

A Work Project, presented as part of the requirements for the Award of a Master's degree in
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EXPANDING GEOGRAPHICAL REACH IN THE MARKET OF INTERNATIONAL
COOPERATION: THE ROLE OF REFERENCES IN DRIVING CESO'S GROWTH AND
GEOGRAPHICAL DIVERSIFICATION THROUGH PARTNERSHIPS

ANA CAROLINA FERREIRINHO
DE SOSUSA ROSA

Work project carried out under the supervision of:

Paulo Sacadura Cabral Portas (Academic coordinator)

Vitorino Alberto Mello Gomes Oliveira (Co-Advisor)

Daniel Abel Monteiro Palhares Traça (Co-Advisor)

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Abstract

This work project examines CESO's geographical diversification strategy, as well as the role of differentiating services to overcome the challenges faced by consulting firms in the International Development sector. This paper begins with a Case Study about the challenges that CESO encountered after deciding to end its overdependence on the African Portuguese-speaking markets and diversify geographically, including the strict references prerequisites. This teaching note analyzes how CESO faced these diversification challenges and how it used partnerships to overcome them in order to drive the company's growth and geographical diversification. It also includes two Teaching Notes and an Evaluation Project.

Keywords: CESO, International Development Consulting, International Development and Cooperation, Geographical Diversification, Partnerships, References, Backstopping, International Organizations, Economic Growth, International Business, Sustainable Growth, Strategy, SDG.

Teaching Note

Case synopsis:

The case study *How CESO Established Itself in the European Market of International Cooperation Projects to Achieve Geographical Diversification* explores the reasons that led CESO to make the decision to pursue geographical diversification, the challenges that it faced during this process, and the mechanisms the company used to respond and to overcome these challenges.

The case begins by presenting CESO's background. It is explained how the company operates and how its overdependency on the African Portuguese-speaking countries was essential to decide to reach new markets, which reduced risk and fostered growth. Thus, it was set the scenario for CESO to pursue geographical diversification and further expand its reach. CESO targeted the European Commission (EC) as its primary client to achieve its goal, due to its reliability in allocating grants for international cooperation and relatively clear procurement rules. Furthermore, the case highlights the importance of partnerships in this industry, to which CESO's backstopping support is essential. CESO's backstopping support is a key factor for its growth, as it increases its service quality and reputation value. Thus, it is one of its most significant competitive advantages. The establishment of partnerships through the formation of consortia is essential to reach new National Governments (NGs) and International Organizations (IOs), to further expand geographic diversification, but most importantly to create and develop a technical capacity portfolio, which will later enable access to future tender procedures. References of implemented projects enable access to new tender procedures for services. However, IOs have very demanding access requirements. Framework contracts (FCs) helped CESO in this regard, as they were important in developing international partnerships for future projects, which led CESO to increase its technical capacity portfolio and grow its reputation.

Teaching purpose:

This case study can be used in courses with a key focus on sustainable economic growth, strategy implementation, development consulting, and international business. Some prerequisites that may be relevant to better understand and solve this case study are the previous knowledge on International Development and Cooperation, Development Consulting, and Sustainable Development Goals (SDGs).

Assignment questions:

- What role do partnerships and backstopping support play in earning references?
- What impact have framework contracts had on developing a technical capacity portfolio, and what repercussions has this had on the geographical diversification of CESO?
- How does the increase in requirements related to projects implemented from international organizations impact consulting firms?
- How can partnerships and references be used to obtain new expertise?

Teaching Plan:

This teaching note is based on the case study mentioned above on CESO. It is focused on the role of references driving to CESO's growth and geographical diversification through partnerships, rather than an analysis of all the topics covered in the case study. This case can be explored in a single class. However, the prior reading of the case study is necessary to give students time to critically reflect on the topic without time constraints, and to encourage an open-class debate. Hence, a suggestion to guide the instructor was presented with questions that can be used to open or lead the debate.

Discussion Introduction:

The class can be introduced with an overview of the challenges faced by consulting firms in the international development industry when pursuing geographical diversification. It can be mentioned the impact of references prerequisites in further increasing these challenges, and how IOs have been demanding for consulting firms and field consultants with more experience and expertise, and thus intensifying the pressure on firms. The instructor can also mention the use of partnerships to face this challenge and the relevance of backstopping support in the reputation and credibility of a company.

Discussion:

1. What role do partnerships and backstopping support play in earning references?

Partnerships are of great importance in this industry, as through them companies have access to more projects and thus increase the number of references (Valente, personal interview, March 27, 2023).

