Decision Matrix Paper:

Selection Matrix and Process Description

Group 4

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Decision Matrix Paper

We used the following scale to rate 12 different categories regarding each country’s favorability to a wheat import company:

Favorability Scale:

0 = Disqualifying Factor

1 = Not at all favorable

2 = Somewhat unfavorable

3 = Neither favorable nor unfavorable

4 = Somewhat favorable

5 = Very favorable

The following matrix includes individual category ratings, as well as a brief rationale for each rating:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Algeria (Brie) | Egypt (Frank) | Morocco (Thomas) | Tunisia (Paige) |
| a. Political Stability | **2** - Relatively stable. Still experiences frequent bombings by Al-Qaeda that are likely to disrupt commerce and endanger workers, especially foreigners. | **3** - Stable now, but was in turmoil from 2011-2014. | **3** - Stable. Political unrest (2012) peacefully demanded monarchy to relinquish some power. Status quo endured, but business environment improved. | **3**- There was political turmoil between 2010-2015.The country's transition has been relatively peaceful, but there are concerns about the growing influence of ultra-conservative Islamists. |
| b. Legal Protections | **4** - Legal system similar to US. Solid Constitution and foreign policy. Some reports of corruption | **5** - Solid legal system with long history | **3** - Commercial court reform in 2012 improved contract enforcement, but judiciary remains corrupt. King Mohammed VI promulgates legislation and can dissolve legislative branch at any time. | **2**- Although the judiciary is generally independent with the establishment of a new parliament, protection of property rights remains uneven, hindered by corruption |
| C. Openness to FDI | **1** - 49% cap on foreign ownership; Contractors must have Algerian partners | **1** - Strict 51% Egyptian ownership & 100% Egyptian mgmt requirement | **0 -** Agricultural sector/agricultural land restricted (i.e. no foreign ownership of land for agricultural business activity allowed). Export/Import is the only mode of entry to sell US wheat in Morocco. Moroccan Government acts as intermediary with preference for local product. US-Morocco FTA is hopeful for wheat expansion. | **1** - The Tunisian government is encouraging more foreign investors to invest in their nation with hopes that will bolster the economy of the country. Though there are restrictions to certain sectors that require authorization if an investor wants to own more than 49% |
| d. Economic Stability | **3** - GDP up 3.4% in 2016. Heavily reliant on oil revenues - economy less resilient | **3** - Good GDP growth of 4% with high inflation.  No limit on currency transfer. | **4** - Drought conditions caused the agrarian-based economy to suffer in 2016, but is improving since. Steady GDP growth  Free repatriation of capital and profits; fully convertible, pegged currency. | **4** - Stable economic growth for the past 5 yrs.Their  currency is heavily dependent on the Euro, and the current move by the UK to leave the UN has greatly affected the country. Recently, the Euro currency has weakened at the hands of the US dollar. But they  allow foreign investors to repatriate a part of the revenue |
| e. Economic Development | **2** - Recent downturn in oil stifling economy; government responding with austerity measures | **2** - Low per-capita GDP at $12,000, high inflation at 31% & high unemployment at 12%. | **3** - Nearly 10% unemployment rate, mostly among young and educated. 67% of population is of working age. 40%+ of workforce is agricultural based. FTA’s with EU, Jordan, Egypt, Tunisia, Turkey, and US. | **3**- The economy of Tunisia is highly dependent on the European Union for the trade in its agricultural products. Research shows that Tunisia’s GDP is expected to grow at a rate of 1.5 % for every five years. The nation’s GDP is currently at $127 billion with an estimated growth rate of 0.8% |
| f. Social Development | **4** - Very high on HDI, especially for Northern African region | **3** - Women not empowered.  Explosive population growth. | **3 -** Medium HD category according to HDI. 51% overall literacy rate, 39.4% for Women. | **3** - literacy is above 80% but though it’s moved forward politically, social inequity inside it persists, with little progress on the sort of economic reforms needed to address the underlying roots of the country’s democratic uprising |
