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VIRTUAL ENTERPRISE AND THE FAST FOOD INDUSTRY: A CASE STUDY OF FAST FOOD OPERATORS IN EDO STATE

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Abstract: Being the most populous black nation in the world; with a population of about 166 million, largest market in sub-Saharan Africa and the 24th largest economy in the World, Nigeria's Food, Beverage and Tobacco industry is set to grow. Currently, it accounts for 4.62 percent of the nation's gross domestic product (GDP). The Association of Fast Food and Confectioners of Nigeria (AFFCON) has noted that the fast food industry is currently worth about 250 billion naira, with a growth potential that is next only to the petroleum industry. Virtual enterprise brings about efficiency, competition on a global scale and improved customer service. This paper seeks to address how virtual enterprise could help the fast food operators in Nigeria and the fast food industry in general

Key words: Virtual Enterprise, Fast food industry, Fast food operators, Virtual Industry Cluster, Collaborative Network.

I. Introduction

In recent times, there are lots of competitions among fast food operators in Nigeria. Food inflation in Nigeria has been on a downward trend from 14.1 percent in October 2010 to 9.7 percent in October 2011. Nigerian fast food industry experienced spike in growth in 2013, grossing a total of 230 billion naira in turnover up from the 200 billion naira in 2012. The fast food target market accounts for about 30.5 per cent of the population, approximately 51.8 million persons. However, most fast food raw materials are imported with the exception of perishables such as vegetables. The supply of these food items in Nigeria is restricted due to the ban on importation on some of these items as well as high tariffs/duties on others in a bid to develop local markets. This has led to high prices for the Industry's raw materials. In spite of some challenges, the fast food industry remains resilient with operational efficiency and service delivery as key to the fast food restaurants' ability to generate revenue in a highly competitive business. In addition, menu innovation, food price and location (catchment area) are important to the success of a fast food industry. The shift to virtual enterprises or organizations is a response to unprecedented customer expectations and alternatives, global competition, time compression, complexity, rapid change, and increased use of technology [1]. A virtual enterprise network consists of heterogeneous components located in different places. The adjective "virtual" can be interpreted as "artificially educated, "or as" a sham that does not exist in real physical space "or as" extended through the joint resources. According to the National Industrial Information Infrastructure Protocols consortium (NIIP), virtual enterprise (VE) is a temporary consortium or alliance of companies formed to share costs and skills and to exploit fast changing opportunities. The Virtual enterprise does not exist in the physical sense but only on an electronic network representing a partnership of businesses existing as a nebulous form of business organization that only exists to meet a market opportunity [2]. Virtual enterprise brings about competition on a global scale, efficiency and improved services. In turbulent conditions, strategic alliances could lead to better improved quality of service.

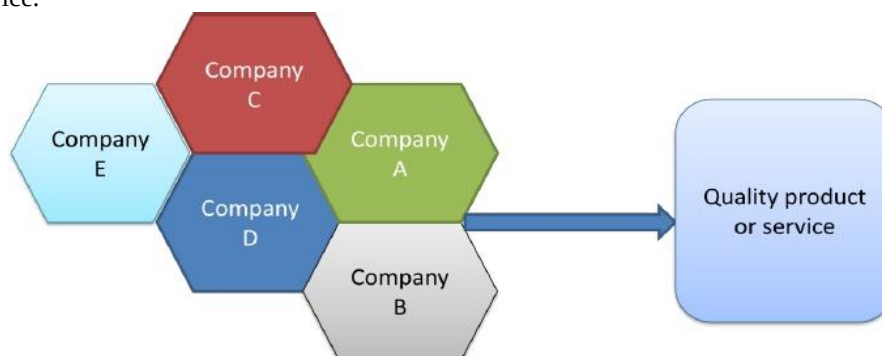


Figure 1: Strategic Alliance leads to quality product or service

II. Benefits

Collaboration among food operators, companies, organizations in the food industry will provide the following benefits:

1. **Opportunities:** Being in a network offers opportunities for exchange of ideas which breeds innovation
2. **Resource Optimization:** When small companies or organizations share business risks, knowledge and infrastructures, invariably resources are optimized.
3. **Agility:** being able to recognize, react and cope with unpredictable changes in the market
4. **Increased Competition and Quality:** Being in a network, the company or organization will be fully aware that quality is key thereby leading to increased competition.

III. Case Study

Edo State is located in the South-South of Nigeria and is the cradle of arts, culture, bronze casting and wood works. Its capital is Benin City and it has a projected population of about 5 million people with a total of 18 Local Government Areas. It is bounded in the north and east by Kogi State, in the south by Delta State and in the west by Ondo State. There are currently several food operators in the state such as Mr Bigg's, Chicken republic etc

Some of the challenges faced by fast food operators include:

- i. **Power:** About 25 per cent of profits made by most fast food operators in the country is spent on alternative energy generation. Most fast food operators in Edo State spend money buying fuel to power their generators.
- ii. **Poor Information infrastructure:** Infrastructure facilitates the production of goods and services, and also the distribution of finished products to markets. Information infrastructure encompasses people, processes, procedures, tools, facilities, and technology which support the creation, use, transport, storage including the destruction of information.
- iii. **Multiple taxes imposed by government agencies:** government agencies levy most fast food operators thereby making it difficult for them to maximize profits.
- iv. **Lack of trainings for staff:** Some fast food operators do not help their staff advance in their careers through trainings neither are the staff disciplined if required by professional associations.

