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Accounting, Creativity and Charity in Hospitality Enterprises: the Case of “Lentil as Anything”

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ABSTRACT

This paper aims at analysing the case of “Lentil as Anything”, that is a very interesting combination of creativity and charity in the field of hospitality enterprises. It represents the implementation of a new typology of restoration in which guests can eat and then they will pay as they “feel”. The research case is a charity (social enterprise) and it is an example of civil enterprise with some stimulating implications about accounting and accountability tools.

Keywords: Accounting and Charity; Restoration; Hospitality Enterprise; Civil Economy; Accountability

Questo lavoro ha l’obiettivo di analizzare il caso “Lentil as Anything”, che rappresenta un’interessante combinazione di creatività e carità nell’ambito delle industrie dell’ospitalità. Lo stesso rappresenta la concretizzazione di una nuova tipologia di ristorazione nella quale si può consumare un pasto e si può pagare quanto si ritiene “giusto”. Questo caso di ricerca rientra nella fattispecie delle imprese sociali con stimolanti implicazioni negli strumenti utilizzati nella contabilità e nella “rendicontabilità”.

Keywords: Contabilità e Carità; Ristorazione, Impresa dell’Ospitalità, Economia Civile; Rendicontabilità

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Introduction

This paper aims at describing the case of “Lentil as Anything” (LAA) as a research case (Naumes and Naumes, 2006) and the purpose is to partially answer the research question: “How to measure and disclose information about the combination of accounting in hospitality enterprises?”

LAA has been chosen because accounting, creativity and charity develop in their mission, governance and accountability (Matacena, 2005). Moreover, it is creating a very strange typology of restoration in which people can eat and then will pay using an offer of money. It represents a charity and started its activity in Melbourne, Australia, in 2000.

This case is particularly interesting to us since we found some items that raise questions regarding reflection on the measurement and reporting of results of the company. One of them is represented as belonging to the category of civil economy enterprises and the combination of charismatic and creativity cases with “charity” or rather with social enterprise.

The analysis considers LAA as a research case following Naumes and Naumes’ (2006) description of the features of research cases, that are very different from those of teaching cases. LAA is interesting because guests can eat and then pay as they “feel”. In this case, there is a combination, in Melbourne city, of different activities that are not only about restoration, such as: sport, exhibitions, solidarity, etc. Creativity is another important element of the case because the founder is continually trying to innovate both in the dishes offered to guests and, above all, to create relationships among different ranges of guests.

Methodology involves mission, governance and accountability model of social enterprises (Matacena, 2010) and considers the reading of online newsletters, semi-structured direct interviews to the founder, to the professional accountant and to five workers, as well as participation in seeing the restaurants situated in Melbourne. It also includes financial statement analysis (that we took from the website: <http://www.acnc.gov.au/>), and SROI (social return on investment) analysis. The model of analysis is described in Table 1.

Regarding literature, we believe it is a good example of Civil Economy (Baldarelli, 2005; Bruni & Zamagni, 2004) and especially of “charismatic economy” (Baldarelli, 2013; Bruni & Sena, 2013) and social enterprise (Matacena, 2010).

1. Literature review

Concerning literature, the case is mainly based on Civil Economy and Civil Enterprise literature (Baldarelli, 2005; Baldarelli & Del Baldo, 2015; Bruni & Zamagni, 2004). Civil economy is marking the passage from the traditional concept of market to market of social quality, that is described by Bruni and Zamagni (2004, p. 19). Civil Economy creates new open space for enterprise networks as you can read:

Civil enterprises are those expressions of civil society, which are able to invent an organisational set-up capable of, on the one hand, freeing the demand from conditioning, at times suffocating, of the offer, in such a way that it is the former to direct the latter, and, on the other, to culturalize consumption, in such a way that this, entering production, constitutes a having in order to be (Bruni & Zamagni, 2004).¹

We find again in this context, the attempt, expressed in various works of the authors, of bringing the market back to its original and ancient function; that is, that of creating relationships of friendship. Even though we are speaking of different goods, it is the logic inherent to exchange, it is precisely the logic of the gift, which makes sale on the Civil Market different and which therefore requires a different "company" or organisation which may, somehow, acts on this front being prepared in the definition of the objectives, governance and accountability (Matacena, 2010).

