When Minor Ventures Matter

-Aligning the strategies of a small business with the needs of humanitarian organizations on a global market

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Abstract

The following master thesis explores the possibilities for a small company to enter the global market of humanitarian aid organizations. This is attempted through a theory study as well as a case study in order to exemplify how the strategic aim can be pursued. The case study was a Minor Field Study (MFS), financed by SIDA, and took place in 2011.

International non-governmental organizations (NGOs) working with humanitarian aid span a gigantic field of focus, orientations, geographic and financial organization and supply chain philosophy. Working in war zones and disaster areas, these organizations have needs and priorities far different from the private sector. They are for example, instead of financed by sales, generally financed by donations and government funding but the same economic principals that restrict normal companies also restrict the NGOs. There is competition, need of streamlining, limited resources and other pressing matters just as in any other market. The question is how this market and its requisites differ from “normal” markets?

Focusing on smaller companies exclusively is both a means to delimit the scope of the study but also to direct the focus to optimize the effect. With over 640 000 smaller companies in Sweden and a near to non-existing support or academic guidance to aid these companies approach this market the benefits of further research would be obvious. With government funding of several billion SEK per year (in Sweden alone) the market is large enough to support such ambitions.

With this background as inspiration the objective of the study is to identify and evaluate possibilities for aligning a small company’s strategy with a market consisting of NGOs. By doing so enabling further development of products and services to achieve a high fit to the market needs.

The study consists of a review of contemporary strategy theory and a case study performed in Haiti during springtime 2011. The goal of the later was to cross-reference the possibilities of a small, Swedish company and the needs of two NGOs.

In the theory study it was suggested that strategies should invest in specific customers in opposite to a broad mass of potential organizations. Strategy schools like the blue ocean strategy and Porters positioning school were discarded in pure forms but discussed as valuable methods while identifying a more iterative process of strategy forming. The importance of cooperation and interaction was also found to be of interest for the case study.

Of the two studied NGOs one was already a customer and the second a potential customer. The results verified the value of the customer-oriented strategies and further identified areas of interest, such as logistics, flow of information and procurement routines. These were found to be essential for closer cooperation and for optimizing the value of the company’s products and services.
The conclusions suggest involving in co-operations with the customers in order to enable further product development and for routines to form. The trend of NGOs making more use of indigenous offices also emphasize the importance of closer co-operations in order to establish direct contact with the sources of the need. The NGO-ambition of transparency provides a third reason for focusing on co-operations, as this would help identify the specific needs of a NGO and thereby the most appropriate target groups and sale arguments.
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1 Introduction

In this chapter there is a description of the background of the study followed by incentives to why a study of this kind is interesting for different parties. The objective is then formulated and the target groups of the report presented.

1.1 Background

Tabloids are seldom to be trusted if you are looking for an objective, unbiased report. This low credibility has been gained over the years via frequent announcements of potential ways to contract cancer, weather forecasts with a statistical reliability of close to zero etcetera. Although they do prove one thing: there is always a catastrophe nearby to report of. And in this they are definitely right.

There are about 500 disasters per year affecting 200 million people globally (van Wassenhove 2005, p.457). In these situations there are often up to a hundred different aid organizations working in the same area but with relatively little coordination. These are organizations such as UNICEF, US AID and the Red Cross but also smaller organizations with varying agendas and religious and cultural backgrounds. Most of these organizations have different functions, separate supply chains and a variety of structures with unique needs depending on the mission.

This effectively creates a volatile and shifting workplace for the involved organizations but also an equally complex environment for the suppliers to these. The complexity of the global aid movement, the different situations and the sheer number of organizations creates a market both difficult to enter and to effectively coordinate. A lack of aggregated information and the acceptance of this have all along kept this difficult situation at a status quo.

To change this, on a large scale, there was a World Conference on Disaster Reduction in Japan 2005. This focused mostly on preventing and warning for disasters but also about coordinating aid and relief work between governments and Non-Governmental Organizations [NGOs] (United Nations 2004). The work needed to involve companies in this work was however seriously neglected and especially when dealing with small companies. The terms small and smaller companies refers to enterprises with less than 50 employees (Wikipedia 2011f, sec.“Små och medelstora företag”).

Suppliers, partners and other parties who are involved in the process but not direct participants are dependent on the NGO to relay information. The uniqueness of every mission and organization makes this communication vital for a further positive development of products and services. To enable a positive development, for NGOs as well as the vendor companies, it is therefor vital to study this interaction closer.

Before stating the specific objective of this thesis it is important to present incentives for different actors to invest in this type of research, thus continuing improving the work of NGOs. Further in this report the acronym NGO will refer to non-governmental humanitarian organization, as it will be shown that these humanitarian organizations
are of special interest. As there is no commonly recognized abbreviation for these humanitarian organizations, NGO will have to suffice.

The interaction between companies and aid organizations is in need of a review to enable improvements and development.

1.2 Defining NGOs
NGOs are autonomous non-governmental organizations. They are not instrumentalities of government or distributing revenue as income to owners but instead formal and legal entities with non-profit agendas. (Anheier et al. 2001) While global funding for humanitarian aid generally keeps on increasing (Anheier et al. 2001) and catastrophes seems to continue occurring, and even multiply in number according to some studies (Schulz & Blecken 2010), the number of actors increase in a similar manner. While the idea of NGO's is over two centuries old more than a quarter of the 13'000 today international NGO's have been founded during the last two decades (GHA 2010). In relation to these are there numerous development funds and agencies, e.g. UNICEF (United Nations Children’s Fund) and the Swedish civil contingencies agency (MSB), both autonomous and governmental unlike the NGO’s who always are autonomous.

1.3 Economic incentives for investing in this market
According to the OECD (Organization for Economic Co-operation and Development) 119.6 billion USD were donated to official development assistance during 2009. This was an increase of 0.7% from 2008 and would continue to increase with an estimated 6 billion USD until 2010. However soaring figures this is but a mere 0.32% of the total GNI [Gross National Income] compared to the 1% originally promised by OECDs development assistance committee (DAC) in 2005. This shows that the numbers are both quite substantial and expected to increase further over time. (Fisher 2010)

How about the market value of humanitarian aid alone? The previous figures describe the trend for official development assistance from which only a portion, consisting of 15.1 billion USD, is used for humanitarian aid (GHA 2010). The EU alone has 800 million EUR (circa 1.1 billion USD) budgeted for humanitarian aid 2011 (European Commision 2010) With this in mind it can be concluded that the market for services and products for humanitarian aid is growing and thereby becoming more attractive.

As a note, SIDA (Swedish International Development Cooperation Agency) alone spent 2.6 billion SEK (circa 401 million USD) on humanitarian aid 2009, which was almost 8% of the total Swedish development funds (Nordström 2010).

1.4 Political incentives for focusing on this problem
And who can satisfy this market? There are over 640 000 companies with less than 50 employees in Sweden according to the database Affärsdata (Kungl. Biblioteket 2011). The organization Företagarförbundet increase the stake by showing figures of 865 000 smaller companies and debate that these are more than 95% of all companies in Sweden and therefore an important group to focus on for development (Lidström & Littorin 2006). In respect to the previously stated problem and the potential market, it should therefore
be of political interest to further analyse how these companies can be aided to reach this major market. This might be done in several forms, e.g. creating networks for companies interested in specifically this market, simplify bureaucratic processes for a smaller company to work with this market or institute economical incentives to approach the market.

It seems beneficial for NGOs, governments and the private sector to attempt improving efficiency and coordination, internal as well as external.

1.5 Incentives for NGOs

When evaluating post-disaster reconstruction projects Chang et al discovered three categories of key constraints: (1) NGOs-related factors (e.g. competency of resource procurement), (2) exogenous hurdles in NGOs’ implementing environment (low local transportation and supply capacity) and (3) community-related factors such as culture and lack of community influence and participation (Chang et al. 2011). When breaking down these key constraints into specific factors the procurement lead-time had a rank 4 while competition for resources from among aid-agencies had a rank 1. This shows that these two factors significantly affect the resource availability according to the respondents and therefore the outcome of the project. The authors argue that the results can be translated for other recovery and reconstruction projects led by NGOs and supports the intuitive idea that a closer cooperation between NGO and supplier can benefit both parties.

There already are some identified areas where the work by Humanitarian Organizations generally may be improved.

1.6 Summarizing the need for research

It has now been shown that there are studies regarding specific areas where NGOs and companies can benefit by developing new strategies for their interaction, such as the above mentioned procurement study. There is still a need to provide a general picture of possible strategies for how a smaller company can interact with and align its processes to serve a NGO market. This will provide a broad insight in where measures can give the greatest impact and possibly identify the most critical areas of improvement. This is interesting for companies, NGO’s and for governmental purposes. Focusing specifically on smaller companies narrows the field and increases the relevance of the study, due to the great number and influence of smaller companies in Sweden. It should also be stated that Sida financed the field study via a Minor Field Study scholarship.

1.7 Objective

The objective of this study is to identify and evaluate possibilities for aligning a small company’s strategy with a market consisting of NGOs. By doing so enabling further development of products and services to achieve a high fit to the market needs.
By analysing possible structures, procedures and options for a specific company with customers in this segment it may be possible to boost the interest for this market and add incentives for the company to further develop in line with it. This suggests a case study and will be further discussed in 4.3 Scientific method.

1.8 Target groups
This thesis report revolves around strategic issues for a smaller company with a customer base consisting, at least partially, of NGOs. These companies are therefore the primary target group. During the process we will also delve into problems and wastes that can occur in the different types of NGOs, which may be interesting for them as well as their suppliers. Third parties may also find use of the research. For Academia and government this may be considered as a starting point for future research and discussion.

1.9 Disposition of report
In order to present the background and underlying objectives of this project the introduction presents the situation today and summarizes in a single objective of the report.

The theoretical framework is then presented to give a broad and complete picture of previous research in the field. By doing so, the objective can partially be answered and further research identified. This section contains some analyses and discussions.

The discussions in the theoretical framework are summarized and used to construct a model for further research. Specific case study questions are then formed to complete the model with empirical observations.

This is followed by a complete discussion regarding the methods used for collecting and analysing data in order to retrieve as high reliability, validity and versatile conclusions as possible. Assumptions and limitations of the study are also presented here.

The case study chapter follows the method presented in previous chapter and reviews the case company, water disinfection, situation and empirical findings from the field study.

The empirical data is analysed according to the methods discussed in the method chapter. These analyses are conducted in respect to the previously presented theories.

Based upon these analyses we draw conclusions and generate recommendations to the case company. These are followed by general ideas and considerations regarding future research.

Figure 1-1 Disposition
2 Theoretical Framework

In this chapter the concepts of strategy, market management and internationalization are discussed, providing a base for an analysis of value in respect to different functions of a company. The supply chain and logistical issues are identified as potential areas of interest when dealing with NGOs specifically. Ways in how services and products can be developed in order to better meet NGO demands are related to the learning organization, interaction and cooperation.

2.1 Introduction to the theoretical base

The objective of this study consists of two basic parts: to evaluate strategies and investigate product and service development for smaller companies. These are intertwined and dependent on each other. Porter defines strategy as the creation of a unique and valuable position, involving a different set of activities (Porter 1996). This is the foundation for a company’s strategic position. Porter also emphasize the need of doing trade-offs and that a key to success is to find a “fit among a company’s activities”. (Ibid. p.16)

First there will be a short review of the market of humanitarian organizations. Unless there is a basic understanding for the characteristics of the NGOs and the world of humanitarian aid it would not do us any good trying to define the demand for products or services in this sector. Next is a comprehensive review of relevant strategy philosophies and how these relate to this market of NGOs. Only a few of the existing strategy schools are presented due to the scope of this report and have been chosen in respect to the objective. For more reading on the subject the books of Chan and Mauborgne (2005), Collins (2001), and Mintzberg et al. (1998) are recommended as a start.

After the market of NGOs and the different strategy philosophies have been debated we deal with the issue of expanding to this market. For many companies this will involve large organizational and probably cultural challenges. A discussion of these is crucial to be able to define plausible strategies and scenarios for a company attempting the transition. These three fields are continuously debated and related to each other as they are presented. The next chapter summarizes the findings and discusses the need of further research.

2.2 Non-governmental organizations

Wikipedia defines a NGO as “a legally constituted organization created by natural or legal persons that operates independently from any government and a term usually used by governments to refer to entities that have no government status” (Wikipedia 2011d, sec.Non-governmental organization). There is however no strict definition of the activities of an NGO but the World Bank defines them as organization who “pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development” (World bank 2010).

2.2.1 Types of NGOs

In the typology of NGOs there are three classes depending on core driving force. Stoddard tells us that there are religious, “Dunantist” or “Wilsonian” NGO’s (Stoddard
Religious NGOs are generally connected to an established church and Catholicism has a prominent position with organizations such as CRS, Caritas and CAFOD. Dunantist NGOs derive from the ideas of Henri Dunant who in 1859 was so appalled by the scenes of the Battle of Solferino that he five years later founded the Red Cross movement. This is the most common type in Sweden where the NGO is strictly separate from the government. The Wilsonian strand is characterizing for most US NGOs as it “It stems from US President Woodrow Wilson’s ambition of projecting US values and influence as a force for good in the world” (Stoddard 2003, p.27). These are typically more connected to the government and lately military as well (Ibid.)

This type of classification is strictly depending on type of driving force and says very little about the activities or field of work of the organization. Very few NGOs bill themselves to humanitarian relief exclusively but tend to have multiple focuses. The exceptions being those with a strategy of bulk shipments of commodities, e.g. Feed the Children. (Stoddard 2003) Most NGOs are crossovers with activities in several sectors. For example is Oxfam one of the major actors in water and sanitation relief but the core of the organization revolves around creating long-term solutions which would be the opposite of humanitarian aid; development (Oxfam 2011).

2.2.2 Trends of NGOs
The last three decades have seen the impact of NGOs explode and with this the number of them as well. From 1980 to 1990 the number of northern NGOs with international programs went from 1600 to 2500 (Lindenberg & Bryant 2001, p.3). The World Bank shows figures of over 50 000 international NGOs by 2006 (World bank 2010). However according to Stoddard is this scene dominated by only a handful of large organizations or clusters of organizations (2003, p.26) This solidification of the NGO market has not only stiffened the competition for funding but also put the market in the spotlight for commercial actors with its lucrative contracts.