CESO's backstopping support is an essential part of its success. CESO's clients feel more engaged with the project implementation, and partners and field consultants benefit from the support provided. Therefore, its backstopping support is a key factor for CESO's growth since it increases its reputation value and service quality, and thus helps CESO establishing strategic partnerships, which are its most important tool for growth. Therefore, it is one of CESO's most important competitive advantages, which has an impact in its reputation for the establishment of new partnerships (Santos, personal interview, March 9, 2023) (Valente, personal interview, March 27, 2023) (Garron, personal interview, March 30, 2023) (Bellini, personal interview, April 3, 2023) (EC representative, April 4, 2023).

Furthermore, companies from consortia allowed CESO to pool its references and increase the likelihood of being shortlisted. References will help to build trust on consulting firms, as

clients want declarations that confirm the quality of their work. Thus, references are essential to demonstrate knowledge, experience, and credibility from previous implementation projects to the IOS. Moreover, the quality of CESO's backstopping support, as well as its proximity with the work developed by the field consultants and all the other parties involved, help to value CESO's image positively. The better the company's reputation value is, the easier it is to establish partnerships with larger companies or specialists in the sector of more relevance, as well as to gain credibility with its clients (Santos, personal interview, March 9, 2023) (Valente, personal interview, March 27, 2023) (Garron, personal interview, March 30, 2023) (Bellini, personal interview, April 3, 2023) (EC representative, April 4, 2023).

2. What impact have framework contracts had on developing a technical capacity portfolio, and what repercussions has this had on the geographical diversification of CESO?

FCs can be defined as business agreements between one or more contracting authorities, and one or more economic operators, with the intention of establishing the terms of governing Specific Contracts to be awarded (European Commission, 2023) (European Commission, 2016) (European Commission, 2020).

FCs are an important tool in the international development consulting industry that facilitates the implementation of projects and contribute to the diversification of the project portfolio of a company. These financing instruments were created by the EC with the purpose of deploying technical assistance services for smaller and shorter projects in a swiftly manner. FCs are divided into different types of lots, and each one of them correspond to a different technical sector, having an indicative budget allocated to its duration (close to 5 years). The budgets of these financing instruments have changed over the years. In the 2000s, after being made available by the EC, each project under the FCs had a maximum value of €200,000, which then increased to €300,000 and in 2018 to €1 million. The evaluation process was also different. The traditional contracts procurement process last closer to one year, while the FCs

process last closer to one month. Thus, these agreements were a great opportunity for Small and Medium-sized Enterprises (SMEs) consulting firms with a small market share, as it was CESO's case, to bid for smaller and shorter tenders with lower budgets its project portfolio (Santos, personal interview, March 9, 2023) (Garron, personal interview, March 30, 2023) (Vale, personal interview, April 21, 2023).

These financing instruments were essential for CESO's growth, as they provided a continuous cash-flow of financial possibilities going to its business. CESO took the high number of projects available and the need to form consortia as an advantage to benefit from the resources provided from its partnerships. The establishment of these partnerships therefore led to CESO increasing its project portfolio. Through this increase, CESO had more significant references to be able to apply for traditional tenders of larger sizes, duration, and budgets. It was due to the FCs and its advantages that CESO was able to effectively achieve geography diversification and start to work systematically on higher-scale projects (Santos, personal interview, March 9, 2023) (Garron, personal interview, March 30, 2023) (Vale, personal interview, April 21, 2023).

3. How does the increase in requirements related to projects implemented from international organizations impact consulting firms?

The references from the project portfolio are a Requirement to assess companies' technical capacity when they submit bids for tenders. IOs will consider, among other experience-related factors, the expertise, scope, and size of those previous projects when evaluating if the company satisfies the technical requirements (Santos, personal interview, March 9, 2023) (Garron, personal interview, March 30, 2023) (Bellini, personal interview, April 3, 2023).

Over the years, the IOs have demanded increasingly stringent references from the consulting firms project portfolios (projects of higher value implemented in the previous three years).

This is particularly difficult for SMEs and companies entering the market or those from countries whose cooperation agencies do not procure services contracts from companies, due to their size and less market experience. Furthermore, IOs have a preference for larger companies with more experience, extensive references, records of successful project implementations, and higher reputation and credibility. Thus, it is difficult for companies to grow since they cannot develop a continuous project portfolio and gain references if they do not have opportunities. This was one of the major obstacles faced by CESO when it pursued geographical diversification. However, through FCs CESO managed to overcome this challenge (Santos, personal interview, March 9, 2023) (Garron, personal interview, March 30, 2023) (Bellini, personal interview, April 3, 2023).

