1-2 Milestone One - Justification

**Business Implementation Plan**

Chipotle Mexican Grill is one of the organizations that have adopted technology to improve the efficiency of their services. The firm has to develop strategies that will enhance competitive advantage given that it is one of the most competitive organizations in the hotel industry. In this case, Chipotle Mexican Grill intends to adopt the use of man and unmanned cars as well as drones to improve their food delivery service. What is encouraging about this technology is that it will help in the reduction of costs because the firm will only require a few employees. Another thing is that the technology will increase the speed of service delivery.

**Rationale**

The man and unmanned cars and drones that Chipotle intends to implement are one of the lean technologies that enhance efficiency in organizational operations. This kind of technology is not new to the United States market. However, what is new is the introduction of such devices in the hotel industry like Chipotle to improve their food delivery service. Automation reduces the human associations which automatically minimize time spent as well as mistakes. The ability of the techniques to use sensors makes it possible for an organization to make continuous investigations (Bamburry, 2015). By this, I mean that the sensors have a wide range of scientific experimentation. Chipotle Mexican Grill will actively manage its operations, and in the process, they will notice any errors in the system and develop corrective measures. The man and unmanned cars and drones will be very instrumental in process control for example in the mixing of refreshments. The sensors will help in determining the correct thickness of the drink including the amount of water that is required.

**Opportunity**

The hotel industry has been in operation as long as people lived. During the Middle Ages, history records that cook of nobles and the religious groups prepared food which they served to large amounts of people. However, these individuals had very little knowledge of the technologies they used. The technologies advanced with time, and in the era of the Industrial Revolution, there were requirements to serve even larger amounts of food in the society. Refrigeration services were already in operation, and they had significant benefits one of them being the ability to store food for longer periods of time. There was also the development of public transport including autos and tracks which made it possible to get the food to a vast majority of individuals that needed it. The Second World War was also not without influence to the hotel industry. The army troops that were in constant movement during war needed a constant supply of food which led to the development of solid nourishment. However, the industry today is full of competition among organizations making it a necessity to adopt technology that will enhance efficiency. While most organizations use manual labor, Chipotle will be in a better position to compete with them using the man and unmanned cars and the drones in their service delivery. The automation will function better in increasing the speed of customer service in a way that fascinates clients (Bamburry, 2015). The other way is the cost reduction benefit that the organization will enjoy the adoption of the technology. These drones require few people that will monitor them. As a result, Chipotle will require less number of employees and save on costs. Automation increases organizational efficiency by reducing errors. While humans are prone to errors, robots always work in the exact way of their design. The organization will benefit largely from the implementation of the new technology that will give them a sustainable competitive advantage.

**Market**

Competition among organizations in the food industry has led to the adoption of various technologies to improve efficiency. The use of computerized frameworks has dramatically impacted on process control using PC controlled grouping frameworks as well as mass stream meters. These automated technologies have assisted in the documentation process which has become more efficient. The use of sensors allows organizations to monitor the organizational methods which help in error detection as well as continuous improvement to enhance quality. Changes in the research facility have increased the development of newer technologies that organizations can adopt to improve efficiency such as PCR devices. Recent technologies that organizations in the hotel industry are implementing tend to be more computerized which increases operational efficiency given that it is easy to gauge them. Gadgets related to cell phones have enhanced the operations of organizations given that they are easy to operate and are useful in any setting (Rao, Gopi & Maione, 2016). Organizations such as Chipotle Mexican Grill that has embraced globalization can comfortably implement the new technology to manage their operations in various departments. Another development in the market is that of near infrared devices such as the NIR spectrophotometer (Rule, 2015). While the technology is still not accessible, it has a wide range of capabilities including deciding the readiness of foods for service delivery. The drone technology that Chipotle intends to adopt will be beneficial in various ways including a reduction of costs through fewer employees, enhancing process control for continuous improvement and increased organizational efficiency in term of speed of delivery as well as the exactness of measurement which will give the company’s competitive advantage.

**Competition**

Organizations have continued to adopt technology in their operations such that it is possible to improve efficiency. These technologies have equipped organizations in the hotel industry with the ability to enhance their recording system as well as monitoring various processes to enhance quality (Rao, Gopi & Maione, 2016). The drone technology is therefore not without competition from the already existing technologies that assist in service delivery. One of the critical areas of the competition is the fact that drones are expensive to acquire. Organizations that wish to implement the technology must plan for them early enough to save enough money for their acquisition. However, the cost technology also requires training for the person that will control them. However, the costs outweigh the benefits of adopting the drone technology. Man and unmanned cars for commercial use are designed to be small in size so that it is easy to control them. Drones are made of a very light material that allows them to fly with ease. Another advantage of the drone technology is the fact that it reduces the human aspect of service delivery requiring Chipotle Mexican Grill to invest in a small number of employees which will reduce organizational costs (Rao, Gopi & Maione, 2016). The organization anticipates that the new technology will increase profits by about 8 percent in the following year. Process control is one of the most sensitive areas of organizations. The drone technology has an advantage in that it will ease the process control of Chipotle given that it is possible to attach cameras to the device and monitor the various processes across the organization and its branches. The tools can move over a significant distance which means that organizations implementing them can manage operations across multiple units in different locations (Rule, 2015). For instance, Chipotle Mexican Grill can monitor their operations in Mexico using the same drone that controls activities in Canada and New York. Consequently, the devices fly according to on both low and high attitude according to the task at hand (Rao, Gopi & Maione, 2016). Additionally, the methods use sensors and gauges that can assist the organization in various ways including the ability to determine the thickness of refreshments.