When looking at the organizational structures of NGOs they have different strategies. Some, as CARE and World Vision, have corporate-like structures while others have an umbrella structure. Due to the rising need to coordination, tighter policy coherence and to invite southern actors in the game the 90’s offered a change of governance (Forman & Stoddard 2003, p.240). The trend was, and still is, towards having indigenous offices where local knowledge and involvement can be encouraged. The movement is still young but the focus has shifted for many NGOs to e.g. local spin-offs and partnership (Stoddard 2003, p.27)

NGOs have since the late 80’s had a prominent role in rapid catastrophe aid missions. Where governments fail to provide functional goods they have become primary representatives of the international community and have a “reputation for speed, flexibility, and programming innovation beyond the reach of official political or bureaucratic actors” (Stoddard 2003, p.27).

2.2.3 Needs of NGOs
Rieff defends this reputation and propose that this is what sets the humanitarian organizations apart from the human rights movements (Rieff 2003). Rieff continues by
stating that this neutrality and flexibility should be protected as the NGOs are cautioned to overreach and should do “what they do best – alleviate suffering” (Ibid.). Another warning that has been raised during the last decade is the logistics and procurement of NGOs (Tatham & Pettit 2010; van Wassenhove 2005; Jahre & Jensen 2010). The main theme is the lack of evaluation and adaptation of best practise of the private sector compared to which van Wassenhove maintain that NGOs are at least 20 years behind (2005). Both companies developing managerial and technical solutions as well as suppliers should heed this call.

Stoddard also claim that “There will be greater pressure for accountability to donor-defined performance measures” in the near future for NGOs (2003, p.30). On top of this there will also be a generally increased need of “project design guidelines and [detailed] frameworks” (Ibid.). These changes require technical upgrades and possibly a change in culture and organizational learning. Companies targeting these markets have a golden opportunity. “Firms specializing in relief packages or equipment can experience rapid growth in a short period of time over the course of one major emergency as they secure lucrative contracts as suppliers to NGOs or multilateral agencies.” (Stoddard 2003, p.30) Although Stoddard also states that NGOs tend to prefer suppliers with a connection to their origin nation, a sort of nationalistic partiality (Stoddard 2003, p.30).

Van Wassenhove proposes that humanitarian projects are increasingly complex and the need for cost reductions is impending due to a funding soon to be outdistanced by the rising need for aid (van Wassenhove 2005). Schulz and Blecken support that coordination between NGO’s, authorities, agencies and companies is one of the keys to efficiency but also stress that these often differ in priorities and objectives, e.g. do NGOs focus less on cost aspects than on lead-time and quality improvements thus have a higher acceptance for related wastes (2010). They also conclude that smaller organizations benefit most from cooperation, which might be the case for companies related to these as well.

NGOs have flexible and swift organizations but are lacking in managerial and logistical systems. Supporting transparency and performance reporting is also crucial.

2.3 Strategic reasoning

While NGOs are diverse and cannot be considered as one unified market the strategy of a company has to reflect this. As mentioned Porter (Porter 1985) suggests trade-offs in order to better compete and satisfy the customer needs but there are more aspects of a strategy that must be considered. Mintzberg et al. (1998) present ten different schools of strategy formation where Porter is considered to be a dominant player in the positioning school. This is one of the three prescriptive schools as it postulates that strategy is a deliberate formulation instead of an emerging phenomenon, which characterizes the descriptive schools. This school views strategy formation as a process where a business is designed and analysed in relation to its industry context to derive how the competitive position can be improved. This makes it exceptionally relevant in a study of companies in a certain setting and will therefore be used as the main school. The second school that is
interesting in this study is the learning school where the strategy formation is regarded as an emergent process where the organization incorporates lessons learned over time (Mintzberg et al. 1998). This school resembles the Internationalization Process model by Johanson and Wiedersheim-Paul (1975b) but explains learning in more general terms and is therefore interesting when analysing an export process. It also broadens the view on formation and formulation of strategy, as it is an example of the descriptive school. (Mintzberg et al. 1998, pp.176-231)

Mintzberg et al. (1998) admit that none of the schools really can be said to be “pure” in its nature and should therefore not be analysed as such. This might be especially important when discussing smaller firms where the strategies most probably have been developed in relation to their current business context without strategic planning but now have to be incrementally changed to fit a global market in which there is little insight, leaving a pure strategy difficult to achieve.

2.3.1 Positioning school
Porter debate that positioning is necessary to avoid a stagnating development when hitting the productivity frontier (1996). The productivity frontier can be described as “a sum of all the best practices at any given time” and defines the maximum value that a company can produce given the same positioning as the competition. At the frontier companies (in this case suppliers to NGOs) tend to match or imitate (straddle) each other (Porter 1996, p.63). Another way of describing positioning is by analysing the value of the product or service by for example defining the highly differentiated product benefits and generally commoditized benefits. Generally commoditized benefits defined as the attributes that may be found in the competitors concepts while the differentiated benefits are specifically recognized in the company’s own products. (Smith & Nagel 2005, p.40) E.g. for the market of humanitarian aid it might be a commoditized benefit with short lead times (see 2.2.2 & 2.2.3)

Porters’ definition of strategy is the foundation for the variety-based positioning, dependent on three different sources:

1. **The wish to serve few needs of many customers.** The focus is in this case on the product and its attributes instead of on the customer segments.
2. **The wish to serve broad needs of few customers.** Contrary to the previous this focuses on the customer, providing services and complementary products to satisfy several needs of specific customers.
3. **The wish to serve broad needs of many customers in a narrow market.** In this case the focus is on activities and methods to attract groups with one or several needs in common with each other.
This differs from defining the strategy strictly based on the customer segment, e.g. high-, middle- or low-income consumers but both ideas result in that a company must make a trade off when committing to their choice (Porter 1996, pp.70-71). A producer of expensive quality food products may have a problem convincing an NGO that they can produce low cost rations. This would probably spread confusion in their branding as well as production organization. This has similarities to the value discipline model by Treacy and Wiersema (1995); see Figure 2-1, where the authors, on the contrary from Porter, lift operational effectiveness (OE) as a strategy next customer intimacy and product leadership. The last strategy focuses on creating a superior product while customer intimacy focuses on delivering a complete concept and satisfying many of the customers needs. Porter argued that OE is limited by nature as operations often are imitated and the strategy can end up in a stagnating development without differentiation from the competitors offers.

Hax and Wilde have similar ideas but lean more toward defining strategies based upon customer and competitor patterns. “Customer solutions” and “best products” focus on minimizing costs for the customer or the production of the product or service, similar to “customer intimacy” and OE. The third part is the “system lock-in” which relies on selling to different parts of supply chains in order to vertically lock in customers of specific interest, see figure 2-2. (Hax & Wilde 1999)

No matter the method used to analyse or derive a strategy Porter stress the importance of actually having a well-defined strategy compared to simply chasing OE (1996). Without their strategies companies tend to copy each other’s activities and end up at the same frontier where the marginal and profitability is incrementally reduced. This involves making trade-offs regarding activities, customer segments etcetera in order to achieve a unique position (Porter 1996). Common critique to Porters reasoning is regarding the assumption that the productivity frontier limits the maximum value since new innovations tend to keep pushing this back and may do so in a faster pace than companies adopt best practices.
Discussion
This may be especially important to consider when dealing with smaller companies as these rarely have the resources to incorporate “all the best practices” that the frontier span. Pursuing a strategy of OE might simply be impossible of the same reason. Another important issue to consider is the number of natural positions that are present on a global market. As the need for humanitarian aid is constantly shifting many factors that otherwise could be consider static may actually shift from being a disadvantage to becoming a competitive advantage. An example: as is stated in 2.2.3 there is a tendency among NGOs to use suppliers of the same origin, which leaves other companies at a disadvantage. Although if a disaster struck in the same region as a rejected competitor is located then the local knowledge would suddenly have a larger value and be preferred. The company’s location turned from being a disadvantage to a competitive advantage.

2.3.2 Learning school
Mintzberg et al. (1998) propose that there are two philosophies of strategy, descriptive and prescriptive. The learning school can be said to investigate how strategies are formed instead of formulated as they are in the positioning school. These differ in the sense of action being taken before or after the strategy is stated. The problem of deriving a strategy from a SWOT analysis is clearly stated by Weick:

“If you want to diversify, analyze your strengths and weaknesses so that you can establish what markets you belong in. Then go get them. This sounds highly efficient. The problem is that, all too often, it just does not work. In Weick’s view, learning is not possible without acting. … Organizations have to discover their strengths and weaknesses.” (Mintzberg et al. 1998, p.195)

The action that is referred to can either bring knowledge retrospectively or emergently depending on if the actions are used to gain knowledge according to a pattern or randomly occurring with knowledge being retrieved retrospectively. (Ibid.) Hamel (1997) debates several ideas of the positioning school that are casted in new light by the learning school:

The first is that the positioning school consider industry analysis as a key to strategy. This is problematic as it is increasingly difficult to “define precisely where an industry begins and ends. … The question, “what industry are you in?” is becoming harder and harder to answer” (Mintzberg et al. 1998, p.221). The second is the misleading of focus towards direct competitors. These are also increasingly difficult to distinguish before one has entered and received feedback from the market. Collaborators, suppliers, buyers and competitors may be confused which would be potentially devastating in the positioning school if a strategy cannot be recursively developed (Ibid.).
From these fundamental insights Mintzberg et al. infer the following characteristics of the learning school:

1. Strategy making must take form in a process of learning over time
2. The collective system gain knowledge, not the management alone
3. This learning is emergent through behaviour that stimulates thinking retrospectively
4. Leadership cannot aim to dictate strategies but more manage the process of strategic learning
5. “Strategies appear first as patterns out of the past, only later, perhaps, as plans for the future, and ultimately, as perspectives”
   (1998, pp.208-209)

There is also instability in the learning school though. As Mintzberg et al. comment:

The learning school should not be about learning as some kind of Holy Grail. Mostly it should be about learning as a discipline for elaborating a valued sense of direction — an established strategic perspective and occasionally about changing that sense of direction, when necessary. (1998, p.226)

Both Mintzberg et al. (1998) and Johnson (Johnson 1988) emphasize that there is often a strategic drift present in organizations with an incremental strategy forming (see Figure 2-3). This is an effect of issues between managers and the information at hand as well as of political reasons. For example may managers believe that they are adapting to changes in their environment when they are in fact reacting on signals that just happen to “coincide with the paradigm” (Johnson 1988, p.88). This is cause for a warning to not loose ones grip on the fundamental strategy or core values of the company.

![Figure 2-3 Strategic drift to the left and without drift to the right (Johnson 1988, p.88)
**Discussion**

For companies who supply the market of humanitarian aid this might be especially risky, as they probably would rely heavily on the information and indicators from the NGOs instead of first hand data. Given a very volatile market spanned by organizations with different needs and structures this information might be difficult to accumulate in a manner that provides valuable data and feedback. This is especially true for smaller companies without the financial strength to gather such data on its own. Although small companies do have a better chance of spreading knowledge internally compared to larger enterprises, supporting the second characteristic stated by Mintzberg in previous section.

The learning school should perhaps, as suggested, be implemented to create a learning culture and constant strive for improvement more than as a strategy in itself. The strategic drift may be a valid threat as small companies generally have less pronounced core values compared to larger firms. Although the lack of collective information regarding the NGO market as well as the diversity of the needs of these makes a positioning school even harder to pursue. In this context is maybe a trial and error a naturally occurring necessity for any small company attempting this market

In the learning school strategy is formed incrementally and with knowledge retained from trial and error retrospectively.

### 2.3.3 The learning organization

Nonaka and Takeuchi proposed a recursive model for product development to include the learning process of the organization and reduce the impacts of errors occurring in later parts of the process (Nonaka & Takeuchi 1986). Nonaka later developed the same idea of recursive learning into a model for tacit and explicit knowledge, where tacit knowledge being indicated as the second feature in the list in previous section. This knowledge is owned by the individual and not easily transferred to the organization. Explicit knowledge is the opposite of this. The challenge is creating a spiralling model for turning tacit knowledge into explicit, spreading it throughout the organization and turning it back to tacit knowledge via e.g. slogans, metaphors and pictures (see Figure 2-4). This spiral can be either internal or external (with inter-organizational learning). (Nonaka 1991)
When Minor Ventures Matter

Prahalad and Hamel offer another facet of the learning organization. They present a model for identifying and strengthening the company’s core capabilities. This spans the “collective learning of the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology” (Prahalad & Hamel 1990, p.82). By identifying core capabilities in a company and selecting those that can be aligned with the strategic aim these can be enhanced and turned into competitive advantages. Defining these can be difficult but one of the features of a core capability is the difficulty for competitors to imitate it, which makes it effective while building and protecting a competitive advantage. (Ibid.) Prahalad and Hamel suggest questions of this kind when identifying core capabilities:

- How long could we dominate our business if we didn’t control this competency?
- What future opportunities would we loose without it?
- Does it provide access to multiple markets?
- Do customer benefits revolve around it?

Porter proposes that a high strategic fit of activities (as an alignment of core capabilities with the business strategies would implicate) reduces the risk of competitors straddling. This is an effect of the many activities that need to be successfully imitated leaving a low probability for a competitor to match a company’s whole system. (Porter 1996)

“The probability that competitors can match any activity is often less than one.
The probabilities then quickly compound to make matching the entire system highly unlikely (.9 x .9 = .81; .9 x .9 x .9 x .9 = .66, and so on).” (Ibid.)

Discussion
The idea of tacit and explicit knowledge emphasize an advantage for the small firms; the ability to effortlessly spread information within the company. Turning knowledge back to tacit knowledge or actually retrieving the knowledge from the NGO ought to be the real
challenges. Interpreting information with a lack of insight or only receiving partial information may complicate the process of identifying and applying core competencies and perhaps be a cause for strategic drift. If a company is producing quality food rations and suddenly start focusing on rapid aid shipments due to the needs of a specific customer this might blur their core focus and stray from the areas supported by their core competencies. Is it quality food or fast delivery? It may be both but without a well-defined strategy in the background this type of mixed influence might cause a strategic drift, steering the company in a different course than originally intended as well as confuse customers and employees. Extracting information from customers and other partners is therefore a vital form of inter-organizational learning and the foundation for further product development for a learning school strategy.

