

# Adopting IT: Food Program Sponsor Discovers It's No Picnic

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## **EXECUTIVE SUMMARY**

Small companies are often reluctant to try innovative approaches to information management because of the cost of the hardware and software, the potential disruption of processes already dependent on overstressed resources and the lack of in-house expertise. This case looks at the experience with information technology (IT) implementation of one small nonprofit company that provides administrative services for child care providers. Like many companies of all sizes, the focal company realized it must adopt new information technologies in order to survive. The company fit the profile for small companies just entering the world of IT. It experienced the expected internal problems associated with change. And then it discovered that its size and its relationship to government oversight agencies, themselves struggling to implement IT, posed special threats to its survival.

## **BACKGROUND**

The last half of the twentieth century saw a major movement of women out of the home and into the workforce. With that move came an increased demand for child day care that, in turn, spawned tens of thousands of family day care homes and day care centers, most of them licensed small businesses. Besides providing day care services, many of them participate in various state and federal programs aimed at subsidizing working parents, providing pre-school education to children, and improving nutrition among children of working parents. The company in this case — Quality Care, Inc. (QCI), a pseudonym used for this case — is a food program sponsor whose primary business is to administer day care homes and centers that participate in the federal government's Child and Adult Care Food Program (CACFP). (See the list of Online Resources at the end of the case for links to Web sites related to the CACFP.)

A large part of the state-licensed sponsor's function consists of processing documents for its supervising state agency. Sponsors are compensated for their services based on a federal rate schedule keyed to the number of clients served. As a sponsor's client list grows, the paperwork burden grows proportionately, but the marginal rates are regressive. At some point, a sponsor choosing to

increase its revenue by adding clients must turn to information technology to process the increased paperwork at reduced cost and within mandated deadlines.

When QCI's owner made the decision to incorporate information technology into its processes, the company fit the profile for a small business just entering the world of information systems (DeLone, 1988; Nooteboom, 1988; Igbaria & Zinatelli, 1997; Soh et al., 1992):

- they couldn't afford to employ internal IS staff;
- they had a general lack of computer knowledge;
- they had inadequate hardware and software;
- they needed to rely on outside resources;
- they had a lack of financial resources and technical support;
- they had recruitment difficulties;
- they had a short-range management perspective imposed by a volatile competitive environment.

As pointed out in Taylor (1999), small businesses implementation challenges are often more daunting as a result of those conditions. Many of the motivators and inhibitors described by Cragg and King (1993) appear in the case. Perhaps the most pertinent to this case is the significance of the owner's level of enthusiasm.

While the usefulness of a newly implemented information system was immediately apparent to both QCI's staff and clients, the sponsor's staff experienced varying individual rates of acceptance, giving rise to serious internal problems. Davis' (1989) observations with respect to perceived usefulness versus ease of use and their relative impact on acceptance are reinforced in the case.

But, the literature says little about the effect of discordant rates of technology implementation within and between the levels of an industry dominated by small businesses. Rates of technology implementation were different between QCI and its state oversight agency, and between the state and federal oversight agencies. Those varying rates of implementation coupled with a lack of coordination among organizations at various levels in the industry made industry-wide adoption of information technology appear chaotic. The inevitable result was increased sponsor uncertainty.

## SETTING THE STAGE

Since 1969, the U.S. Department of Agriculture (USDA) has funded the CACFP with the goal of providing nutritious meals to adults and children who are in day care facilities. By 2000, the program reached an annual funding level of \$1.7 billion and served over 2.4 million children. (See Tables 6 and 7 in the Appendix for data on the CACFP.)

To administer the program, the USDA makes grants to the states that, in turn, designate administrative oversight agencies. Each state is responsible for establishing its own policies and procedures for the program's operation, subject to administrative guidelines provided by the USDA and the enabling federal and state legislation. In the State of North Carolina, the administrative responsibility for the program rests with the Nutrition Services Section (NSS) of the Department of Health and Human Services.

The NSS has a staff of 15 state employees who administer a variety of nutrition-related programs, including the CACFP. More than 5,000 day care homes and day care centers participate in one or more of the programs administered by NSS. To support them, NSS works directly with the 100 county governments, each of which has a department that deals with nutrition programs. In addition, NSS contracts with more than 40 nonprofit food program sponsors across the state for additional administrative support.

Participation in the CACFP is voluntary on the part of a day care provider (a home or center), and each participating provider must choose either NSS or a sponsor for its administrative support. In its claims processing role, QCI collects and processes data on providers and their enrolled children, and submits claims for reimbursement on their behalf.

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