



NTNU – Trondheim
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How can SMEs and NGOs collaborate -

a case study of critical factors in alliance
structures

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MASTER THESIS

for

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MASTER PROGRAM:	NTNU's School of Entrepreneurship
START DATE:	January 15, 2013
TITLE:	How can SMEs and NGOs collaborate - a case study of critical factors in alliance structures
PURPOSE:	To explore how SMEs and NGOs can structure a collaboration in order to launch a product in BOP markets.
MAIN CONTENTS:	<p>The thesis' goal is to research how one can set up a strategic alliance between small and medium sized enterprises [SMEs] and nongovernmental organisations [NGOs] where the overall objective is to launch a new product in a BOP [bottom of the pyramid] market. Alliances between corporations and NGOs are a growing trend, but we find the literature to mainly focus on MNEs-NGOs collaborations. We want to explore, through a case study, what critical factors need to be taking into consideration when starting an alliance between SMEs and NGOs. What separate this form of alliances from other alliances?</p> <p>The method of this master thesis will be inductive. The researchers will go out in the world, meeting people and learn to know the case object, an alliance of SMEs and a NGO from Sweden and Norway. The main source of data will be interviews with the parties in the alliance. Secondary data collection will be a literature review based on our initial findings from the alliance. The literature review will be used in order to validate the findings externally. We find that most of the literature view the empirical data in retrospect, we are challenging this view by having a prospective take on the case study.</p>

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PRE- FA- CE

PREFACE

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Preface

This Master Thesis has been preformed in the spring of 2013 at the Norwegian University of Science and Technology (NTNU) at the institute of Industrial Economics and Technology Management. This Master thesis serve as the final work at the Master of Science program at NTNU's School of Entrepreneurship.

We would like to take the opportunity to thank all that have helped or supported us through the work with this Thesis. Our gratitude goes to our supervisor Øystein Widding for patient feedback and Brita Fladvad Nielsen for introducing us to the Norwegian network of companies developing renewable energy solutions for bottom of the pyramid markets. We are also very grateful for the generous time the interview subjects have put aside to allow us to conduct the interviews we needed. Our last thanks goes to friends and family that have helped us with copy editing and supported us through the process of this Thesis.

Trondheim June 11, 2013

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AB- STR- ACT

ABSTRACT

This Thesis search to answer the question: How can small and medium sized enterprises [SMEs] and non governmental organisations [NGOs] build a robust alliance in order to launch a new product in bottom of the pyramid [BOP] markets? With SMEs expanding their business to the global market and NGOs structuring their operations in a business like manner the stage is set for strategic alliances between SMEs and NGOs. Collaboration between the two types of organisations can open up access to resources otherwise unattainable for the parties. Due to the newness of this phenomena there exist deficiencies in the literature on strategic alliances between SMEs and NGOs. This Thesis' theoretical contribution will be to challenge three of the gaps in the existing literature.

This Thesis can be described as a three story building. The Basement is the foundation and consists of our pre-understanding, interests, choices of theory, research design, research question and purpose. This floor also consist of us as researchers going out into the world and studying true interviews what actors in SMEs and NGOs are involved in. This is the basis of our Thesis.

The second storey is the Middle Floor. This is where the craftsmanship of conducting an embedded single case study lies. It is the generation, analysation and interpretation of data, both theoretical and empirical. The result of this work is presented as a framework based on theoretical findings that is used to evaluate an SMEs-NGOs alliance. The empirical findings from interviews were used to validate the framework and further refine it as a guide to create awareness for critical factors that will have impact on an alliances throughout its lifespan.

The last floor is the Penthouse, a presentation of the results and their meaning. How to build a robust alliance between SMEs and NGOs? We suggest that the partners listen to each other as they discuss the factors: *resource contribution and need, strategic objectives, motivation and commitment* and *alignment of goal* and thereafter together make the decision on how to structure the alliance.

This Thesis can be seen as a groundbreaker within the field of strategic alliances between SMEs and NGOs in highlighting what can and cannot be transferred from theories describing multinational enterprises-NGO alliances and SME alliances to SMEs-NGOs alliances. However, the limitation of the Thesis is restricted to Scandinavian SMEs and entrepreneurial NGOs searching to form an alliance. Further work is needed to validate the findings of this Thesis externally.

SAM- MEN- DRAG

SAMMENDRAG

Denne masteroppgaven forsøker å besvare spørsmålet: Hvordan kan små og mellomstore bedrifter [SMEer] og frivillige organisasjoner [NGOer] bygge en sterk alliance med et mål om å lansere et nytt produkt til markedet på bunnen av den økonomiske pyramiden [BOP]? Med SMEer som ekspanderer sitt virksomhetsområde utover landegrensene og NGOer som endrer sine operasjoner til å ha en mer forretningsmessig struktur, kan kunnskap om strategiske allianser mellom SMEer og NGOer være et godt kort å ha på hånden. Denne typen samarbeid kan muliggjøre tilgang på resurser som ellers ville ha vært uopnåelige for begge parter. Da dette er et relativt nytt fagfelt så eksisterer det et gap i litteraturen som omhandler strategiske allianser mellom SMEer og NGOer. Denne oppgavens teoretiske bidrag vil være å utfordre disse tilsynelatende manglene i eksisterende teori.

Denne oppgaven kan beskrives som en tre-etasjers bygning. Kjelleren er fundamentet og består av vår forståelse av temaet basert på våre tidligere erfaringer, interesser, valg av teori, forskningsmetode, forskningsspørsmål og hensikt. Den består også av at vi som forskere har gått ut i verden og hørt etter hva aktører i SMEer og NGOer er opptatt av. Dette er hva vi har bygget vår masteroppgave på.

De andre nivået er førsteetasjen. Det er her håndverket som er lagt ned i datainnsamling, analysing og tolkning av både teoretiske og empiriske data, vises. Resultatet av dette arbeidet er presentert som et rammeverk basert på de teoretiske funnene og deretter benyttet til å evaluere en alliance mellom SMEer og NGOer. De empiriske funnene fra intervjuene er brukt til å validere rammeverket for å deretter finslippe rammeverket til å bli en guide som kan skape bevissthet rundt kritiske faktorer som har en påvirkning på en alliance igjennom dens livsløp.

Den siste etasjen er loftsleiligheten som er en presentasjon av oppgavens resultater og hva disse betyr. Vi anbefaler at når en skal bygge en solid alliance mellom SMEer og NGOer så bør partene lytte til hverandre når de diskuterer følgende: *ressursbidrag og behov, strategiske mål, motivasjon og engasjement og felles interesser* og i felleskap ta beslutningene om hvordan alliansen skal struktureres.

Denne masteroppgaven kan sees på som en pioner innen for strategiske allianser mellom SMEer og NGOer da den peker på hva som kan og ikke kan overføres fra litteratur som beskriver multinationale selskapers allianser med NGOer og allianser mellom SMEer til allianser mellom SMEer og NGOer. Oppgaven er likevel begrenset til skandinaviske SMEer og entreprenørielle NGOer som ønsker å skape en alliance. Videre arbeid er nødvendig for å stadfeste om funnene i denne oppgaven er gyldig utover nevnte begrensninger.

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LIST OF ACRONYMS

BOP - Bottom of the economic pyramid

FDI - Foreign direct investment

MNE - Multinational enterprise

NGO - Non governmental organisations

OECD - Organisation for economic co-operation and development

R&D - Research and development

RE - Renewable energy

SME - Small and medium sized enterprise

TED - A non profit organisation devoted to ideas worth spreading

IN- TRO- DUC- TION

INTRODUCTION

We start this thesis by telling the story of Dr. Ernesto Sirolli, a noted authority in the field of sustainable economic development. Dr. Sirolli is the founder of the Sirolli Institute, an international non-profit organisation. The Sirolli Institute teaches community leaders how to establish and maintain Enterprise Facilitation Projects in their own communities (Sirolli Institute, undated). In a *Ted Talk*, a non-profit organisation devoted to ideas worth spreading, posted in November 2012, Dr. Sirolli tells the story of a seven-year period that shaped his life. The rest of his story is written on the back of this *Ted Talk*.

From the age of 21, Dr. Sirolli spent seven years in several African countries working as a Technical Consultant to an Italian Non-governmental Organisation [NGO] on various projects. All the projects the Italian NGO had previously set up in Africa had failed and Dr. Sirolli could not understand why they had failed. The Italians were good people and appeared to be doing a good job, albeit “everything they touch - they killed” (Sirolli, 2012). As an example, Dr. Sirolli goes on to tell about the first project he was involved with (from 01:30 minutes into the talk):

“It was a project where we Italians decided to teach the Zambian people how to grow food. We arrived there, with Italian seeds in southern Zambia, in an absolutely magnificent valley going down to the Zambezi River. We taught the local people how to grow Italian tomatoes and zucchini. Of course, the local people had absolutely no interest in that, so we paid them to come and work sometimes so that they would show up. We were amazed that the local people, in such a fertile valley, would not have any agriculture. Instead of asking them why they were not growing anything, we simply said, “Thank God we are here, just in the nick of time to save the Zambian people from starvation”.

Everything in Africa grew beautifully. We had the most magnificent tomatoes which were triple the size of the tomatoes grown in Italy. We couldn't believe it and were telling the Zambians: “look how easy agriculture is”. When the tomatoes were ripened, 200 hippos came out of the river and ate everything! We said to the Zambians, “My God - the hippos”, and the Zambians said “Yes, that is why we don't have any agriculture here”. “But why didn't you tell us?” They replied, “You never asked”.

I thought it was only us Italians that were blundering about in Africa, but then I saw what the Americans were doing, what the Englishmen were doing and what the French were doing, and, after seeing what they were doing, I became quite proud of our project in Zambia because at least we fed the hippos!”

Even though this story relates back to 1971, it gives a great picture for the everlasting need to listen to the market. What do they want, and how can we satisfy their need?

The story is also an eye-opener for the effect of aid. Over the last 50 years the western donor countries have given over two trillion American dollars to the African countries (Moyo, 2009). Through prior research on the field of aid, emerging and bottom of the pyramid [BOP] markets, one can also find a shared opinion that aid in the form of donations, something for nothing, only prolongs the development of a sustainable market (e.g. Moyo, 2009; Prahald, 2010; Reficco & Márquez, 2012). “In an aid environment, governments are less interested in fostering entrepreneurs and the development of their middle classes than in furthering their own financial interests” (Moyo, 2009, p. 57).



FIGURE 1.
THE CONTEXT FOR THE MASTER THESIS.

As a counterbalance to the claims above, one can look at the *Aid for Trade* program, launched in 2005 at the Hong Kong Ministerial of the World Trade Organisation (United Nations Economic Commission, 2011). This program was initiated on the back of the findings that the poorest countries struggle to benefit from market access opportunities and compete worldwide due to their inability to trade efficiently (United Nations Economic Commission, 2011). The *Aid for Trade* program is a multilateral aid initiative to integrate low-income countries into the world economy and to spur growth through financial and technical assistance (Hoekman & Wilson, 2010). A strong commitment to the programme has emerged from donor countries, recipient countries, multilateral agencies, civil society and the private sector (United Nations Economic Commission, 2011). It seems as though the program are working towards merging aid and market development. One mechanism they use is to leverage the knowledge, capital and information from individual corporations (Hoekman & Wilson, 2010) through innovative partnerships with the public sector in the given country of interest.

Prior research also suggests that the leveraging of business knowledge to promote growth in BOP markets could be done through partnerships between businesses and NGOs. Several authors (e.g. Millar, Choi, Chen, 2004; Khanna, Palepu & Sinha, 2005; Webb, Kistruck, Ireland & Ketchen, 2009; Dahan, Doh, Oetzel & Yaziji, 2010; Reficco & Márquez, 2012) point to how strategic alliances with NGOs can be a tool for businesses to gain knowledge and experience from the local market, which can lead to great advantages. From the NGOs point of view, the relationship can enable them to develop the opportunities they recognise through their presence in the market, by leveraging the partner firm's technical, financial and business resources. In relation to Dr. Sirolli's story, the NGOs become a way for the firms to listen to the market, and the firms give the NGOs reasons to listen. One example on such an alliance is Telenor Groups cooperation with the Aga Khan Rural Support Programme (AKRSP) in Pakistan. The motive was to gain access to local knowledge and come up with new services that addressed particular customer needs. The collaboration resulted in, among others, the development of a service that disseminated the day-to-day agricultural market prices. The services would help the farmers to



HOW CAN SMES AND NGOS BUILD A ROBUST ALLIANCE IN ORDER TO LAUNCH A NEW PRODUCT IN BOP MARKETS?



calculate where they could get the best prices for their products (Cultural Understanding is Key to Growth, 2010). Although, Hoekman and Wilson (2010) points out in their paper on the *Aid for Trade Initiative*, that the track record for implementation of such partnerships has shown poor results.

Given the above findings, this Master Thesis claims to have found an area worth researching. If great advantages do exist within such relationships for launching a product in poorly developed markets, why do they fail and what can strengthen these relationships? Through the context described in figure 1, this Thesis offers a contribution towards a better overall understanding of strategic alliances between businesses and NGOs. More precisely, between Small & Medium-sized Enterprises [SMEs] and NGOs.

We choose to focus on SMEs as they represent the backbone of Europe's economy, making up 99% of all enterprises (Matt & Ohlhausen, 2011). In this Thesis we follow the EU's definition of SMEs, which are businesses with less than 250 employees and a turnover of less than or equal to €50,000,000 (Centre for Evaluation & Strategy Services, 2012). Furthermore, it is claimed that SMEs need to cooperate to overcome the future challenges by adding value to both their products and the markets of interest in order to stimulate economic growth (Matt & Ohlhausen, 2011). Because of this we find SMEs to be an interesting research subject.

This leads to the research question:

“How can SMEs and NGOs build a robust alliance in order to launch a new product in BOP markets?”

Before we go on to explain which methods have been used to research SME and NGO Alliances, we will elaborate on their context within this Thesis. Firstly, we offer a short description of what defines the BOP markets. Secondly, we will highlight the challenges and benefits of doing business and launching a product in such markets. Thereafter we will focus on the main element of the context of this study, which is how a partnership with an NGO can act as a bridge for gaining knowledge about and entering BOP markets.

Bottom of the Pyramid

First of all we need to establish what defines an emerging market - “Emerging (markets) are low-income, rapid-growth countries using economic liberalization as their primary engine of growth” (Hoskisson, Eden, Lau & Wright, 2000, p. 249). Hence, these countries are developing, and can be characterised by their lack of sufficient arenas for buyers and sellers to meet in order to do business in an efficient way (Khanna & Palepu, 2010). This again drives the cost of doing business and growing companies in the given market.

Countries that are labelled as an emerging market will consist of different regions within the given country that will be of stark contrasts to each other. Some areas will be developing while the majority will be underdeveloped (Webb et al., 2010). The people living in the underdeveloped regions are defined as people at the Bottom of the Pyramid (Webb et al., 2010). The World Resources Institute estimates that these consumers have an average annual income of \$3,000, scaled to 2002 U.S. dollars (Hammond, Kramer, Katz, Tran & Walker, 2007). The underdeveloped areas will typically be rural villages, urban slums and shantytowns (Prahalad & Hart, 2002), which are characterized by very different sociocultural elements than the more developing regions within the same country

(London & Hart, 2010). This shows that BOP markets depend not upon country boundaries, but rather upon market characteristics (Webb et al., 2010). Prahalad and Hart (2002) estimate that within an emerging market, 40-60% of the market will be defined as a BOP market. Compared to developing and developed markets BOP markets operates primarily in the large, but hidden, informal economies that are not recorded in official gross national product (GNP) (London & Hart, 2004). Serving BOP customers, which represent approximately four billion people worldwide (e.g. Prahalad & Hart, 2002), offer great opportunities, but also present new challenges for companies looking for new markets.