**Innovation**

For a technology to yield competitive advantage, it has to be innovative. Innovation is the process of developing new products or ideas that will lead to a transformation. The drone technology in service delivery is creative innovative. One of the reasons that make it different from other techniques is the ability to monitor the process control of the organization actively. With the capability of the drones to fly over both high and low attitude, Chipotle Mexican Grill can attach cameras to the devices to monitor the operations across a wide area (Rule, 2015). Other than that, the sensors associated with the technology enable the organization to determine the exact measures of commodities in product development. The company will also be in a position to use the technology to reduce costs and errors in their operations. The use of both man and unmanned cars in service delivery is beneficial to the organization in that it requires only a small number of employees for monitoring which will reduce the operationalization costs. The use of automation completely reduces errors in the operations given that robots function according to their design.

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2-1 Milestone Two- Implementation Plan

**Business Implementation Plan**

Chipotle Mexican Grill is a leading chain of restaurants in the United States. The organization has various branches across the country and intends to globalize in future. Competition is stiff in the hotel industry which sometimes reduces profitability. However, Chipotle has managed a significant position in the market because it has developed appropriate policies that give them a competitive advantage. The firm uses information technology to perform most of its transactions which makes work more accessible. They intend to develop a new technology that involves the use of man and unmanned cars as well as drones to improve service delivery. However, the successful implementation of the project requires a clear outline of the organizational resources. It also involves the development of a detailed implementation schedule as well as project review processes to ensure the monitoring of the project.

**Physical and Technological Resources**

Organizations cannot function without resources whether physical or technical. Physical resources include a firm’s tangible items that are available for the functioning of the business. These resources have value and enhance the functioning of the organization, and without them, the company might not be in a position to pay for the running of everyday operations (Platteau, 2015). Such include tools used for manufacturing, inventories, production and storage facilities. The physical resources that Chipotle Mexican Grill needs include physical location, electricity, appliances for drone design, employees and time. The organization will hire employees who will develop the drones. They include manual laborers together with the project engineers that will design the project and perform the testing to ensure that the drones are functional. The set up will also require pilots for both the man and unmanned cars and the drones. The building materials for the project are also part of the physical resources. In the case of drone design, elements include Aluminum, wood, foam, fiberglass, and plastic. The project will use inexpensive materials because they are lighter and less expensive. This will save on the overall cost of the project. Time is equally an essential resource for the organization as the project design will take two months after which the implementation of the plan will begin in service delivery. After the testing of the products, the firm will further need to acquire insurance policies for the man and unmanned cars which ensures that they are safe for use. Finally, the maintenance of the equipment is necessary to prevent wear and tear.

Technological resources of an organization refer to the intangible resources that enhance essential operations of a business. Such resources include skills, experience, and intellectual property. The effective utilization of technological resources requires management. Such resources include intellectual property rights which allow the organization to develop new products (Meredith, Shafer, Mantel & Sutton, 2016). These rights allow the new service delivery technology to remain exclusive to Chipotle Mexican Grill. Another technological resource is the accumulation of skills and experience. The more the years of working experience, the more the skill level of an individual. The firm will take advantage of the highly skilled engineers from Smart Tech who will design the man and unmanned cars as well as the drones. Even the other employees that will perform the manual labor are a responsibility of the company. In addition to these, the project will also require resources like hardware for the information technology and even software licensing for the products.

**Implementation Schedule**

|  |  |  |
| --- | --- | --- |
| Activity | Duration | Owner |
| Project design | 2 weeks | Engineers |
| Monitoring | 2 months | Project manager |
| Assembling of project parts  Painting | 1 month  1 week | Manual laborers |
| Product testing | 1 week | Pilot |
| Project implementation  Product recall (in case of any problems) |  | Chipotle Mexican Grill |

*Critical Path Activities*

These are the processes that must take place to ensure that the project completion is on time (Hulett, 2016). Some of the operations in the path include project planning that is the initial phase of the project. The duration of the activity is thirty days before the project development. Project design will take two weeks while the assembling of parts will take one month. Finally, the product testing will take place one week before the implementation of the project.

**Project Review Processes**

Chipotle Mexican Grill will perform project review processes that will act as a measure of the deliverables that the project produces. It also outlines a review of whether the project meets the objectives. An organization undertakes the process at the end of every project phase to determine the project viability (Burke, 2013). The results template will then be presented to the project sponsor for approval. Other organizations undertake post- project implementation reviews that provide an assessment of the activities, processes, and results of the project. In this case, it is possible to determine the project achievements while acknowledging the efforts of various project stakeholders. The project review will help Chipotle Mexican Grill to determine whether the project is following the outlined schedule and whether the project is on track. It will also determine whether the drafted project budget will be sufficient to the project completion. In the process of project review, the organization will identify potential risks and establish the risk mitigation procedure (Harper, 2015). Reviewing the project in phases enhances communication with the project sponsor while notifying them of the project progress (Burke, 2013). Included is also an outline of the issues facing the project which influences the project sponsor’s decision to proceed to the next phase of the project. The process of project review enables the organization to have a way of monitoring and controlling the project activities which provides a better chance of success.