The strategic fit of activities should be in focus no matter the size of the company. In relation to the difficulty of charting the NGO market this might be a heavier burden for the small company though. The lack of information regarding markets, substitutes and competitors is once again a discouraging factor for the smaller firms. Identifying the core competencies that might be turned into a competitive advantage is the focus of the next section.

2.3.4 How to create competitive advantages

To acquire competitive advantages it is vital to have an understanding for the factors that affect the market, competition and customer behaviour etcetera. For this to be possible a framework based on Porter’s five forces and the blue ocean strategy will be presented in these sections. These are fitting for the purpose as they respond well to the positioning school and consider the competition and other direct forces as more influential than national, cultural or social aspects of the market. Examples of additional tools would be the PESTLE analysis and scenario- and consequence analysis where these other factors are investigated and larger scenarios are created (Bensoussan & Fleisher 2003; Schilling 2010). Although for this study the previously named models are appropriate as most European NGOs are international and often global which makes these sociological factors difficult to discern.

2.3.4.1 Porter’s five forces

As previously stated it may be difficult to define who your actual competitors are and where the industry really begin and end. Porter’s idea of this problem is that you have to look beyond the direct competition and also describe the other 4 most pressing forces that will act upon a company (Porter 2008):

**Customers** can force down prices as well as play companies against each other. They are primarily able to exert their power when they have a high negotiating leverage compared to industry participation.
Suppliers can use different forms of lock-in strategies with high switching costs or reducing a company’s negotiating leverage by serving multiple markets and reduce the importance of a specific market.

New Entrants, armed with innovations and tenacity, are exceptionally threatening if the market has a high growth rate and low barriers of entry. E.g. high capital investments may reduce the pool of potential new entrants.

Substitutes are easy to overlook as they can be in very different forms. E.g. a necktie and a power tool may be substitutes on Father’s Day. High switching costs can reduce the threat, but a close look on market changes might be the best protection.

Discussion

These forces are easily related to the ideas of Treacy and Wiersema (1995), Hax and Wilde (1999) and Mintzberg et al. (1998) as presented above. For example, can the Lock-strategies be used to reduce the bargaining power of buyers but should also be considered out of the perspective of barriers of entry. Are the existing competitors already in this position it might be difficult to win market shares and the attempt might cost more than it is worth.

The bargaining power of suppliers is difficult to discuss in general terms. This depends on the type of business the company is in, how many alternative suppliers there are etcetera. The threats of substitutes and new entrants could on the other hand be presumed to be great as a global market is courted by a global net of suppliers. On the other hand, as it was stated in 2.2.3 that NGOs tend to prefer companies with a shared origin, thus diminishing this threat. This preference should however vary depending on politics and the amount of bureaucracy in the organization. This leaves the bargaining power of buyers. Employing customer-oriented strategies as Hax and Wilde propose can reduce
this power. Increasing switching costs by designing mutually beneficial logistic solutions may have the same result and at the same time improve the chances of inter-organizational learning. The final force is that of existing competition that once again need to be analysed in respect to the specific line of business.

Porters five forces deals with the **bargaining power of suppliers** and **buyers**, the threat of **new entrants** and **substitutes** and the **rivalry of existing competitors**

### 2.3.4.2 Blue ocean strategy

The importance of trade-offs in strategy, presented by Porter in the previous chapter, is also emphasized in the choice of market. This is not solely a question of voids in supply where an already existing demand is left unchallenged but also if a market can be intentionally developed. This is the intention of Chan and Mauborgne when presenting the blue ocean strategy (Chan & Mauborgne 2005) The authors debate the positioning schools interest in trade-offs in cost-value situations, the constant battle of market shares and search for differentiation and claim that this in many cases is a struggle for parts of an ever shrinking profit pool. The solution they suggest to this is to create a blue ocean strategy where competition is not a problem to be overcome but rearranged and labelled as irrelevant (see Figure 2-6).

The key to creating blue oceans is not, as one might believe, technological pioneering but rather a redesigning of the concept in a sense of value pioneering. This gives a company the opportunity to create blue ocean markets apart from or even within the red oceans as they can focus on factors that competitors not yet have touched and without investing major capital in research and development. These factors will create a new foundation for value and while reducing the importance of other factors the price can be maintained or even lowered (Ibid.).

The sole purpose of this is to reach a market where the competition is no longer in focus and the company is uncontested. The authors propose that it is also possible to keep the ocean blue and prevent imitation for as long as ten to fifteen years without credible challenges. This due to rapidly developed economies of scale as the strategy attracts large volumes of customers immediately. It is also backed up by the cognitive effect of the massive branding that usually follows. Examples like Wal-Mart and Ebay support this theory. (Chan & Mauborgne 2005)

<table>
<thead>
<tr>
<th>Red Ocean Strategy</th>
<th>Blue Ocean Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compete in existing market space</td>
<td>Create uncontested market space</td>
</tr>
<tr>
<td>Beat the competition</td>
<td>Make the competition irrelevant</td>
</tr>
<tr>
<td>Exploit existing demand</td>
<td>Create and capture new demand</td>
</tr>
<tr>
<td>Make the value/cost trade off</td>
<td>Break the value/cost trade-off</td>
</tr>
<tr>
<td>Align the whole system of a company’s activities with its strategic choice of differentiation or low cost</td>
<td>Align the whole system of a company’s activities in pursuit of differentiation and low cost</td>
</tr>
</tbody>
</table>

*Figure 2-6 Difference between Red and Blue ocean strategy (Chan & Mauborgne 2005, p.13)*
To do this they suggest a framework of four principles of how to deal with the introduced factors and present these with the help of examples of successful creations of blue oceans. In this case the example is an Australian winemaker who redesigned their strategy and in just a few years became the United States’ bestselling red wine in a 750-ml bottle (see Figure 2-7):

1) **Eliminate factors in your industry that no longer have value.** For example, winemaker Yellow Tail eliminated fancy terminology in its marketing communications.

2) **Reduce factors that over serve customers and increase cost structure for no gain.** Yellow Tail initially offered just two choices: red or white wine.

3) **Raise factors that remove compromises buyers must make.** Yellow Tail priced its wines above the budget category of wines but below those deemed “premium.”

4) **Create factors that add new sources of value.** Yellow Tail provided ease of selection and the fun and adventure of Australian branding.

(Chan & Mauborgne 2005)

![Figure 2-7 Factors of the Yellow Tail wine (Chan & Mauborgne 2005, p.39)](image)

When factors have been identified, strategic choices been made and a blue ocean strategy derived it is time to take the company out of its comfort zone and leave it in an undefined market. This is how Chan and Mauborgne express the sensation:

The founders of Cirque du Soleil clearly did not feel constrained to act within the confines of their industry. Indeed, is Cirque really a circus with all that it has
eliminated, reduced, raised, and created? Or is it theatre? If it is theatre, then what genre - Broadway shows, opera, ballet? The magic of Cirque was created through a reconstruction of elements drawn from all of these alternatives. In the end, Cirque is none of them and a little of all of them. From within the red oceans of theatre and circus, Cirque has created a blue ocean of uncontested market space that has, as yet, no name. (Chan & Mauborgne 2005, p.77)

Cirque du Soleil was founded in 1984 by a group of street performance but had no animals or orchestra and therefore targeted both the younger and the older audience but with a completely different concept. Cirque became a success and has staged dozens of productions for over 40 million people all around the world. In only 20 years it has built profitability and a brand that took the major circuses half a century to achieve.

Discussion

A blue ocean strategy seems indeed to be a winning concept but has also been criticized for being a mere mix of old theories (e.g. Porters five forces and the Delta model) and presented in a new package (Niclejewska & Dimitrov 2008, p.37). Economies of scale would be difficult to achieve rapidly for a small company without large-scale production units or a marketing department to support the necessary branding. In order to prevent imitations in this sense the companies need to acquire capital to support such investments and abandon the possibility of growing organically. This is of course depending on the type of business, as a software company probably is in less need of costly initial investments than a manufacturing company. Without the ambition of rapidly expanding and perhaps taking in external capital the blue ocean strategy will not be protected against imitation and quickly turn into a red sea if the attempt it recognized as profitable. This would also be the case if the blue ocean market were not stable enough for a single company to predict and control.

However, the fundamental idea of the blue ocean factors still stands and can be seen as a method complementing traditional methods of analysing strategic planning. Since NGOs often promote transparency throughout the organization it should be possible to get a grip of what competitors a company face in a specific situation. Identifying the factors in which the company compete with these and the factors where no competition is currently taking place would therefor prove to be simpler than in business-to-business as the NGOs will benefit more from the development. This may be a mean to create a differentiation and at some level create a short-term blue ocean strategy for a smaller company.

Blue Ocean Strategy offers a framework of creating a strategy where competition can be considered irrelevant. Although the long-term effect might be lost on a small company due to low protection from imitation the framework may be a valuable tool.

2.3.5 Where can value be added?

The previously discussed theories of a blue ocean strategy, differentiation and operational effectiveness give us a strategic view on creating value and through this a
When Minor Ventures Matter

2.3.5.1 Customer value

From the section of Strategic Positioning we know of different ways to define customer value in line with the strategic schools. E.g. Smith and Nagel discuss the model of commoditized and differentiated value, which is based on how competitors act and defines a strategic positioning in respect to these (2005). Another way of defining value would be through the eyes of the customer regardless of the offers by competitors. Woodruff define value as:

A customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations. (1997, p.142)

This definition opens for a hierarchal description of customer value (see Figure 2-8). It suggests that desired value is composed of preferences of attributes and consequences connected to the goal of the use situation. When a customer evaluates their experiences of the use situation they both form a perception of the customer value and more important attribute a satisfaction to the received value. The customer may feel more or less satisfied. (Woodruff 1997)

By using a framework with the Woodruff model it is possible to specify what an organization must learn about its customers. The value that may prove to be differential for an NGO might depend on whom in the supply chain you ask. The final user abroad is perhaps in need of supplemental products or information while the procurement division is in need of logistical support. This might be a model for identifying blue ocean factors such as the ones Chan and Mauborgne (2005) proposed for differentiation (see 2.3.4.2).

More importantly it gives an incentive to look beyond the attributes of a product and to understand consequences of the use as well as the goals and purposes. Woodruff agrees with the learning organization that this can be achieved by trial and error through which feedback is retrieved and turned into explicit knowledge. Woodruff also proposes that the use of formal market analysis, with experiments, surveys and
qualitative research, also is a vital activity to retrieve this hierarchical knowledge (Woodruff 1997, p.143).

### 2.3.5.2 Diversification versus Focus

Defining value for the customer might present opportunities that stray from the core of the business strategy. To extrapolate Porter's axiom about trade-offs; this means that diversification might lead to a company loosing focus and thereby momentum. It is important to ensure tangible goals and the presence of a vision (Ahrens 1999) and it magnifies the *additive effect of initiatives* as all initiatives are taken in align with the focus (Collins 2001).

Using a model to identify customer needs also implies discarding some of these. An ambition to satisfy all demands of several different customer segments would lead to a diversification of products and activities. Collins (2001) and Ahrens (Collins 2001) both propose that diversification is one of the leading reasons for companies to loose profitability or suffer diminishing growth.

To minimize the risk of this happening it might be practical to use Porters value chain (see Figure 2-9) in order to enable an activity-based view on a company. This model focuses on defining activities as either supportive or primary and the margin as a product of the relationship between these. (Porter & Millar 1985)

![Figure 2-9 Porters Value Chain](image)

Instead of solely focusing on customer needs this framework provides an analysis of the company’s activities and how these interact. By using this description it is possible to achieve a “fit of activities” as is described in the introduction to this chapter. As shown it is important not to loose focus, especially when commencing a new business (e.g. when starting an export or entering a cooperation) as a smaller company’s concept might be a bit “fuzzy” in the beginning.

Categorizing how customer value is evaluated, in respect to attributes, consequences or goals, emphasizes the need to understand different parts of the customers supply chain. Though pursuing all these at once may cause diversification and a loss in focus.
2.3.6 Co-operation in product development

Provided these frameworks and models do identify customer needs and possible strategic fit between a company’s existing activities the problem to actually enable further development of products and services remains. Schilling proposes that a company’s sheer size might affect its possibilities for further development. A larger company has generally a better chance for financing R&D, complementing products with additional services, engaging in projects with a higher risk etc. Different forms of cooperation with other companies or organizations, as well as the company’s own customers, might also achieve this (Schilling 2010). Takeuchi and Nonaka stress the need for an iterative process when developing a product. The process must take into account that information beyond the basic requirements for physical aspects, cost and differentiation is needed to satisfy customer demands (Takeuchi & Nonaka 1986). Other models usable in such a process would be Porters value chain and previously described customer value models.

This suggests cooperation between NGOs and companies as the most reasonable solution. Lacking the financial strength of a larger company the possibilities for sole development of products is a costly matter. Retrieving information through marketing research and surveys would also be strenuous for the smaller company. A larger company would also be in a better position for exploiting benefits of diversification and does not have the same need to focus in pursuing a few profound investigations. Based on these assumptions product and service development for any smaller company should rather be attempted in cooperation with the customers, if possible without disclosing vital technology or in other ways endangering the success of the company. With NGOs there is an even greater incentive for these to assist such a process. This as competition between these is lower than between regular companies and the transparency of the NGOs favours cooperation, at least to some extent.

For smaller companies, product and service development would involve a closer and deeper cooperation with the NGOs than is necessary for larger enterprises.

2.4 Expanding to the global NGO market

While the theory regarding NGOs and different strategic schools gives us an idea about how a company can compete and provide NGOs with valuable services it gives us little knowledge of the actual process. There is however a lot of literature regarding “normal” business-to-business export and to understand internationalization towards NGOs we will start by reviewing this process. Export is interesting for two reasons: most NGOs are internationally active which likely imply second tier export and secondly the potential in the global market exceeds the domestic by far and is therefore foolish to exclude without further scrutiny.