Bruni and Zamagni (2004) underline the topic of Civil Economy, which has become sluggish over the years. The first reason of this under-evaluation of Civil Economy perspective is due to the previous vision of economic theory, which then should be enlarged. The second reason is about the need to develop thought on sustainability and the concept of market, that does not just include "perfect" people and companies, but that also has space for the socially excluded.

The vision of reciprocity as diffusive phenomenon, and not limited to those two parts which carry on the donation process, is most upsetting. That is, the "phenomenon of reciprocity" becomes a way of behaving which does not end with the two interlocutors but which generates an extremely positive effect towards third parties. It is, I mean, a non-instrumental form of reciprocity and the idea that reciprocity is possible just as the two parties act with gratuity is extremely clear (Bruni, 2009).

Alongside this, a concept of market of social quality is set off in this way, where there is room for the person and where relational goods are re-evaluated to an adequate level and, therefore, work becomes a vehicle for the exercise of practices like donation and reciprocity. In accordance with this approach, each analysis would have no sense if not for accounting; thus it permits orientating the relationships and increasing trust between the companies and the organisations (Gray, Owen, & Adams, 1996, p. 292).

Another important literature orientation is about the charismatic viewpoint. The charismatic perspective involves the authors who first tackled this issue using the sociological perspective. Among them, Weber (1947) provides a very interesting definition of charisma as a "gift of grace" (Weber, 1947, p. 360). Special "gifts" include the religious sphere but also the secular "hero" in the war.

For Weber, who analyses the concept of charisma to better explain authority and power, there are some features that incontrovertibly allow us to recognise the influence of charisma. Among the features, the first is that charisma gives rise to the legitimacy of the action and also to power. That is, the charismatic; and is recognised as such. The second is that charisma soon constitutes a community of disciples who pursue their actions in this path. Another important feature, the third, is that the charismatic authority is not bureaucratic but involves those who follow it. In addition, the community, that is created, has a motivation that goes beyond the specific aspects like the economic one. Indeed, the charismatic person absolutely does not want his/her gift to be a reason for exploitation from an economic viewpoint and he/she is contrary to this. Finally, the charisma is also a revolutionary force in the way it relates

to the shares. Revolutionary but, at the same time, it is part of the social context but without creating fractures, even trying to innovate from within (Weber, 1947, p. 363). Declining such a perspective in economic terms, charisma is what "highlights the relational nature of human beings, those who participate (the economists in this case) and see things which seem invisible, raise new questions and suggest solutions" (Bruni, 2013, p. 5). In addition, other scholars, such as McKernan and Kosmala (2007), define the expression of charisma as the practice of a certain "gift", whose bearer notices and writes down the rule, which is nonetheless the result of putting the gift and fruits thereof into practice. The difference in respect of other traditional points of view, is that there is a new light which sees goods for their economic, financial and ethical evaluation in the economic and accounting field (Baldarelli, 2013).

Finally, the charismatic perspective derives from the fact that, in certain historical times, charisma comes into being in order to provide precise answers to human needs and this comports considerable social and economic impact (Bruni & Sena, 2013, p. xxv).

So we can trace the main fundamentals of charismatic economy. The first derives not from economic reason but from an "ideal" one (Bruni & Smerilli, 2008; Molteni, 2009). The second element is that the charismatic experiences derive as reply to specific needs that are those we mentioned above. The third fundamental aspect is strictly connected to the specific figure of the founder; the charismatic economy has a clear and specific identity which is about the mission and values of the person him/herself. The fourth element regards reciprocity that is based on gratuity (Gui & Sugden, 2005).

2. The case of Lentil as Anything (LAA): food, charity and culture

Before implementing the model to this case, we will describe a brief history and the mission. LAA first restaurant had been established in Melbourne in 2000 and at present it has sister restaurants in different cities of Australia and Europe, such as Melbourne, Sydney, Paris and in Italy (forthcoming in Turin). In these 17 years, 16 million of people eat at LAA venues in Abbotsford restaurant-Melbourne. This enterprise is a charity and not only a restaurant; a centre to spread the culture of "sharing". The founder Fernando Shanaka has said:

Our philosophy has been working successfully for over 15 years now, with three long-standing restaurants in Abbotsford Convent, St Kilda and Footscray, and now also in Preston and Sydney, with a growing involvement in education and ongoing community projects. (Newsletter 2015 – lentilasanything.com)

The history of LAA is summed up in Table 1.