The project review processes included a review of projects that other organizations have implemented including the failures and successes. In this case, Chipotle Mexican Grill will have an idea of the project implementation including the budget estimate. Another way is the adoption of quality control measures like ISO-90001 Certification (Burke, 2013). The process outlines the required standards for a project in a particular category. In this case, the project engineers will have to follow the set rules in the project design which will enhance quality. Quality control in project management is directly related to customer satisfaction. Other project review processes that the firm will include project audits that will help in the identification of the causes of project failures and defects. Product testing is another vital project review process that the organization will undertake. The process will take place after the project completion so that it is possible to identify the defects in the project design. The product is then returned to the manufacturer so that they make the relevant modifications. Post project review will help the organization to identify the input of the new project by calculating the increment in revenue. If the project does not add any value to the organization, then they may consider a new plan.

**Entrepreneurship Factor in Project Design**

An entrepreneur is a person that sets up a business and takes up the associated financial risks with the aim of making a profit. Chipotle Mexican Grill is a profit-making organization with some branches in America. Operating business alone in the hotel industry is a risk-taking process. The firm then saw the need to implement a new project in service delivery by using drones, man, and unmanned cars. The project will cost the organization a considerable amount of money which is a risk in itself. As an entrepreneur, the firm will consider the potential factors that may hinder the appropriate implementation of the project (Harper, 2015). This will be accompanied by a risk mitigation plan which will ensure smooth running the project. Another way in which Chipotle Mexican Grill is an entrepreneur in the project design is the fact that they provide the necessary resources for the project design. As outlined in the first section of the organizational resources, the firm is responsible for the provision of both the physical and technological resources that the project design requires. The project planning phase provides a clear outline of the project’s budget estimate which indicates the tasks, the individual or group responsible and the associated costs (Hulett, 2016). Further, the project schedule provides a clear outline of the project completion time.

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Milestone Three- Company and Key Personnel

**Milestone Three- Company and Key Personnel**

Abstract

Chipotle Mexican is a leading American chain of restaurants. The organization that was founded in the year 1993 has its operations in Canada, Germany, France, United Kingdom and the United States. The firm specializes in Mexican dishes which distinguish it from other firms in the same industry. The organization has developed strategies that give them a competitive advantage so that it has remained relevant in the hotel industry. In addition to this, Chipotle Mexican Grill has various core competencies such as fast service and natural ingredients. Currently, the firm is designing a project on using man and unmanned cars as well as drones to improve their service delivery. The new plan is expected to increase the organizational revenues by 8 percent within three years. This section of the paper outlines the organization’s core competencies, its corporate culture and the responsibilities of various stakeholders in the project design. The article will also develop a contingency plan to mitigate potential risk.

**Organizational Core Competencies**

Chipotle Mexican Grill controls a considerable share of the American market due to its high-quality dishes that are unique. The firm has managed a year on year increase in its outlets from 2,250 in 2016 to 2,408 in 2017. The company has its operations in more than five countries including United Kingdom, United States, France, Germany, and Canada. Chipotle Mexican Grill takes pride in its core competencies that enhance their competitive advantage.

* Some of these capabilities include high-quality ingredients in their menus. The firm uses products that are direct from the farm to their clients to enhance the freshness of their lists. Similarly, these products are organic foods that add nutritional value to the food that they offer to clients (Prakash, 2014). Another competency is fast customer service. The freshness of the menu allows the firm to charge high prices for their meals that still attract customers.
* Chipotle Mexican Grill employs highly qualified staffs who then undergo rigorous training on customer service. The firm focuses on reducing the customers waiting time which increases efficiency and as a result attracts clients.
* Technological innovation is another core skill that enhances ability at Chipotle Mexican Grill. The organization has used computer technology for a long time in data entry among other processes. Currently, the firm uses the smarter pickup times technology that has further reduced customer wait time by half (Jayaraman, 2016). The technology is already functioning in all of its branches where the customer places an order via a desktop computer or a mobile device. The process takes place in the back of the organization so that it does not disrupt the conveyor belt system of service.
* Chipotle Mexican Grill specializes in Mexican foods that allow them to target a specific market (Carr & Sinclair, 2016). Specific foods include burritos that are made of flour tortilla among other ingredients.

The firm is focusing on implementing a new project in service delivery which involves the use of drones as well as man and unmanned cars. The development of the new plan will require competency in information technology as well as compliance with the quality standards to ensure that the products are of high quality. The innovation in service delivery will ensure that the firm invests in a fewer number of employees which will increase organizational efficiency. However, instead of sending the staff home, Chipotle Mexican Grill will use these employees to perform other corporate operations like controlling the vehicles among others. The new technology will enhance the company’s policy of reducing customers’ waiting time. Clients can still make their orders through the voice device while the drones improve fast delivery (Jayaraman, 2016). The innovation will also improve efficiency in the operations because it will help in measuring the right ingredient mix like in making juices. It will reduce the human concept in the process that will enhance a reduction of errors in the system.