Challenges in BOP Markets

London and Hart (2004) claimed in their article, *Reinventing Strategies for Emerging Markets – beyond the transnational model*, that it exists a gap between traditional strategy theories and the challenges that companies faces when entering both emerging markets and BOP markets. Khanna et al. (2005) supports London's and Hart's (2004) claim that companies need to have a different strategic approach when entering these markets when they state that "CEO's cannot assume they can do business in emerging markets the same way they do in developed nations" (Khanna et al., 2005, p. 64).

Khanna et al. (2005) claim that the key to success is to understand institutional differences between countries, and through this understanding, be able to select the best market to enter, using the most fitting strategies and making the most out of an investment.

When doing business in unknown markets, CEOs face difficulties in (Khanna et al., 2005):

- Understanding the institutional differences and distances between markets
- Understanding the underdeveloped infrastructure of the BOP market compared to the infrastructure in their home market
- Struggle to get reliable information about consumers and lack the necessary resources to solve such problems

As previously explained, Khanna et al. (2005) do not distinguish between developed and underdeveloped regions of developing countries, which in turn shows a misunderstanding of those countries being homogeneous. To have an understanding of how to segment the market not based on country borders, but based on regional differences, there are several strategic implications for internationalising companies, for example - when selecting a local strategic partner. Potential local partners could have close connections to the formal economy in the given country of entry, but lack the needed presence or infrastructure in the undeveloped regions as they focus on serving the top of their domestic economic pyramid (London & Hart, 2004).

Developing and Launching Products in BOP Markets

The problems with adapting the business strategy for the enterprise will not only affect how, when and where to sell the products, but also affect what to sell. The fundamental problem involving the product strategy for BOP markets, is how a company can adapt or develop a new product or service that fit the local context when specific and critical market knowledge is difficult to acquire, marketing outreach and distribution is inaccessible, and broader brand awareness and social reputation

are hard to come by (Dahan et al., 2010). Webb et al. (2010) also point to the fact that BOP markets are extremely heterogenic, which in turn limit the transfer of consumer behaviour and customer knowledge from one market into another market. Thus, it will be difficult and maybe not sensible, to try and sell the same product in different markets.

As the BOP market is being served with new products and services, non-consumers are being turned into consumers (Christensen, 1997). These consumers are very value conscious due to limited recourses (Christensen, 1997; Zeschky, Widenmayer & Gassmann, 2011). In other words, they have a continuous focus on getting the best value from the money spent - this creates a constantly changing customer demand. On that note, Ray and Kanta Ray (2011) claim that there exists huge possibilities in introducing new products that meet customers demands more precisely and cheaper than a lot of the products that are marketed towards the high-end customers in the more developed emerging market. This presents the company with new challenges for product development, and how to understand the use-case of the product. As a result a company may need to deploy a lot of resources in order to get a good understanding of the constantly changing customer demands. As Dr. Sirolli emphasised in his *Ted Talk*, they need to find a way to listen.

Immelt, Govindarajan and Trimble (2009), among others, suggest that the best strategy to succeed with a product launch in emerging markets is to set up a local growth team, let them develop their own strategy, organisation and products and as a result create a new enterprise. One example of this is General Electric that according to Immelt et al. (2009) is disrupting their own successful business models by introducing products in ultrasound and x-rays that addresses customer requirements more

specifically and at a lower price. The products are developed and introduced primarily in emerging markets, but secondarily in their home markets and thereby disrupting existing revenue streams (Immelt et al., 2009). Developing locally will give the company access to local personnel and direct knowledge of the market. Though, such a strategy is extremely resource demanding. It might be a suitable strategy for a large Multi National Enterprise [MNE], but for a SME wanting to enter BOP markets this might not be a strategic option due to limited resources.

Challenges for SMEs when Launching a Product in BOP Markets

The last two sections point to the high resource demand when launching a product in the BOP and emerging markets. This may exclude SMEs from trying to launch products in the BOP markets due to the lack of financial recourses and the lack of experience with subsidiaries. SMEs are facing several challenges in rapidly changing market environments that include competition across both the geographical and industry borders (Matt & Ohlhausen, 2011). The competition puts pressure on competitors to gain access to new knowledge and in getting a more comprehensive view of the market demand to explore new business opportunities (Matt & Ohlhausen, 2011). As stated, SMEs need to overcome these challenges by forming collaborations or cooperation with other organisations.

Collaborating with NGOs to Gain In-Depth Market Knowledge

Dahan et al. (2010) and Webb et al. (2010) suggests that collaborating with NGOs can help minimise the knowledge gaps in terms of culture, value and daily norms to minimise the distance to market for firms wanting to go global. In turn, the strategy will enhance the ability to identify opportunities in value creation for the local customer without cannibalising once resources. Traditionally, internationalisation research has focused on how to partner with governments, large domestic corporations and business groups to lower and share the risk of entering a foreign market (e.g. Khanna & Rivkin, 2001; Ricart, Enright, Ghemawat, Hart & Khanna, 2004). London and Hart (2004) argues, as stated earlier, that these partners would have experience from dealing with mainly the local urban elite, and will fall short dealing with the BOP market. Collaboration with NGOs, on the other hand, can ensure “complementary capabilities and local knowledge along each stage of the value chain to develop products or services” (Dahan et al., 2010, p. 326). The NGO’s presence in the given market leads to possible recognition of opportunity, and a wide-reaching rural network for facilitating a firm’s market-driven process (Webb et al., 2010). NGOs also offer a potentially decreased level of opportunism compared to other possible local partners (Webb et al., 2010).

Webb et al. (2010) however, recognises that these kinds of relationships and inter-organisational networks may become overwhelming as a non-profit making organisation and a for-profit making organisation may have incompatible goals, create distrust and develop ineffective interactions.

Dahan et al. (2010, p. 326) also stress four strategic imperatives for the success of corporate-NGO relationships:

- Innovative combinations of company’s and NGO’s resources and skills
- The importance of trust-building
- The importance of comparable goals of the two organisations
- Supporting and understanding the local business infrastructure and environment

This Thesis will use the presented contexts to look at how to build robust relationships and alliances between SMEs and NGOs, with the goal to facilitate and strengthen the organisations product or service development for BOP Markets through market knowledge.

Theoretical and Practical Contribution

The aim of this Thesis is to offer both theoretical and practical contributions as follows:

The theoretical contribution will first of all be a better overall understanding of strategic alliances between SMEs and NGOs. We have discovered deficiencies within the researched literature in terms of a lack of differentiation and specification of both the size of the company within business-NGO theory, and the quantity of organisations within the alliances. We will challenge these, to our understanding, deficiencies by using the existing theory in an attempt to explain the research subjects within the context of the research question. The explanation derived from this work will then be used to elaborate on existing frameworks that describe the evolution of alliances through phases and critical factors within these phases. These frameworks has only been tested ex post, we will make an attempt of testing our

framework ex ante, as Parkhe (1993) suggest that ex ante attention to alliance structure may create more robust strategic alliances. The ex ante approach has also been suggested as further research on the evolutionary alliance frameworks by Swoboda, Meierer, Foscht, & Morschett, (2011).

The practical contribution is the framework of critical factors that can be used as a tool for discussing and analysing the possibilities of building an alliance with other SMEs and NGOs. The factors will create awareness of the most critical aspects of building an alliance, and hence, contribute towards the need of creating more robust alliances. This Thesis also aims to highlight the challenges and advantages for SMEs and NGOs when they enter an alliance to launch a product in BOP markets.

Structure of the Thesis

In order to search for an answer to the Thesis' research question we chose the inductive approach of going out into the world to talk with people that are familiar with the Thesis' context and ask for their views. The first conversations we had formed our understanding of the context, and gave a direction for the search for answers. This is inspired by *Grounded Theory*, which led the core of this study being based on primary data from interviews instead of relying heavily on a literature review. The chapter describing the method and the process used in this Thesis will be presented shortly after this introduction. The order of the chapters in this Thesis is due to our inductive approach where the empirical data has been used as guidance for finding challenging subjects that need further explanation through existing theory.

To develop a better understanding for the collected data, we will review prior research related to the context and the research objects. The literature found relevant for the research question is a range of theories on strategic alliances, *Transaction Cost Economics*, *Resource-based Theory* and *Knowledge-based Theory*. The applied theories aim to explain the challenges and benefits of building SME-NGO alliances through a framework. It will also be used to highlight the theoretical contribution from the Thesis.

The proposed theoretical framework of critical factors will be discussed by cross checking the theoretical findings with the empirical findings. We conclude with an elaborated framework that can be used as a guide for discussing an alliance structure ex ante. This is believed to create more robust alliances between SMEs and NGOs with the joint goal of launching a new product in BOP markets.

BASEMENT

THE FOUNDATION FOR RESEARCH

Paradigm, pre-understanding, subjective choices, including values, assumptions, choice of theory and concepts, research methodology and techniques; choice of problem, research questions and purpose, literature review and listening to the actors within the field.

ME-
TH-
OOD

CONTEX - BOP MARKETS

CASE - RE-CONTAINER PROJECT

SME 1

SME 3

SME 5

NGO 1

SME 2

SME 4

NGO 2

29

FIGURE 2.

An overview of the embedded single case study adapted from Yin (2008, p. 46)

CASE DESCRIPTION

This chapter will explain the process of choosing an object for this Thesis and the further exploration of the research question. Both the methods used during research and the process will be presented. As stated in the introduction we have search to answer the research question by talking with actors facing the challenge of how to cooperate between NGOs and SMEs.

Outline of the Case Study

The purpose of this Thesis is to answer the question: How can SMEs and NGOs build a robust alliance in order to launch a new product in BOP markets? With limitations in existing theory of strategic alliances, fully explained in the chapter *Applied Theory*, we wanted to investigate the factors influencing a robust strategic alliance. Due to the gaps in the literature we have chosen to conduct an exploratory research. Hence, a single case study can be a useful tool (Yin, 2008). Since we are studying the formation of a possible strategic alliance with multiple parties we are conducting a single embedded case.

The embedded single case of this Thesis is shown in figure 2. The object of the research, a possible strategic alliance between multiple organisations, will hereby be referred to as the project. The case will be used to challenge existing theory, as described above, by looking

at the factors that influence the structuring of the strategic alliances. The individual elements describing the case are the SMEs and the NGOs. The context of the study is BOP markets.

The data in this case study has been collected from six different sources:

- Interviews
- Articles from journals
- Online newspapers
- Web pages of the companies involved
- A survey
- Observations

The data from the interviews have been given precedence followed by the articles.

Newspapers and web pages have been used to better understand the importance of the topic and the alliance partners' previous actions. A survey was used in the end of this research for validation of the findings and to get a better understanding of the context of the case. Finally, the observations, both in interviews and at seminars, have given us as researchers a better understanding of the context of the data gathered.

In total 12 interviews were conducted. They were distributed in the following way:

- Two screening interviews, one with an SME and one with an NGO that both were participating in an alliance with the goal of launching a product in BOP markets. These interviews were done to develop an understanding of the Thesis context. This refined and shaped the research question.
- Five initial conversations with four SMEs and one semi-governmental organisation were held. The goal was to get acquainted with the case's alliance
- Five follow ups interviews were held. Two were held with the NGOs in the alliance to develop an understanding of their perspective and three to follow up the first conversations with the SMEs.

The interviews were held between 7th of February and 25th of May in Oslo or via Skype, see appendix C. for more details. The lengths of the sessions ranged between 30 and 100 minutes. The form was semi-structured interviews and all the post analysis of the data interviews in this study was thematic. The focus was on what was being said, not how it was being said, how the object acted or was affected by the interrogator or the environment of the interview. All the interviews with partners in the project, except one, have been recorded and transcribed word by word.

In order to understand the context of the case, two days of direct observations were done in Oslo on the 16th of April and 4th of June 2013. The researchers were present at two full day seminars discussing business development within renewable energy in Africa and energy devices for humanitarian markets. Several of the Norwegian actors in the studied alliance were present. At both conferences actors within renewable energy focusing on how to

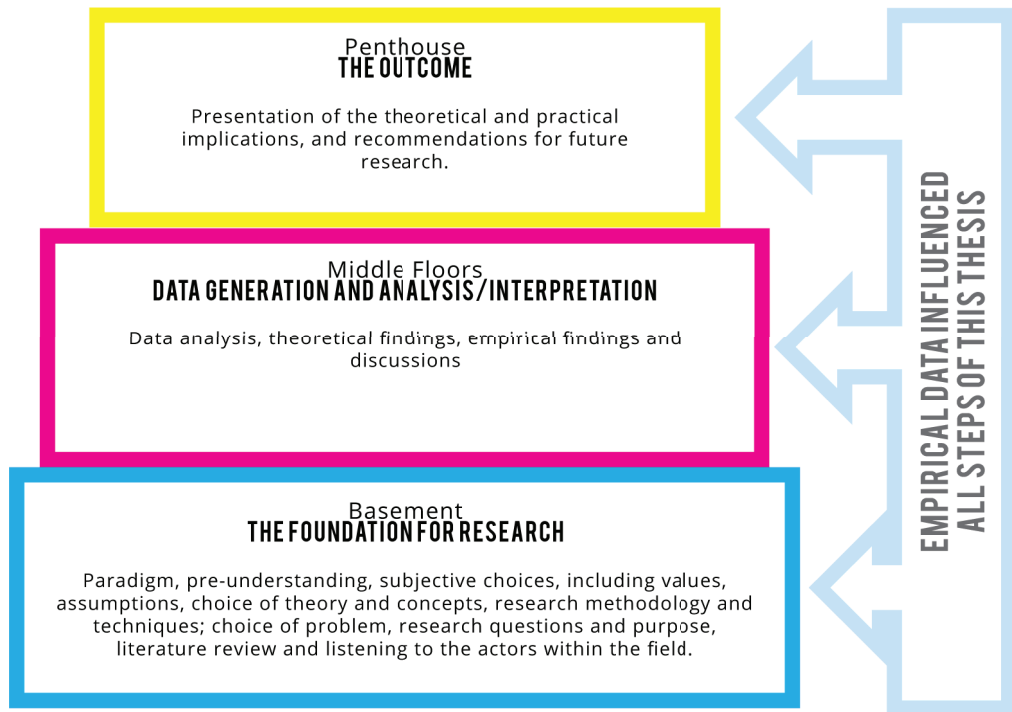
develop and launch their products in BOP markets where present. The actors present were employed in SMEs, NGOs, governmental organisations or semi-governmental organisations.

A survey was preformed during the seminar on the 4th of June. The aim was to give an indication of whether or not the findings in this study could be applicable to more than just the particular case we had studied. With only eight answers the survey did not turn out to give significant answers to conclude. But the survey allowed us to test the understanding of the expressions, used for the critical factors used to analyse the case study in *Findings and Discussions*, for some of the participant employed in SMEs or NGOs. The knowledge of strategic expressions turned out to be low.

The Process

The process of this thesis has been inspired by the work of Glaser's and Holton's (2004) article *Grounding Theory*, and Gummesson's (2003) article *All research in interpretive!* As researchers we chose a subject of interest for this Thesis and acknowledge that we had little prior knowledge of the topic. We were faced with a choice of either to study previously developed theory related to the subject, or to have open minds and look at the reality of the world to collect data. The latter approach was chosen. The process has been inductive and the case has provided us with data for conceptualisation and theory generation.