However, the increase on references restrictions remains. IOs, mainly the EU, have increasingly imposed more and more restrictions on the reference's prerequisites, the number of firms that can apply for frameworks, and the number of firms that pass to the next phases of tenders (Santos, personal interview, March 9, 2023) (Valente, personal interview, March 27, 2023) (Vale, personal interview, 21 April, 2023).

In addition, transparency in service contracts for larger projects toward companies regarding the selection criteria has changed significantly. Contrary to how it was done before until 2022, firms no longer have access to the list of companies that move on to the next stage of the project after bidding in the tenders and before the choice of the contractor to implement the project. Large companies still have the preference of IOs due to their experience and extensive references. The lack of opportunities has a direct long-term impact both on these companies and the market itself, as more impositions are placed on SMEs and companies trying to enter the market, which is therefore increasingly saturating the market with higher entry-barriers. Moreover, this may lead to have an industry increasingly composed of larger market players and lead SMEs to specialize more in order to survive, given the trends about demand for more

specialization by IOs. Even without an extensive number of references, their experience in certain sectors would be a point of differentiation (Santos, personal interview, March 9, 2023) (Valente, personal interview, March 27, 2023) (Vale, personal interview, 21 April, 2023).

4. How can partnerships and references be used to obtain new expertise?

The demand for more specialized companies and consultants on the ground has increased immensely, as IOs increasingly need experts with more technical experience able to provide more tailored solutions to ensure that the solutions to those challenges are more effective and efficient, thus making it necessary to invest more in the specialization of consulting firms (EC representative, personal interview, April 4, 2023).

The more specialized firms and their respective project portfolios are, the more value is placed on them. Indeed, it is necessary to invest in developing a project portfolio in certain areas (increasing references) in order to achieve more specialization. Through projects in these sectors, companies gain more competences and accumulate more knowledge (Valente, personal interview, March 27, 2023).

Partnerships are a great way to develop expertise, namely with companies specialized in these sectors. In addition, establishing partnerships with firms with a greater capacity to implement these projects and with more extensive references will allow them to reach new markets, and they can use the resources of these companies to get more knowledge and specialize as well (EC representative, personal interview, April 4, 2023).

Summary:

The establishment of partnerships is essential in this industry since it provides access to a higher number and more specialized projects and helps to increase the project portfolio and references to be used to access future tenders. In addition, the blacktopping support offered by CESO has a great impact on the success of partnerships, as it is a key factor for its

reputation. The FCs were an opportunity for SMEs and companies entering the market to foster international partnerships, increase their project portfolio and grow in this sector. The establishment of partnerships can also be used to develop expertise through partnerships with companies with more experience in those areas and more resources, and thus fight the increase of requisites by IOs.

Appendix

Appendix 1: Internal and External Meetings Table

Date	Meetings
24 th February 2023	Internal Interview with CESO's COO, Helena Valente and CESO's Business Development Director, Henrique Gomes
9 th March 2023	Internal Interview with CESO's CEO, Rui Miguel Santos
27 th March 2023	Internal Interview with CESO's COO, Helena Valente
30 th March 2023	External Interview with DT Global CEO, Maria Garron
30 th March 2023	External Interview with expert consultant linked to CESO
3 rd April 2023	External Interview with Eurecna's Director, Andrea Bellini
4 th April 2023	External Interview with EC officer
4 th April 2023	Focus Group with 4 CESO's employees
6 th April 2023	Internal Interview with Henrique Gomes, Business Development Director at CESO
13 th April 2023	Internal Interview with Rita Araújo, Technical Director at CESO
14 th April 2023	Internal Interview with Helena Valente, CESO's COO
15 th April 2023	External Interview with UNDP Human Development Report Director, Pedro Conceição
16 th April 2023	External Interview with EBRD Adviser at the Board of Directors, Luís Pereira
21 st April 2023	Internal Interview with CESO's COO, Helena Vale
21 st April 2023	Internal Interview with Business Development Director, Henrique Gomes
26 th April 2023	External Interview with OECD Head of Corporate Procurement, Nicolas Ferré
26 th April 2023	External Interview with AsDB Alternate Executive Director Board of Directors, Alberto Cerdán
2 nd May 2023	External Interview with SENEC officer

Appendix 2: Abbreviations List for the Teaching Note

EC	European Commission
FCs	Framework Contracts
IOs	International Organizations
NGs	National Governments
SDGs	Sustainable Development Goals
SMEs	Small and Medium-sized Enterprises

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