2.4.1 Internationalization process

Kleen et al (2006) describes the process of internationalization as something that often starts with spontaneous export being an exception to the general strategy. The opposite of this is a company “born global”, where the internationality is key for the strategy. This
is, according to the authors, especially common for smaller companies. (Kleen et al 2006) By sporadic export the company will gain knowledge regarding the markets, get comfortable with the idea of exporting and successively establish further exploits. The basic idea is that an international expansion is essentially governed by an experiential learning, which cause incremental establishment. The Uppsala model describes the process of internationalization as distinctly incremental and primarily limited by cultural barriers (Forsgren 2002, p.258). The model has both been supported and criticized by several authors, being described as “too narrow and rigid in its specification of the pattern that characterizes the incremental process” (Malhotra & Hinings 2010, p.350) and in need of a “broader concept of organizational learning” (Forsgren 2002, p.257).

Numerous authors have since then proposed other models. Malhotra and Hinings (2010) have distilled three different themes around which these models seem to revolve (see Figure 2-10). First there is the incremental theme (where the Uppsala model is maintained) and a second theme where contingencies moderate the relationship between the market uncertainty and incremental behaviour. This theme relates to other factors, as well as to experiential learning, and emphasizes that other types of learning, organization and line of business affect the process far more than experiential learning (Malhotra & Hinings 2010). The difference of these two approaches could perhaps be explained by an increased globalization as well or the arrival of the Internet. This opening doors for many new methods of marketing and sales that were virtually impossible before. The third theme presented, but not recommended, by Malhotra and Hinings conceptualize the internationalization process as something “that just evolves, without any strategic decisions” (Malhotra & Hinings 2010, p.332).

The incremental theme alone can be the subject of a throng of studies and has been as well, the Uppsala model has been revised several times by Johanson and Vahlne. Malhotra and Hinings argue that the process schematics are less important than understanding how the organizational characteristics and line of business affects the choices a company must make. The question of physical presence is also argued as depending on type of firm but is closely related to logistical needs and the product/service as well. (Malhotra & Hinings 2010, pp.333-334)

Discussion
With the contingency and incremental theme in mind the question is no longer incremental or not but rather what organizational needs are present and in what type of organization they appear. This is supported by Barkema et al. who also show that
companies have a strategic choice in how they internationalize but are also constrained by cultural barriers and learning (Barkema et al. 1996). How these cultural barriers can be breached, organizational learning supported and organizational needs identified will be the subject of next sections. This lead us to the conclusion that a company with a high ability to retrieve information regarding the customer, i.e. via inter-organizational learning, will also have a more rapid and safe internationalization process as well as better product and service development processes.

The internationalization process can be incremental, based on contingencies or serendipitous. This depends on organizational characteristics, line of business, cultural barriers and learning and probably several other undefined factors.

2.4.2 Interaction
Interactions are the roots of trust between firms and have been shown to reduce transaction costs, thus being vital for collaborative learning between partners (Buckley & Casson 2002, chap.2). Partnering firms rely on short-run actions to maintain a relationship in the hope that these will yield long-term profits (Håkansson & Snehota 1989; Håkansson & Johanson 2002a). These interactions develop into a range of bonds and commitments of different value to the company (Håkansson & Johanson 2002a; Håkansson & Snehota 1989). The core of these interactions can be described to be the context of the organization (Håkansson & Snehota 1989). If a company can align these interactions in a way to ensure that trust is being built it will not only reduce the transaction costs but also have a positive affect on the company’s reputation, thus improving its chances to strike deals with other organizations. E.g. targeting certain co-operations as outputs in themselves instead of simply being the mean could do this (Buckley & Casson 2002a, p.49).

“Cooperation may be regarded as an output when an arrangement leads to greater trust between the parties, which reduces the transaction costs of subsequent ventures in which they are involved. (Ibid. p37)

In this case it is likely that NGOs will prefer to work with companies that share their values, both in Sweden and abroad, as NGOs often have a moral code in its core and foundations. In accordance to the methods of Buckley and Casson a company’s interactions should therefore reflect the intended outcomes and expected learning. A company in need of developing a certain product should primarily target organizations with the same need. Joint development programs also seem to lead to the emergence of shared values, thus decreasing the psychic distance. (Buckley & Casson 2002, p.49)

Buckley and Casson define cooperation as “coordination effected through mutual forbearance” and continue with describing coordination as “effecting a Pareto-improvement in the allocation of resources, such that someone is made better off, and no one worse off than they would otherwise be” (2002a). This would mean that cooperation could lead to a reallocation of resources or in an inter-firm cooperation: a reallocation of responsibility and actions. This is often possible through Pareto-improvements, which can be identified by using e.g. Porters Value Chain (1985, p.37).
This could e.g. include reorganization in the supply chain or redefinition of the service or product. It could also mean investing in inter-firm activities, e.g. vertical integration or cooperation.

**Discussion**

When aligning internal activities with interactions it could be helpful to once again consult Porters value chain and Woodruff’s satisfaction hierarchy. Based upon the internationalization process the aligned interactions should also reflect the stage and type of process the company has ventured. An incremental approach should demand a more strategically chosen partner to optimize the flow of feedback (e.g. an NGO with well structured paths of information) while a contingency-based approach rather would focus on creating the greatest effect through their interactions (e.g. in accordance to a system lock-in or customer solution strategy). Depending on the strategy of the company it is vital to consider the desired outcome of the project. E.g. if a customer solutions strategy is the chosen path then the project itself should be the goal (perhaps a joint venture or a combined funding application) as this will create the strongest bonds and ensure a future cooperation.

Organizational learning and a good reputation can be achieved by strategically structuring a company’s interactions. By building trust transaction costs can be reduced and the chance of future deals improved. A key to this is shared values.

### 2.4.2.1 Interaction Relative to psychic distance

Interaction on a new market is in some cases mired because of the psychic distance, the barriers that hinder the flow of information between company and market. This is just as true for companies as for organizations and can be a result of language differences, cultural or political systems etcetera and is commonly related to geographical distance (Johanson & Wiedersheim-Paul 1975b, p.307). According to the internationalization model by Johanson, Vahlne and Wiedersheim-Paul companies tend to primarily establish themselves on markets with a small psychic distance (1975; 1977). Although Dikova found that distance has a negative effect on subsidiary performance unless in the presence of factors such as market-specific knowledge, that may avert the effect regardless of the distance (2009). These studies were however of already multinational enterprises, which should be considered when applying the conclusions to a smaller company.

“...Find that positive relationship between psychic distance and subsidiary performance is observed only in the absence of market-specific knowledge. Psychic distance has no effect on subsidiary performance when the MNEs have CEE investment experience or have established the subsidiary with a local partner.” (Johanson & Wiedersheim-Paul 1975b, p.312)

One of the implications of the psychic distance is the choice of market channel. When entering a market to which there is a great psychic distance it would perhaps aid to use an agent with market specific knowledge instead of immediately establish a sales subsidiary. (Johanson & Wiedersheim-Paul 1975, p.312)
2.4.2.2 Cultural aspects on interactions

Psychic distance can also be defined as an expression of the cultural distance between two organizations. Organizational culture in its turn can be described as “the pattern of shared values and beliefs” that help individuals understand organizational functioning and thus provide them norms for behavior in the organization (Deshpande & Webster Jr. 1989, p.4).

Further categorizing would divide culture into behavior either caused by segments or ingredients. Segments are the physical definition of the body in issue. This can for example be a country, organization or religious group. Ingredients, on the other hand, describe the manifestation of the underlying principles in the segment. This could be in the form of an artifact, behavior or a core value (Hall 1995). These are hierarchical categories with artifacts being the most accessible manifestation as it takes a tangible form in languages, cloths, tools and similar physical expressions. These are inconsistent trends and relatively easy to affect as a foreign actor. The behaviors are what they sound like and less tangible but still susceptible for influence. The manner in which a segment reacts and how the people express themselves take manifestation in social rules and are generally easier to work around and adapt than to change. The behaviors are in turn caused by the underlying core values. These are the philosophies of a segment, the beliefs and fundamental morals. However most problems tend to appear in the behavioral layer, where for example the business culture may clash with the common behavior of customers and employees thus causing a conflict.

The cultural and psychic distances to other organizations need to be revised and responded to without clashing with core values or similar difficult barriers.
3 Research Model and Questions

In this chapter the presented theory will be jointly evaluated to construct a model for analysing field studies. Further needed research is then defined and questions are prepared to guide the way in extracting conclusions from these analyses.

Before attempting a discussion of the findings and conclusions that were drawn in the previous chapter we restate the main objective of the study:

..to identify and evaluate possibilities for aligning a small company’s strategy with a market consisting of NGOs. By doing so enabling further development of products and services to achieve a high fit to the markets needs.

We have reviewed contemporary theories of corporation strategy and analysed these in order to produce guidelines for a small company intent on entering a market of NGOs. Two different schools of strategy forming (positioning and learning) have been presented and examined. These have been completed with instruments for analysing market needs (Woodruff’s value Hierarchy and Blue ocean factors), forces acting upon the company and to some extent possible threats (Porter’s five forces). Different aspects of product development and theories of how interactions can influence this process then followed. To discuss limiting factors as well as possibilities there was also a guide to the internationalization process and export in general.

3.1 A small company’s strategy

In some ways the sheer size of the company limits its strategic possibilities. A blue ocean strategy is difficult to uphold as it relies on economies of scale to lock in customers and a massive branding effect. It was shown that neither of these is plausible for a small company operating on a diverse and uncoordinated market. This may not be true for every company though. From a market perspective are the NGOs evolving and most of them relatively young, leaving the idea of unidentified needs credible and the blue ocean strategy possible for certain companies and probably those of larger size. The lack of aggregated information regarding NGOs and support to evaluate these markets is however evident and in need of being exemplified.

Weaving in the learning school in the process of strategy forming could perhaps make the positioning school more likely to succeed when the market is difficult to grasp in forehand. As stated in 2.3.2 is the size of a small company an advantage as tacit knowledge may be easier assimilated but it may also leave the firm vulnerable to strategic drift and meekly defined core competences. This suggests closer co-operations with NGOs to close the gaps of information flow. If the relayed information is more accurate and relevant for the firm it is also less likely to cause strategic drift. Although, what are the most important aspects of such a co-operation?

3.2 Product and service development

The different methods for differentiation and choosing direction for product development strongly emphasize the value of close co-operations with the NGOs. Closer co-operations may increase the possibilities of identifying values according to 2.3.5 as
well as strengthen the focus of the firm. As NGOs have a strive for transparency in order to retain the community’s confidence this gives them an extra incentive for them to share knowledge, both with suppliers and “competing” NGOs.

This may also be a mean to reduce cultural and psychic distance due to the trend of NGOs working with indigenous offices. In the longer perspective may this also be a way for the firm to gain local knowledge, thus speeding up the process of internationalization described in 2.4.1. This is just as true for an incremental internationalization process as for a contingency based.

It is however difficult to theoretically predict how a learning school approach to NGO co-operation might function. The idea of strategies appearing as patterns relies partially on the patterns having continuity, which hardly is the case in the NGO market due to the diversity and inconsistency of needs. With this NGO diversity and scarcity of collective knowledge it is neither likely that a strict positioning school is preferable. Retrieving explicit knowledge from NGOs may prove to be more difficult than expected. Identifying true value and opinions in respect to Woodruff’s hierarchy may on the other hand be relatively easy. This remains to be evaluated and exemplified.

3.3 Research in order to exemplify

As a result of the above discussion the first step in analysing a small company approaching the NGO market will therefore be to examine its strategic possibilities. It comes down to weighing the potential for a positioning school (prescriptive) against the possible advantages of applying a learning school (descriptive) approach to the strategy forming. The ambition is not to identify either as superior but rather to discuss how different factors can be approached by applying methods of each school to produce a combined strategy. This can be done via using models such as for example Porters five forces, the blue ocean factors and Woodruff’s hierarchy in order to identify what philosophies of either school that is likely to be most successful and how these can be fitted to the combined strategy (see Figure 3-1).

![Figure 3-1 Analysing strategy forming for a small company approaching a NGO market](image-url)

The above model does however not take the learning and product development into special account. These have been identified to be crucial factors for a company’s ability to adapt to the volatile market of NGOs and should be included in the process. In the discussion of tacit and explicit knowledge it was concluded that it is the inter-
organizational transfers that should be in focus. The question of co-operations regarding product development and inter-organizational learning are vital for the forming of a strategy in relation to the NGOs. To enable a learning organization, continuous identification of value and create a viable position for internationalization the schools should be weighed in relation to the possibilities for co-operation with NGOs and inter-organizational learning. The profound attempt of this model is therefor to weigh different aspects of the two schools against each other to enable an as optimal strategic mix as possible on a co-operational basis. This attempt to promote inter-organizational learning will result in a combined strategy (see Figure 3-2).

![Figure 3-2 Research model for a combined strategy in relation to the possibilities of NGO co-operation](image)

### 3.4 Specified questions

The research model derived in previous sections identifies co-operational aspects and inter-organizational learning as vital for comparing effects of the positioning school and the learning school. To enable an analysis with the instruments described in the introduction to this chapter we must first discuss these factors.

In previous chapter the matter of co-operations between NGOs and smaller companies was discussed. The aspects of interaction and learning were identified as vital for any of the strategies but with different impact, hence the research model that was described in previous sections. Debating the question of strategy would therefore also involve an investigation of a company’s co-operational possibilities and the effects of these.

- How can cooperation or integration benefit a smaller company in order to satisfy the needs of this market?

This would set the foundations for the inter-organizational learning. How effective the learning is has previously been derived as partially depending on the ability to decrease the cultural and psychic gaps and retrieve explicit knowledge.

- How can the flow of information between NGO and company be improved?

Answering these two questions would enable the comparison sought in the research model. A direct attempt to discuss the strategy schools might then be to exemplify areas in which special need can be identified or possible improvements suggested.
Investigating this would both benefit the discussion of differentiation and presence of blue ocean factors but also be of help for further research on the subject.

What typical areas of improvement can be identified and exemplify how a company may differentiate and add value to an NGO?

### 3.5 Limitations

The most prominent limitation is the exclusion of other factors affecting the strategic choices. The focus on cooperation and information flow has been shown to be vital for a discussion regarding a positioning school in relation to the learning school but is in no means exhaustive. Basing the study on these two schools of strategy is in itself a limitation and for this reason the study should be viewed as an indicative discussion and not a definite resolution regarding strategy.