Inductive research is explained by Gummersson as: "Simply put, inductive research lets reality tell its story on its own terms and not on the terms of received theory and accepted concepts" (2003, p.488). This thought is built on *Grounded Theory* (Gummersson, 2003) that addresses: "[...] how the discovery of data – systematically obtained and analysed in social research can be furthered" (Glaser & Strauss,



1967, p.1). The nature of inductive approach is explained by Popper: "It is usual to call an inference 'inductive' if it passes from singular statements (sometimes also called 'particular' statements), such as accounts of the results of observations or experiments, to universal statements, such as hypotheses or theories." (1935/2002, p. 4). By choosing an inductive approach inspired by *Grounded Theory*, we started off with little or no preconceived theory. We collected and analysed data that lead to the development of concepts that aim to give a contribution to the applied theory of how to structure a robust alliance between SMEs and NGOs primarily in the context of launching a product in BOP markets.

By using inductive research as the chosen method it is important to bear in mind that it will never be possible to collect all the information about the subject. A true inductive approach is unattainable. Therefore it is not a true conclusions that all swans are white if the only white swans have been observed (Popper, 1935/2002). Inductive research can lead to increased generalisation, but has less precise measure than a deductive

FIGURE 3.
THE GENERALISATION OF
THEORY IN THE THESIS
BASED ON GUMMERSSON
(2003)

approach (Bonoma, 1985). Choosing an inductive and exploratory approach we are following the thoughts of Mintzberger (1979, p. 584) "It is discovery that attracts me to business, not checking out of what we think we already know."

Further on we have emphasised to follow the *Research Edifice* by Gummesson (2003), figure 3, where conducting research is described as three steps: basement, middle floors and penthouse. The basement is the foundation for research and includes the researchers' pre-understanding, paradigm, ideology, qualitative subjective choices, methodology and research question. The middle floor consist of the systematic approach to data, analysis, concepts and conclusions. The penthouse is the outcome of the research and is the presentation of results and their implications.

The researchers have aimed to follow Gummesson's description of *Grounded Theory* to "take the elevator from the ground floor of raw substantive data and description to the penthouse of conceptualization and general theory. And do this without paying homage to the legacy of extant theory". It has been emphasized to analyse the contributions from the data in order to create an understanding that take into account the complexity of the studied situation. This has been done without accepting previous recipes on how to structure an alliance, but rather ask actors involved both in the case and in the context of the case of their thoughts of how to build an alliance. This process is illustrated in figure 3.

Defining our Research Question

The process of this Thesis started with an ambition to study product launch strategies in emerging economies. The interest for product strategies came from our background as industrial designer. The launching of a product can be seen as a merger between entrepreneurship and design and was therefore selected as the most interesting phase of product development for the researchers. Choosing emerging markets as the environment for the study was done in order to maximise the impact of the different elements in a product launch. Elements that in an environment that is more similar to a home market would be more difficult to spot because the subject do not have to reflect on its actions in a known environments. The researchers also aimed to find elements in the product launch that were normally hidden, but in this situation provoked by the extreme differences in the markets. It is also important that: "Emerging economies provide a laboratory for investigating the interaction between firm strategies and local context." (Xu & Meyers, 2012, p. 1).

When exploring the context of this Thesis at NTNU we met Brita Flatvad Nielsen. She invited us to join in and plan two interviews she had scheduled in Oslo as a part of her PHD at the Institute of Industrial Design, NTNU. The interviews were conducted in February 2013 with a designer and cofounder of *Bright Products* and a senior advisor at *Norges Vel*. They are both involved in projects that aim to launch products developed in Scandinavia for rural areas South of Sahara.

The interviews were conducted to learn more about the challenges both SMEs or NGOs face during their work pre-product launch in the African market. The objective of the interview was that we as researchers would interact with participants involved in BOP markets and by that enrich our understanding of the topic,

by extending our empathy. Increasing the researchers empathy can be done when the researchers is listening to the interviewees' feelings and stories and link them to themselves and by that extending their knowledge (Finlay, 2005). Setting the direction of the Thesis from real life challenges instead of a deductive literature review were an important goal for the interviews.

For the first two interviews a set of question for a semi-structured interview were prepared. The questions were based more general topics and was aimed at finding out what was relevant for Norwegian actors doing, or attempting to do, business in Africa. The course of the interview was mainly driven by the researchers, but we stopped asking questions when the person interviewed started to elaborate and give examples. In other words told a story by unravelling details about a topics that went beyond the question asked (Riessman, 2003). Narratives are the interviewee's point of view (Riessman, 1993) and are therefore effective to understand how he or she perceive the situation, the challenges and the opportunities they face. The unique stories were kept as a whole in the analysis. The stories from the two different interviews were compared to each other in order to find similarities.

The analysing of the interviewed showed that both the interviewees had been telling a story of how SMEs were teaming up and sharing recourses in order to launch a product in rural areas of African. Companies were developing their products to fit perfectly with the products of their strategic partners. This means that the collaboration on market strategies were more than bundling the products together before shipping them to the store or marketplace. Each company would be willing to let their original product design change in order to take advantage of a close fit with their partners' product. This narrative was not expected and

intrigued the researchers and became the main focus of the study: How can SMEs collaborate successfully in order to launch a product in BOP markets?

After an initial literature research on companies making sacrifices on their own products to get access to resources, the research question was refined. It turned out that the organisations we had been talking to were not the only one teaming up in order to access more resources. It appears that there is a gap between the knowledge and resource pool available to a collaboration of SMEs that can be reduced by adding an NGO to the alliances. Where the NGO can bring knowledge of the market to the alliance from their previous activities in the region of the market. This led us to formulate our research question: How can SMEs and NGOs build a robust alliance in order to launch a new product in BOP markets?

Exploring the Case

When the research question was set the researchers addressed *Norges Vel* in order to get permission to do a case study on an alliance of SMEs and two NGOs. The goal of the alliance was to develop and launch a renewable energy container [RE-container] for African markets. The alliance will be presented in detail in the *Case Description*.

Five interviews were set up to collect data to describe the RE-container alliance. The interviewees were recommended by *Norges Vel* and were willing to participate in the study. They were all involved in the discussions of developing a RE-container. One interview was with a coordinator at *Kunnskapsbyen Lillestøm*, two were with employees at two Norwegian SMEs and the last two interviews were with employees at the two Swedish SMEs.

For an in-depth exploration of the structuring of an alliance between SMEs and NGOs, five more interviews with the case participants were held. One with each of the NGOs and three of the SMEs were re-interviewed. The second round of interviews developed a further explanation of challenges when building an alliance.

A limited number of subjects were interviewed for two reasons. The studying of narratives is more suited with a limited number of interview objects (Riessman, 2003) and there were limited time and resources to conduct the interviews. The choice of five participants were made based on the work of Nielsen and Landauer (1993) that states that in user testing and heuristic evaluations a number of five participants are most cost effective as long as the evaluation is one of several interactions in the process. A parallel was drawn, on the background of our training in industrial design, between a heuristic evaluation of a product and an exploration of a case. We have therefore chosen to conduct two sets of five interviews when studying the case of this Thesis.

Literature search

A search for developed theory on alliances between SMEs and NGOs shows that the research field is inadequate and that there exists several gaps between the existing theories that can be explored. When searching for articles using search queries like *NGO-SME alliances*, *Strategic alliances between NGO and SME* and *NGO and SME*, zero relevant results, that had more than 30 citations or were published after 2010, came up. Though, searching for SME strategic alliances generates 22 300 hits in *Google Scholar*, but it appears to be a slowly evolving field of research. As an example, Hoffermann and Schlosser (2001) called for more empirical investigation on the capabilities of SMEs to cooperate, but have been unable to find extensive literature on this

field. We see this thesis as an opportunity to contribute towards this request. This is further discussed in *Applied Theory*. The literature being investigated in this chapter is theories that contribute towards an understanding of alliances between SMEs and NGOs.

Areas of theory that has been studied are:

- Strategic alliances
- NGOs
- Business and NGO strategic alliances
- MNE and NGO alliances
- Strategic alliances for SME
- Born Globals.

These have been investigated with the lenses of:

- Transaction Cost Economics
- Resource Based Theory
- Knowledge Based Theory.

It has been important to build the applied theory on both widely accepted theories and new ideas that might give an important research contribution. To achieve this goal only articles with more than 30 citations has been included if the article is written before 2010. For articles written from 2010 to 2013 a lower number of citations have been accepted due to the importance of the investigating of new ideas whitening the field.

In order to structure the theoretical findings, a framework that highlights the factors that influence the structure of a strategic alliance have been proposed. This framework is analysed using empirical data in order to test if the theory on strategic alliances between a company and a NGO can be applicable when studying a multiple strategic alliance of SMEs and NGOs. The developed theoretical framework is further described in *Theoretical Findings*.

While researching existing literature we came across an encouragement on further research from Swoboda et al. (2011). They suggest that the structuring of SME alliances should also be evaluated *ex ante*, before the alliance is formed, not just *ex post*, after the alliance has been terminated, in order to get a better understanding of the evolutions of an alliance. According to Swoboda et al. (2011), a gap exists in the understanding of how the mind-set of organisations about to enter a strategic alliance may differ from the mind-set of partners evaluating an earlier alliance experience. Also, Parkhe (1993) encourages organisations to pay *ex ante* attention to alliance structure, which he claims will improve the robustness of the alliance. Looking at the two perspectives it seems as though there exist an unexplored area which will be important to evaluate when structuring and entering an alliance.

Patterns as a Tool of Analysis

Charmaz (2003), Glaser (2002) and Glaser and Holton (2004) encourage the use of codification when analysing data from case interviews. Looking for patterns and systemise interview data is effective for making the study more replicable and the choices of the researchers more transparent (Charmaz, 2003). It also maintains a chain of evidence (Yin, 2008). However, since neither of Yin nor Charmaz is providing a replicable example with guidelines on how to do pattern analysis we had to turn

elsewhere for guidance. Widding (2006) has written a working paper that has a more detailed suggestion on how to do pattern analysis in a case study. The article is not published and widely accepted, but it is inspired on *Grounded Theory* (Widding, 2006) and the use of patterns methods and codifications are widely accepted in social research (see: Glaser & Holton, 2004; Chamaz, 2003; Yin, 2008). Therefore we have chosen to use Widding's method for the abstraction of interview data to a higher level (2006). It is important to note that the method is not used as a tool for qualitative data analysis, as criticized by Glaser & Holton (2004), to predict the categorisation of data before the analysis. The method of pattern analysis is used as a tool for playing with the data in order to achieve an understanding of the concepts (Yin, 2008).

The pattern analysis were used on the transcriptions from the ten interviews where partners in the RE-container project were interviewed. The documentation of the coding of data is enclosed as appendix A.

As a first step in the analysis the interviews were analysed as different peoples opinions and stories by breaking the interview down to sentences. These sentences was categorised by the different topics that were mentioned in the conversations. This is called the A level of analysing (Widding, 2006). The data was analysed without being compared to theory in order to allow us as researchers to have an open mind when searching for similarities and patterns within the data. We went trough every sentence systematically in order to make sure that all data was taken into account. As researchers we had already influenced the collection of data by choosing the topics and asking the questions in the interviews and this action was therefore taken to make sure that all the data was evaluated and to reduce the risk of bias. A total of 565 statements from the

interviews were labelled with categories from 00 to 30. Some of the statements were labelled with several categories so that one quote could be placed into two categories. None of the categories however included all the statements in another category.

Each statement in the interviews was labelled. The first number indicating the round of interviews, the second number indicating the representative of the organisation being interviewed and the three last numbers labelling the category of the statement.

Example: A24027 is category A the fourth interview in the second interview round and the category number 027, local involvement.

The reason for separating between the different interviews was to preserve the different opinions in the second and third level of analysis. This was done because the individual explanations of complex matters should be expected between interview objects (Riessman, 1993) and we also suspected this to happen depending on how long the subjects had been involved in the RE-container alliance. The latter could contribute to different understanding amongst the interviewees and it is therefore interesting to have a possibility to sort similarities and differences between the length of the SMEs involvement in time in later abstraction levels of analysis.

In this process a distinction was made between sentences that were relevant for the research question, labelled with a single A, and sentences that described the individual companies or the case, labelled AA. The AA data was used for writing the case description, and since its form was purely descriptive it was removed from further analysis.

This B-level of analysis (Widding, 2006) was to sort the data according to the framework developed from the *Applied Theory*. Factors that have been highlighted by Hoffmann and Schlosser (2001) and Swoboda et al. (2011) in their framework *Decision Factors in Stages of SME Alliance Evolution* further elaborated in *Theoretical Findings*, were separated into 18 B-categories. The 565 different statements already labelled with single A's were reduced to 343 and sorted into B-categories and given a second number in the form of B12. This was done by picking out a statement from the now randomly sorted A category at random.

To further abstract the data a third category C was made. In this category the A and B categories were compared and the order of the factors in category B was challenged. The formation of the C categories is what is presented in *Findings and Discussion*. In total 14 C-categories were constructed. The C-categories gave the basis for the practical contribution of this Thesis.

Generalisation, Reliability and Validity

In this study the generalisation is analytical and the empirical results have been compared with earlier developed theory (Yin, 2008). This signifies that the findings in this case validity is limited to Swedish and Norwegian SMEs that seeks to form a multilateral strategic alliance with entrepreneurial NGOs. This limited validity is because of the use of a single case study, that is only possible to generalise by comparing the findings to existing theory.

In order to construct validity, three measures can be used: multiple sources of evidence, maintaining a chain of evidence and have key informants review drafts of the report (Yin, 2008). The multiple sources of evidence and triangulation of data have been maintained

by comparing data from interviews, online written materials, both articles web pages, and direct observations in two day long sessions. A chain of evidence has been developed using the pattern matching with the categories A-C. Finally, two key informants have had the opportunity to comment on the findings in the case.

Since this is a single case study, internal validity with pattern matching and replicable logic is not possible (Yin, 2008). However, reliability have been maintained by construction of a case study database stored in Dropbox that can be given to any interested party. The external validity is strengthened by the use of a case study protocol, but is lacking from replicable logic since it is a single case study (Yin, 2008).

AP- PLIED THEO- RY

APPLIED THEORY

Next, we will highlight what the prior research describes as challenges and benefits of strategic alliances between SMEs and NGOs and how one can structure such alliances. The understanding from this research will later create the backbone of a conceptual framework that will illustrate critical factors that influence a SME & NGO Alliance decision on how to structure itself. The framework will then be empirically evaluated.