A collaborative network (CN) among fast food operators in Edo State and the fast food industry in general will lead to increased productivity, quality and flexibility.

IV. Architecture of VE

Various entities (organizations and people) are involved in a virtual enterprise. These entities are largely distributed, autonomous and heterogeneous. The partners involved in virtual enterprise share resources, information and responsibilities to achieve a common goal (which could be to create a product or provide service). Virtual enterprise (VE) requires strong technology infrastructure and designing effective VE depends on the effective deployment of advanced information technologies. There are various pillars of virtual enterprise such as virtual industry cluster (VIC), virtual breeding environment (VBE), virtual enterprise broker (VEB), virtual master organization (VMO).

V. Fast Food Operators and the Virtual Industry Cluster

Virtual industry cluster (VIC) represents a group of companies, typically located in the same geographical region and operating in a common business sector, developing some sort of bonds among themselves in order to increase their general competitiveness. These bonds may include sharing some buyer-supplier relationships, common technologies and tools, common buyers, distribution channels or common labour pools, all contributing to some form of collaboration when business opportunities arise. This requires strong information and communication technology (ICT) infrastructure [3].

VI. Framework for VE for Fast Food operators

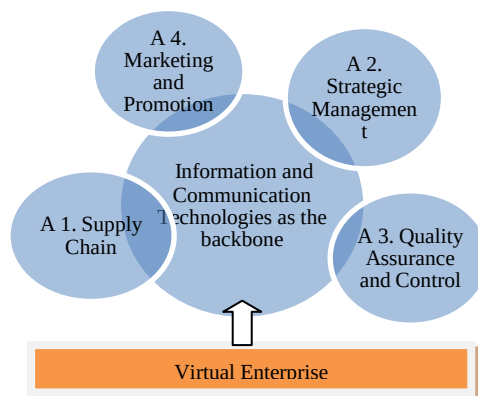


Figure 2: Framework for VE for Fast Food operators

The various clusters of proposed VE are described here:

1. A 1-Supply Chain Cluster
2. A 2-Strategic Management (Master Company)
3. A 3-Quality Assurance and Control Cluster
4. A 4-Marketing and Promotion Cluster

Supply Chain Cluster: This consists of raw material suppliers to the fast food operators. The benefit will be improved bargaining power for purchase of raw materials due to bulk purchasing.

Strategic Management (Master Company): This involves formulation and implementation of the major goals and initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes [4]. The master company will be responsible for formulating and implementing major goals, management strategies (human and financial management) and initiatives and it is responsible for coordinating all activities in the VE.

Quality Assurance and Control Cluster: This is a procedure or set of procedures intended to ensure that a product or service adheres to a defined set of quality criteria or meets the requirements of the client or customer. This cluster consists of organizations & individuals who may not be geographically concentrated at a single locality. All are connected through Information and Communication Technology (ICT) network for faster and better sharing of information, resources, and responsibilities. To implement an effective quality assurance and control program, an enterprise must first decide which specific standards the product or service must meet.

Marketing and Promotion Cluster: This consists of organizations/individuals that spread word about a product or service to customers, stakeholders and the broader public. This cluster promotes the fast food company and also gets feedback from clients and customers.

VII. Seven Loops of Collaboration

A paradigm known as the “Seven Loops of Collaboration” in managing virtual enterprises in the 21st century was proposed by the author in 2011. The ‘Seven Loops of Collaboration’ seeks to proffer solution (s) to the various challenges affecting the virtual enterprise. In proposing the paradigm, the author took into consideration the following key management competencies: Decision Making, Risk Taking, Managing Change, Communication, Results, Team Development, Strategic Planning, Information Management, Customer Service and how it affects the success of the Virtual Enterprise. To achieve reliable information sharing, the Virtual Enterprise networks require boundaries that are protected from external penetration.

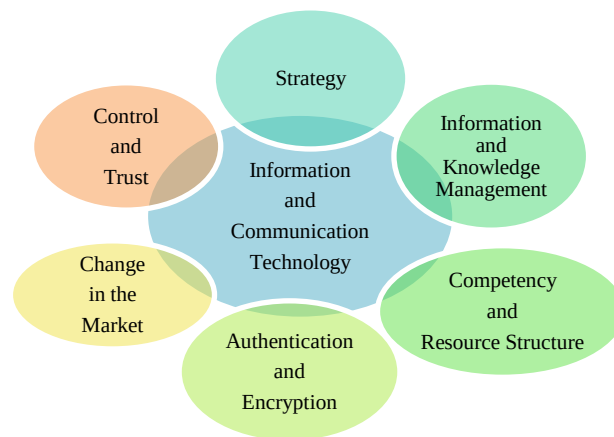


Figure 3: Author’s Paradigm on Managing Virtual Enterprise in the 21st Century

VIII. Conclusion

Virtual enterprise brings about competition on a global scale and provides a new approach for competition in the fast changing business environments. Virtual enterprise could be the answer to some challenges faced by fast food operators in Nigeria and the fast food industry in general but optimal communication and trust between member companies is essential.

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