report triggers to a very large extent influences the employees' acumen to think, be innovative and activate performance by inducing paradigms of growth, inculcating hope in poor performing employees to expect improvement, enhancing of social status and their values so as to contribute actuarially, knowing that their contributions are valued and appreciated in other forms of incentives

Concept of Growth and expansion

Of the early definitions of growth is that of Penrose (1959) who defined growth as meaning increase in size, enhancement in product and service quality as a result of interacting set of internal changes which also leads to increases in size followed by changes in the nature of such growing item. The definition was further advanced to view growth as a product of a process internal to the firm which aid in the development of such enterprise in areas of increase in quality and expansion (Penrose, 2006). According to Absanto and Nnko (2013). Growth is seen as the increase in sales, assets, net profits as well as taking advantage of the garnered experience in order to minimize unit cost of products thereby increasing profit. Coad *et al.* (2013) argued that growth is the consequence of a decent organization of resources and capabilities which the organizations use to advance growth which includes capabilities, acquired data, monetary directing and resources. Therefore, growth is seen in this study as a positive increase in effectiveness and efficiency of all dimensions of business operations of a given firm which could be in monetary and non-monetary measures.

Theoretical Framework on Financial Performance, Growth & Expansion

Raul P (1948) in his theory of "Cyclical and Economic Growth" opined that financial performance is "the process of collecting, determining and storing facts about the relative economic indices, liquidity ratios, concepts and the financial indicators that determine the worth of individuals and the entire organisation". Here, the focus is strictly on measuring and bettering real performance as well as imminent potential of the growth with good economic indices.

Prebisch R. (1950) in his **Neoclassical theory relating growth and economic performance** believed that "the growth process in capitalist downswing, only to be followed by another upswing economy which is eminently cyclical". He further said that "economic growth that has financial indices in their movement where there is there is no equilibrium point; this cycle has historically been, and continues to be, the typical movement is a continual succession of disequilibria of economies….".” The manner of growth for capitalism of economic activity applies to be both static by its expands and contracts continually interrupted dynamic equilibria.

Growth of economies and financial indicators are in succession of phases of growth in income, employment. It is therefore, highly critical to ignore the ignominies prevailing in production, which are followed by phases of economic anomalies because it was anchored in equilibrium decline, with a consequent decrease in production and the analysis is divorced from reality. The theory anchored on the elasticity of growth and expansion in analyzing financial performances as a paradigm for establishing fast-food outlets.

Goal Setting Theory related to financial performance measurement

Milkovich *et al.* (2011) described goal-setting theory as the usage of

provoking performance objectives to urge employees to build their work force and the length of that power to improve worker performance. Furthermore, these goals are likewise 64 observed as criteria that can be utilized to give workers feedback and to gauge and compare performance (Milkovich *et al*.,
2011). Goal setting can motivate individual employees, especially when employees receive rewards for achieving the goals set for them and when they are involved in some decision making processes relating to productivity.
(Milkovich *et al*., 2011). Goal setting theory has been shown to predict, influence and explain the behaviour of a large number of persons and quoted conglomerates examined in numerous countries (Latham, 2004). The key finding emanating from the widespread research on goal setting and productivity is that difficult and specific goals lead to higher levels of performance compared to easy or vague goals (Locke *et al*., 1981). According to goal setting theory in fast-foods companies, a worker performs better if the goals that guide work are clear, specific, and challenging rather than vague, ambiguous, and unchallenging (Rainey and Jung, 2015; Latham and Locke; Latham *et al*., 2008). Their theory proposes that goals activate motivational mechanisms that stimulate performance. Four stimulating mechanisms are distinguished: direction, effort, perseverance, and strategy (Latham and Locke, 2013).