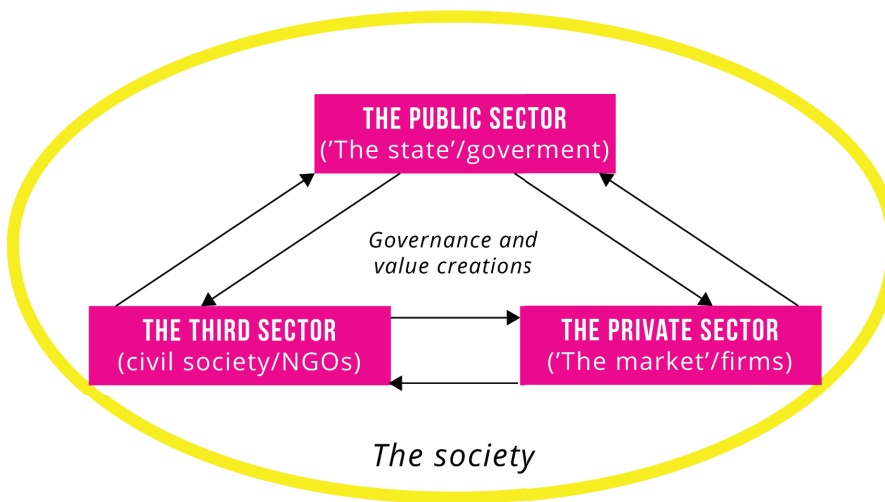
Firstly, the Thesis will define its understanding of MNEs versus SMEs and define NGOs. Then, to develop an understanding for SME-NGO Alliances as we reasoned earlier to be a poorly covered area of research, we approach the research question from a multiple of theoretical points of view. We will establish a definition of strategic alliances before we use *Business-NGO Alliances*, *MNE-NGO Alliances*, *SME Strategic Alliances*, *Multilateral Alliances* and *Born Global SMEs* to build an understanding for benefits and challenges of SME-NGO Alliances. We search to find possible synergies amongst the theoretical points of view that may lead to a better understanding of the topic in question.

To understand why and how to structure strategic alliances, we will start off by systemising the three most common theories describing factors influencing inter-organisational relationships in strategic alliances. These are *Transaction Cost Economics*, *Resource-based Theory* and *Knowledge-based Theory*. These theories will influence how partners reason when choosing their governance structure. We will also look further into existing literature on *alliance structure* and *alliance management* to describe the different alliance structures. The literature will be seen in light of the developed understanding of SME-NGO Alliances.

MNES versus SMES

This Thesis considers literature on MNE-NGO Alliances as a possible contribution towards the understanding of SME-NGO Alliances and considers it a necessary requirement to define the term Multi-National Enterprise before proceeding further:

A Multi-National Enterprise [MNE] “is an enterprise that engages in foreign direct investment [FDI] and owns or, in some way, controls value-added activities in more than one country” (Dunning & Lundan, 2008, p. 3). Hence, a MNE is not necessarily defined by its size, but by how it runs its operations. Organisation for Economic Co-operation and Development [OECD] called, in 2008, for further investigation on how one could define MNEs in terms of size. We have been unsuccessful of finding such definitions; a most authors do not make the differentiation on the size of the firm when speaking of MNE-NGO alliances (e.g. Millar et al., 2004; Dahan et al., 2010). This points to a possible limitation in the literature, and creates the perception of a fragmented and not very evolved field of research, which is supported by Arenas, Lozano and Albareda (2009). The reason is most likely because such alliances are a relatively new phenomenon (Webb et al., 2009). Thus, the above finding leads us to reason that we find the literature on MNE-NGO alliances applicable of creating an understanding of SME-NGO alliances, as long as we keep in mind the possibility of the literature ignoring the company’s resource-base and its possible limitations.

**FIGURE 4.**

The public, private and third sector within the society. Teegen et al., 2004, p. 466

NGO

Before proceeding, the term *non-governmental organisations* [NGO] need to be defined. To understand the term NGO, we feel the need to start with setting it in to context of the society.

NGOs are seen as part of the civil society, also referred to as the *non-profit* or *third sector* (Teegen, Doh & Vachani, 2004). The civil society extends beyond the public (the state/ government) and private sector (the market/ firms) (Schwartz & Pharr, 2003), see figure 4. The civil society can be defined as “an area of association and action independent of the state and the market in which citizens can organize to pursue purposes that are important to them, individually and collectively” (Brown, Khagram, Moore & Frumkin, 2000, p. 275).

A civil society will consist of individuals with common ideas, needs or goals taking collective, voluntary action to promote gain (Teegen et al., 2004). This set high demand for the collective incentives which needs to be based on shared values (Schwartz & Pharr, 2003) and trust (Tonkiss & Passey, 1999), to avoid individuals who wont take part in the needed action to reach the association’s goals (Teegen et al., 2004).

When the group of individuals manage to sustain their action over time, and this action reflects an important emerging social change, it is called a social movement (Teegen et al., 2004). It is only when the social movement evolve structurally to form a freestanding entity within the broader institutional environment that it is defined as a social purpose NGO (Teegen et al., 2004). Further, NGOs will position themselves as insiders, within the frameworks of powerful institutions (Teegen et al., 2004) or as partners with key decision-makers (Brinkerhoff, 2002). Also, they take the position of an outsider, by challenging those institutions and decision-makers or limit their impact (Teegen et al., 2004). This activity incorporate NGOs within the political and business systems in the area of operation, which in turn give them a participating role within the exchanges among business, society and government (Teegen et al., 2004).

From 1990-2000 the number of NGOs increased with 450 per cent (Dahan et al., 2010). Some explain this trend as a cause of the rise of globalization, the erasing of trade barriers and the increasing development of information infrastructure (Millar et al., 2004). Further, it is claimed that NGOs have become the “global “voice” in today’s international business environment” (Millar et al., 2004, p. 396); never before has it been so easy to spread information to the general public.

Despite of their growing global position NGOs are facing cutbacks in funding, and for many organisations the survival strategy is to create new types of strategic alliances and collaboration with other sectors of the society (Millar et al., 2004), e.g. with corporations.

The terms *third sector* and *NGO* represent a simplification of an extremely diverse set of organisations, the terms search to create an understanding of a complex organisational landscape. This simplification result in no single mutually agreed upon definition of *NGO* and *civil society*. We choose to see the NGOs as the top of the iceberg “civil society”, and the thesis will focus on the social purpose NGOs based upon the definition of Teegan et al. (2004, p. 466): “NGOs are private, not-for-profit organisations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals”.

Within the above description there exist a well of NGOs with different focus areas, e.g. environmental concerns, human rights, health, animal rescue, social justice, engineering and so on. This Thesis limits its scope to a certain group of NGOs that recognise the problem of aid dependency, described in the introduction. This NGO have the overall goal to facilitate the local entrepreneur who builds businesses to develop a sustainable market. It is focused on converting “poverty into an opportunity for all concerned” (Prahalad, 2010, p. xv), and recognise the value of *shutting up, and listen* to the locals (Sirolli, 2012). Its main role is to act as a bridge to the developed markets (Dahan et al., 2010), through a strong presence in both markets of interest. In the lack of finding a name for such NGOs, we choose to call them the entrepreneurial NGOs.

SME-NGO Strategic Alliances

Generally, strategic alliances can be defined as “relatively enduring interfirm cooperative arrangements, involving flows and linkages that utilize resources and/or governance structures from autonomous organisations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm” (Parkhe, 1991, p. 581). Strategic alliances can be highly beneficial for organisations that do not possess the necessary resources and capabilities to compete in a given market. Through creatively combining their resources the organisations can pursuit opportunities beyond the single company’s current capabilities (Hoffmann & Schlosser, 2001; Oxley & Sampson, 2004; Teng & Das, 2008). Hence, the collaboration establishes a joint competitive advantage, which is rooted in the relationship rather than the product or service.

Since we have not been able to find any unified definition of the term *SME-NGO alliance*, we defined it, for the sake of this thesis, as a cross-sector alliance between small to medium sized for-profit organisations and a non-governmental organisations.

Benefits of Business-NGO Strategic Alliances

Even though NGOs do not generate profits, they will have a strong focus on how “the necessary cost and revenues will be structured” (Dahan et al., 2010, p. 329). Thus, they will reason much like a for-profit organisation when deciding their business model. NGOs increasingly resemble the structure of companies, e.g. they structure and map how they intend to deliver value to their target audience through the use of business models (Dahan et al., 2010). Executives have even taken positions in the board of the NGOs, where they contribute with the experience of operational efficiency and gain empathy for how the NGOs work and think

(Austin, 1998). At the same time, corporations are increasingly recognising the benefits of allying with NGOs. As the gap between the private and the third sector is getting smaller, they have developed the ability to communicate on common grounds.

Respectively, neither the company nor the NGO may possess the necessary full range of intangible and tangible resources to compete in BOP markets. Looking at the alliance one would find that the organisations have the ability to complete each other resource-base. The NGOs have positioned them self as important advocates for the global society. This has given them the capability to exert global influence on company conduct to align the company's actions with the needs and expectation from the customer (Christmann & Taylor, 2002). The NGO can help the firm with solving problems such as geographical distances to market (Reficco & Márquez, 2012), the effects of formal institutional voids, expertise in stakeholder management (Webb et al., 2009) and transfer of institutional knowledge (Millar et al., 2004). Hence, firms that successfully solicit the input and guidance of NGOs can leverage their experience and expertise and avoid negative reprisals from the society (Christmann & Taylor, 2002). Rondinelli and London (2003, p. 62) suggest that:

Alliances, in fact, may be the only option for companies interested in accessing the knowledge held by (NGOs), since internal development of such expertise may be too costly, inefficient, and time-consuming for most companies, and merger with or acquisition of an (NGO) is highly unlikely.

On their part, MNEs will possess the “capital, managerial capability, large-scale and global production capabilities, legitimacy with other private sector-players, global sourcing,

purchasing power and brand value with customers” (Dahan et al., 2010, p. 330). This is positive for the NGO as it enables the organisation to transform their market knowledge and ideas of how to create powerful social value into actual products or services. This is actions they would otherwise lack the necessary resources to follow through. This is where we find the need to address the issue of the limitations revolving the definition of MNE.

The resources of a large MNE, presented by Dahan et al. (2010), will most likely not be possessed by one single SME. An SME will face several disadvantages related to their resource scarcity compared to the larger MNE described in the previous paragraph. Some of the disadvantages are the varying use of capacity and delivery time, excessive competition, lack of trust, poor internationalization abilities (Matt & Ohlhausen, 2011), the constrained ability to innovate outside of their area of expertise (Stuart, 1998) and lack of financial resources. At the same time SMEs has some advantages, such as flexibility and most likely an untainted reputation, which possibly cannot be matched by a larger MNE. Thus, an SME will face quite different challenges than a much bigger and more robust MNE when trying to take on bigger projects (Matt & Ohlhausen, 2011), especially in an unknown market. These challenges and disadvantages may be overcome by establishing a strategic relation between several SMEs and NGOs.

Multilateral Alliances

Alliances between multiple organisations go under several different terms; we choose to use the term multilateral alliances (e.g. described by Li, 2012) in this thesis. Through review of the literature (Das & Teng, 2002; Lavie, Lechner & Singh, 2007; Li, 2012) we define a multilateral alliance as a single agreement between more than two organisations with the intention to collaborate. Though, from now on whenever SME-NGO alliance is used, the Thesis only refers to SME-NGO multilateral alliance.

The attention to the difference of bilateral and multilateral alliances is increasing (e.g. Das & Teng, 2002; Lavie et al., 2007; Li, 2012), but we find it to be ignored as a relevant factor throughout most of the reviewed literature. The benefits, challenges and risks of bilateral alliances, as described under business-NGO alliances, also apply to multilateral alliances (Li, 2012). They differ, however, in terms of *degree* and *type*. In terms of *degree* multilateral alliances will experience: more, and potentially complementary, resources accessible (Gong, Shenkar, Luo & Nyaw, 2007); more complex innovations leading to more sustainable competitive advantages (Beamish & Kachra, 2004); faster recognition of market opportunities and threats (Beamish & Kachra, 2004); magnified risks and challenges within collaborations (Doz & Hamel, 1998). With respect to differences in *types*, Das & Teng (2002) argues that compared to bilateral alliances, multilateral alliances are distinctive types of alliances where the exchange relationships is divergent from one alliance to the next.

In relation to the context, one can find statements of the process for market development in BOP markets being a lengthy, iterative process where you have to go through stages of creating opportunities, rather than discovering them (Alvarez & Barney, 2007).

Even for a multilateral alliance of SMEs this process might become overwhelming and impossible due to the lack of resources. Dahan et al. (2010) suggest that MNEs can speed up such a process by partnering up with an NGO. The NGO might already possess ideas, opportunities and the local network to develop these opportunities further (Webb et al., 2009). We find this to be transferable to SME-NGO alliances. Also, through the alliance one can spread the risk among the partner organisations, and hence manage to meet the opportunity at hand. The above findings lead us to propose that a bilateral SME-NGO alliance will be less robust to take on bigger projects than a multilateral SME-NGO alliance.

SMEs Strategic Alliances

An alliance with multiple organisations will enable the SMEs and NGOs to focus on their core competence. Within different industry (e.g. telecom, electronics and biotech) the knowledge base is increasing in complexity, making the industry a pool of diversified and dispersed experts. By allaying with other firms within a distinct industry an SME enables itself to focus on its core competence, through outsourcing all other non-core competencies to the other allies (Matt & Ohlhausen, 2011). The outsourcing will be eased if the alliance possesses an initial common stock of knowledge (Stuart, 1998). This will reduce the need for investments to facilitate the process of understanding, evaluating, transferring and integrating each other's resource base (Teng & Das, 2008). By enabling each organisation to focus on its own core competency, the alliance might help the organisations overcome some of their internal disabilities, e.g. the varying use of capacity and delivery time. Further, the organisations get the opportunity to become a stronger competitor with in its field of expertise. Looking at the collaboration between SMEs and NGOs one find that the level of common experience required for organisational learning will possibly

be lacking, as the partner organisations will differ both in structures and values (Rondinelli & London, 2003), this can result in conflict. Though, even though their agenda may seem incompatible, the organisations' social and economic goals are becoming increasingly interrelated (Webb et al., 2009).

Born Global SMEs

Further, as the context implies that the SMEs are expanding across borders, it is interesting to diverge to the concept of born-global firms. Such companies have recognised that an alliance will be crucial for the company's ability to develop business activities, because of both geographical and psychic distance between the customer and themselves (Freeman, Edwards & Schroder, 2006). While other SMEs often rely on agent/distributors agreement born global SMEs will rely on alliances/licensing agreements (Freeman et al., 2006), as such agreements builds integrated relationships with the customer and supplier channels. In the yearning to internationalise early and rapidly, factors like managing of uncertainty and risk is crucial for the born global SME's success. Freeman et al. (2006, p. 34) reason that one of the most important success factors that set these companies apart from other SMEs is their use of "multiple business relationships, such as strategic alliances".

Above, the term *success factors* is being used. As the context is *launching a product in the BOP market*, we feel the need to elaborate on the meaning of success. The dominant perspective of success is the creation of wealth. Financial consideration often underlie activities in BOP markets, but companies must considered such motives as a long-term goal (Webb et al., 2009). As the non-market actors characterize these markets (Reficco & Márquez, 2012), success might as well be a contribution to local societies and good brand reputation. Thus, the outcome of an SME-NGO alliance should be a win-win

arrangement (Reficco & Márquez, 2012) for all partners, where the value can be both economic and social.

Structure of Alliances

How can one structure such a win-win alliance? To understand this we look further into the theories that explain the inter-organisational relationships in strategic alliances. This will develop an understanding of the possible consequences of emphasising and focusing on certain aspects when structure an alliance. The theories will later guide the work of proposing and elaborating factors that will affect the choice of a governance structure for a SME-NGO alliance. Further, we will highlight the importance of giving attention to alliance structure. Then give a short description of the different structures.

Theories on Inter-organisational Relationships in Strategic Alliances

When researching literature on strategic alliances three theories on inter-organisational relationships are more commonly found than others, this is a notion also shared by, e.g., Hoffmann and Schlosser (2001). These are *Transaction Cost Economics* (e.g. Williamson, 1985; Parkhe, 1991), the *Resource-based Theory* (e.g. Eisenhardt & Schoonhoven 1996; Das & Teng, 2000), and the *Knowledge-based Theory* (e.g. Grant & Baden-Fuller, 2004). Table 1 give a short description of each of the theoretical approaches.

