

¹ Food Economy Group 2 – Teaching Note

Conor Vibert developed this teaching note to guide the use of the multimedia case entitled Food Economy Group 2 for instructional purposes. It is not the purpose of this material to serve as an illustration of how to effectively or ineffectively address a managerial situation.

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SUMMARY

This multimedia case features Stephen Anderson, a partner with the Food Economy Group. His company needs to think through a bidding strategy for the second phase of a major government project that it has been involved with for years. Students are offered access to a set of transcribed video clips that outline the issue and its cause along with providing context for the issue. In order to arrive at alternative solutions and justify their choice of a solution, students are expected to use sources of information not found in the case.

KEYWORDS

- Bidding Strategy
- Request for Proposal
- Food Security

CASENET VIDEOS

Each video in this multimedia case features a segment of an interview with one of the organization's key decision makers. The videos describe:

1. the *Issue* facing the individual or organization
2. the *Cause* of the issue
3. *Background* information for the individual, organization and industry
4. *Alternatives* for addressing the issue
5. A suggested *Solution* and justification

Transcriptions for each video are also available. Students may not access the *Alternatives* and *Solution* videos or transcripts.

OBJECTIVES FOR TEACHING

There are a number of instructional objectives for this case.

- To enhance the decision making skills of students by having them address a real life issue faced by managers of Canadian or international companies.
- To provide students with a brief introduction to the food security industry.

¹ The Author wishes to thank Stephen Anderson for his/her support of this project. At Acadia University, thanks are in order for Dave Sheehan.

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- To offer students an opportunity to analyze a situation using concepts that illustrate bidding strategy

POSSIBLE TEACHING STRATEGY

This case is ideal for in-class case analysis or as an assignment. Assuming an 80 minute class, here is an approximate class schedule:

Time (minutes)	Task
5	Introduce case and divide students into groups.
15	Students view <i>Background</i> case videos and make notes.
5	Instructor plays the <i>Issue</i> and <i>Cause</i> clip(s).
25	Students identify alternatives, a solution and rationale.
20	Instructor guides a discussion around alternatives, solution and rationale.
10	Instructor plays the <i>Alternatives</i> and <i>Solution</i> clips.

If the case is used as an assignment, the instructor may want to focus assessment on:

- 1) **Decision-making process.** The instructor would evaluate writing style, appropriateness of information sources, alternatives, solution and rationale. This approach recognizes that the alternatives and solutions offered in the case are not necessarily optimal, and other choices may be equally effective. Students can be rewarded for their selection of decision making approaches, analytical frameworks and cited reference material.
- 2) **Outcomes.** The instructor would evaluate how closely student responses match those offered in the *Alternatives* and *Solution* video clips. Or, the instructor could use the insight of an existing research paper or analytical framework as the basis for judging outcomes.
- 3) **A combination of process and outcome.** The instructor may apportion the grade between process and outcomes.

POSSIBLE QUESTIONS FOR ASSIGNMENTS

Students can be asked to identify a set of alternatives to address the issue outlined in the case, a solution and rationale. Other questions that will help students prepare for their case analysis include:

- From the information offered in the case, is the activity that Anderson is considering for outsourcing one that is well understood by Food Economy Group?
- Is the activity that Anderson is considering for outsourcing one that necessitates the use of assets that specialized or specific to the undertaking?
- Do transactions associated with the activity being considered for outsourcing, occur frequently?

CASE ANALYSIS

Issue: The *Issue* and *Cause* video clips outline the problem or challenge of the case.

- Hi my name is Stephen Anderson of the Food Economy Group. The issue we are dealing with is that there is a new stage of an RFP, a project that we have been on for the last 10 years in two different 5-year phases. The new phase is complex and technically

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challenging in a new way to the old phase. It has multiple locations around the world with a large number of staff involved. It is at a huge scale so financially it is very significant. The issue for us is how do we go about bidding with this and whom do we bid with. The context is that we have been on this particular project for 10 years now. It has been two 5 year RFP's. It's a very large and complex project that requires a number of partners with different skills. We have been the sub-contractor for this Washington based prime contractor. That prime contractor has been very good to us. It has mentored us. We are on other bids with that contractor. However, the new demands of the new phase are more complex. We would like a larger role, technically. We are unsure whether the old contractor will adapt. We're unsure whether we are skilled enough to be a Prime Contractor. We are unsure who the other potential prime contractors might be if we go that route. We do not know if the risk is worth it or not.

Analysis:

To start their analysis of the case, students should view the *Background* video clips. These clips should help students grasp the following points or case facts.