Procedural Justice Theory of employer's attitude to employees

This theory was propounded by Thibaut and Walker in 1975 and is centered on the perceived fairness of the processes employed in undertaking decisions regards the distribution of outcomes (George and Jones, 1999). Procedural decisions centers basically on to how performance levels are assessed, the manner at which grievances and disputes are handled and how outcomes are distributed among employees of different levels. This theory holds that employees' reaction to procedures relies on their view or rather how they perceive such procedures enhances their welfare rather than what the procedure itself entails ignoring the fact that workers' perception of employer's treatment is key (Ibid).

Empirical Studies

Researchers have defined fast-food restaurants as restaurants that have two or more of the following characteristics: expedited food service, take-out meals, limited or no wait staff, and payment tendered prior to receiving food. (Jason P. Block, Richard A. Scribner & Karen B. DeSalvo,2004). Most fast-food companies maintain a chain of restaurants as a deliberate strategy not just to establish footprint but to provide outreach to customers and thence increase sales revenue growth and ultimately enhanced profitability.

Although not much literature exists on the impact of outlet expansion on the financial performance (sales revenue growth and profitability) of fast-food businesses, there are several research studies of branch expansion by commercial banks, which also aim at reaching larger customer base for product/service offerings. The findings of such research can be relied upon to analyse the effect of outlet expansion strategy on the overall revenue growth and profitability of QSRs due to similarities in the objectives for expansion by both business firms.

In their review of the effect of size on the financial performance of banks in Kenya, Muhindi Alex & Dominic Ngaba (2018) found a positive correlation between size and profitability. In particular, they found a strong correlation between the number of branches and ROA. They, therefore, posited that the size of a firm plays a very crucial role in determining the nature of association between the functional atmosphere and external environment. This assertion was, however, made in consideration of the positive effects of other performance influencing factors such as capital base, loan size and quality, and the size of customer deposit of the banks. Sritharan (2015) also found out that the size of a firm is positively related to profitability. Given that his study was on hotels and travel firms in Sri Lanka, it is obvious that the subject of number of branches operated by the hotel chains and travel firms was under consideration.

On the contrary, Boland (2009) expressed the view that the major reason many banks struggle was because of the burden of operating too many branches, as the cost of construction or leasing branch buildings, hiring of staff, acquisition of plant and equipment, provision of security etc could make branches unprofitable. Similarly, Cristina Bernini and Paola Brighi (2017) posited that except for banks with a more diversified product offering, expansion has a negative impact on efficiency, which is exacerbated by increased distance between the headquarters and branches.

The assertions by Boland, Cristina and Brighi, however, contrast with the scenario at McDonald, one of the world's leading QSRs. According to data from its published annual financial statements, operating results of McDonald indicated sustained growth in its after-tax profit, from $4,529.3 million in 2015 to $6.025.4 million in 2019, generated through its over 38,000 outlets worldwide. Over 36,000 or 93% of its outlets are franchisees, while some 2000 restaurants are owned outlets. A noteworthy caveat, however, is that the franchisee business model, in itself, has proven to be a heavy revenue earner for McDonald as franchisees pay hugely for leased properties owned by McDonald. The advantage of this model is that McDonald revenue stream (rent and royalty payments by franchisees) is far more stable and

TIJFRMS
ISSN: 2773-1040

predictable, while the operating costs are measurably lower, allowing for an easier path to profitability (Akhilesh Ganti, 2019).

The mixed results from the various research on the subject of branch or outlet expansion by firms gives room for further research on the linkage between OE and FP, especially as it relates to QSRs in Nigeria, given the favourable scenario at McDonald. Being a leading fast-food company, the positive results posted by the company presents an interesting window to relate the observation to the performance of the two QSRs under study in Nigeria. As earlier indicated, there currently exists a dearth of studies on the specific link of OE to FP of QSRs in Nigeria. Financial performance of a company is mostly ascertained through the application of measures such as profit margins, return on assets, return on equity and earnings per share (Ibrahim & Umeano, 2019). These generally accepted measures of financial performance would be applied to this research.