Through the literature review it is clear that the theories offer insight into the different aspects of strategic alliances, and creates an understanding for some of the factors that will influence a multilateral alliance. However, looking at the theories in isolation, it is apparent that none of them manage to create a relative understanding of all of the critical factors when forming a SME-NGO alliance.

1

■ TABLE

THE THREE MOST COMMONLY FOUND INTERORGANISATIONAL THEORIES ON BUSINESS-NGO ALLIANCE

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Applied theory

THEORY 1:

TRANSACTION COST ECONOMICS

Transaction Cost Economics reasons that organisations will centre their decision on minimizing the sum of transaction costs and production costs (Williamson, 1991). Until the partners has developed a trust relationship, fear of opportunism plays a crucial role in the structuring of an alliance. A governance design structure can protect the two parties from possible opportunistic behaviour. This may require a high level of coordination and compliance cost when drafting, negotiating, monitoring and enforcing contingent claims through contracts, collectively referred to as transaction cost (Parkhe, 1993). "Transaction costs are the economic equivalent of friction in physical systems" (Williamson, 1985, p. 19).

THEORY 2:

RESOURCE-BASED THEORY

"From a resource-based view the very objective of forming alliances is to join forces with partners in order to pursue market opportunities that are otherwise beyond reach" (Das & Teng, 2000, p. 53). Organisations will form alliance if they are in need of resources that will be time consuming and costly to developed internally and if it is not possible to purchase (Eisenhardt & Schoonhoven, 1996). Compared to Transaction Cost Economics Resource-based Theory highlight the possibility to create value, rather than minimising costs.

THEORY 3:

KNOWLEDGE-BASED THEORY

The knowledge-based approach to alliances bare roots to the resource-based approach (Grant & Baden-Fuller, 2004). Alliances create great environments for accessing, combining, and exchanging knowledge, which can lead to reduce strategic uncertainty and competitive advantage for the firm.

In spite of this, it is believed to be possible to create a less fragmented understanding of how alliances work (Hoffmann & Schlosser, 2001). We will therefore use the presented theories as complementary perspectives in relation to the inter-organisational challenges and benefits described through the literature on business-NGO, MNE-NGO, SME-NGO and multilateral alliances to examining the thesis research question. An example of such relations could be the benefits of exploration and exploitation of resources in multilateral alliances, highlighted by the *Resourced-based Theory* (e.g. Das & Teng, 2000). Where the *Transaction Cost Economics* perspective, on the other hand, would focus on the costs of managing such a complex organisation, which would possibly forgo the benefits from the resource gain. This

understanding would be used to structure the factors into an evolutionary framework.

Why Focus on the Alliance Structure?

MNE-NGO alliances are driven by the opportunities tied to an organisation's position in its external environment, and "firms will enter alliances only when they possess exchange partners with whom they forecast a high probability of a strategically or financially beneficial collaboration" (Stuart, 1998, p. 669). This statement highlights the problematic area of behavioural uncertainty and opportunism, and may lead to increased transaction costs between partners. The choice of alliance structure is influenced by the need to handle such uncertainties (Teng & Das, 2008), as it

exists a mutual interdependence, because all parties are both dependent on the other parties whose behaviour is not under control (Parkhe, 1993).

To day, academics have started to show interest in how alliances in relation to BOP markets differ from those at the top of the income pyramid (e.g. Rivera-Santos & Ruffin, 2010). Reficco and Márquez (2012) claim that there exists little advanced understanding of the issues related such alliance structures. There has been developing a void between pointing out the need for strategic alliances to a collective understanding of “what is distinctive about these arrangements, how to structure them, and how they evolve over time” (Reficco & Márquez, 2012, p. 514). Webb et al. (2009, p. 575) reason that because of the newness of the area, the organisations themselves are “still trying to figure out the normative standards for how to organise their alliances”. Further, London and Hart (2004) highlight the need to develop the capability to partner effectively with non-traditional actors. Studies have shown that the direct transfer of established way of doing business in the developed markets will most likely fail in the BOP markets (e.g. Khanna et al., 2005; Dahan et al., 2010). Rondinelli & London (2003) also warn firms from treating a business-NGO alliance as a business alliance, as this may doom them from the start. At the same time looking at the alliance as something completely new might make companies forget their experience in alliance building.

Alliance Structures

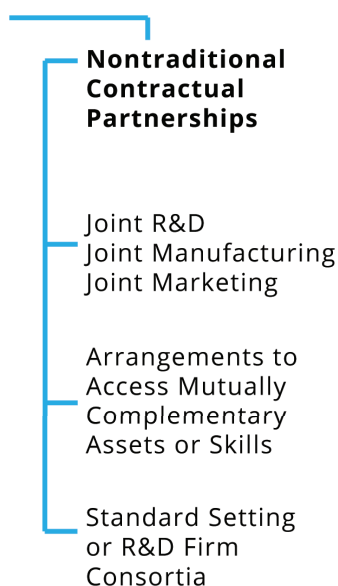
Despite the reservation to treat SME-NGO alliances as business alliances, we do find that the partnering of cross-section organisations are ready to look at more established governance structures as an inspiration to structure their alliances. Especially since, as stated earlier, the literature shows that over the past decade businesses and NGOs have moved closer

together. With that in mind, the decision to choose the most fitting structure for a given alliance can be hard, as there exist a great variety of governance structures. Some examples are joint ventures, minority equity alliances, contractual alliances, enhanced buyer-supplier partnerships, joint production, R&D alliances, shared product development, joint bidding and code sharing (Teng & Das, 2008). Broadly, these structures can be categorized either as contractual or institutional (Doz & Hamel, 1998), and are briefly explained below.

A contractual alliance refers to written agreements and verbal understanding between independent members with a non-equity relationship (Gerwin & Ferris, 2004). Contractual alliances can be highly integrated, continues working relationships (e.g. R&D alliances and joint production) (Das & Teng 2000). These are arrangements where partners have “sustained production of property rights” (Das & Teng, 2000, p. 43). Secondly, contractual alliances can be seen as complete and specific agreements where the aim is to transfer property rights through licensing distribution agreements and R&D contracts (Das & Teng, 2000). The integration level of such agreements is low, and the partners will perform without much collaboration or coordination (Das & Teng, 2000).

An institutional structure also builds on written agreements, but includes an operating entity with equity control by the partners (Zollo, Reuer & Singh, 2002). An equity-based alliance can be the creation of a new entity whose ownership is shared among the partners (e.g. joint venture), or with one or more partners owning a minority stake in the other partner firms (minority equity alliance) (Zollo et al., 2002). Shared equity ownership gives the partners more incentives to refrain from self-serving activities at others' expense through alignment of the partners' interests (Teng & Das, 2008). The choice of

CONTRACTUAL ARRANGEMENTS



INSTITUTIONAL ARRANGEMENTS

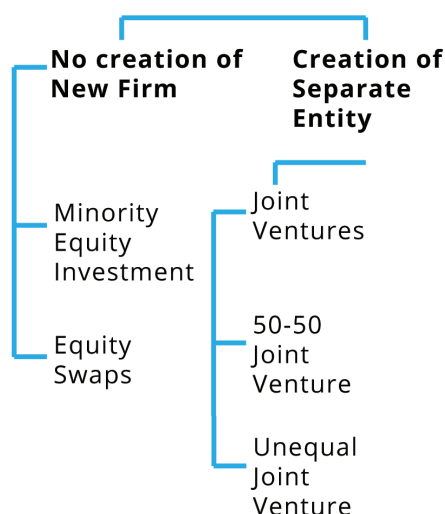


FIGURE 5.
THE SCOPE OF INTERFIRM RELATIONSHIPS (ADAPTED FROM PRASHANT & HARBIR, 2009)

governance design will be influenced by the incentives of the joining partners and their previous experience from similar alliances (Zollo et al., 2002). Figure 5 give an overview of the different governance structures explained above.

Deciding the alliance structure

Figure 5 shows the myriads of choices partner organisations may have in terms of structures and agreements. Grant and Baden-Fuller (2004) calls strategic alliances a diverse phenomenon, and claim that because of multiple motives one theory is not sufficient to address all types of alliances. Some will be motivated by market power, others by accessing resources (Grant & Baden-Fuller, 2004). This is a reasonable argument. On the other hand, it should be possible to find a common set of factors that may help guide the organisations to find the best fitted structure for their alliance, as the structure is said to have the most crucial impact on the alliance performance (Parkhe, 1993; Teng & Das, 2008).

Parkhe (1993, p. 795) claim that giving “ex ante attention to structure can improve cooperative performance”. In other words, it is possible to improve the collaboration by focusing on structures at the infant stage of the alliance formation. Further, he says that “stable, high-performance alliances can be differentiated from unstable, low performers on the basis of

structural properties” (Parkhe, 1993, p. 819). The differentiation will also be exaggerated by more or less bounded rationality between the partner organisations, e.g. depending on their previous encounters and relations. Bounded rationality will make ex ante attention to structure harder to accomplish, as you would never have perfect information and the outcome of a decision would be impossible to know.

This thesis aims to deliver a contribution towards the understanding for how to make an ex ante evaluation of factors influencing the choice of possible alliance structures between SMEs and NGOs. When entering an alliance the organisations need to take these factors into consideration, as the factors may lead the alliance to success or termination. The factors may also represent potential competing concerns and will guide the choice of governance structure. The choice will impact all aspects of the alliance from operational processes to exit possibilities (Das & Teng, 1996), which again will set precedence for the alliance flexibility and stability. Thus, the factors can be described as those factors pertaining to how a group of partner organisations can create a successful collaboration that leads to possibly improving the strategic position, the competitiveness or the ability to create value of the allied organisations. Next, we will propose 18 such factors within a framework describing the evolution of an alliance.

THEOR- ETICAL FIND- INGS

THEORETICAL FINDINGS

We will now propose a conceptual framework based on the developed understanding of SME-NGO alliances and the structure of such alliances presented in the previous chapter. As stated earlier, Reficco & Márquez (2012) called for a better understanding of how alliances and agreements evolve over time. The Thesis offers a contribution towards this understanding, as the framework illustrates five proposed phases of alliance evolution where critical factors may affect the structure and the outcome of alliances. The five phases are inspired by the frameworks presented by Hoffmann and Schlosser (2001) and Swoboda et al. (2011), these are:

- Decision to cooperate
- Partner selection
- Designing the alliance
- Implementation & management
- Termination

The framework is presented as a step-by-step evolutionary model, see table 2. In each phase of the framework factors related to the framework is listed. There are 18 factors in total that are chosen with respect to the understanding of challenges and benefits of SME-NGO alliances. Some of these factors are found within the existing frameworks for SME strategic alliances (e.g. Hoffmann & Schlosser, 2001; Prashant & Harbir, 2009; Swoboda et al., 2011). Related to the Thesis context we find several shortcomings within the existing frameworks' factors. The factors are only oriented towards SME alliances, and do not define if they are aimed towards bilateral or multilateral alliances. Because of this, the factors presented below are altered to fit the context of multilateral SME-NGO alliances.

We propose four new factors that are found to be missing within the existing frameworks. These are developed based on the understanding of the SME-NGO alliance, e.g. from the four strategic imperatives presented by Dahan et al. (2010) in the introduction. Also, Webb et al. (2010) recognize the factors of alliance goals, trust and developed interactions as important within business-NGO alliances. Because relationships and inter-organisational networks between non-profit and for-profit organisations may become overwhelming due to incompatible goals, distrust and ineffective interactions.

One would use the framework by analysing the factors within the group of allying organisations. Further, one would use this analysis as a mechanism for agreeing upon which governance structure will be most fitting for the alliance before entering into the alliance. We will not propose which structure the alliance should choose, as this will be heavily dependent on the partner organisations interpretation of the factors. The empirical evaluation of the frameworks has earlier, to our notion, only been done ex post, and Swoboda et al. (2011) suggest further evaluation of the framework ex ante. Ex ante evaluation of alliance structure is also proposed as a mechanism for organisations to promote robust alliance structure (Parkhe, 1993). Therefore, it is set as a premise that the chosen factors should be possible to assess ex ante. This should be possible to do both for the researchers testing the framework empirically, and for the SMEs and NGOs structuring a strategic alliance.

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TABLE

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THE CONCEPTUAL FRAMEWORK

Adapted from Hoffmann and Schlosser (2001, 365) and Swoboda et al. (2011, 273)

Theoretical findings

PHASE 1: DECISION TO COOPERATE

Flexibility and independence

Resource contribution and need

Compatible strategic objectives

Reputation

Developing alliances takes time

PHASE 2: PARTNER SELECTION

Relational risk, establishing trust

Alliance experience

Understanding each other's motivation and willingness to commit

Cultural compatibility; fundamental values and shared ethical grounds

Partner complementarity

PHASE 3: DESIGNING THE ALLIANCE

Alignment of interests

Emphasising the potential of joint value creation

Keeping and protecting core competencies

PHASE 4: IMPLEMENTATION & MANAGEMENT

Top management support

Alliance coordination

Alliance performance

Joint learning

PHASE 5: TERMINATION

Termination of the alliance

Phase 1: Decision to Cooperate

Flexibility and Independence

In SME-NGO alliances there exist a need to act flexible and independent. One of the SME's strengths, as stated before, is its possibility to act dynamically and flexible. NGOs are also known for their vitality and experimentation of finding new ways to meet their goals (Srinivias, 2009). In regards to the context of BOP markets, there will exist a high environmental uncertainty that calls for loose organisational structure (Li, 2012). Hence, the partner organisations are in need of limited control by the other partners. In cases of limited need for control, one would prefer medium-asset specificity, and the transaction-cost economics recommends using strategic alliances as a tool to manage such cases (Williamson, 1991). An equity structure, on the other hand, will promote stability and confidence, but will lower the flexibility of the alliance (Teng & Das, 2008).

Theoretical Finding 1: When there exist a need for flexibility and independence the organisation would seek to form a strategic alliance with medium-asset specificity

Resource Contribution and Need

The resources-based view reasons that organisations will possess resources that is hard for others to obtain without the alliance (Das & Teng, 2000). Before entering an alliance the organisations should assess their resource base to understand what makes it desirable, but also get a clear understanding of which of the partner organisations' resources are the most desirable to obtain. The motivation to contribute and desirability of the other parties' contribution will further influence the choice of governance structure (Das & Teng, 2000). "Essentially, the principle is to find the structure that balances the two issues: being able to procure valuable resources from another party without losing control of one's own resources" (Das & Teng, 2000, p. 44).

Theoretical Finding 2: An organisation seeking to form a successful alliance has a need for obtaining complementary resources and is willing to contribute with its own strength through its resources.

Compatible Strategic Objectives

Essentially alliances can be tools for implementing strategies and reaching goals that would otherwise be hard to carry by one single organisation. Examples of such situation may be access to BOP markets, time pressure, lack of international experience and unstable capacity (Swoboda et al., 2011). However, the paradox of an NGO's non-profit status and the SME's profit mission may lead both parties to act opportunistically within the alliance (Webb et al., 2009). The contradicting missions may lead to a hard time for the organisations to agree upon common goals and how they will reach those goals (Das & Teng, 2000). Webb et al. (2009, p. 576) claims that "incompatible goals are a frequent cause of alliance failure". Because of this, NGOs and SMEs that are searching to cooperate need to address the issue of strategic compatibility and need to be motivated to work towards common objectives. Well-coordinated, compatible strategic objectives will reduce the transaction cost related to the agreement on governance structure, as there exist a lowered need to protect the allying partners from possible opportunistic behaviour.