| g. Cultural Issues | **5** - French culinary history (pastry, bread) makes wheat a huge source of calories in the Algerian diet. | **5** - Wheat is a staple food in Egypt. Egypt is the world’s largest wheat importer. | **5 -** Moroccans are fond of couscous and have a culinary history rooted in the French tradition.. | **5**- Wheat is a big part of the Tunisian cuisine. |
| h. Technology Issues | **4** - Well- developed infrastructure for processing and transport | **4** - Wheat import is low tech. Rejects fungus tainted wheat. | **4 -** Modern telecom systems, fiber-optic network widely accessible, but  expensive. Agricultural technology irrelevant  due to foreign restrictions. | **4** - wheat farming is not demanding per say but requires machinery, arable land, and the needed labor. The Gov’t offers tax incentives of up to 50% under the 2016 Investment Law to encourage acquisition of tractors, combine harvesters, and other related equipment. |
| i.  Infrastructure Issues | **3** - Aging roads and rail lines not maintained since independence. Developing telecommunications. | **5** - Modern transportation and communication infrastructure | **4 -** Modern transportation system, strategic location on N. Atlantic/Mediterranean Tangier trade route. | **4** - Developing nation moving towards modern infrastructure |
| j. Size of Market | **5** - 7.3 million tons of wheat imported annually | **5** - Wheat import growth from 1m to 11.2m metric tons from 1960 to 2016.  Egypt has a large population of 97 million. | **5 -** 33.5 million population. YoY growth in wheat imports. In 2016/2017, half of total wheat consumed was imported (5.1m/10.2m metric tons). Domestic production is highly variable due to climate. | **4** - 11.1 million population.Agriculture plays a leading role in Tunisia’s economy, with approximately 16% of the country’s workforce engaged in the agricultural sector. Agriculture contributes about 12% to the country’s GDP |
| k. Local Competition | **4** - 70% of wheat consumed in the country is imported. Low percentage of arable land makes it difficult to grow domestically. | **2** - 60% of wheat import is state-controlled.  40% is private. | **1 -** Heavy industry regulation.Over a 4m metric ton inventory has been held by the government each year since 2013. A protectionist wheat trade policy favors Moroccan farmers, especially during unfavorable production seasons. | **4** - one of the biggest wheat consumers in the world compared to its population size. They grow their own wheat but it doesn’t satisfy enough of its demand so it has to import more than half. |
| l. Foreign Competition | **3** - France, Canada, Germany and Mexico all have greater foothold. Poor wheat harvest in France has opened up some room in the market. | **2** - Russia, Toepfer (Germany,) and Cargill (US) are the dominant wheat suppliers. Tough for newcomers. | **2 -** Global wheat supply is forecasted to stagnate between 2017-2021. Russia, a primary wheat exporter to Morocco, is expected to increase production. EU competition remains high. Moroccan FTAs make little impact on wheat/other agricultural products. | **2** - Nations like China produce 126 metric tons of wheat every year. There are also other nations within the African continent which also produce wheat, and they will also offer stiff competition in the EU and the different international market for the wheat flour. |
| Mean Score | **3.33** | **3.33** | **3.08** | **3.25** |

Process Narrative

From our decision matrix, it initially appeared as though all four countries were relatively similar in their favorability to our wheat import company. Upon closer analysis, we determined that we must rule out Morocco completely because the Moroccan government prohibits foreign ownership of agricultural industries. Though Egypt and Algeria earned equivalent mean scores, examination of Algeria’s tense political situation and crumbling infrastructure revealed that Egypt is the better candidate. While frequent terror attacks in the region are likely to disrupt commerce, trading of basic necessities such as wheat is protected by the governments. Finally, though Tunisia’s mean score is only slightly lower than Egypt, the Tunisian government is no more favorable to FDI, and the Tunisian population is significantly smaller than Egypt’s, limiting market growth potential. Ultimately, we decided upon the following ranking, from least to most favorable:

Least Favorable - Morocco

Tunisia

Algeria

Most Favorable - Egypt

Thus, it is our determination that Egypt is the most promising market for our proposed wheat import company.