**Corporate Culture**

The right culture combined with employee engagement is critical components to organizational success. Chipotle Mexican Grill adopts a lifestyle of taking pride in quality. This is probably one of the reasons that the firm offers high-quality recipes that are in line with its customers. Most of the aspects of the company’s quality include the food, its safety, customer service and most importantly, store cleanliness. Employees work in teams which enable them to work with confidence without seeking permission. An employee engagement culture also benefits Chipotle Mexican Grill. The firm operates under the policy of hiring employees from within based on individual performance. As a result, there is increased morale and productivity as well as lower cost of training. This culture will enhance the efficiency of the new technology in service delivery. Teamwork among employees will enable them to learn fast on how to use the drones, man and unmanned vehicles for service delivery (Thamhain, 2013). Through training and development, employees will grow their skills and as a result, get promoted to higher levels of management. The new technology will fit very well with the already existing technology at the organization where clients order food through computers or a mobile device then it is later delivered from the kitchen. The new delivery service will ensure that the customers’ waiting time will reduce significantly; already, the smarter pickup times technology has reduced the waiting time by 50%. Delivering food using the drones, man and unmanned cars will further enhance the company’s efficiency through reducing the human concept in production. The devices will be efficient in measuring the right quantity of ingredients to enhance quality.

**Roles and Responsibilities**

The process of developing the drones, man and unmanned cars that Chipotle Mexican Grill will adopt requires the input of various stakeholders.

|  |  |  |
| --- | --- | --- |
| Stakeholder | Roles and responsibilities | Duration |
| Board of directors | Project planning  Budget outline  Development of the business plan | 30 days before the design phase |
| Shareholders  Community groups | Project approval | 1 week |
| Chipotle Mexican Grill | Project sponsor |  |
| Suppliers | Delivery of physical resources like machinery | 2 months |
| Project engineers  Project IT assistant | Project design  Technological assistance | 2 weeks  1 month |
| Project manager | Project monitoring | 2 months |
| Manual laborers | Assembling of the car parts  Painting  Cleaning devices | 1 month  1 week  1 week |
| Special interest groups | Quality assurance | 1 month |
| Drone pilot | Product testing | 1 week |
| Customers | Project feedback | 1 month |

The process of developing the new technology will take various phases, and each activity will have a stakeholder with multiple responsibilities (Eskerod & Jepsen, 2016). The project will take two months to complete including testing to ensure that the device function efficiently. However, some activities will happen before the project implementation of the planning phase where the board of directors will develop the business plan including budget outline. These activities will take place two months before the project design phase. The process of project monitoring will take place throughout the entire period of the project and will be the responsibility of the project manager. The project is entirely a product of Chipotle Mexican Grill which makes the organization the sole sponsor. Therefore, it will fund the operations of the project throughout the two month period. Similarly, the project suppliers will be responsible for providing the necessary resources to the project developers throughout the entire project phase. The firm may want to get customers’ feedback on the new project for one month after implementation to monitoring performance.

**Contingency Plan**

A contingency plan is a risk management tool that is devised for an outcome of a project. Organizations need to plan because anything could go wrong at any time (Eskerod & Jepsen, 2016). A contingency plan involves three questions:

* What could happen?
* What will we do in response?
* What can we do to prepare in advance?

|  |  |  |
| --- | --- | --- |
| Area | Risk | Risk management action |
| Operations | Product breakdown | Hold spare capacity to replace the old devices  Quality control measures to ensure the new technology is in line with the set standards |
| Staff | Lack of technological skills  High turnover rate | Conducting rigorous recruitment and employee selection procedure  Engaging in the training of staff on new technology  Appraisal on the basis of performance  Offering attractive benefits package that will attract highly qualified employees  Insurance policies to prevent loss of key personnel |
| Finance | Bad debts  Fraud | Use of investment appraisal techniques to prevent misuse of organizational funds  Taking credit insurance policies that protect against any bad debts that the firm may face  Undertaking an audit of staff and organizational processes |

**Conclusion**

Chipotle Mexican Grill is a leading chain of restaurants in America. The firm takes pride in its corporate culture as well as core competencies that give them a competitive advantage. The firm intends to implement a new technology to improve their service delivery. The use of drones, man, and unmanned cars will enhance the firm’s competitive position in the market by increasing efficiency and reduce operational costs. The development of the new product will require the firm to invest a considerable amount of physical and technological resources. It will also need investing in the right mix of skills to enhance the quality of the new developments. Finally, contingency planning will help the firm to mitigate risks before it occurs.

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4-1 Milestone Four- Financial Analyses and Funding

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# **Chipotle Mexican Grill Restaurant Financial Analysis and Funding Plan**

The section provides the financial analysis and the plan for funding for the Chipotle Mexican Chill restaurant in the United States. It has subsections that bring out the operational viability, the budget, cash flow statements, service sale forecasts, income projects and the source of funding. This analysis has been developed considering cash flow and sales especially based on the analysis of the market and the initial capital injection that is expected from the equity investment and borrowing. In order for the project to generate income, there is the need for positive net cash flow and the investments financing done in good time.

The first statement shows how the cash has been broken down raised by the stakeholder’s equity and the bank borrowing utilized to take off. The projection estimates that the cost of startup will be spread annually. Creation of a budget is the first strategy that needs to be of the income expected and cash needs.