Theoretical Finding 3: The organisations will seek to find compatible strategic objectives with the allaying partners, to work towards a common goal and minimising the risk of opportunism

Reputation

For SMEs a motivation for forming an alliance with an NGO could be to leverage the effect of co-branding. This may give the firm credibility

regarding the perceived value of their offering (Dahan et al., 2010) in an unknown market. Rondinelli & London (2003, p. 67), on the other hand, warn NGOs that collaborating with firms can lead to a reputation of “sleeping with the devil”. Accusations of such sort calls for careful consideration of the *reputational costs*. Looking at multilateral alliances one has found that the effect of the alliance may help enhance its member’s legitimacy in relation to the power of the group (Li, 2012). Hence, the reputation could be of great value for an unknown SME that lack the effect of a good reputation, but also help the NGO gain a more powerful position from the effect of the multilateral alliance.

Theoretical Finding 4: When there exist a need for enhanced reputation and legitimacy an organisation would seek to join a strategic alliance

Developing Alliances Takes time

Most alliances are developed step by step, which can result in a time-consuming process involving a myriad of negotiations (Hoffmann & Schlosser, 2001). For a multilateral alliance this factor is more critical than in a bilateral alliance, since there will be multiple partners that need to reach consensus on the governance structure. The transaction cost related to these negotiations may exceed the benefits expected from the upcoming alliance (Li, 2012). Because of this, one would need to evaluate if the alliance can reach the strategic potential within an acceptable time frame, before undergoing the negotiations.

Theoretical Finding 5: Before the organisation decides to start negotiating the agreement for the alliance, one will evaluate possible time spent before the alliance will fulfil its strategic potential

Phase 2: Partner Selection

Relational Risk, Establishing Trust

The recent trend of business-NGO relationship comes after years of distrust between the two sections (Webb et al., 2009), much related to the NGOs and SMEs differing values, missions (Doh & Yaziji, 2009), and fear of opportunism (Parkhe, 1993). The distrust and lack of experience from interacting with each other, will act as roadblocks from reaching the potential of alliance success (Rondinelli & London, 2003). As a result, the trust-factor will be especially challenging between cross-section relationships. Establishing a multilateral alliance may counterbalance the negative potential of the factor. This structure would spread the organisations’ relational risk to multiple organisations, and, hence, improve the overall chance of success (Li, 2012). Another mechanism can be to get all parties to commit credible, significant non-recoverable investments in to the alliance (Parkhe, 1993).

Looking at partners with a relational history, one can find that the developed institutional norms (e.g. standardised contracts) and trust contribute to a smoother operation of the alliance (Parmigiani & Rivera-Santos, 2011). Thus, there exists a negative relation between the history of cooperation between the partners and the level of perception of opportunistic behaviour (Parkhe, 1993). Positive relational history will effectively reduce the relational trust that leads to reduced need for contractual safeguards, which again lowers transaction cost (Lui & Ngo, 2004).

Theoretical Finding 6: When selecting partners,

the organisation will assess their trust-level to the other parties and make the needed investments to lower relational risk

Alliance Experience

Through previous experience a company will generate valuable knowledge of how to manage alliances. Organisations with highly developed alliance experience are more likely to succeed in new alliances (Prashant & Harbir, 2009). It is also claimed that the need for more equity-based governance structure decreases, when an organisation's level of collaborative know-how in alliances increases (Teng & Das, 2008). According to Zollo et al. (2002, p. 702) "all of the theoretical traditions suggest a positive relationship between a firm's general alliance experience and the performance implications of the focal agreement". Hence, the alliance is more likely to achieve its strategic objectives if it possesses the resource of greater alliance experience. This might be because of experienced organisations look for partners with high strategic fit, whilst an organisation with little experience looks for partners with cultural fit (Swoboda et al., 2011).

Theoretical Finding 7: When selecting partners, the alliance will search for organisations with alliances experience to lower the transaction cost when building the alliance

Understanding Each Other's Motivation and Willingness to Commit

"The success of a promising alliance can be endangered during the design phase by opportunistic behaviour of partners" (Hoffmann & Schlosser, 2001, p. 362). The motives for going into an alliance may be fundamentally different between SMEs and NGOs. As stated before, NGOs seem to have more altruistic motives, as the core of their existence is the promoting of their cause. SMEs, on the other hand, exist on doing business to increase their profitability. Differences in motives can

represent major obstacles when developing the foundation for a SME-NGO alliance. From the inter-organisational perspective Parmigiani and Rivera-Santos (2011) suggest to involve a *bridge* organisation that facilitate the interpretation of each other's motivations. Hence, increasing the transaction-cost of the alliance building.

The context's target market consists of low-income consumers that in turn imply an increased transaction cost based on poor information infrastructures, lack of intermediaries and institutional voids (Reficco & Márquez, 2012). Despite the benefits from operating in such markets through an alliance may be clear, the willingness to dedicate valuable resources to the alliance may be low. This implies that the commitment level needed from all the partners in order to succeed will be harder to achieve, as the transaction cost increase. "Partners must be willing to dedicate costly resources to the relationship and pledge to work with each other even when they realize that some adaptation might be requires in the future in light of the uncertainty that exists" (Prashant & Harbir, 2009, p. 48).

Theoretical Finding 8: a) When selecting partners, the organisations will use a "bridge" organisation to interpret each other's motivation for building the alliance in order to avoid conflicts and reduce transaction-cost b) When going into an alliance one is ready to commit, and will expect the other organisation's to show the same level of commitment

Cultural Compatibility; Fundamental Values and Shared Ethical Grounds

In today's society, corporations have a certain ethical responsibility. Business should not accept bribery or fraud. There is also a raising demand for companies (e.g. H&M and McDonalds) to document where their goods are produced and how these are produced. There has even been a rising trend of ethical brands of clothes. Also, highly publicized environmental disaster, like BP and the oil spill in the Gulf of Mexico, creates pressure on the corporations to act responsibly towards the society. Millar et al. (2004) reasons that these trends have increased the significance of NGOs as organs to voice and monitor such concerns and initiatives.

When NGOs are considering a possible alliance with any form of company or organisation, they need to address the issue if the alliance might taint their ideals. On the other hand, NGOs do not always act by the book either. One example is the case of Greenpeace manipulating scientific evidence in the case of Brent Spar oil. Some argue (e.g. Millar et al., 2004) that for an SME a partnership with such an NGO may be harmful. Hoffmann & Schlosser (2001) reasons that agreement on fundamental, collective values is an important factor for success. As stated earlier, shared values are one cornerstone in the creation of collective incentives that are crucial to reach the alliance goals. Further, it is reasoned that shared ethical guidelines would be equally important in an SME-NGO alliance.

Theoretical Finding 9: When selecting partners, the organisation will consider the other organisation's values and ethical grounds, in other words their view of the world, to decide if it would be possible to create shared alliance goals

Partner Complementarity

Resource-based theories suggest that partners with greater complementarity, will most likely experience greater alliance success. When obtaining resources from other organisations through the alliance the partners need only to access the assets of its desires and thereby increase the value of the alliance (Das & Teng, 2000). Therefore, the partner organisations should possess complementary resources (Das & Teng, 2000), capabilities and experiences. Assessing the complementarity within the alliance the SMEs need to remember the possible resources the NGOs can leverage and bundle through their network in the local context (Webb et al., 2009). Dahan et al. (2010, p. 336) encourage organisations to "exploit the range of potential contributions a partner NGO may be in position to make".

Combined the complementary resources will create synergies (Hoffmann & Schlosser, 2001). With high complementarity within multilateral alliances, the organisations will experience a "cushion to business turbulence and downturns and ensure a more predictable resource flow" (Li, 2012, p. 246) and, hence, the risk of entering the alliance decreases.

Theoretical Finding 10: When selecting partners, the alliance will assess the complementary resources, capabilities and experience of the partner organisations to ensure high level of partner complementarity

Phase 3: Designing the Alliance

Alignment of Interests

Business-NGO alliances are often short-term, project-based initiatives with overly ambitious goals (Webb et al., 2009). This has proven to not align with the organisations' interest of, commitment to and feasibility of the project. SME-NGO collaborations should aim to set a

short-term orientation, with a more ambiguous long-term goal (Rondinelli & London, 2003), in other words, set the scope for the alliance. This is because of the need for achieving early success, to build trust within the alliance and with the customer to gain momentum (Rondinelli & London, 2003). Later, one can continue to meet the objectives, advancing the development of the alliance and making it sustainable (Reficco & Márquez, 2012).

This calls for the establishing clearly defined, manageable tasks and short-term targets from the outset of the alliance formation to avoided potential conflicts, increased control cost, reduced efficiency and high behavioural uncertainty (Hoffmann & Schlosser, 2001). A way to get good clarification of expectation is to define the alliance scope (Oxley & Sampson, 2004).

Theoretical Finding 11: The organisations will set a scope for the alliance through a set of short-term, achievable goals, in order to reach long-term ambiguous goal to gain momentum

Emphasizing the Potential of Joint Value Creation

Looking at the context of BOP markets, Austin (1998) stresses that the ultimate goal for members of alliances within these markets should be to create value for customers. Hence, one should establish alliances with the motive of value creation (Reficco & Márquez, 2012). Das & Teng (2000) critique transaction-cost economics for only focusing on the cost aspects and not the value creation of strategic alliances. The *Resource-based Theory* state that the alliances is an opportunity for the organisations to maximizing value through pooling and using valuable resources (Das & Teng, 2000). Partners spending more time making the *pie* as big and inclusive as possible, and less time discussing how to minimize the cost of making

the *pie*, have proven to be successful (Hoffmann & Schlosser, 2001).

Theoretical Finding 12: It is important to have a goal of co-creating value and not obsess over possible long-term cost
Keeping and Protecting Core Competencies

“To prevent an unwanted drain in expertise, a partner should continuously monitor the exchange of information and deliberately increase mobility barriers to protect its core resources” (Hoffmann & Schlosser, 2001, p. 362). Within alliances there exist a paradox: On one side organisation experience the successful acquiring of capabilities and new technologies, while another experience unwanted drainage of proprietary expertise (Hoffmann & Schlosser, 2001). “When knowledge acquisition is done without the consent of the knowledge owner, it is considered opportunistic. Thus, illegitimate knowledge transfer can be a serious threat” (Teng & Das, 2008, p. 728). *Knowledge-based Theory* and *Transaction Cost Economics* offer different perspectives on the choice of governance structure to solve the contradicting notion (Oxley & Sampson, 2004).

The *Knowledge-based Theory* would expect divers partners to form a hierarchical organisation (e.g. an equity joint venture), where information can flow in a shared pool for the alliance’s collaborative activities (Oxley & Sampson, 2004).

Transaction Cost Economics, on the other hand, highlights the increased cost of a hierarchical organisation. If there exist a risk of unintended access to knowledge, the formation of a hierarchical organisation with strong control mechanisms would be beneficial. However, when the complementarity in the knowledge base between the organisations reaches high levels, the risk of unintended leakage is reduced. Hence, the joint equity venture’s mechanisms of monitoring and control are no

longer needed and a less hierarchical structure would be a better choice of alliance structure (Oxley & Sampson, 2004).

The third option for protecting core competencies is to rely on goodwill, trust and reputation (Granovetter, 1985). This will minimise transaction-cost.

Theoretical Finding 13: It is important to understand the willingness of the partner organisations to exchange knowledge in order to find the most appropriate structure for keeping and protecting each other's core competencies

Phase 4: Implementation & Management

Top Management Support

Rondinelli and London (2003) highlight the importance for the alliance to have top management support, this is also found as a factor in Hoffmann's and Schlosser's (2001) 24 success factors. "The commitment to the cooperation is an important requirement in the continual battle to make sufficient resources [...] available for the alliance" (Hoffmann and Schlosser, 2001, p. 363)

Theoretical Finding 14: The organisations will start building top management support when considering entering an alliance

Alliance Coordination

Sever coordination problems may occur when there exist a lack of knowledge of how the different partners' action interdepend, as we expect would be the case with SME-NGO alliances. The alignment of alliance interest will ease the coordination of the activities within the alliance, e.g. through coordinated interdependency within manufacturing and marketing (Oxley & Sampson, 2004). This can be proven to be difficult if the organisations

have fundamentally different governance structures and missions (Rondinelli & London, 2003). Mechanisms for coordination can be used dependent on the level of reciprocal interdependence within the alliance (Prashant & Harbir, 2009). Prashant & Harbir (2009) suggest using either:

- Programming – task specific guidelines for each partner
- Hierarchy – creation of formal roles to oversee the interaction within the alliances, or
- Feedback – continues, quick processing of information to evaluate the organisations' interdependencies

Theoretical Finding 15: Alliances see the need to develop mechanisms for coordination of the alliance and clarification of the organisations' interdependencies

Alliance Performance

The mechanisms described above can also be used to oversee the performance and progress of the alliance. Without the review of performance one would risk to decrease the alliance potential, miss the realisation that the alliance is heading in the wrong direction (Hoffmann & Schlosser, 2009) or that the alliance is stagnating. Through performance review one would also enable the mobilisation of resources (Prashant & Harbir, 2009) to mitigate obstacles that might hold up the progression of the alliance.

Theoretical Finding 16: Alliances see the need to develop mechanisms that oversee the alliance performance in order to keep track on progress and increasing the alliance potential

Joint Learning

Alliances can be seen as *learning races*, the participant the have the greatest capacity to learn from the partners will experience most

success in the alliance (Hoffmann & Schlosser, 2001). The capacity can be seen as the sum of the capability to learn and the willingness to learn. What is more important is the joint learning within the alliance.

The advantage of learning in an alliance instead of within a single company is the efficiency in the application of the knowledge into the production of complex goods and services (Grant & Baden-Fuller, 2004). The organisational learning has an increased potential of breakthrough innovation (Cambra-Fierro, Florin, Perez & Whitelock, 2011), especially within multilateral alliances, as they possess a greater *resource pool*.

As stated under *Keeping and Protecting Core Competencies* organisational learning can also lead to the risk of drainage of proprietary expertise. In order for the organisations to learn from each other the alliance needs to facilitate environments and use mechanisms that will promote co-creation (Pahalad, 2010) and flexible problem-solving (Reficco & Márquez, 2012), but also protect the organisations from opportunistic behaviour. Looking at restricting the information exchange, on the other hand, will possibly limit the possibilities for inter-organisational learning, and further limit the success of the alliance (Hoffmann & Schlosser, 2001).

To create a common setting in which learning can take place equity-based governance (Teng & Das, 2008) will generate *ex ante* commitment, and, hence, prevent opportunistic behaviour (Prashant & Harbir, 2009). Although, this may not be an option in an SME-NGO alliance, as the NGO has a strong need to remain independent to ensure their legitimacy within the local environment. In such cases a contract can help the alliance overcome knowledge exchange hazards (Prashant & Harbir, 2009).

Theoretical Finding 17: Alliances see the need to create environments for its members to develop a high capacity to learn from and transfer knowledge to each other

Phase 5: Termination

Termination of the Alliance

Parkhe (1993) describes *Shadow of the Future* as a concept, which suggests that the performance of an alliance will be stronger if there exists a clear link between current action and future consequences. The shadow equals the link, which gives the participants a perspective on expected gains from the collaboration (Parkhe, 1993). The shadow of the future acts as a promoter of cooperation if there exists behavioural transparency, frequency of interaction and long time horizons. As Tesler (1980, p. 44) points out “although termination is certain to occur sooner or later, when this happen must be uncertain in order to sustain a self-enforcing agreement”.