As a result of this no “final model” for strategy was formed. This would had been presumptuous when based upon a case study and with a limited study of factors involved in the process. Limiting the study to describe the investigated factors and a general discussion of two strategy schools in relation to each other supply us with the most vital analysis but no full scale model, which was not the objective either.

A limitation from other types of learning apart from inter-organizational has also been made of the same reason as previous limitations. Other types of learning can for example be customer surveys or demographic statistics and are of course of aid as well but are not included in the smaller company-NGO interaction and therefore not in focus in this study.

Due to the time frame and budget there have also been some practical limitations. Only two NGOs are studied in depth and are discussed in relation to identified trends for NGOs in general. The same apply to the single case company but these limitations are further discussed in next chapter when the issue of a case study is debated.

The budget, time frame and security issues in Haiti also limited the possibility of more interviews. These could have been conducted via mail although it would have been near to impossible to get in-depth or comparable data as the organizations are constructed in different ways and have a varying degree of self-scrutiny. This is also further discussed in the next chapter.
4 Method and Performance

In this chapter there is a comprehensive presentation of the scientific approach and the workflow of the study. After this there is a discussion regarding the choice of a case study, how this was constructed and the validity and reliability of the case study. Finally there is an explanation of the methods used for analysing the data that was retrieved.

4.1 Investigation versus scientific investigation

Investigations are meant to provide knowledge and insight. The difference between the scientific investigation and the regular investigation is the need for relevant theoretical argumentation. A scientific investigation uses models and previous research as a starting point and in order to produce conclusions in combination with empirical data. (Patel & Davidsson 2003) This is a scientific investigation and should be read in relation to current theory and models.

4.2 Scientific approach

When discussing how to approach a scientific investigation Patel and Davidsson (2003) suggests reflection regarding whether the study should be exploratory, descriptive or based upon hypothesis searching. These three types have different characteristics regarding the background knowledge available and to what end the study is meant to steer.

When there is little or no background information a study should be considered to be exploratory. The purpose of this is to enable an environment where as much knowledge as possible can be acquired and when the study aims to give a general understanding of the studied area.

The second approach would be when there already is information at hand and the study attempts to organize and systemize this knowledge. The purpose is often to test and verify models or create new models from previous and acquired information via the research. This can be done on both contemporary situations as well as past and will be more descripting by nature, hence the name descriptive. The backside to this approach compared to the exploratory would be that it is generally narrower in its focus and limits the area of investigation.

An approach based upon hypothesis searching can be valid when there is a well-founded and comprehensive information base of theories and models. The aim of this approach would be to extend the theories to a hypothesis and investigate the validity of the assumption. This could provide a hypothesis extracting a scenario from the existing models in the form “if… Then….“.

Due to the nature of the information available and the state of the company an exploratory and descriptive approach should seem preferable. A hypothesis synthesized from the available organizational theory would simply be insufficient, as international NGOs have spawned a relatively uncharted market with extraordinary and varying needs. This leaves a lack of information to great for a study of this size to attempt a hypothesis searching or a purely descriptive approach. An exploratory approach would provide ideas and a general understanding for further product and service development alternatives
and combined with a descriptive approach regarding the different strategies suffice to comply with the aim of this study.

An exploratory approach for the study combined with a descriptive approach regarding the strategies is attempted

4.3 Scientific method

Yin (2002) proposes that the method used in a study should be in correlation to the objective. In this case the objective is to answer how a company can be organized and how it can enable further product and service development. Yin suggests that if a question of how can be analysed via contemporary events and occurring situations it is suitable for a case study (Yin 2002). Further the exploratory and descriptive approach discussed in previous section implies a holistic approach and therefore a qualitative method instead of a quantitative (Merriam 1998).

In order to motivate this choice of a qualitative method it is vital to understand the difference between the two alternatives in respect to the overall aim of the study and the possible analyses. A quantitative study serves to explain “how much” something will respond to a change of a certain factor. This will increase the researchers understanding of how components of a system affect each other but generally not explain the system on a whole (Patel & Davidsson 2003). A qualitative study would likely reveal how an action affect the outcome of the system and a quantitative could later on provide information about how much (Lantz 2007). In order to answer the objective and provide both a general understanding for the market and a more elaborate strategy for an arbitrary, smaller company working on this market a qualitative method would fit better. This is also supported by the lack of up to date and relevant quantitative information available due to the complex and relatively uncoordinated scene the international NGOs span.

Regarding possible analyses the main difference between a qualitative and a quantitative approach is that a qualitative study gain from being analysed while the interviews are fresh in memory while a quantitative study relies on data that can be saved for longer periods of time. This is further discussed in the 4.7 Interviews section.

The choice of a qualitative study is also supported by the uncertainty factor of conducting a case study in Haiti due to the political and social instability. A quantitative study would employ a survey or a multitude of standardized interviews. The may prove to be impossible to conduct or lack statistical relevance and a qualitative study is therefore preferable (Hajdu 2011).

A qualitative case study can be divided into three sub-categories; particularistic, descriptive or heuristic and rely heavily on inductive reasoning in handling multiple sources. Particularistic case studies heed to the specific case, which is suitable for practical problems, while descriptive case studies aims to give a broader understanding for the specific problem. The heuristic case study focus on illuminating the readers understanding of the phenomenon under study (Merriam 1998). With this in focus previously unknown relationships and variables can be expected to emerge and these can
be analysed with the existing theories described in the Theoretical Framework chapter. A heuristic case study for a Swedish company in the crisis in Haiti can explore new ideas and propose relatively generalizable results as the involved organizations commonly engage in similar missions, as we shall see in the Empirical Findings chapter. This generalizability is however lowered as the line of businesses varies and with them the organizational possibilities as well as organizations interested. This would not have been the case in a descriptive case study though.

A heuristic, qualitative case study will ensure a higher validity than a quantitative case study and favour broad analyses.

4.4 Work process

For the process of the project Lekvall and Wahlbin (2001) suggests a model based upon the connections between the different phases, visualized in Figure 4-1. This enabled a planning for the project based upon what results any given process was intended to provide. The work process did roughly follow the model chronologically.

![Figure 4-1 Work process (Lekvall & Wahlbin 2001 p.183)](image)

The problem background and purpose was discussed with the company DTI-Sweden and SIDA via Claes Moberg, in order to produce valuable conclusions and recommendations. Based upon this discussion and a study of the available literature¹ and general interviews (described in the 4.7 Interviews section) the purpose (Objective) was formed. Via the research model in chapter 0 the shape of a field study took form.

¹ Available literature refers to articles and other written material about organizational issues in or related to NGOs. This also includes reports and papers exploring aid missions and humanitarian aid in general as well as water treatment and surface disinfection in respect to these. Due to the nature of these missions and the development during the last decades it was essential that these articles were up to date and relevant.
4.5 Choosing a case study: field study in Haiti

Due to the questions defined in the previous chapter the objective of the field study was to provide information regarding the interaction between a vendor firm (in this case DTI-Sweden) and an NGO in order answer the question in respect to a single case. Providing a comprehensive framework of solutions for these questions would require a large number of case studies with quantitative analyses of the aggregated data. As no such data is available within the specific field of smaller companies and NGOs a single case study would serve as an example and provide data to discard or confirm previous discussions and propositions. Answering the presented questions would chart features of co-operation with NGOs and general aspects of strategically attempting to approach this market, thus answering the objective of the study.

As proposed by Yin (2002) the case study should aim to answer the objective stated in chapter 1 Introduction, in the sense of how. The case should be representative for how positioning, development and cooperation strategies can be designed for the arbitrary company. A second requisite would be that the case situation is generalizable. Given the cooperation with DTI-Sweden this limits the possible cases to those where DTI-Sweden has been and still is involved.

The two primary cases potentially interesting were therefor the crises in Pakistan and Haiti. A severe flood hit Pakistan during the autumn 2010 and Aquacare was shipped by MSB (the Swedish civil contingency agency) in order to supplement the water treatment plants. In Haiti there were several thousand projects related to the earthquake, floods and cholera epidemic that hit the country during 2010. The latter case involved most of the INGOs operating from Sweden as well as governmental organizations and made this highly generalizable due to the large number of possible study objects and direct relations to DTI-Sweden. Because of this the field study took place in Haiti and the Dominican Republic during Mars and April 2011. The field trip was organized and carried out by the author and with the help of a “minor field study” scholarship by SIDA and in cooperation with the NGO Star of Hope (SOH)

4.6 Methods for gathering data

According to Stake (2002) and Yin (1995) there are six main sources for information in an exploratory, qualitative case study: documents, archival records, direct observation, participant-observation, interviews and physical artefacts. The first two are frequently referred and referenced to in the Theoretical Framework. Direct observations and Participant-observations are major sources, as are the interviews described in next section. Physical artefacts are less common in this study though as they are more related to investigations in practical problems (Yin 2002).

4.7 Interviews

In the process there were several rounds of interviews that can be divided into two sets: before/after and during the field study in Haiti. These differ in time, structure and objective and should therefore be discussed separately.
Lantz describes three types of interviews possible in a qualitative study: open ended, semi-structured (focused) and structured. There is also a fourth kind (surveys) but it is rarely used in qualitative studies. Open-ended interviews relies on the respondent to share information without a strict set of questions in order to retrieve the subjects view on a particular or general matter. A semi-structured interview relies instead on a set of question, prepared in forehand, as a general guide for the interview. This will steer the interview in a specific direction and has a higher reliability than the open-ended version where preferably several interviews should be conducted to confirm the different respondents statements. (Lantz 2007) The semi-structured interview has although been criticized by Merriam as they tend to be interpreted in favour of the interviewer (1998). The structured interview is closer to a survey and leaves little room for the respondent to add information not asked for and limits the interviewers room for qualitative interpretations. This form of interview is highly standardized and has a high level of reliability although requires a lot of information and preparing in forehand unless vital information may be missed. (Lantz 2007)

4.7.1 Interviews before and after the field study
In order to construct a valid base for the field trip six open-ended interviews were held with representatives from different well-known organizations related to or involved in humanitarian aid. In appendix 1 there are specific lists of what areas were discussed with each respondent. There were also several informal as well as three formal interviews with DTI-Sweden of both open ended and semi-structured sort in order to prepare for and discuss information found during the field study. The guide for the semi-structured interviews are presented in appendix 2

4.7.2 Interviews during the field study
During the field study both open-ended and semi-structured interviews were conducted. The majority of the interviews were with Tony Boursiquot and conducted on the location of the discussed sites, providing a comprehensive understanding for the organization and activities of SOH. These were completed with five interviews with the responsible representatives at different locations and followed the same semi-structured guide as with Boursiquot (see appendix 3). The guide was constructed from the information and questions discussed with DTI-Sweden and mainly consisted of fundamental questions of interest that were further developed during the course of the field study.

The majority of the information was collected through open-ended interviews when relevant opportunities occurred and interpreted in context, which made recordings redundant. This is supported by Stake who argues that a field study requires a higher understanding for what the respondent mean to say instead of the exact words and that a recording would just add unnecessary workload to the researcher (Stake 1995).

Interviews were of open-ended or semi-constructed nature and based upon preparation studies in Sweden and in Haiti
4.8 Observations

Direct and participant observations can be used in different ways, e.g. observing a certain
behaviour or use of technical aid. These observations occur naturally and randomly in
the everyday life and are processed according to the subjective mind. To enable use of an
individual observation in a scientific situation there has to be prerequisites that determine
the scientific validity. Patel and Davidsson (2003) argue that the observation has to be
planned and registered in a scientific and systematic manner. In which case it can be used
in several situations, e.g. confirming an interview or completing a survey. This is
especially relevant when the subject has no verbal capacity. Hartman suggests structured
or unstructured observations to investigate how natural events have different reactions
and influence. The difference between the two would be that the structured observation
is planned and occurs in line with the objective while the second does not (Hartman
1998).

In this study observations were used in order to verify interviews and propositions
regularly. Observations were also important in the process of further development of the
guide used in the semi-structured interviews. A third aspect on the uses of observations
was to investigate specific events, technical solutions, alternative water disinfections
etcetera in order to form ideas regarding further development of products and services
for DTI-Sweden. This related closely to the ideas of how to enable innovation in an
organization further discussed in the theoretical framework.

Direct and participant observations are used to confirm interview results. They also
serve as a source for ideas regarding development strategies.

4.9 Method of analysis

Yin (2002) encourages each researcher to produce thorough and valid analyses in order
to achieve high quality results. In the strive for this Yin suggests four principles that may
attract the researchers attention:

• Show that the analysis relied on all the relevant evidence
• Include all major rival interpretations in the analysis
• Address the most significant aspect of the case study
• Use the researcher’s prior, expert knowledge to further the analysis

These principles were used as guidelines when motivating the choices below in order to
ensure a high internal validity of the case study. There are many different suggestions for
how to analyse interviews and case studies but due to the relatively low level of attention
there has been for this field there are few opinions that coincide. Kvale (1997) suggests
five different strategies for analysing interviews where the most common is sentence
funnelling (“meningskoncentrering”). The essence of this strategy is to rephrase longer
statements and express the essential meaning in a shorter form. By doing this larger texts
and interviews can be handily analysed and compared to others. Miles and Huberman
(1984) suggested more structured methods as to rearrange answers into arrays and
placing the evidence in matrices, thus enabling creation of flowcharts etcetera. Yin (2002)
argues that most important is the actual existence of a clear strategy that will lead to
When Minor Ventures Matter

conclusions. Yin presents two different strategies for general use: The first one relies on a theoretical framework with propositions that are tested against the empirical findings, while the second method is to develop a case description, which would function as a framework for the study. A third version could be to build patterns based on the theoretical framework and find similarities with the patterns that emerge in the empirical findings.

This third method is in line with a hypothesis-based approach, which was disapproved in the 4.2 Scientific approach chapter, and would therefore be an improper choice of method for the analysis. Kvales’ suggested sentence funnelling is however supported by the reasoning in the 4.7 Interviews section why it concentrates the information and enable comparative analyses. This combined with Miles and Hubermans (1984) methods for matrices and flowcharts gives solid grounds for analysing the complex market of NGOs. From this can we form a description of the market and the possibilities for DTI-Sweden and then test these to the theoretical framework in order to produce generalized conclusions.