## **Startup Costs Schedule**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | Schedule 1 | Required Start-Up Funds | | |  |
|  | **Estimated Monthly Expenses** | | | |  |
|  |  | **Column 1** | **Column 2** | **Column 3** |  |
|  | **Item** | **Estimate of Monthly Expenses Per Year** | **Number of Months of Cash Required to Cover Expenses\*** | **Cash Required to Start Business (Column 1 X Column 2) \*** |  |
|  | Planning | $900,000 | 1 | $900,000 |  |
|  | Acquiring drones and UAVs | $800,000 | 1 | $800,000 |  |
|  | Stakeholder analysis | $70,000 | 1 | $70,000 |  |
|  | Advertising | $5,000 | 12 | $60,000 |  |
|  | Delivery Expense/Transportation | $500 | 12 | $6,000 |  |
|  | Telephone and Internet Service | $6,000 | 12 | $72,000 |  |
|  | Assembling product parts | $200,000 | 1 | $200,000 |  |
|  | Insurance | $5,700 | 1 | $5,700 |  |
|  | Quality management | $79,000 | 1 | $79,000 |  |
|  | Product testing | $120,000 | 12 | $1,440,000 |  |
|  | Maintenance | $4,500 | 12 | $54,000 |  |
|  | Legal and Other Professional Fees | $560 | 12 | $6,720 |  |
|  | Miscellaneous | $1,200 | 12 | $14,400 |  |
|  |  |  |  |  |  |
|  | **Total Cash Requirements for Monthly Recurring Expenses: (A)** | | | **$3,707,820** |  |
|  |  |  |  |  |  |
|  | **One-off startup costs** |  |  |  |  |
|  | **Cash Required to Start Business** | | | |  |
|  | **Capital Costs** |  |  |  |  |
|  | Furniture, Fixtures and Equipment | | | $30,000 |  |
|  | Installation of Fixtures and Equipment | | | $3,000 |  |
|  | Starting Inventory | | | $40,000 |  |
|  | **Soft Costs** | | |  |  |
|  | Legal and Other Professional Fees | | | $1,000 |  |
|  | Licenses and Permits | | | $10,000 |  |
|  | Advertising and Promotion for Opening | | | $56,000 |  |
|  | Accounts Receivable | | | $0 |  |
|  | Cash | | | $10,000 |  |
|  | Miscellaneous | | | $500 |  |
|  | **Total One-Time Cash Requirements: (B)** | | | **$150,500** |  |
|  |  |  |  |  |  |
|  | **Total Estimated Cash Required to Start Business: (A) + (B)** | | | **$3,858,320** |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

## **Income Statement**

Following the subscription trading at $7, the service will attract 154,286 subscriptions during the first year. In the second year, the number of subscription is expected to reach 285,715. This translates to $1,080,000 and $2,000,000 for the first and second-year respectively. The difference in the first and the 2nd year represents 46 percent increase in subscriptions. However, the shareholders will benefit from a discount provided in the specific months. Below is the projected income statement for two years.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Pro Forma Income Statement for the first two years** | | | | | | | |
|  | **End of** |  | **End of** |  |  |  |  |
|  | **Year 1** |  | **Year 2** |  |  |  |  |
| 1. Gross Subscription | 1,080,000 |  | 2,000,000 |  |  |  |  |
| 2. Less: Discounts | 15,000 |  | 20,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **A. NET SALES** | $1,065,000 |  | $1,980,000 |  |  |  |  |
| The cost of content sold: |  |  |  |  |  |  |  |
| 3. Beginning Inventory | 0 |  | 25,000 |  |  |  |  |
| 4. Plus: Net Purchases | 273,000 |  | 400,000 |  |  |  |  |
| 5. Total Available for Sale | 273,000 |  | 425,000 |  |  |  |  |
| 6. Less: Ending Inventory | 25,000 |  | 30,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **B. COST OF GOODS SOLD** | $248,000 |  | $395,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **C. GROSS MARGIN** | $817,000 |  | $1,585,000 |  |  |  |  |
| Less: Variable Expenses |  |  |  |  |  |  |  |
| 7. Planning | 84,000 |  | 96,000 |  |  |  |  |
| 8. Employee's Wages and Salaries | 120,000 |  | 130,000 |  |  |  |  |
| 9. Supplies and Postage | 42,750 |  | 32,000 |  |  |  |  |
| 10. Advertising and Promotion | 60,000 |  | 56,000 |  |  |  |  |
| 11. Delivery Expense | 6,000 |  | 5,000 |  |  |  |  |
| 12. Bad Debt Expense | 6,700 |  | 4,300 |  |  |  |  |
| 13. Travel | 48,000 |  | 40,000 |  |  |  |  |
| 14. Legal and Accounting Fees | 6,720 |  | 7,000 |  |  |  |  |
| 15. Vehicle Expense | 153,000 |  | 160,000 |  |  |  |  |
| 16. Maintenance Expense | 42,000 |  | 31,000 |  |  |  |  |
| 17. Miscellaneous Expenses | 14,400 |  | 15,000 |  |  |  |  |
| **D. TOTAL VARIABLE EXPENSES** |  |  |  |  |  |  |  |
|  | $583,570 |  | $576,300 |  |  |  |  |
| Less: Fixed Expenses |  |  |  |  |  |  |  |
| 18. Rent | 60,000 |  | 50,000 |  |  |  |  |
| 19. Utilities (Heat, Light, Power) | 18,000 |  | 17,400 |  |  |  |  |
| 20. Telephone | 72,000 |  | 68,000 |  |  |  |  |
| 21. Taxes and Licenses | 7,200 |  | 9,000 |  |  |  |  |
| 22. Depreciation | 60,000 |  | 55,000 |  |  |  |  |
| 23. Interest | 16,800 |  | 15,900 |  |  |  |  |
| 24. Insurance | 68,400 |  | 70,000 |  |  |  |  |
| 25. Other Fixed Expenses | 12,000 |  | 10,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **E. TOTAL FIXED EXPENSES** | $314,400 |  | $295,300 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **F. TOTAL OPERATING EXPENSES** | $897,970 |  | $871,600 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **G. NET OPERATING PROFIT (LOSS)** | ($60,970) |  | $713,400 |  |  |  |  |
| **(G = C - F)** |  |  |  |  |  |  |  |
| H. INCOME TAXES (estimated) | $20,000 |  | $342,432 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **I. NET PROFIT (LOSS) AFTER INCOME TAX** | **($100,970)** |  | **$370,968** |  |  |  |  |
|  |  |  |  |  |  |  |  |