Even though the estimated duration of the alliance should remain uncertain, the conditions for how an alliance would be terminated should be agreed upon during the design phase to prevent possible conflicts (Hoffmann & Schlosser, 2001; Swoboda, 2011). It is important to remember that alliances “either succeed collectively or fail collectively” (Reficco & Márquez, 2012, pp. 516-517). Hence, one would be better of agreeing on termination mechanisms in a state where everyone are friends. Further, all partners should approve the termination before it is conducted, so that future relation and reputation is not hampered (Hoffmann & Schlosser, 2001).

Theoretical Finding 18: Alliances will work towards an agreed upon plan for how the termination of the alliance will be conducted ex ante

Limitation of the Theoretically Developed Framework

The framework may be perceived rigorously due to its step-by-step structure. Although, it is important to notice that we do not propose a framework that should be used rigorously, as this might inhibit both the NGOs and the SMEs dynamic behaviour. They need to be able to change their course of action, adapting their strategy and business models. Some of the factors can in certain cases be redundant, e.g. if the organisations have had previously interactions the factor *Relational Risk*, *Establishing Trust* may not be considered. Other factors may be analysed earlier or later than proposed due to certain circumstances between the organisations.

The theoretical basis to the 18 factors is limited to the applied theory. This decreased the transferability to other types of alliances. Further, the 18 factors can prove to be an overwhelming amount of factors, and that the job of analysing all of them may become too tedious. We would also expect to find some sort of redundancy and overlap of the proposed factors.

To improve some of these limitations the proposed framework will be empirically evaluated as described in the chapter *Method* through the case described in the chapter *Case Description*. The framework will be used as a tool for analysing the case, which is expected to build an understanding for SME-NGO alliances in general, and more specifically for the case. This analysis will further lead to a refinement of the framework, which again will be a contribution towards the conclusion of the Thesis.

CASE DESC- RIPT- ION

EU funding:

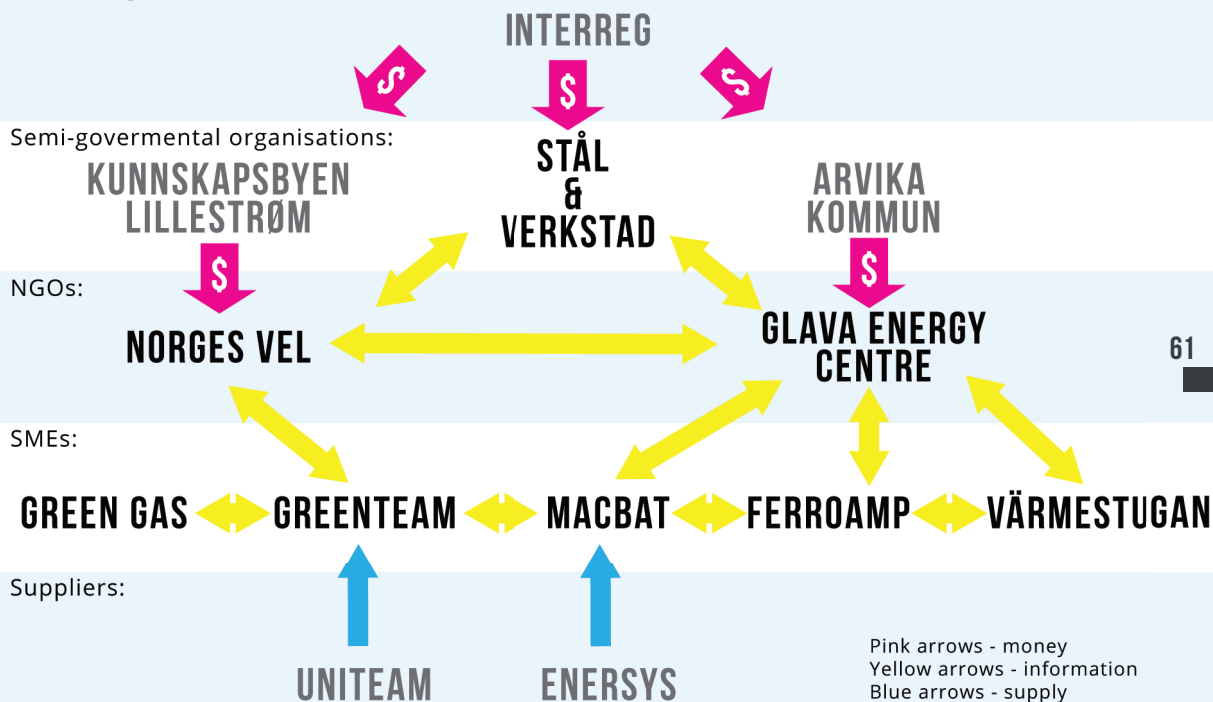


FIGURE 6.

A SCHEMATIC OVERVIEW OF THE PARTNERS IN THE PROJECT INCLUDING THE FLOW OF INFORMATION AND MONEY.

CASE DESCRIPTION

It is important to point out that the object of our study has only been evaluated in a short period of time. This means that this thesis will only try to give a snapshot of a group of organisations considering to form a strategic alliance. Since the organisations are in an early stage of structuring the alliance no written documents have been formulated and agreed upon by all of the members. The information presented in this chapter is therefore mainly based on personal interviews and might in some occasions not be uniform. There is however a common goal in the project of developing and launching a container for storage of renewable energy that is to be sold in rural areas in Africa.

In the *Applied Theory* we described the differences between traditional aid focused NGOs and entrepreneurial NGOs. *Glava Energy Center* and *Norges Vel* are both what we defined as entrepreneurial NGOs we will therefore highlight that from now whenever NGO is used, the Thesis only refers to the entrepreneurial NGOs.

The Partners in the Project

The project is funded with money from an European Union project, called *Interreg*, where the goal is to increase social and economic interaction between the countries (Interreg. no, Undated). *Interreg* funding is given to *Kunnskapsbyen Lillestrøm*, *Stål & Verkstad* and *Arvika kommun* in order to facilitate this project. *Kunnskapsbyen Lillestrøm* has hired *Norges Vel* as a project manager for this project. *Arvika kommun* is using the *Interreg* funding to pay *Glava Energy Center* to create new jobs in Arvika within renewable energy sector. The flow of money is represented with pink arrows above.

Stål & Verkstad, *Glava Energy Center* and *Norges Vel* has the project managers in the project and have spent time discussing how to conduct the organisation of this project. *Norges Vel* and *Glava Energy Center* is looked upon as the spiders in the web, connecting respectively the Norwegian and the Swedish SMEs into the project. *Norges Vel*, *Stål & Verkstad*, *Glava Energy Center* and the SMEs are participating in meetings where they discuss how to form cross-border collaboration and how to co-develop the technical solution of the



SOLAR PANELS AT GLAVA ENERGY PARK.

renewable energy container [RE-container]. Information is shared at meeting and most commonly by mail or teleconferences between the parties. The yellow arrows in figure 6 represent the information flow between the partners in the project.

The SMEs *Macbat* and *Greenteam* have been the longest involved in this project and can be seen as the core SME partners. *Green Gas*, *Ferroamp* and *Värmestugan* have been introduced to the project recently. In addition two more companies are suppliers to the project. *Uniteam* can deliver a container for the renewable energy system. *Energys* can deliver the industrial batteries needed for the project. They are however not involved in the discussions of an alliance.

The partners we interviewed based on a recommendation from *Norges Vel* will be presented one by one. This includes *Glava Energy Center*, *Norges Vel*, *Kunnskapsbyen Lillestrøm*, *Macbat*, *Ferroamp*, *Green Gas* and *Greenteam*. *Värmestugan* and *Stål & Verkstad* will also be presented since they are potential partners in the possible alliance. *Uniteam*, *Arvika kommun* and *Energys* will not be presented further since they are only peripheral to the possible alliance.

Kunnskapsbyen Lillestrøm

Kunnskapsbyen Lillestrøm is a Norwegian partnership organisation between governmental and private interest of business development in the region of Lillestrøm (Kunnskapsbyen Lillestrøm, undated). The organisation has more than 120 enterprises and organisations as members (Kunnskapsbyen Lillestrøm, undated), and was established in 2000 (Brønnøysundregisteret, undated, a). Their main contribution to the alliance is that they are the financing the project manager at *Norges Vel*. *Kunnskapsbyen Lillestrøm* initiated the alliance in Norway and is leaving the alliance in May 2013 due to lack of further financing from Interreg. The organisation has been represented by one interview in this case study.

Glava Energy Center AB / Glava Energy Center Ekonomisk Förening [Glava Energy Center]

Glava Energy Center Ekonomisk förening is an economic association founded in 2005. The organisation has a goal of creating new premises for innovation, learning, development and demonstrations within the field of renewable energy and energy efficiency (Allabolag, 2012c). *Glava Energy Center AB* is the NGOs fully owned daughter company and was founded

Call for investors to operate off-grid renewable energy systems in Uganda

The project "Sustainable Renewable Energy Businesses in Uganda" has the objective to support the development of local renewable energy companies which will utilize renewable energy in a sustainable and financially beneficial manner. The project is financed by the Nordic Climate Facility. The Royal Norwegian Society for Development (Norges Vel) and the Department of Electrical and Computer Engineering at Makerere University are implementing the project, in close cooperation with other partners, authorities and financing institutions.

The Indian company Husk Power Systems is a partner in the project. A bioenergy-based system is implemented as a pilot system in a village (32 kWe gasification system), and an operator is selling electricity from the system. We are now searching for up to three operators to invest in and run the three upcoming systems. The operators will be the owners of these systems, and will get the income from the electricity. The operators should have relevant experience and a specific site/village in mind. The project partly pays for the system supplied and the operator is expected to invest additional funds in the system in the range of **40,000-50 000 USD**. The implementation will happen in close cooperation with Husk Power Systems and the Renewable Energy Incubator at Makerere University, who will provide experiences and guidance.

CALL FOR AN INVESTOR PUBLISHED IN A NEWSPAPER IN UGANDA.

To receive the complete call for operator and for any inquiry, please e-mail: **The Renewable Energy**

in 2008 to work with development projects in the energy sector (Allabolag, 2012c; Allabolag, 2012d). In Sweden, *Glava Energy Centre* has established a network of companies that works with solar-technology directly or companies that supply value-adding products to the solar industry. The main contribution to this project from *Glava Energy Center* has been a prototype of a storage unit for renewable energy. One representative of the organisation has been interviewed in this case study.

Det Kongelige Selskap for Norges Vel [Norges Vel]

Norges Vel is a Norwegian NGO founded in 1809 and works for the best for the society (Norges Vel, 2009, Brønnøysunregisteret, undated, c). They also offer advising within nature and culture based business development (Norges Vel, 2009) and advising on applications for grants to companies. *Norges Vel* has been hired as a manager for this project by *Kunnskapsbyen Lillestrøm* until May 2013. Their role after this date is unsure. *Norges Vel* is currently involved in an incubator in Kampala, Uganda, where they in cooperation with Makerere University are helping entrepreneurs

setting up a business within renewable energy. This experience and knowledge of the market might be a valuable contribution to the alliance.

Stål & Verkstad

Stål & Verkstad is a partnership organisation between governmental and private sector of business development within the steel and engineering industry (Stål & Verkstad, undated). They have together with *Norges Vel* and *Glava Energy Centre* acted as facilitator and managers for the project. *Stål & Verkstad* has a contact network and experience from Ghana and can contribute this to the project. They have not been interviewed in this study.

Värmestugan AB [Värmestugan]

The Swedish company has great technical know-how on cooling and heating systems. They run the project *Hetvagg* that is a solar heat pump that will provide a house with hot water (Hetvagg, 2013). Our contact in *Glava Energy Centre* is also a member of the board of *Värmestugan* (Allabolag, 2012b). This shows how closely connected some of the Swedish organisations are. *Värmestugan* can contribute to the project by making the cooling systems necessary for the containers. They have not been interviewed in this study.

ILLUSTRATION FROM THE STUDENT PROJECT AT KARLSTAD UNIVERSITY.



THE MACBAT MIDI
BATTERY REGENERATOR

Macbat AB [Macbat]

The Swedish company was founded in 1964, and completed a prototype that regenerates batteries in 1998 (Macbat, undated; Allabolag, 2012a). This prototype has later become the core of business at *Macbat* and the technology have been exported true local partners to South Africa, Mexico, the Benelux, Italy, Finland, Poland, Czech Republic, Turkey, Russia and South Korea (Macbat, undated). *Macbat* has also challenged a group of students at *Karlstad University* to create scenarios of mobile energy storage (Glava Energy Center, 2013). *Macbat's* contribution to the project has been to take on the role as a visionary and inspire the other to take part in the action. However, due to change in management this role as a project leader is not currently filled. One representative of the organisation has been interviewed in this case study.

Ferroamp Elektronik AB [Ferroamp]

The Swedish company develops "power electronics for smart grid applications related to solar power, energy storage, EV charging and visualization of energy flows" (Ferroamp, 2012). *Ferroamp* started up in 2010 and will launch their first product in 2014. They can contribute with building a prototype that combines solar cells with energy storage and have an expertise in power electronics. They are also just starting up as a company and have therefore freshly experienced the challenges of entering an unknown market. One representative of the organisation has been interviewed in this case study.



A BIOGAS PLANT AT TOMB LANDBRUKSHØYSKOLE WITH A CONTAINER SOLUTION USED TO SHELTER PARTS OF THE EQUIPMENT.

Greenteam Group AS [Greenteam]

The enterprise was founded to work exclusively with renewable and recyclable solutions and is a daughter company of *Uniteam AS*. The company delivers environmental friendly isolation, bamboo flooring, pellets and a bio energy system delivered by *Greengas AS* (Greenteam, 2013). Established in 2010 (Brønnøysundregisteret, undated, b). Their main contribution to this project can be logistics, prototypes, and to create an *easy-to-use* product. At the moment the *Greenteam* representative is working on finding the initial costumers for the project. With *Greenteam* having close relation to *Uniteam*, they show an ownership to projects of a biogas plants done between *Uniteam* and other partners before the *Greengas* were established. This is double role is sometimes confusing to the other partners. One representative of the organisation has been interviewed in this case study.

Green Gas AS [Green Gas]

The Norwegian company was founded in 2011 to work with production, distribution and operation of bio gas plants (Brønnøysundregisteret, undated, d). *Green Gas* has already established three biogas plants in England delivering energy to villages of 400-800 households. In addition to the biogas technology the company can contribute with extensive marked knowledge of rural Africa since their representative in the project have extensive previous experience from working within healthcare and information and communication technologies in African countries. One representative of the organisation has been interviewed in this case study.

The Early Start

The initiation of the alliance has different roots. One is from *Kunnskapsbyen Lillestrøm* that with funding from EU-project *Interreg* collected some of their members to work with a solar-container in 2011. Others tell that the idea of a RE-container came from *Macbat*, a Swedish company that regenerates batteries. A third initiative is said to evolve from *Glava Energy Park* in Sweden. The different stories makes it difficult to conclude how the project actually started. Also, many of the actors involved have been doing business with each other for a long time.