- The company undertakes consultancy work and project work in development aid and focuses on how people survive
- The company has six partners
- The company makes money by bidding on government RFP's and taking on short term consultancy projects
- The industry within which the company competes is not well regulated
- The general economy is the biggest issues that will be faced in the short term future by companies such as this one

Researching information sources other than the content of the cases should enable students to garner the following insights (source <http://www.ifad.org/hfs/facts.htm>):

- US Aid and the World Bank are two of the most important funders of global food security initiatives
- Both US Aid and the World Bank offer guidelines about project bidding.
- There are almost 1 billion hungry people in the world
- Almost 1.4 billion people survive on \$1.25 per day
- Almost one half a billion small farms feed two billion people

With this information in hand students can be challenged to identify an analytic framework that will help them organize their thoughts.

- Transaction Cost Economics is one approach helpful when addressing issues of outsourcing. According to Williamson (1975) three conditions must be present before a firm will prefer internalizing a transaction over contracting for the transaction - a high level of uncertainty must surround the transaction; assets involved in the transaction must be highly specialized to the transaction; and, the transaction must occur frequently

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Effort focused on research coupled with analysis should enable students to present a series of options. These can be compared to the options offered by the interviewee which are also summarized below and found in the Alternatives video clip.

- Alternative one is that we become the prime contractor and look for others to sub-contract to us. We go with the status quo. We bid with the same contractor and try to win it for a third time. We search for a new prime contractor who can potentially give us a larger role but it is the most unknown of the three.

The *Solutions* video clip offers the interviewees' solution to the issue along with a rationale. Highlighted below, this can be compared to the student response and explanation.

- We ended up choosing to go with a new prime contractor. We did not go with the status quo because we felt that they were not going to be responsive enough or innovative enough, to meet what we felt were the new demands. We also felt we would not get a large enough technical role vis a vis what we were doing before. We did not prime ourselves because there is a substantial financial risk. It would mean that we would be putting all of our time and energy into this project and that is not actually what we want to do. And we did not feel that we had the overall capacity to meet the demands or that we would necessarily be successful with our small, sector based reputation. The third option, we did find an alternative company to bid with who was relatively new to the development sphere but had extensive experience in areas that we did not. So we were able to complement each other very well in the skill set and develop a very innovative bid for the RFP.

SUGGESTED COURSES

We suggest that this case would be suitable for a number of courses. These courses include:

- Strategy
- Organization Theory
- Management

ADDITIONAL RESEARCH

The case offers students opportunities to undertake interesting additional research.

Students may want to delve deeper into how managers make decisions. Classic approaches to decision making include works by Cyert and March (1963) and Tversky and Kahnemann (1974).

Students interested in learning more about the industry in general might make use of numerous online information sources some of which are noted below.

- Food Security Information Network <http://www.fsincop.net/> Information about global food security
- Food Security Portal <http://www.foodsecurityportal.org>, Information about global food security
- Global Food Security Index <http://foodsecurityindex.eiu.com/> Ranking tool for countries.
- The State of Food Insecurity in the World 2014 <http://www.fao.org/publications/sofi/2014/en/> Annual Report of the U.N. Food and Agriculture Organization.

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- Food Security <http://www.worldbank.org/en/topic/foodsecurity> . World Bank information source on food security.
- Highlights of the Food Security Situation in Africa African Food Security, African Food Security, African Development Bank Quarterly Bulletin Issue 3, 2012, Available,
- <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Africa%20Food%20Security%20Brief%20-%20Highlights%20of%20the%20food%20security%20-%20Issue%203.pdf> . Overview of African food security situation.
- Agriculture and Food Security US Aid <http://www.usaid.gov/what-we-do/agriculture-and-food-security>, Overview of US Aid food security initiatives
- The Business of Global Food Security, Financial Times <http://www.ft.com/intl/reports/global-food-security>. Financial Times report on food security.
- The World Bank, Procurement for Projects, <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,pagePK:84271~theSitePK:84266,00.html>. Guide to bidding on World Bank funded projects
- Partnership Opportunities US Aid <http://www.usaid.gov/partnerships> , Guide to bidding on USAid funded projects.
- Guide to International Development Project Bidding, Team Canada Inc. http://www.ideacanada.ca/news/documents/IDPB_Guide.pdf, Government of Canada guide for bidding on international development projects

REFERENCES

A number of articles, referenced below, offer insight that might help instructors effectively explore this case with students.

- Williamson, O.E., 1976 *Markets and Hierarchies: Analysis and Anti Trust Implications*. New York: The Free Press.
- Food Security Facts and Figures, International Fund for Agricultural Development, Available, <http://www.ifad.org/hfs/facts.htm>