## **Cash flow Statement**

The cash flow statement is essential in revealing the changes from the cash equivalents and in the balance, sheet used in investment and operation activities (Kerzner, 2013). It shows the cash position at the commencement of the year and towards the end of every month in the first and second year. The statement assists in the management to find out the business viability in short-term the payment of the short-term liabilities.

Usually, the cash flow is carried in a monthly cycle. The closing balance in one month is the onset in the opening for the next month. According to Mann (2016), for any firm to actualize the short-term debts and operate smoothly, it must be well placed in avoiding cruel expenses which the firm can be unable to pay timely.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash flow forecast** | |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Month1** | **Month2** | **Month3** | **Month4** | **Month5** | **Month6** | **Month7** | **Month8** | **Month9** | **Month10** | **Month11** | **Month12** | **Totals** |
| Starting cash position |  | $45,000 | $170,600 | $300,499 | $434,697 | $573,194 | $715,990 | $863,085 | $1,014,479 | $1,170,172 | $1,330,164 | $1,494,455 |  |
| **Incoming** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash sales |  | $155,500 | $160,000 | $164,500 | $169,000 | $173,500 | $178,000 | $182,500 | $187,000 | $191,500 | $196,000 | $200,500 | $1,958,000 |
| Collections from accounts receivable |  |  |  |  |  |  |  |  |  |  |  |  | $0 |
| Other cash receipts |  |  |  |  |  |  |  |  |  |  |  |  | $0 |
| Total |  | $155,500 | $160,000 | $164,500 | $169,000 | $173,500 | $178,000 | $182,500 | $187,000 | $191,500 | $196,000 | $200,500 | $1,958,000 |
| **Outgoing** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fixed costs | $0.00 | $26,900 | $27,101 | $27,302 | $27,503 | $27,704 | $27,905 | $28,106 | $28,307 | $28,508 | $28,709 | $28,910 | $306,955 |
| Administration |  | $5,000 | $5,001 | $5,002 | $5,003 | $5,004 | $5,005 | $5,006 | $5,007 | $5,008 | $5,009 | $5,010 |  |
| Marketing |  | $1,000 | $1,200 | $1,400 | $1,600 | $1,800 | $2,000 | $2,200 | $2,400 | $2,600 | $2,800 | $3,000 |  |
| Operations |  | $20,900 | $20,900 | $20,900 | $20,900 | $20,900 | $20,900 | $20,900 | $20,900 | $20,900 | $20,900 | $20,900 |  |
| Variable costs | $500.00 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $33,500 |
| Administration | $500.00 |  |  |  |  |  |  |  |  |  |  |  |  |
| Marketing |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operations |  | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 |  |
| Total | $500.00 | $29,900 | $30,101 | $30,302 | $30,503 | $30,704 | $30,905 | $31,106 | $31,307 | $31,508 | $31,709 | $31,910 | $340,455 |
| **Result** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Change during month |  | $125,600 | $129,899 | $134,198 | $138,497 | $142,796 | $147,095 | $151,394 | $155,693 | $159,992 | $164,291 | $168,590 |  |
| **Closing cash position** |  | **$170,600** | **$300,499** | **$434,697** | **$573,194** | **$715,990** | **$863,085** | **$1,014,479** | **$1,170,172** | **$1,330,164** | **$1,494,455** | **$1,663,045** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The pro forma balance sheet is a summary of the projected transactions, assets that will be necessary at the initial and during the operational stages. It projects the liabilities accrued during a specified duration.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | END OF YEAR 1 | END OF YEAR 2 |
| **Balance sheet forecast** | | |  |  |
| **Assets** | |  |  |  |
| Current assets | |  | $622,500 | $1,010,000 |
| Cash | |  | $121,100 | $200,000 |
| Petty cash | |  | $6,400 | $130,000 |
| Accounts receivable | |  | $45,000 | $30,000 |
| Stock | |  | $180,000 | $230,000 |
| Short-term investment | |  |  |  |
| Prepaid expenses | |  | $270,000 | $420,000 |
| Long-term investment | |  |  |  |
| Fixed assets | |  | $1,600,000 | $1,373,768 |
| Land | |  |  |  |
| Buildings | |  |  |  |
| Improvements | |  | $300,000 | $200,000 |
| Equipment | |  | $600,000 | $450,000 |
| Furniture | |  | $500,000 | $273,768 |
| Motor/vehicles | |  | $200,000 | $450,000 |
| **Total assets** | |  |  |  |
| **Liabilities** | |  |  |  |
| Current liabilities | |  | $76,500 | $96,900 |
| Accounts payable | |  | $32,600 | $50,000 |
| Interest payable | |  | $5,900 | $5,900 |
| Taxes payable | |  | $12,000 | $15,000 |
| Income tax | |  | $10,000 | $16,000 |
| Sales tax | |  | $16,000 | $10,000 |
| Payroll Accrual | |  |  |  |
|  |  |  | $2,222,500 | $2,383,768 |
|  |  |  |  |  |
| Long-term liabilities | |  | $500,000 | $269,900 |
| Bank Loan | |  | $500,000 | $269,900 |
| **Total liabilities** | |  | $576,500 | $366,800 |
| **Net assets** | |  | $1,646,000 | $2,016,968 |
| **Owner's equity** | |  |  |  |
| Retained earnings | |  | $2,000,000 | $1,646,000 |
| Current year earnings | |  | -$354,000 | $370,968 |
| **Total equity (should equal net assets)** | | | $1,646,000 | $2,016,968 |