These conclusions will be derived with an inductive analysis of the facts from the field study instead of using a deductive method. Inductive analysis is an interpretive research philosophy well suitable for business-related research as it is a method for moving, with a critical thinking, from observation and descriptions towards theory (Burney 2008). The deductive methods could be seen in contrast with the inductive methods as moving from theory through observation to confirmation (Ibid.). Deductive reasoning would therefore be improper for the purpose of this study when the objective is to define what theories are applicable to specifically smaller companies in a unique environment. Saunders support the idea of an inductive analysis of a specific case as well as raise a warning finger by stating: “Research using an inductive approach is likely to be concerned with the context in which such events were taking place” (Saunders 2007, p.119).

4.10 Discussion of the methods
Using a deductive method in the field study would be more risky than an inductive as the circumstances, in which the field is conducted, are uncertain to say the least. Performing a study with interviews and visits can prove to be harder than expected when security and logistical conditions are dubious. Because of this the interviews and observations were quite loose in form to support the inductive method.

4.10.1 The terminologies used to discuss quality
To discuss the quality of the report we can discuss this in terms of validity and reliability. The validity would describe how accurately the used methods measure the actual correlations in the study while reliability would describe the extent to which the conclusions can be transferred to other or future situations. (lekvall & Wahlbin 2008)

These dimensions are primarily used in quantitative studies but also in qualitative. Lincoln & Guba (1985) propose that qualitative studies, like this one, can benefit from also discussing how well the information can be confirmed. The authors then use the terms credibility and authenticity as an alternative to reliability and validity.
4.10.2 Source and method criticism

Validity and reliability are lowered by the rather arbitrary selection of respondents in Haiti as well as by the lack of control-interviews. This was a result of the previously named uncertainty and would have been easier to avoid if I had visited the country before as a pre-study. The interviews conducted before the field study had partially the aim to counter this effect as I consulted academics and NGO workers with previous experiences from Haiti in how to increase my efficiency at location.

A longer visit or perhaps taking pauses in the study would have provided time for reflection and reorganizing, thus counter the uncertainty-effect, but due to economic and practical reasons this was not possible. A more practical, instead of theoretical, preparatory study could also have been performed in or from Sweden although time did allow this.

The language difference was less of an obstacle than expected though. This type of study required respondents in the schools of SOH where several students studied English, which made communication easy, either direct or with the help of an interpreter. The study would however have gained from both being performed in a country where the native language is not a problem and where there is political stability to enable more interviews, travel and diversity among the respondents.

By interviewing multiple NGOs, both in Haiti and in Sweden, the reliability was increased in the sense that the conclusions reflect a broad field of organizations and is there for more transferrable. The use of a single country, company and situation for the case study should be kept in mind though.

The lack of transcription of the interviews could be a source of critique regarding the interviews. As stated by stake (1995) in 4.7.2 this would have added an unnecessary workload for the researcher and was therefore judged redundant. As this was done in support by common research methodology it can be said to have increased the reliability of the study (Lincoln & Guba 1985). Most facts and questions were also verified and asked twice in order to ensure a high validity and confirm the information in accordance to the recommendations of Lincoln and Guba (1985), in spite of lack of transcriptions.

Investigating strategic reasoning via a case study may also seem a wee overestimated as it only gives a momentary insight and within a specific field. This has been taken into account and the conclusions reflect a good amount of prudence when generalizing the findings of the study. A second countermeasure that could increase the validity would be to perform a set of interviews with other companies involved in the NGO market or experts within the field, e.g. SIDA.
5 Case Study

This chapter is divided in four parts: the case company, Haiti, Water treatment and Empirical findings. The purpose of this is to present the case study in parts that can be assessed independently of each other.

5.1 The case company

As shown in the preceding chapter previous research theoretically supports the idea of NGOs spanning a growing market with great potential for improvements. The objective of this study is to identify strategies for smaller companies to exploit this opportunity and evaluate the conditions for these to work. In line with this objective the study was conducted in cooperation with a company referred to as DTI-Sweden. This provided a valid case company to investigate and discuss strategies and organizational solutions with. The company has the required properties of being a smaller company with a relatively innovative mind-set, products fit for export and with NGOs as part of their customer-base, which makes it suitable for this type of study.

5.1.1 DTI-Sweden

The company is situated in Arlanda Stad near Stockholm and currently employs 3 people. The main ambition of the company is to develop, produce and distribute products related to water and surface disinfection. These are based on an innovation from 1979 and a substance for disinfection. The basic properties of Aquacare and the uses for it are described further in the 5.1.3 Products section. (Holmberg 2011)

Based on their knowledge regarding uses for and the production process of Aquacare, they have retained a sort of monopoly for this type of disinfectants on the Swedish and international market. (Holmberg 2011)

5.1.2 Organization

The company develop, produce and sell all Aquacare-products from their facility in Arlanda Stad. In peaks of production they call in their resource pool and are then able to produce one pallet in 24 hours. Sales are being run as ad hoc direct sales with an active approach and via agents, such as wildlife stores and similar representatives. This creates an irregular order stock without large volumes to support anything but active and costly sales. (Holmberg 2011)

5.1.3 Products

Aquacare is an effective disinfectant that “eliminates (deactivates) most of the existing microorganisms and provides a cost-effective disinfection.” (DTI-Sweden 2010) It can easily be altered in form and adapted to the needs of the target group and is therefor currently marketed with two separate purposes: water disinfection and surface disinfection.

Water Disinfection Products

From the beginning in 2008 has the ambition been to provide products for water disinfection, an objective embodied by the product Aquacare. “Aquacare is a safe protection against pathogenic microorganisms (bacteria, virus) in water considered as
unsafe for drinking. … The disinfectant will not affect the smell or taste of the water. It is approx. 5 times as efficient as chlorine-based products.” (DTI-Sweden 2010)

Aquacare can be delivered in different forms depending on intended usage, user and situation as well as desired durability. This makes the product especially suitable for mobile use and where the need of potable water is especially dire as it can be delivered to and used by virtually anyone. Regarding the price it can be compared to regular chlorine tablets due to its high efficiency although it can hardly be described to be superior in price. (Holmberg 2011)

*Surface Disinfection Products*
Aquacare “can also be used for personal hygiene, to wash hands after toilet visits, to disinfect fruit etc. It is also efficient to avoid infection in smaller wounds.” Because of these properties of the Aquacare-products there is a special series developed specifically for this purpose. “SanDes® is developed and adapted for disinfection of surfaces and hands. Excellent for elimination of bacteria, fungicides and viruses which can cause and transmit diseases.” (DTI-Sweden 2010)

5.1.4 Situation
Since the earthquake of 2010 in Haiti has DTI-Sweden sent several shipments of Aquacare to SOH and in smaller batches with MSB. These orders were initiated spontaneously by SOH and not as parts of their common strategies but rather as an reaction to the health situation in Haiti. In the case of MSB it was for personnel use and not intended for distributing water in any larger quantities. For SOH the need was to supply their schools and orphanages with disinfectants due to the cholera epidemic. The need for swift and safe solutions was evident and Erik Eriksson, at SOH Sweden, contacted DTI-Sweden. He is to present day still the sole link of communications between SOH Haiti and DTI-Sweden.

5.2 Haiti
To ensure an acceptable generalizability of the case study it is vital to understand what distinguishes the situation in Haiti and sets it apart from others. This is emphasized in the introduction where the uniqueness of every mission is identified as a possibly hindering factor for generalized strategies for smaller companies. The sheer size of the market of NGOs should however make situations generalizable as the frequency of disasters well supersedes the uniqueness that sets them apart. The majority of features of one mission will likely occur in other situations as well.

5.2.1 Short history of Haiti
Historically Haiti is known as the first colony to be freed, next after the United States of America, in 1804. But even though it is considered to be one of the western hemispheres oldest republics its history has been marked by political violence and revolution. The regimes have in recent history superseded each other until the first democratic transition between presidents took place in 1996. The last decade in Haiti has been distinguished by rising unemployment, political uncertainty and international peacekeepers. (Wikipedia 2011c, sec.“Haiti”)
5.2.2 Earthquake 2010
As a result of this the country was ill fit to withstand the trials of a 7.0 Richter earthquake in January 12th 2010. This had an epicentre near the capital Port-au-Prince and virtually levelled the capital. The death toll is to be over 300 000 but varies greatly because of the mass graves that were dug and poorly documented. Over a million Haitians were left homeless and the infrastructure in and around the heavily overpopulated city was completely demolished. Although the countryside was largely unharmed by the earthquake it could do little to help due to long neglected infrastructure and widespread poverty. (ICRC 2011)

5.2.3 Cholera epidemic
To make matters worse, a cholera epidemic broke out in October 2010. Foreign soldiers probably introduced it but the UN swiftly quieted the matter of guilt. Before the year ended over 3300 people had died and the dire situation in the gigantic tent camps became critically obvious. Sanitary conditions and the access to potable water suddenly became even more pressing than before. Due to the political unrest and lack of infrastructure the fight against cholera had a difficult start. (ICRC 2011)

5.3 Water treatment
The process of treating water often consists of several different steps depending on the original quality of the water. Examples of these could be filtration (removing particles), flocculation (clarifying) and disinfection (deactivating bacteria) (Wikipedia 2011f, sec. “Water purification”). This case study deals exclusively with the last example and the possibilities of DTI-Sweden to develop their water and surface disinfection concepts. Filtration and flocculation should however not be dismissed without a thought as these are often used in indigenous methods and have become widely discussed in respect to water purification in the development world. Popular examples are the Moringa Tree and the Sari cloth but the main difference is that these are not the properties of corporations and cannot be considered as competing method in the same sense (Dremeaux 2003; Paterniani et al. 2010). A brief introduction to different methods of disinfection is however in order. There are too many for a complete review but a short description of the most relevant will suffice in order to answer the objective.

5.3.1 Chlorine and hypochlorine
This is the most common type of disinfection. Chlorine is a strong oxidant that rapidly deactivates many harmful pathogens. An important aspect of the chlorination process is that it provides (free) residual chlorine, which is necessary to ensure the potability of the water if the environment and handling cannot be controlled after treatment. This also gives the water an unpleasant taste if the concentration is high enough. The residual chlorine has the same function as chlorine in pool water; if the water is exposed and possibly contaminated it will deactivate the bacteria and ensure a prolonged quality. The concentration of free residual chlorine depends mainly on the type of possible contaminants (e.g. Cholera or Amoeba) and the means of distribution. If the water is consummated or used in any other way immediately after disinfection a lower concentration, or possibly none at all, is needed. Another aspect is that chlorine is either sold as a powder, granulate or tablet in the form of calcium hypochlorite which means
that it has to dissolve before it is effective but it is also very stable and can be stored over long periods of time. (Wikipedia 2011f, sec. “Water purification”)

5.3.2 Chlorine dioxide
Chlorine and chlorine dioxide may resemble each other in name but have completely different properties. Chlorine dioxide is, just like chlorine, a powerful oxidant but unlike chlorine it leaves very little residual chlorine in the water. Other aspects are that it leaves 85% less trihalomethanes (THMs) and 60% less haloacetic acids. It is normally considered a gas, which makes it difficult to handle but can also be produced at location or solved in liquids. The upside of this and its high rate of efficiency is that it has a very swift effect and can be used to produce potable water momentarily. It has been used in large-scale water treatment since the 1950's and is often used in the pre-oxidant prior to chlorination to avoid producing THMs. (Wikipedia 2011g)

5.3.3 Mechanical and radiation methods
The use of UV radiation has been a widely debated but forthcoming method. There has been some discussion regarding which types of bacteria and virus that can be deactivated with this method. The possibilities with using solar energy or even solar rays to power the process has given the method an economical edge though "(Wikipedia 2011e, sec. "Reverse Osmosis"

A mechanical method of disinfecting water that has been on the rise is the use of reversed osmosis. This is a type of filtration that removes large molecules and ions by applying pressure and forcing the solution through a membrane. The difference to regular filtration is that reverse osmosis depend on concentration, pressure and flux rate while filtration solely responds to size of the particles. (Wikipedia 2011e, sec. "Reverse Osmosis"

The main difference from the other methods previously described is the need for a power source for the necessary pumps.

5.4 Empirical findings
The empirical findings are based upon the studies of SOH and ICRC. These organizations differ from each other in many ways and should therefore present different challenges for the case company.

5.4.1 Star of Hope
SOH (Hoppets Stjärna in Swedish) is a NGO that works on the basis of the UN Declaration of Human Rights, the CRC and a Christian value system. It was founded in 1969 by Gunnar Eriksson and still has its headquarter in Kärrsjö, Sweden. Today it is a global organization with projects and fundraising organizations in 16 different countries. The focus is helping children by building and operating schools and children’s homes and coordinating sponsorships for these. One of the countries of operation is Haiti where the local organization, Star of Hope Haiti, has been working for more than 30 years (Eriksson 2010).

The organization has been and is still using, although not in the time of writing, the products of DTI-Sweden since the autumn of 2010. This has been used to procure potable water for the children at schools and children’s homes and for cooking lunch for
the children. The number of students, access to fresh water and structures unharmed by the earthquake has varied marginally between the schools but can essentially be described as the same. Although they do present somewhat different needs.

5.4.1.1 Organization
SOH consists of separate organizations (and corporations) for every country (see Figure 5-1). These are coordinated partially autonomously and partially by the Swedish organization to attain flexibility and distinct alignment as well as unity throughout the organization (Eriksson 2011). The organizations in Sweden, Norway, Finland, Denmark and the USA are mainly for fundraising and coordinating. Eric Eriksson is responsible for the contact with the Haitian branch and coordinating shipments. In SOH Haiti there are 7 people administrating and organizing the work. They are structured in functional teams and the contact with DTI-Sweden has mainly been through Boursiquot. (Boursiquot 2011) The presence of Swedish goods and services was obvious in both SOH, the projects and in Port-au-prince in general, confirming the Swedish SOH office and other Swedish organizations as important sources.

![Organizational scheme of SOH](image)

5.4.1.2 Children’s homes and schools
There are a dozen schools in the care of SOH Haiti and 2 children’s homes. These take care of a total of more than 5000 children and employ several hundred (including construction) as well as help the community to develop. An important aspect of their work is that SOH is only a contributor and the schools are started and owned by the local community, which ensures a commitment by the teachers and surrounding villages (see Figure 5-2).
In the schools the children get one meal a day and in some places also a small snack or drink in the morning for the little children. In many cases this is the only meal the children get during a day. In most of the schools there is either a kitchen or one is being built to provide this meal but there is generally no electricity so they mostly use charcoal. Water is most often provided from a well in the school grounds but in some cases it is delivered with truck. Another solution is collecting rainwater, which is the case in Boyer where a large reservoir is being built beneath a school building.