Methodology of research

The research adopts the quantitative approach and utilizes regression analysis to examine the data on outlet expansion (OE) and two proxies of financial performance (FP), namely ROA and ROE. The regression analysis is also applied to the earnings per share, EPS, which serves as a test control. Regression analysis is considered as a very effective in analysing empirical data with multiple constructs (Ibrahim U.A & Umeano O, 2019). It is noteworthy that the NSE sanction of the financial statements confers authenticity and accuracy on the data. The physical number (and not the cost outlay) of outlets opened is used as the independent variable. This is due to non-availability of information on capital/recurrent cost of new outlets. All the data for the proxy variables were either sourced directly from or calculated from the financial statements of the companies, which were inputted into the regression model using JMP Pro application.

Reliability Test

The reliability was insured by testing the instruments for the reliability of values (Alpha values) as recommended by Cronbanch, (1946). According to Sekaran (2001), all constructs of the research instrument must not have alpha values below 0.6 for it to be reliable. The three variables recorded combined alpha value of 0.6.

Table 1. Reliability Statistics

Cronbach's Alpha	N of Items
.989	3

Source: *SPSS Output, 2019*

Model Specification

The model for the simple regression analysis is specified thus:

$GRW = \beta_0 + \beta_1 ROA + \beta_2 ROE + \beta_3 EPS + e$

The following regression models were applied in the analysis.

$$Y_{ROA} = \beta_0 + \beta_1 OE_{ROA} \quad (1)$$

$$Y_{ROE} = \beta_0 + \beta_{11} OE_{ROE} \quad (2)$$

$$Y_{EPS} = \beta_0 + \beta_{11} OE_{EPS} \quad (3)$$

Where:,

GRW = Growth

OE - Number of Outlets;

Y_{ROA} - Dependent variable ROA;

YROE - dependent variable ROE;

YEPS -dependent variable EPS;

e -error term;

β_0 = Intercept, β_1 β_2 = Coefficient of Independent Variable.

TIJFRMS
ISSN: 2773-1040

Results and Discussions

a. Tantalizer Plc

Test of hypothesis:

The first hypothesis, on ROA, states as follows:

H1: Outlet expansion does significantly affect ROA.

$$Y_{ROA}=b_0 + b_1OE_{ROA}$$

Table 2

Regression results: x=No. of Outlets, y=ROA

Variable	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-6.42936619	4.102655084	-1.56712	0.215076	-19.4858457	6.627113
No. of Outlets	0.114859155	0.075548809	1.52033	0.22576	-0.12557087	0.355289

Source: Authors calculations using JMP Pro

The regression analysis in Table 2 above, performed at a 5% level of significance show that number of outlets has significant effect on the ROA of Tantalizers Plc. The regression results produced a p-value of 0.225 and F-Significance value of 0.225, which that the null hypothesis can be rejected because the p-value and F-Significance value are greater than 0.05. The R^2 value of 0.435 from the regression indicates that the model can only explain 44% of the ROA variability, implying an insignificant relationship between the variables.

The Second hypothesis, on the ROE proxy variable, states as follows:

H1: Outlet expansion does significantly affect ROE.

$$Y_{ROE}=b_0 + b_1OE_{ROE}$$

TIJFRMS
ISSN: 2773-1040

Table 3

Regression results: x=No. of Outlets, y=ROE

Variable	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-4.369049296	5.912746917	-0.738920396	0.513517241	-23.18604888	14.44795
No. of Outlets	0.077288732	0.108880951	0.709846231	0.528999895	-0.269219047	0.423797

Source: Authors Calculations using JMP Pro

The regression results produced a p-value of 0.528 and a F-Significance value 0.528, which are greater than the set significance level of 5%. This indicates there's a significant effect of x on y and, therefore the null hypothesis be rejected. The R^2 value of 0.14 explains only 14% of the ROE variability, implying an insignificant relationship between the variables.

Thus, the regression analysis in Table 3 above, performed at a 5% level of significance shows that the number of outlets has significant effect on the ROE of Tantalizers Plc.