## **Break-even Analysis**

The analysis shows the stage when Chipotle Mexican Grill will cover its expenses and accumulate huge profits. Also, this is the stage where the businesses will establish minimum revenue to actualize the operating expenses. Break-even point involves calculating the fixed costs and divides the difference in the unit price and variable costs. This is expressed as:

Breakeven= Fixed Costs ÷ (Price - Variable Costs) = Breakeven Point in Units

|  |  |
| --- | --- |
| **Break-even analysis** |  |
|  |  |
| Average selling price per unit | $7.00 |
| The average cost of each unit | $3.80 |
| Gross profit margin | 45% |
| Fixed costs | $966,000 |
| Dollar sales to break-even | $2,131,862 |
| Number of unit sales to break-even | 301,875 |

Following the breakeven point analysis considering Chipotle Mexican Grill Stream financial analysis, the dollar sales to break-even at $2,131,862 and units are supposed to break even is 301,875.

## **Source of funding**

Chipotle Mexican Grill restaurant which is a leading restaurant and uses technology in most of its operations receives company’s equity worth 100% in total capital investment. This sums up-to investment of about $2.5million.

# **Assumptions**

The above information provides an assumption that the growth of the county’s economy remains constant over a period of three years. The corporate tax believed to inject huge impact in the net profit is also expected to yield no change in returns over a grace period of three years. Additionally, the projections assume that the government agencies and the corporations will turn out to be the major customers that will give the business a good boost (Kerzner, 2013),

The other assumption is that the world will not experience any recession for the next three years. This will, therefore, ensure that the customer purchasing power remains constant over this period. It is also assumed that the leadership and legislative organs do not enact laws that in anyway affect the growth of the film industry. According to Edalat, (2017), governance and legislation are key factors that can affect any business environment. However, this project assumes that the next three years will be politically neutral and the policies made won't have any negative impacts on the overall business performance.

Another assumption is that all geographical locations where the project is expected to make inroads will provide an environment that will accommodate licensing and reasonable taxation. The assumption is that the tax payable in those countries is the same percentage as that in the United States.

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5-1 Milestone Five- Assumption and Contingency Planning

**Abstract**

Chipotle Mexican Grill is among the first organizations to implement drone delivery in their operations. Most operators in the hotel industry prefer human employees to deliver food to their clients. The original design of the man and unmanned vehicles was used in the military to keep watch in risky situations. Nevertheless, recent improvement in technology has allowed drone design in unique ways to suit any business. Chipotle intends to implement the new delivery service to cut on costs and increase efficiency (NewsyHub, 2016). The man and unmanned vehicles at Chipotle Mexican Grill will blend well will the already existing technology that allows clients to order food via a mobile device. This section discusses the project’s assumptions, the contingency plan to protect against any potential risks and economic, political, legal and cross-cultural factors influencing the project design. The paper will also discuss the customer, stakeholder, and corporate social responsibility.

**Assumptions**

Drones have proven to be efficient in the delivering products. Chipotle Mexican Grill intends to design their drones that will assist in their food delivery service with the following assumptions:

* The economic growth of the country will remain constant for three years.
* The man and unmanned vehicles will reduce the number of employees by half.
* The geographical local in which the drones operate will accommodate licensing and reasonable taxation.
* The purchasing power of the clients will remain unchanged for three years assuming that there will be no season of recession.
* The new delivery service will enable clients to pay an order for the desired products.
* The delivery vehicles will fly high above the sky and travel at a fast speed to the destination. The organization assumes that the new delivery service will reduce the rate of van delivery by half.
* The drone delivery service will have a heating system to ensure that the food is kept at the desired temperature when it gets to the client.
* Multiple drones can operate over the same region to increase efficiency.
* The drones will work in collaboration with the company’s tracks to reduce the distance of travel.