The mission of LAA is to serve meals that people pay for what they deem appropriate, therefore potentially free of charge, or "for free". But it is not really "for free", because people that eat if they are not able to pay with money, they can pay in other ways,

such as helping in the kitchen or painting the walls of the restaurant or by doing something else.

Table 1: LAA history and location

Established	2000
Founder	Shanaka Fernanado
What LAA does	Lentil as Anything (LAA) is a vegetarian social enterprise that solely relies on customer donations with the Pay-As-You-Feel pricing model
Value proposition	Diverse customers of all financial backgrounds, cultures, lifestyles etc. have a dining experience on communal tables thanks to the pricing model. Customers get to decide the price and the form of contribution, which can range anywhere from volunteering to creating artwork for its restaurant locations.
Customer segments (Of their biggest restaurant location)	<ul style="list-style-type: none"> ▶ Employed (47%) ▶ Student (25%) ▶ Traveller (12%) ▶ Job seeker (11%) ▶ Retired (3%)
Disadvantaged* stakeholders (Direct beneficiaries)	*Disadvantaged individuals includes homeless, disabled, socially isolated, retired, youth, refugees, long-term unemployed and new immigrants
Restaurant locations	<ul style="list-style-type: none"> ▶ St Kilda Restaurant (2000) ▶ Abbotsford Convent Restaurant (2005) ▶ Footscray Restaurant (2010) ▶ Preston Restaurant (2014) ▶ Newtown Restaurant (2014)
Revenue streams	<ul style="list-style-type: none"> ▶ Restaurant donations ▶ Catering donations ▶ Merchandise donations ▶ In kind donations ▶ Food donations

Source: Lycar Execution reporting of Thyrza Kleine (2015), Appendix 1, p. 7.

The idea of the founder in using the logic “pay as you feel” is implemented to spread the culture of sharing. In fact, the seating arrangement allowing individuals to eat, to relate and grow in mutual knowledge, even if it is the first time they have met and perhaps will never meet again, are a plus to the vegetarian meal you can consume at a LAA restaurant. The company then wants to provide an excellent service to the tables and this provokes the desire to make a fair offer for goods and services received. This aspect can be found, in the culture of reciprocity, and is not linked to a financial contract but to a “social pact” (Rusconi, 1988).

In fact, the aim is also to involve the stakeholders of the company as well as in production, in development projects connected to it as well. It also encourages the environment with “zero food miles” products (products directly sold by local producers to customers) as much as possible as well as the use and sale of organic ones. In addition, the restaurant includes spaces for hosting art exhibitions, yoga lessons and other sports.

This type of mission is fully part of the scheme highlighted above through the multidimensional mission that develops a culture of sharing and democracy, as Figure 1 that follows also highlights.



Figure 1: A sample of LAA leaflet.

Source: Newsletter 2015

The governance of LAA is ultra-democratic. In LAA governance, all stakeholders (Freeman, 1984) are considered as having the same importance and are on the same level. This means that there is an inclusive strategic orientation of LAA governance and it is based on integrity and honesty involving all stakeholders, it includes activities such as: community with education and solidarity projects; workers involving disadvantaged people. Moreover, the activities are based on collaboration and sharing of ideas. This charity is able to engage: employees, volunteers, clients, suppliers, social communities, government and various associations with which LAA develops various cultural and sports activities, artistic and educational programmes in Melbourne.