Test of Hypothesis: The third hypothesis states that:

H1: Outlet expansion does significantly affect EPS.

$$Y_{EPS}=b_0 + b_1OE_{EPS}$$

Table 4

Regression Results: x=No. of Outlets; y=EPS

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.038943662	1.053042029	0.036982059	0.9728226	-3.31230605	3.390193
No. of Outlets	0.001901408	0.019391362	0.098054403	0.9280733	-0.05981056	0.063613

Source: Authors Calculations using JMP Pro

ISSN: 2773-1040

The regression analysis returned a p-value of 0.92 and an F-Significance value of 0.92, which are again greater than the set level of significance of 0.05. This indicates that there is significant effect on the EPS with respect to the number of outlets and, therefore, the null hypothesis can be rejected. The R^2 value of 0.003 explains only 3% of the variability of the EPS.

a. **UAC Restaurants Ltd (Mr. Biggs)**

Test of hypothesis:

The two hypotheses on ROA proxy variable, states as follows:

H1: Outlet expansion does significantly affect ROA.

$$Y_{ROA}=b_0 + b_1OE_{ROA}$$

Table 5

Regression results: x=No. of Outlets, y=ROA

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0.76763662	0.33733095	2.27561871	0.107367577	-0.30590101	1.841174
No. of Outlets	-0.00456600	0.00234779	-1.94480808	0.147018296	-0.01203771	0.002906

Source: Authors calculations using JMP Pro

The regression analysis in Table 6 above, performed at a 5% level of significance show that number of outlets has significant effect on the ROA of UAC Restaurants Limited. The regression results produced a p-value of 0.147 and an F-Significance value of 0.147, which implies that the null hypothesis cant be rejected, as the p-value and F- significance value are greater than 0.05. The R^2 value of 0.557 from the regression indicates that the model can only explain 56% of the ROA variability.

The Second hypothesis, on the ROE proxy variable, states as follows:

H1: Outlet expansion does significantly affect ROE.

$$Y_{ROE}=b_0 + b_1OE_{ROE}$$

Table 6

Regression results: x=No. of Outlets, y=ROE

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.039746193	0.049600559	0.80132550	0.481537468	-0.11810492	0.197597
No. of Outlets	-0.00015228	0.000345215	-0.44112877	0.688975644	-0.00125091	0.000946

Source: Authors calculation Using JMP Pro

The regression results produced a p-value of 0.68 and an F-Significance value of 0.68, which are greater than the set level of significance of 5%. This indicates that there is significant effect of x on y and, therefore, the null hypothesis can be rejected. The R^2 value of 0.06 explains only 6% of the ROE variability, implying an insignificant relationship between the variables. Thus, the regression analysis in Table 6 above, performed at a 5% level of significance, shows that number of outlets has significant effect on the ROE of UAC Restaurants Ltd.

The third Hypothesis states that:

H1: Outlet expansion does significantly affect EPS.

$$Y_{EPS}=b_0 + b_1 OE_{EPS}$$

Table 7

Regression results: x=No. of Outlets. Y=EPS

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	*17.1646066*	*23.42380632*	*0.732784688*	*0.516753828*	*-57.380399*	*91.70961*
No. of Outlets	*-0.04948604*	*0.163027378*	*-0.30354436*	*0.781309077*	*-0.5683119*	*0.46934*

Source: Authors calculation using JMP Pro

Table 7 above shows the regression results. The regression analysis returned a p-value of 0.78 and an F-Significance value of 0.78, which are again greater than the set level of significance value of 0.05. This indicates that there is significant effect on the EPS with respect to the number of outlets and, therefore, the null hypothesis can be rejected. The R^2 value is 0.03 and hence explains only 3% of the variability of the EPS. The Multiple R (correlation) value of 0.17 or 17% indicates a weak association between the variables.