Chipotle Mexican Grill will operate their drone technology under the above assumptions that will help in contingency planning. However, these assumptions are prone to influence of specific factors. One of them is the lack of qualified drone pilots. Drone technology is still new in the market which means that there are few trained individuals to operate the vehicles (McNeal, 2012). Another hindrance is the fact that drones cannot make many trips because they have to recharge after every trip. This is time-consuming and may reduce their efficiency. Licensing remains a problem in some areas as the regulatory authorities do not allow drones to fly very high or to deliver services at the doorstep (Crovitz, 2014). This will require clients to travel to the place of delivery which reduces their convenience. Additionally, it is difficult for a country’s economic growth to remain constant for three years as it is dependent on factors like political stability and environmental factors which are prone to change with time.

**Factors Influencing Drone Delivery Service**

*Cross-cultural factors*

The sight of a drone flying in the sky instills fear among individuals because they associate them with military activities (Crovitz, 2014). One of the recent drone crashes is one that happened at the White House making people believe that it was a terrorist attack. People might, therefore, end up designing newer anti-drone technologies that will hinder effective utilization of drone technology (Crovitz, 2014). Another factor is that people might believe that drones have come to replace human labor and refused to utilize them.

*Economic factors*

The main reason that Chipotle Mexican Grill is adopting drone technology is to reduce the human aspect of labor. The project will cut operational costs of the organization by more than half. Other than that, the drones will be useful in enhancing the right measurement of ingredients which will cause efficiency. Another way in which drone technology will be helpful is by reducing the firm’s transport costs. Drones will deliver food to clients at their desired destination and reduce the cost of fuel that the company incurs by using trucks (NewsyHub, 2016) However, the high cost of acquiring the new technology might impact negatively on Chipotle (Crovitz, 2014). For instance, the firm requires $3.7million in startup costs for drone acquisition. Besides, the firm will not reap considerable benefits until the end of two years. The adoption of drone technology, therefore, requires a company with a large capital base.

*Geopolitical factors*

America has used drones for a long time in their military operations especially with Iraq. The most recent use of drones in military activities is by Israel to attack the Palestinians at Gaza Strip (Judah Et al., 2018). With this proven ability of drones to war, it will be difficult for people to accept drones as business machines. Another factor influencing useful implementation of drones by Chipotle Mexican Grill is the licensing procedure. In the first place, it is expensive to get a license to operate a drone. Similarly, the authorities do not allow for drones to fly in areas that are densely populated because they are likely to get accidents and when they happen, they may paralyze normal operations.

**Legal and Ethical Environment**

*Legal factors*

Drones are useful tools for data collection and service delivery. However, if unregulated, the technology could cause havoc in the economy. The Federal Aviation Administration regulates the use of drones for commercial purposes. The laws restrict the use of drones across national parks and water services (McNeal, 2012). It also does not allow the use of drones near airports to prevent collisions. Some of the states in America have restricted the use of drones for commercial purposes which might hinder Chipotle Mexican Grill’s operations in some locations.

*Ethical factors*

Every society has a set of beliefs regarding what is right and wrong. Chipotle Mexican Grill intends to use drones in their food delivery service to cut on the company’s cost of labor. However, the use of robots to replace human work is not ethically correct. The loss of jobs for qualified individuals will impact negatively on the society by increasing the rate of unemployment and the poverty level in the country. Mechanization will significantly affect Chipotle Mexican Grill which is a service industry. While it may reduce errors caused by human laborers, drones have no sense of sensitivity to how actions affect others (McNeal, 2012). Multiple drones can operate over the same region to increase efficiency. However, the possibility of drone crashes in mid-air and falling on buildings might cause havoc and interfere with regular business in the country. The drone delivery service has a heating system that ensures that the food arrives at the right temperature. However, the failure of the heating system might affect customer’s perceptions making them to prefer walking into a shop other than relying on the drone delivery service. Privacy is another ethical issue with the utilization of drone technology. Drones are desirable for taking photographs or spying over a region which may interfere with individual privacy (McNeal, 2012). The regulatory authorities require that drones fly at low attitude which causes a lot of noise from the devices. The effective utilization of drone technology requires setting up of ethical standards whose implementation might take long.

**Stakeholder and Customer Diversity**

Effective utilization of drones for commercial use requires a multi-stakeholder approach to enhance the best practices. Chipotle Mexican Grill will incorporate the views of relevant stakeholders like employees and the board of directors. Such aspects include the design, the implementation and the costs related to the project. Employees will give their view towards the new project and how it will be incorporated into the organization’s system. The company will also consult the surrounding community and use questionnaires to get their views on the new project. Chipotle Mexican Grill runs a chain of restaurants across America which diversifies the customer views. The firm will invite its customers to the product testing and collect their views to make improvements.

**Corporate Social Responsibility**

Chipotle Mexican Grill is committed to conserving the environment. Therefore, it will invest in a new delivery service using drones that do not emit harmful substances to the atmosphere. Drones are associated with noise which is also a form of environmental pollution. The firm will use the latest technology to reduce the amount of noise released by their drones. The company will also use their drone technology to assist vulnerable communities when danger strikes. For instance, the company can use their drones to deliver food to a community after a tornado or earthquake.

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