Most of the schools and orphanages were left relatively unharmed by the earthquake due to their distance from the epicentre but in (for example) Rigaud the buildings became unstable. These are currently under reconstruction but it resulted in the lessons having to take place in temporary classrooms in the yard as well as a blow against the water supply.

5.4.1.3 Common knowledge of water potability
The country of Haiti has a literacy of 52.9% and approximately half the population practice voodoo of some form (CIA 2011). This makes it difficult to spread knowledge of what potable water is. This is still a problem for the population who can read, as written material on the subject is scarce. The two most common channels of written information are posters (such as seen in appendix 4) by organizations such as PAHO, UNICEF, and ACF and the commercial information on bottles and tank trucks. The posters are generally more instructive than informative with basic messages as “eau-savon-main” (water-soap-hand) and generally revolve around sanitation and not disinfection of water.

Apart from this problem there is a cultural barrier as well. A ICRC worker who wish to remain anonymous expressed the problem like this:
“One of the greatest problems with bringing them [the Haitians] water is that there is a common belief that Haitians don’t get sick. …They think they have a stomach that is used to the food”

This limits the options and impacts when providing treated water or water disinfections to the distressed. There have e.g. been incidents when people eat chlorine tablets and then drink the water, in the same way as one might take an aspirin, and this after being given instructions of how to dissolve it in water. On the other hand, if the water has a heavy taste of chlorine they tend to avoid it and drink untreated instead (Amintorabi 2011).

5.4.1.4 SOHs knowledge of water potability
For SOH this is a more tangible problem. While organizations such as ICRC provide large quantities to a general area SOH has a controlled population and humbler volumes. As a result of this they have the possibility to continuously spread and update information of water disinfection throughout the organization. By teaching the staff at the schools and children’s homes they can forward the knowledge to the children. In the wider perspective this knowledge will then also reach the parents and other children. (Boursiquot 2011)

The scarcity of written material is still a problem though. There were posters in several of the schools of SOH but not all of them. The information and instruction about disinfectants had therefore to go a long process to reach the children and even longer to reach their parents.

5.4.1.5 Aquacare in SOH
Eriksson at SOH was contacted by DTI-Sweden in January and informed of their products due to the earthquake. When the epidemic started to threaten the orphanages and schools action had to be taken and a pallet was ordered. Erik Eriksson denies that the price of the product was crucial but more relates to its effectiveness and logistics (Eriksson 2011). The product was distributed to the projects with a focus on the children’s homes and mainly used to procure drinking water and for hygiene. Boursiquot at SOH instructed the responsible at the schools and children’s homes how to use the disinfectant (Boursiquot 2011). There was however a problem of over dosage according to Eriksson and the pallet could have lasted longer than it did. A second pallet was sent after Eriksson had asked Boursiquot if the disinfectant was appreciated (Eriksson 2011). This was in the beginning of October, which leaves roughly a month where the projects were out of Aquacare and had to use chlorine tablets instead. (Boursiquot 2011) Joade, one of the social mentors at Carrefour Children’s Home, held that the chlorine tablets were less appreciated as they left a “bitter” aftertaste but were preferred to drinking untreated water (Joade 2011).

When asked about what information he (Joade) received regarding the disinfectant he confirmed that they were only given an oral instruction of how to use it but also pointed out that the dosage was written on the bottle. As several people at the orphanage speak and study English this was no problem. He confirmed that access to written information
regarding water treatment and education material in general is limited and books or similar on the subject would therefore be greatly appreciated. (Joade 2011)

Regarding the usage of the product and whether he had any thoughts of other useful products of attributes in relation to the disinfectant he said that dosing and distributing were the main problems for them. Joade suggested some form of distributing device for the treated water. For the moment they used canisters (see appendix 5) and disinfect the water in batches to be used straightaway or within the day(s). (Joade 2011)

5.4.1.6 Logistics
The transportation from DTI-Sweden was handled by Human Bridge, an experienced non-profit organization. While the first pallet got through without problem the second pallet stood waiting in Haitian customs for more than four months, a delay dangerously close to the shelf life of the product. The official statement from Haitian custom is that there was an original declaration form missing and Human Bridge alleged that they had sent this form with the cargo. As Haiti is recognised as one of the most corrupt countries in the world it is difficult, and irrelevant, to attempt to tell who is right and wrong. More interesting is the communication between SOH Haiti, SOH Sweden, and DTI-Sweden. The issue was identified in early January and resolved in mid March but during that most of that time DTI-Sweden believed the issue to be solved. SOH Sweden was of the opinion that the pallet was about to get through one day and that it already was through the other day. SOH Haiti was sure it wasn’t through but equally uncertain about why and what would happen next. (Boursiquot 2011)

5.4.2 ICRC – International Committee of the Red Cross
In contrast with the SOH is the Red Cross. The organization has an enormous presence via both the ICRC and the Haitian Red Cross, working with many different projects, including provision of clean water, healthcare, education, supporting waste projects etcetera. Even before the earthquake the organization provided several hundreds of thousands of people with potable water (ICRC 2010). The ICRC is also working through indigenous offices (e.g. Red Cross Haiti) to minimize the cultural distance but has also been present with the international organization (ICRC) since 1994 to provide leverage (due to the diplomatic weight of the organization) and work with prison conditions. The ICRC is also special due to its different stages in a mission. During the first period of time after a disaster the overall aim of ICRCs presence is supplying the region with basic humanitarian aid and security. This part present very different needs from the reconstruction work that ICRC assists in later stages of an aid mission. Defining the needs of the different stages may be vital for a company’s ability to position itself. The situation in this field study is mainly in reconstruction and supplying the tent camps and should not be confused with the emergency relief of an early stage of a mission.

5.4.2.1 Water and sanitation
The department for Water and Sanitation (Watsan) have several large projects in and around Port-au-Prince. They have 15 boreholes and provide over 200 000 people in tent camps with 10 litres per person and day, all of which has to be chlorinated. The sheer amount of water that has to be treated sets their needs apart. A second problem for the
ICRC, that sets it apart from SOH, is the control of the water. There is just no saying what happens with the water in the reservoirs in the camps, at the boreholes or when it has been tapped and brought home to a tent. This means that there is a constant risk of cross-contamination for this water. As a result of this residual chlorine is a necessity for the process and the bad taste is an inevitable factor to be accounted for. (Amintorabi 2011)

5.4.2.2 Misbeliefs in Haiti
Combined with low levels of education, illiteracy and few channels for communication this has had its effects on public opinion. The misbeliefs of cholera and sickness in general have spawned a distrust of the odd taste of chlorine treated water and in some places caused outright violence against water trucks. (ICRC 2011) Amintorabi explains that the various educational programs and instructions that are carried out in the camps have little effect and has only mildly altered these misbeliefs. Because of this the choice of simply handing out the Aquacare bottle to the user would not be possible (Amintorabi 2011)

5.4.2.3 Cost and procurement
Amintorabi also discuss the cost issue as a vital factor for the choice of disinfectant. The ICRC emergency item handbook ensures them low costs as a result of the large volumes that they buy per batch. Purchasing large volumes outside of the approved treatments in the book is a process that has to go through the Panama or Geneva offices and would probably not be a normal choice for emergency operation. Although he emphasize that they are always in the process of testing new equipment and methods and that the only way into the handbook is through field-testing. (Amintorabi 2011)

5.4.2.4 Potential areas of use
Two areas where the product may be interesting is however for personal use by ICRC personnel and for medical and surgical disinfections. Presently is the only liquid disinfectant hypochlorine granulate solved in water, which is an area where Aquacare may have superior properties and be easier to handle. For personal use the Aquacare compound would ensure a faster and easy treatment with no distaste or smell. Amintorabi confirms that for DTI-Sweden to make a successful approach it would need to specifically identify the reasons and arguments for why it should be preferable in these areas. A second necessity would be to procure and allow for field-testing so the compound can be added to the handbook.
6 Analysis of Strategic Possibilities

In this chapter we will analyse the strategic possibilities for co-operations between DTI-Sweden and NGOs and how these can be utilized to create a combined strategy. This will be done with the aid of the model constructed in sections 3.1-3.3 and the recommended tools. The parentheses’ after each argument is a reference to the supporting section of theory or empirical data.

The ambition of analysing a field study of this sort is to produce an example where problems and note-worthy areas can be identified. By using the model that was derived in sections 3.1-3.3 we can thereby discuss the strategic implications in this specific case and debate how these than be potentially considered to be general problems. We will use the theories and tools presented in the Theoretical Framework (chapter 2) to discern areas of interest, starting with a strategic point of view and gradually shifting this to focus on co-operational aspects. This means that the disposition of the analysis will be based upon the disposition of first the theoretical framework and then the research model.

6.1 Porters 5 forces

By discussing external forces with the aid of Porters (2008) five-forces-model we can discern the most relevant actors regarding the company’s strategic manoeuvrability. Judging from the case of DTI-Sweden the bargaining power of its suppliers would rarely be affected by attempting a NGO market. This factor is almost exclusively determined by the field of business for the company and the choice of market would more likely add another argument in favour of the company, due to the good PR and moral of supplying humanitarian aid.

The threat of new entrants and substitutes is however a pressing matter. With NGOs on a global market the presence of alternative solutions is a part of the game. For an organization as large as ICRC the possibilities of lucrative contracts attract both kinds of threats, locally as well as internationally (5.4.2). SOH is on the other hand less attractive because of its smaller orders and therefore less likely to be approached by new entrants and substitutes (5.4.1.5). The tendency to prefer suppliers of similar geographic origin as the NGO would also be more present in a smaller organization where such an origin is likely to be more pronounced (2.2.3) decreasing the presence of this threat. The general trend to use indigenous offices and to involve southern organizations may possibly thwart this argument on a general scale but this was not supported in either the case of ICRC or SOH (2.2.2). In contrary it was confirmed in the case of SOH by observations in Haiti but it was not an outspoken ambition of the organization (5.4.1.1).

A threat of existing competition is also a difficult nut to crack. The main problem is identifying the competition and categorizing it since a global market with global competition can be assumed to have many actors. In the case of DTI-Sweden they have a monopoly situation thanks to the secret production process of Aquacare as well as a good knowledge of the technology. However it gets more complicated with the different uses and the variety of applications of disinfectants in larger organizations (5.4.2). This makes the actual competitors difficult to identify. Disinfection of major amounts of water for large populations would require different properties of the product and abilities
of the supplier than disinfections of smaller and more specific amounts. The problem is however to tell such needs apart in NGOs where these distinctions have no internal relevance. In this sense strategies of the positioning school will be difficult to construct due to the lack of information of needs. Especially “lock in” strategies or similar will be problematic to construct (2.3.1).

This leaves the bargaining power of the buyers. With generally a higher focus on lead-time and quality improvements than cost aspects this implies a customer intimacy strategy rather than operational effectiveness (2.2.3). Although the degree of this focus vary between organizations: Whereas SOH saw a rapid need for a safe and effective product the ICRC has national divisions with complete solutions already prepared and is most likely more interested in effective and low-cost products (5.4.1.5 & 5.4.2). The smaller organizations would (partially by choice) have less bargaining power whilst larger organizations have more lucrative contracts but also a higher demand for OE.

Existing competition is difficult to discern due to different uses and target groups. Based upon the customer bargaining power and probable threats co-operation and customer intimacy strategies should be favourable to lock-in strategies (or OE).

6.2  Value and blue ocean strategy

It has been suggested that analysing value and competition can provide an understanding for the needs of a customer (2.3.4). By doing so we can evaluate the possibility of finding apparent blue ocean factors and further development of products to differentiate through this strategy. The ambition to promote transparency in the work NGOs could be a means to facilitate this process (2.3.4.2). To complete the discussion of Porters five forces, we will attempt this by first investigating value via using Woodruff’s (1997) value hierarchy and then suggest possible blue ocean factors. Debating these would verify or challenge the original suggestion; that identifying blue ocean factors may aid an attempt to approach the NGO market (2.3.4).

6.2.1  Value hierarchy

In the Theoretical Framework different tools and models for identifying customer value were presented. The Woodruff approach focus on customer perception instead of the competitors why it is appropriate for this type of study (2.3.5.1).

Opinions of desired attributes of product and services vary throughout the supply chain (2.3.5.1). In the case of SOH both Eriksson and Boursiquot consider efficiency as a vital factor while Eriksson, as the financing part, also emphasize price as a present factor (5.4.1.5). Regarding the desired consequences SOH Sweden can be said to consider the use of Aquacare as successful as no children were infected although the logistics failed with the second pallet. To Boursiquot the delayed shipment was a less pressing matter as they had the option of chlorine tablets to substitute (5.4.1.5). In the sense of goals Aquacare can therefore be considered as a complement to chlorine tablets as it would not had provided a sufficient protection on its own. The goal of providing potable water was only fulfilled in combination with chlorine tablets due to logistical failure as well as a
procurement inconsistency (5.4.1.6). This as the need for another pallet and the positive reactions from the first pallet were unknown for SOH Sweden and DTI-Sweden (5.4.1.5).

A second goal can be identified in the core mission of SOH, as schooling is a long-term ambition to improve the children’s and those in their vicinity’s knowledge and possibilities (5.4.1). Aligning company philosophy with this ambition attempts to bring the organizations closer and aid interaction (2.4.2).

Defining the different levels of value for ICRC would prove more difficult due to the sheer size of the organization unless a specific approach has been pursued. This is supported by Amintorabis recommendation, to choose arguments and targets with care, as a general approach would simply be to broad and without emphasized benefits (5.4.2). Although the ICRC has the financial strength and routines for avoiding logistical and procurement problems of the sort that affected SOH it is vital to consider their goals when considering both products and services (5.4.2).