Explanation of Results

The results of the study revealed that outlet expansion (OE) had significant effect on the financial performance of Messrs Tantalizers Plc and UAC Restaurants Limited. Specifically, there was:

i) There's significant effect of OE on the ROA of the QSRs. The analysis, however, explained 44% and 56% in the variability of the ROA of Tantalizer Plc and UAC Restaurants Limited, respectively.

ii) There's significant effect of OE on the ROE of the two QSRs, while the analysis explained 14% and 6 % of the variability in the ROE of the respective companies.

iii) There's significant effect of the OE on the EPS of the QSRs, with the analysis explaining 3% apiece of the variability in their respective EPS.

It is noteworthy, that the above results, which showed relationship between outlet expansion and corporate financial performance by the two quoted QSRs in Nigeria, this goes to confirm some research findings, like the work by Muhindi, et al (2018) and Sritharan (2015), which found positive correlation between branch expansion and financial performance. Aside other debilitative issues like diminished service standards and food quality, it would appear that the challenges of heavy burden of operating too many outlets, high cost of construction or leasing outlet buildings, staff cost, plant and equipment cost, provision of security, etc identified by Boland (2009), which make branches unprofitable, are afflicting the two QSRs in Nigeria.

Conclusions and Recommendations

Conclusions

The objective of this research was to assess the effect of outlet expansion on the financial performance of quoted QSRs in Nigeria, giving the perceived research gap in this area of knowledge in Nigeria. The results from all the regression analysis revealed significant effect of outlet expansion on financial performance, indicating that, taken alone, outlet expansion/growth did translate into significantly improved financial performance by the QSRs under study. This is seen by the spate of outlet expansion by Tantalizer Plc and UAC Restaurants Limited had translated into significant improvements in their financial performances. The regression analysis applied in the research revealed that revenue growth and profitability remained moderate, despite the customer outreach spread envisaged by the companies. Indeed, the companies recorded operating losses in some of the years under review. The inability to achieve revenue and profit growth through outlet expansion may not be unconnected with management failure to effectively address other influential factors in the outlet expansion decisions. Although, initial capital cost outlay for establishing branches is regarded as sunk cost to be amortised over time, recurrent expenditure such as staff cost and sundry running expenses, and consumer behaviour can neutralise the rather thin margins earned on the unit prices of meals served. The franchisees of Tantalizer Plc and

UAC Restaurants Limited provide their own premises. Hence, their principals only depend on royalties, which are, in turn, dependent on sales turnover. The economic recession and the lack of secured market, the insurgency and herdsmen incursion was deduced to have affected growth in the period under study. Therefore; -

i. Outlet expansion, on its own, does not boost financial performance of QSRs in Nigeria.
ii. Consumer behaviour appears paramount to financial performance. There have been complaints of dissatisfaction by customers with the poor quality of food at outlets, resulting in drop of patronage.

Recommendations

i. Management has to ensure that service standards and quality of meals are not compromised, but diligently maintained across the entire restaurant chain.
ii. The franchise model, which the QSRs largely operate, is vulnerable to diminished standards of customer care and food quality, which rapidly erodes customer satisfaction and loyalty. Management has to train and re-train branch staff, especially the chefs and waiters, and provide adequate supervision to ensure that corporate standards and culture are sustained.
iii. Close attention needs to be paid to the operations of franchisee outlets to ensure brand attributes are sustained across the QSR chain.
iv. Outlet expansion should be matched with sustained customer acquisition and retention.

v. Customer satisfaction must be firmly established in the business culture to ensure that the brand is universally acclaimed across the geographical spectrum.

vi. Location of branches decision should emanate from due diligence feasibility studies to determine opportunities for maximum catchment of potential customers.

vii. High traffic public places such as tertiary institutions, train and bus station, and airports, which feature a constant presence of people all year round, could be suitable targets for branch locations.

viii. Additionally, opportunities in the less expensive mobile kiosk restaurants and home delivery service should be exploited. To simply embark on outlet expansion without due consideration of all relevant fundamentals would be engaging in loss-making ventures.

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