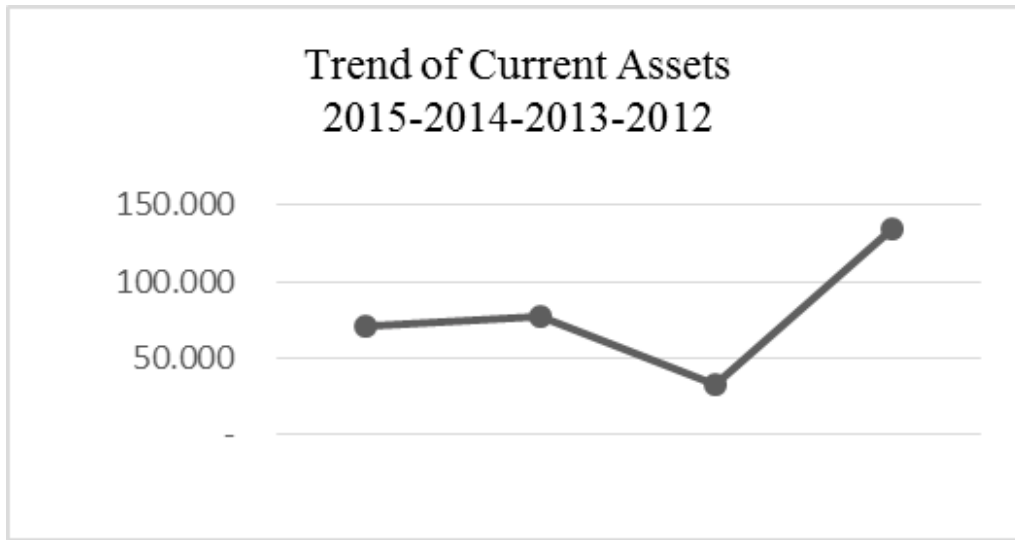
From the point of view of the governance inside the charity, Fernando Shanaka is formally the owner and the chairman. The charity's internal governance involves 3 members of the board.

Regarding accountability, there are three different fields to consider, such as: administrative results, managerial results and institutional results.

Concerning administrative and managerial results, accountability tools involve the compulsory publication of financial statements. Data have been analysed using ratios analysis and cash flow analysis (Schmidgall, 2010; Tieghi & Gigli, 2009) (Tables 2,3,4 and 5).

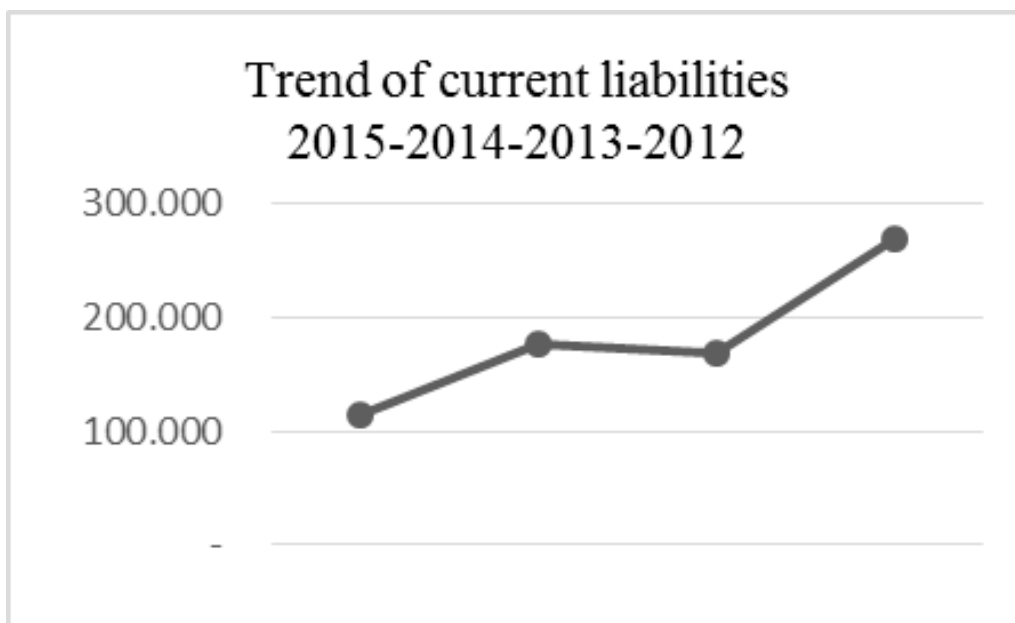
Regarding balance sheet analysis, we can underline the diminishing of current assets and current liabilities. The decrease of current liabilities especially creates a positive evaluation of the liquidity of the enterprise (see Tables 2 and 3).