6.2.2 Blue ocean factors

From the previous sections and chapter we can define several factors from which an example of an incomplete schedule (do to the focus on external factors rather than the internal) of blue ocean factors can be constructed (see Figure 6-1). Regarding factors such as price (5.1.3), efficiency (5.3.2), effects in time (5.3 & 5.4.2.1) and ease of use (5.3.2) Aguacare is competing with competing alternatives (e.g. Chlorine tablets or Mechanical/UV). Factors such as mobility (5.3.2), taste (5.3.1), and shelf life (5.3.1) differentiate the products from these and leave the blue ocean factors, the yet untargeted features, to be discovered. Areas discussed in this manner could be meeting the demand of information (5.4.1.4), means of small-scale distribution (5.4.1.5) or procurement/logistic support (5.4.1.6).

As stated this would only span a small example of the factors that may be identified and used for creating new markets. The existence of this possibility and the demand for it has
however been emphasized and strengthened the argument of a learning organization and inter-organizational learning as these would aid the identification of blue ocean factors.

Competition from Aquacares point of view revolves around commoditized and differential factors. Because of the field study is it possible to identify unexploited factors that could be described as blue ocean factors and create a new segment

6.3 Strategy and interaction
In section 2.4.2 the concepts of psychic and cultural distance were presented to describe the accessibility of a foreign market. By using an agent in the form of Erik Eriksson DTI-Sweden has reduced the effect of these distances (5.1.4). Effects of the cultural differences are however visible and suggest that more market specific knowledge and better communication is needed, confirming the suspicions in section 2.4.2.2. The over dosage that was unknown of in DTI-Sweden suggest better communications while the logistical issues are evidence of cultural differences (5.4.1.5 & 5.4.1.6). The use of agents (domestic offices) may very well be necessary to establish a connection but could, in this case, be bypassed (when effects of language and similar psychic distances are reduced) to achieve pareto-improvements without offending anyone (2.4.2). This solution would suggest either a closer cooperation with the NGO or direct contact with the indigenous offices, gaining a better chance of identifying cultural segments and ingredients (2.4.2.2).

Cooperative projects, for example joint marketing or reducing logistical costs, should always promote pareto-improvements and a greater trust between the entities (2.4.2). Such attempts support the idea of co-operative aspects being in line with customer intimacy and customer solutions strategies when increasing a company’s presence in a NGO market. Takeuchi & Nonaka (1986) support this by recommending an iterative process, which by nature requires much cooperation (2.3.3) An analysis of the shortcomings of the DTI-SOH relation with the aid of Porters value chain identifies outbound logistics and marketing & sales as the two primary areas where cooperation might be beneficial.

A second effect of these assumptions would be that an incremental export process is preferable to a contingency based. This is partially due to the iterative product development and focus on close cooperation but also as an effect of the limited resources of a smaller company. The choice of partners should therefore be designed to match the existing products and services as well as the sharing of values. This last factor may be a larger problem for Swedish companies than, for example, American. Wilsonian organizations tend to share values to a greater extent than Dunanist organizations, which makes them easier to identify and evaluate for potential co-operations. With a majority of Swedish NGOs working with a Dunanist philosophy we simply need more support for companies to target this market.

To reduce waste and better understand the customers’ needs it may be good for DTI-Sweden to engage in closer cooperation and approach SOH Haiti.
6.4 Results of the research model

In these sections we will summarise the previous analyses in order to reflect how the positioning and learning school may be balanced in relation to inter-organizational learning and co-operation. By doing so the research model derived in chapter 3 will guide the analysis to enable us to form conclusions and recommendations for companies, NGOs and authorities in relation to the issues stated in the initial objective.

How can the flow of information between NGO and a smaller company be improved?

Due to the trend in ambition of NGOs to increasingly make use of indigenous offices there is also a natural chasm of information internally in the organizations. This may not be a blatant problem as the domestic branch probably is the original client but to increase access to information “in the field” as well as send information to the final user with as few tiers as possible this should be kept in mind. Approaching the office in contact with the final users may in its turn give cause to linguistic and technical problems and should perhaps be attempted only when a company has retrieved enough market specific knowledge to feel comfortable.

How can cooperation or integration benefit a smaller company in order to satisfy the needs of this market?

Via strategies related to the theories of customer intimacy and customer solutions it is possible to approach joint projects to promote pareto-improvements. These should, as stated in previous section, be attempted in coordination with both the local and the indigenous offices in order to include an as large portion of the supply chain as possible.

Another conclusion from these discussions is the relevance in choice of customer or customer segment. General approaches may fall short due to limited market-specific knowledge or insight in the approached NGO. As stated by Amintorabi a general proposal sent to the ICRC would probably fall short due to its lack of differentiating arguments. How to retrieve this type of information could be the subjects of an entire study in itself but in the case of SOH it has been shown that a short field study or only the use of models such as Woodruffs value hierarchy would be a good start.

In short would the ideals of a learning organization be very useful in the ambition to approach the NGO market. Cooperation can be a goal in itself. By supplying information regarding water, sanitation and water related diseases DTI-Sweden would aid SOH teach children and adults while at the same build an understanding and demand. The pull situation would benefit the flow of information more than a push, where a peer pressure needs to be applied.
What typical areas of improvement can be identified and exemplify how a company may differentiate and add value to an NGO?

From the analysis of Porters five forces we know that the existing competition is difficult to discern and that the bargaining power of the customers promote customer-oriented strategies. By using Woodruff we derived that DTI-Sweden therefore needs further developing of routines with a goal-based approach. With the possibility of identifying blue ocean factors and the challenge of global and unchartered competition there is a need for focused attempts on specific blue ocean segments. In this case there were issues regarding the form of the product, logistics and flow of information.

It was also made obvious in the study that there is a lack of aggregated information and support for companies attempting this type of market. The few networks that exist between NGOs are passively excluding companies, which limit the access to information and inspiration for smaller companies to approach this market. In contrast to funding or economic aid there is a lack of supporting functions from SIDA regarding smaller companies. As most improvements in this can be said to be pareto-improvements it should be interesting for SIDA, other authorities and Academia to support.
7 Conclusions and Recommendation

Conclusions from the previous analyses and a discussion of the findings and further needed research are presented in this chapter, to conclude the study.

7.1 Conclusions

The initial debates revolved the complexity and diversity among NGOs and how a small company can approach this market. This was discussed in terms of strategy and the features and trends of the NGO market in order to identify and evaluate possibilities for companies to achieve successful positions. A measure of this high fit to the market needs would be the ability to further develop products and services relevant to the market and this is also the ambition of the study.

With an ambition of transparency and large budgets for aid material the NGOs seem to be easy customers but due to the different needs, philosophies and level of organization it tend to be difficult to identify potential customers and discern true competition. Analyzing value, with aid of e.g. Woodruff (1997) or blue ocean factors, has proved to be a good aid in this quest but the first step should be to outline the NGO organizational scheme and identify the flow of information.

With a trend to use indigenous offices a company should strive to make contact with both the domestic and the local offices in order to understand the true needs and potential in the organization. This might call for greater cooperation between NGO-company and perhaps also a sort of networking between competitors themselves on pareto-terms.

Analysing value will help when identifying customers, customers’ needs and potential competition.

Regarding the strategic decisions this study leans towards a positioning with a focus on the customer and customer needs instead of striving for OE or superior products. With the flow of information being a vital factor in this attempt special consideration to the lessons of the learning school is advised. It is crucial with an environment where information is sent both ways and throughout the whole chain in order to understand the needs and wishes of the end users. This is especially important in the case company-NGO contact due to the potential risk of losiing information when this is transferred with a domestic NGO office as an intermediary.

An internationalization process may prove to be inevitable for a company approaching the NGO market. In this case it can be concluded with the previous argumentation that one should strive to control the incremental process in order to engage a small number of organizations in close cooperation instead of a large, randomly selected customer base. This will strengthen the customer-focused strategy and increase the contact with the end user, sooner or later rendering the domestic office less significant as intermediary.
Approaching large NGOs require a different mindset than approaching a small. While a small organization can suffer the downsides of having a “good enough” product and work on further development of this in cooperation with the company, a larger NGO will only settle with a product specifically designed for a unique need. In this case it is important to know the organizations needs and what unique value the product or service can provide. Once again blue ocean factors can prove to be handy! The actual contact can be of either high or low character but to build a need of the product it is better to start from below. By contacting the responsible person for “that specific process” in a mission and persuade this person to try the product it is possible to use the organizations own network to market the product and create a pull.

No matter how the attempt is made it is vital to work with follow-ups and aid the NGO with procurement and, if possible, logistics. As most NGOs have a long way to go before these costs and routines are minimized this may be a good start for any company to add value.

Another recommendation to DTI-Sweden would therefor be to approach the problems of dosage and distribution when it comes to the physical problems. Reviewing routines and supporting activities regarding the customers’ procurement and the logistical abilities of DTI-Sweden could be a way to attack two of the identified problems and add value to the customer. A customer with its shipment in transit is unlikely to order another shipment until the first comes through which makes the logistical problems of a customer also an issue for DTI-Sweden.

Larger organizations need pinpointed, specific sales attempts on preferably a low level in the organization. An identified way to increase value for the customer is through logistical and procurement assistance.

7.2 Discussion regarding this and further research
The suggested networks and supporting functions are mere ideas spawned by reflection regarding the lack of aggregated data and consulting services to aid smaller companies in this matter. The ambition of such a network could thereby be to collect, aggregate and share experiences and information regarding NGOs and the NGO market. The non-existing coordination between companies and NGOs probably leave a lot of room for improvements as has been emphasized in the case of NGO logistics. Because of this greater cooperation between smaller companies in Sweden would probably benefit all parties more than it would inspire competition. This idea has not been investigated more than on an elementary level and is therefor in need of further attention. How these networks can be created, sustained, financed and what their objective should and could be remain to investigate.
7.2.1 Evaluating the objective
When evaluating the objective of this study in the light of my conclusions the scope and methods used seems to be reasonable in comparison. Narrowing the focus would further diminish the possibility to generalize the results and a wider scope would perhaps be difficult in this specific example due to the situation in Haiti. If a slightly larger, more complex, case company were to be used the reliability of this study would had increased but with the given time frame there would probably be a need for a narrower focus. A larger company would probably have more customers and cases to study and in that case perhaps a more politically stable country could have been used for the field study.

Including the flow of information or general interactions in the objective would also have shifted the focus of the study. In respect to the previously, in this section, described network-idea this would have required more attention to the already existing networks and supportive functions in other sectors or countries. Without demeaning the importance of this area when discussing strategy or cooperation in a larger scale it would had been difficult to include it directly in the objective. This once again due to the budget, time frame and scope intended for this research.

7.2.2 Evaluating the research model
Two factors should be considered when evaluating the research model: how well the theoretical discussion matched the objective and how well the conclusions match the result from the field study. These reflect the work that resulted in the model and how the model affected the en result.

When considering the theoretical discussions and how these relate to the objective it is easy to reflect upon the lack of explicit theory of product and service development. Due to the variation this subject gives cause to it was better for the generalizability to discuss this on a higher level. Here the models for defining value suffices well and give us the possibility to discuss developments on a more general level. This could however have been more emphasized in the research model. The strategic issue takes overhand and with co-operational aspects it slightly overshadows the sub-focus on product and service development. To compensate for this flaw I took special heed to this focus when summarizing the conclusions and these correlate well with further development.

Regarding how well the conclusions match the result from the field study it can be concluded that they are of different height. While the conclusions of the study on a whole revolves generalized strategy the results of the field study mostly represent a portion of the strategic choices necessary for approaching the NGO market. If the scope or size of the study could be changed the research model should also include aspects of internal factors and organizational issues when debating the learning school versus the positioning school. Although when limiting our selves to only discussing small companies it is possible to keep the model at this basic level.
7.2.3 **General evaluation**

In general it would however benefit this case study if more examples or quantitative studies were conducted. This would enable more general suggestions for areas of improvements and aspects on cooperation between companies, increasing the validity of such statements. Although the possibility of existence and the potential significance of different wastes have been identified further studies would enable construction of a more general model in order to identify them.

Due to the short time frame and limited resources for this study there are no post-attempt examples of these types of ventures for comparison. The field study could only procure a snapshot of the situation and the objects of study were arbitrarily selected. To debate the results on a wider scale (other than specifically in relation to the studied situations) would be a bold move unless further research was undertaken to compare this study to previous attempts. For example examining successful and failed ventures when approaching the NGO market. In this sense there is still a lot to prove.
Bibliography

Books and journal articles


**Interviews**

Amintorabi, Bahram, 2011, Haiti, Red Cross WatSan department.

Boursiquot, Tony, 2011, Haiti, Project Manager of constructions.


Hajdu, Flora, 2011, Uppsala, Field Methodology for Minor Field Studies.

Holmberg, Peter, 2011. DTI-Sweden at Arlanda Stad.

Joade, 2011, Haiti, Carrefour children’s home.

**Reports and other media**


Webpages


Appendix

Appendix 1: Areas discussed in preparation of the field study

The questions were only used to initiate further discussions in relation to the subject of the questions and do not reflect the full extent but rather the focus of the interviews.

Sida:
How are funds distributed to organizations?
How are funds distributed to different fields of work?
Who can apply for funds?

MSB:
How does MSB work with missions abroad?
How is MSB coordinated contra other organizations?
How is MSB financed?

Mats Lundahl, HHS:
What is the situation in Haiti?
How is water and sanitation generally thought of in Haiti?
What limitations will I have in my studies in Haiti?
How do I find suitable organizations to meet?

General to NGOs (incl. SOH):
How do you work with water disinfection?
What kind of projects do you have?
How is your procurement organized?
How are you working with evaluation and feedback in respect to disinfection?
Is it possible to visit you projects in Haiti?
Appendix 2: Guide for the semi-structured interviews with DTI-Sweden

How do you work strategically with different customers?

How do you view your product? (pros and cons)

How have you worked with customer relations?

How do you find new customers?

What experience do you have from NGOs and other organizations?

How did SOH find you?

How do you coordinate shipments to SOH

What kind of feedback system do you have?
Appendix 3: Guide for interviews during field study (with interpreter)

How do you treat your water?

What is your opinion on and experiences of Aquacare?

How were you introduced to Aquacare?

Have you any suggestion for additional items, changes in the product or services?
Appendix 4: Posters with sanitation directions
Examples of posters in the schools of SOH

Posters from schools in by SOH-Haiti, Östman 2011
Appendix 5: Water canisters typical at the schools and orphanages

Canisters in schools and children's homes in Haiti, Östman 2011