Table 2: LAA trend of current assets



Source: personal elaboration

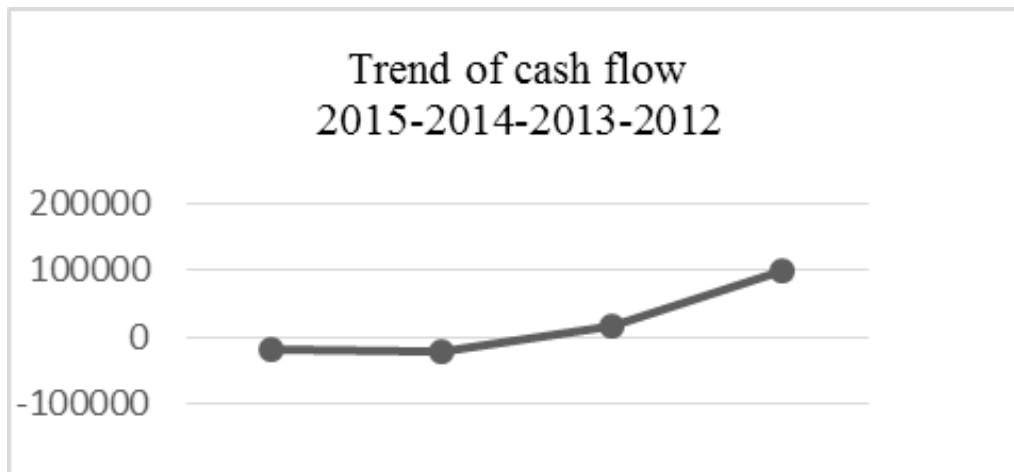
Table 3: LAA trend of current liabilities



Source: personal elaboration

The evolution of liquidity of LAA is confirmed by the cash flow analysis, that is relatively steady in recent years (2014 and 2015).

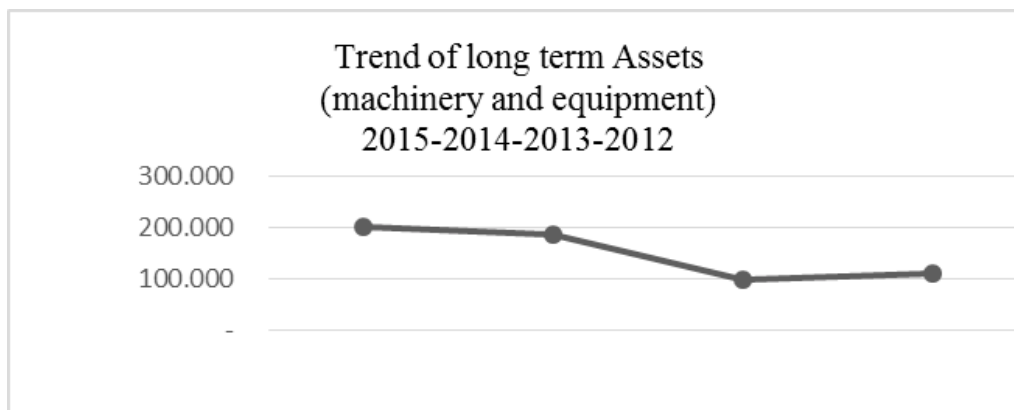
Table 4: LAA trend of cash flow



Source: personal elaboration

After the analysis of the liquidity of LAA in the table that follows, we are going to show the evolution of long-term assets that are mainly constituted by machinery and equipment. This trend underlines the increase of the activities of the enterprise in different cities of Australia and Europe.

Table 5: LAA trend of long-term assets



Source: personal elaboration

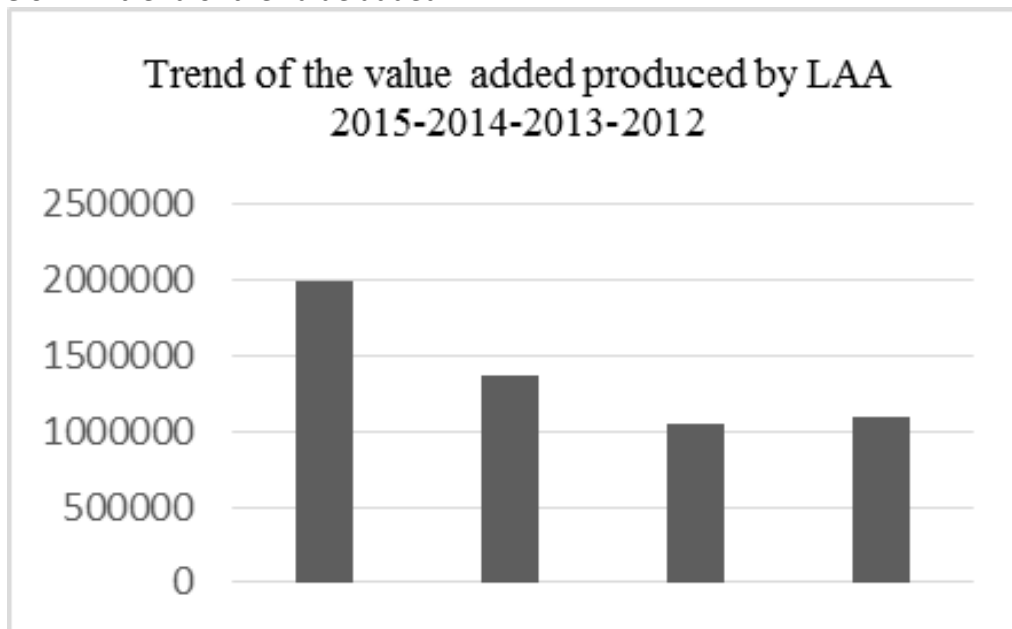
Following the analysis of the balance sheet, we want to focus our attention on the elaboration of the income statement using the value-added analysis (Gabrovec Mei, 1986; Gilchrist, 1971, Maticena, 1984) in Table 6, that shows an increase in the production of value added, that means the ability of LAA to produce wealth for the community.

As regards institutional results, the accountability and corporate disclosure concern the periodic newsletter, that is published on the website of LAA. In it, we can find the

majority of descriptive content but there are also quantitative data, especially in relation to the social impact that this charity has.

Among the information to be reported, it should be emphasised that Lentil founders, Shanaka, received the award of Australia's Local Hero 2007 in the Australian of the Year Awards for his work in the community.

Table 6: LAA trend of the value added



Source: personal elaboration

Another institutional and interesting indicator is the SROI, that revealed that for every dollar donated to LAA there is a \$5.86 return to the community (Millar & Hall, 2013). The SROI is mainly a benchmarking indicator that, although important, cannot be sufficient in measuring all aspects concerning the social impact of a company. Especially if we talk about charities, in which the multiplicity of cases poorly lends itself to use only one of the social impact measurement tools (Millar & Hall, 2012).

Discussion and Preliminary Conclusions

The charity analysed is an activator of virtuous circles (Ruisi, 2009) because it is inclusive towards people in difficulty: single-mothers; subjects at risk for social deviation, etc. and tries to collaborate towards development projects.

Concerning the answer to the research question: How to measure and disclose information about the combination of accounting, creativity and charity in hospitality enterprises? we showed that using traditional instruments such as financial statement, we can positively evaluate the financial situation of LAA. Regarding the economic viewpoint, we underlined the increase of value added that LAA produced until 2015.

However, we can say that that using only traditional instruments is not enough. We need to develop a more comprehensive and integrated system of accounting, that can

better clarify any matters arising from the governance. In particular, this case can be read as “charismatic” enterprise, because it derives from the intuition of Shanaka, the founder and owner. The founder was able to translate the lack of jobs, especially for certain sections of the population, in an initiative that not only gives an answer to this but also creates virtuous relational circuits in terms of responsible social enterprise and sustainable and inclusive development.

The limitation of the paper consists in represent only one model to be analysed; LAA is about “social enterprise” as charity enterprise. Perhaps there are some specifications about a charities’ model that in this paper we did not consider.

Moreover, future research will consider the analysis of the case as a “charismatic entity” and will suggest the integration of accounting and accountability disclosure to help the enterprise better combining creativity and charity in its activities.

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¹ All translations are the Authors’.