The goal of the alliance is “to construct a small-scale energy solution that is mobile and flexible and combines a biogas plant, energy from solar cells and windmills to a storage unit to provide a village with cooking gas and electricity” (quote from an SME representative). The partners formulate the goal a bit differently, but they agree that the project will be to make a RE-container with a storage unit of batteries that can utilise energy from windmills or solar cell. Cooling and biogas plant is components mentioned by some, but not all of the partners. The partners see this project as an opportunity to learn and see a potential market for this product in rural areas in Africa.

In May 2012 a workshop was conducted, and the partners in majority see this workshop as the starting point of the idea of forming an alliance. At the workshop some of the companies that make up the core in the alliance were present. The participants selected for this workshop, and invited to form the alliance of the RE-container, were companies that were either members of *Kunnskapsbyen Lillestrøm* or a part of their network. The goal of the meeting was to include companies that work with off-grids solutions and that want to be a part of developing an RE-container.

After the workshop the project has expanded with new actors invited by the SMEs. They invite companies that can be a possible contribution to the project. This is mostly related to the expected technical contributions of the company invited. There has been a constant increase of new partners since this initiative was started, probably late 2011. The total number of organisations involved is said to be below 10, but when interviewing the partners we have heard of companies supposedly involved that the project managers appears not to know about.

Work Done

When we look at a snapshot of this project. The partners tell us about what have been done in the project. The work done has been an increasing amount of workshops and meetings. It is however not the only work done, but since the partners have subjective opinions of the goal of the project it is difficult to differentiate between work done by the partners for own gain, for the project or both. The project members as a unit have initiated little of the proposed actions taken derived from the workshops. However the members have brought in assets that might be of value to the collaboration.

The tangible assets are mainly prototypes. *Glava Energy Centre* has built and financed a prototype that is storing energy from solar panels and windmills. The prototype is built and linked to already existing test facilities at *Glava Energy Centre*. *Uniteam* has a prototype of a biogas plant at Tomb Landbruksskole. *Greengas* has three full-scale prototypes of the biogas plant running in England. The intangible assets that are brought in or developed during the alliance are primarily potential customer relationships. E. g. *Greenteam* has contact with a customer in Zanizibar and one in Egypt.

Status quo is that some of the companies wish to enter an alliance others are more reluctant. The decisions of whether or not to invite the NGOs, *Glava Energy Center* and *Norges Vel*, as a permanent partner is not taken yet. Surrounding this potential alliance there has been funding from *Interreg* given to *Kunnskapsbyen Lillestrøm*, *Norges Vel*, *Glava Energy Centre* and *Stål & Verkstad*. One of the participants named them “the good helpers” and they have had the roles of project managers at different levels.

MIDDLE FLOORS

DATA GENERATION AND ANALYSIS/INTERPRETATION

Data analysis, theoretical findings, empirical findings and discussions

FINDI- NGS & DISCU- SSION

FINDINGS AND DISCUSSION

We will now present our findings and discuss their implication for how to build robust NGO-SME alliances in order to develop a successful strategic alliance. Our findings is based on a snapshot of a project that aim to develop a collaborations between several SMEs and NGOs. The project has been going on for one and a half year, and the group of organisations are reaching the milestone of actually deciding to form an alliance or not. If they choose to move forward with the alliance, their aim is to develop a renewable energy container [RE-container] for rural parts of Africa.

Firstly, the empirical findings from analysing the case using the framework developed from the theoretical findings will be presented. There will be a short introduction of how the alliance evolutionary model where perceived by a group of third party SMEs, NGOs and product developers. Further, we will discuss the usability of the framework as an analytical tool for the structuring of an alliance.

Secondly, we go on to present the empirical findings from each of the 18 factors, the theoretical findings will also be repeated. Statements will be used to present the empirical findings from the interviews conducted with both the NGOs and the SMEs. These statements will be supported by a brief description that aims to highlight the essence of the empirical finding. Each empirical finding will be followed by a discussion of the importance of the factor when structuring an SME-NGO alliance, that leads to a short description of the implication these findings have on the Conceptual Framework.

At the end we will highlight the overall essences of the empirical findings of what the analysis revealed about the SME-NGO alliance. We will use statements to highlight the empirical findings, followed by a brief discussion of the finding. We end the *Findings & Discussion* with a critique of the findings.

Findings & Discussion of the Framework

The framework is adapted from frameworks aimed at SME strategic alliances. The phases were kept the unchanged, but the descriptions of 18 factors were adapted to fit the context of SME-NGO alliances. When testing the framework through a survey with a mixed group of SMEs, NGOs and product developers (see appendix B), we find the phrasing of the factors to be aimed at an audience with more extensive business knowledge. Though, the NGOs showed more business knowledge than originally anticipated, as the NGOs revealed that they used business plans as tools to communicate with possible donors.

When discussing the factors with the participants of the survey, we found that the reasoning for the factor became clearer to them. This may imply that a table of only one-liner factors is not enough to create a comprehensive framework. They also expressed that they missed some factors, e.g. the factor *Goal*. This again shows the difficulties of understanding a one-line factor, as goals is supposed to be represented in the factor *Alignment of Interest*. Through the discussions, the factors were found to represent issues of relational and business character, which both the NGOs and the SMEs could relate to when discussing a possible collaboration with other organisations. This implies that the framework may be a step towards the making of common grounds when discussing how to create an alliance between SMEs and NGOs.

Empirical Findings and Discussion for the Phases of an Evolutionary Alliance

Positioning the analysed case within the *Conceptual Framework* we find the alliance to be in the phase of partner selection, see table 3. At the same time, we find that factors situated in phase one has not yet been discussed within

3

TABLE

COMPARISON OF CONCEPTUAL FRAMEWORK AND FURTHER DEVELOPED FRAMEWORK**THE CONCEPTUAL FRAMEWORK:****PHASE 1: DECISION TO CO-OPERATE**

1. Flexibility and Independence
2. Resource contribution and need
3. Compatible strategic objectives
4. Reputation
5. Developing alliances takes time

PHASE 2: PARTNER SELECTION

6. Relational risk, establishing trust
7. Alliance experience
8. Understanding each others motivation and willingness to commit
9. Cultural compatibility; fundamental values and ethics
10. Partner complementarity

PHASE 3: DESIGNING THE ALLIANCE

11. Alignment of interest
12. Emphasizing the potential of joint value creation
13. Keeping and protecting core competencies

PHASE 4: IMPLEMENTATION & MANAGEMENT

14. Top management support
15. Alliance coordination
16. Alliance performance
17. Joint learning

PHASE 5: TERMINATION

18. Termination of the alliance

THE FURTHER DEVELOPED FRAMEWORK:**PHASE 1: DEVELOPING THE SCOPE OF THE ALLIANCE**

1. Alignment of the alliance's goal
2. Developing alliances takes time
3. Resource need

PHASE 2: PARTNER SELECTION

4. Compatible strategic objectives
5. Partner complementarity
6. Cultural compatibility; fundamental values and ethics
7. Relational risk, establishing trust
8. Motivation
9. Top management support

PHASE 3: DESIGNING THE ALLIANCE

10. Emphasizing the potential of joint value creation and learning
11. Alliance coordination
12. Keeping and protecting core competencies
13. How to terminate the alliance
14. Committing to the alliance

the group, while some of the factors in phase three and phase four has already been settled. This suggests that a rigid, linear framework is not appropriate when assessing the evolution of alliances, as anticipated being a limitation of the framework.

When analysing the factors using the empirical findings from the interviews, it became clear to us that the phases presented in the earlier ex post tested frameworks, do not make as much sense when tested in an ex ante setting. The phases *Implementation & Management* and *Termination* is found to be redundant in a framework aimed to work as a tool for evaluating the alliance structure ex ante, because one would never move through these phases before the alliance has been structured. The analysis showed that to act as a comprehensive framework for structuring an alliance one would need to know when to discuss and focus on which factor, and not when the implication of the factor might occur. This leads us to reason that what we present should not be a framework describing the phases of an alliance evolution, but a framework describing the evolutionary steps of the structuring of an alliance. Even though, we find the factors within the last two phases to be of importance when evaluating an alliance ex ante. An example would be the coordination of the alliance; this is a factor the organisations need to agree on how to conduct before entering into the alliance.

Implication for the Framework

Because of the above findings we chose to restructure the framework to aim at developing a framework that better described the evolution of structuring an alliance. Below we present the restructuring in table 3, and compare it to the *Conceptual Framework*. The table also show that we chosen to change the names of the phases and changed the order and names of

the factors. When moving the factors around, we found the focus of the different phases were not well described by the earlier headings. Also, the survey revealed the importance of distinct naming within the framework. Because of this, the headings were changed to emphasize the focus of the presented phase with its corresponding factors.

The reasoning behind the alteration of the factor will follow in the section *Findings & Discussion of the Factors*.

Findings & Discussion of the Factors

Table 3 shows that the order of the factors has been altered from order presented in the *Conceptual Framework*. Next, we will discuss the reasoning for these alterations through presenting the empirical findings for all of the 18 factors and discuss the implications these findings have on the existing framework.

Flexibility and Independence

Theoretical finding 1: When there exist a need for flexibility and independence the organisation would seek to form a strategic alliance with medium-asset specificity

Empirical Findings

None of the interviewed representatives from the SMEs talk specifically about the need for flexibility and independence.

The representative from one of the NGOs, however, shows a willingness to be involved in a joint venture. At the same time it is expressed a concern for how the locals in the given market will perceive their possible lack of independence if they get involved in such a venture. Also, they are dependent on conducting projects initiated by donors and other clients; such an alliance structure would possibly limit their opportunities

of getting funded through a diverse set of projects. Committing to one project for a long period of time could potentially harm the organisation's financial situation due to the time needed to attract funding from new projects if this one would fail.

“Often in Africa, we are not connected to a special supplier. We would need to clearly state that we are connected to a supplier in this context. So that they [the locals] do not think that we are as neutral as we usually are, if you understand? So we need to be clear on how and with whom we are collaborating with.”

- AN NGO REPRESENTATIVE

Discussion

The NGOs fear that entering into an alliance can possibly interfere with their need for independence and flexibility in their operations. They fear that a strategic alliance can possibly harm this need. The NGO representative reasoned that their strategic objectives might be reached without the need of an alliance, as long as they can collaborate with the SMEs to reach their goal of creating value. This is the opposite reasoning of what is suggested in the applied theory (Williamson, 1991; Hoffmann & Schlosser, 2001). However, the NGO related a strategic alliance to the structure of an equity alliance when being interviewed, which is not the governance structure suggested when there exist a need for flexibility and independence.

There is also a need for independence found within the different SMEs, when they express the need to also be able to develop their own area of business after entering the alliance. Hence, there exists a need to carry out the firm's own strategic objectives alongside the alliance's objectives. This gives an impression that the factor *Flexibility and Independence* is of high importance to all of the organisations across sectors, and that it is closely related to

the individual organisation's goals and strategic objectives.

Implications for the Framework

We find the factor *Flexibility and Independence* to be closely related to the individual organisation's strategic objectives. This implies that it will be an underlying factor within factors related to the organisations' strategies. The findings and discussion leads us to the reasoning that the factor will most likely be discussed when analysing the different organisations' strategic compatibility. Hence, we find it unnecessary to have it as a stand-alone factor within the framework and suggest merging the factor *Flexibility and Independence* into the factor *Compatible Strategic Objectives*.

Resource Contribution and Need

Theoretical finding 2: An organisation seeking to form a successful alliance has a need for obtaining complementary resources and is willing to contribute with its own strength through its resources.

Empirical Findings

An NGO representative explained that there existed low awareness to the alliance's resource need in the beginning, and the strategy for gathering the partners was *the more the merrier*. Even though, the SMEs are crystal clear on which of their possessed resources will be needed to develop the RE-container for BOP markets, and show a willingness to use these resources within an alliance. Also, they show awareness to what kinds of technological resources the alliance may lack. When they discover the lack of technical expertise, they invite a new SME with the needed resources into the alliance. However, the involvements of new actors are not always brought forward to the rest of the group.

“We missed a firm working with power electronics and therefore we invited Ferroamp to join the project. It was a strategic choice.”

- AN SME REPRESENTATIVE

At the same time, the SMEs show a great concern for the unfulfilled need of business and customer development resources. Though most of them do not seem aware of or acknowledge the market survey conducted by one of the NGOs. Nor do they seem aware of each other’s market knowledge for that matter. From the interviews we found that one of the SMEs already have a customer in the pipeline, but several of the others do not mention this customer when asked “*who might be the customer for the product?*”. However, they do admit that when they meet, the discussion revolves around the technical solution and who will make which part.

“We are struggling with the meetings as they are focused more on how I can show that I am better than you, and the more I talk the better I become” (*better meaning more technical equipped*)

- AN SME REPRESENTATIVE

Discussion

The strategy of *the more the merrier* seems to have backfired at the group. As stated in the applied theory, some of the disadvantages the multilateral alliance faces is the challenges of collaborating and understanding each other (Doz & Hamel, 1998). With a growing number of participants the transaction cost of forming the alliance is increasing, due to the rising need for coordination of the participants and the resource pool. It is obvious that the size of this collaboration and the constant feed of new fresh resources have made it hard to get a unified understanding of the complete scope of the

resource base. This may have led to a search for resources the partner organisations already possess. Further, this may lead to a redundant resource based in the future alliance.

No effort has been made to gather the resources that they point out as missing. Although we have revealed through the case study that several of these resources are actually present within the collaboration, but not being utilized. The problem is that none of the partners perceive the missing resources as their core competence. They were asked to join the alliance on the basis of their core competence, and it continues to be their main focus of interest when discussing the possible alliance, as foreseen by Matt & Ohlhausen (2011). If the alliance needs other resources like finance, business development or project management the individual partners may not even realise that they possess the needed skills and because of this fails to offer these resources as a contribution to the alliance. Hence, there exists low awareness towards the possessed resources and which resources may be lacking for establishing a comprehensive alliance.

We proposed in the chapter *Applied Theory* that multilateral SME-NGO alliances would be more robust than bilateral alliances, due to the bundling of resources, among others. Though from the empirical findings we find that in a multilateral alliance it is challenging to get a clear understanding of the resource need within the alliance, due to the many different actors. We suggest that there should be developed a preliminary understanding of what kind of resources an alliance would need, and use this understanding to search for partners that possess these resources and are willing to commit them to the alliance. Without such an understanding the alliance may risk that the joining organisations will not perceive the full potential of the alliance’s resource need, and as a result they will fail to contribute their full

range of resources. This may also lead to an inactivated and redundant resources base within the alliance.

Implications for the Framework

Based on the above findings and discussion the perceived importance of ex ante attention to the factor is high. We find the understanding of the alliance's need to be a preliminary condition for the further work of how to structure the alliance.

On the other hand, the search for partners willing to contribute these resources will be made when searching for potential partner organisations. Also, the resource contribution will most likely be assessed when one looks at the possible partners' complementarities. Therefore, we suggest dividing the factor in to two individual factors, regrouping them into separate phases, namely *Developing the Scope of the Alliance* and *Partner Selection*. Further, we suggest merging *Resource Contribution* into the factor *Partner Complementarity*.

Compatible Strategic Objectives

Theoretical finding 3: The organisations will seek to find compatible strategic objectives with the allaying partners, to work towards a common goal and minimising the risk of opportunism

Empirical Findings

The interviewees explain their motivation for entering the alliance to be closely related to their own companies' strategies. Also, several of the interviewees from the SMEs are explaining how they will reach their strategic goals through an alliance with the other partners. One SME recognise the possible difficulties of collaborating with NGOs.

"The premises for the partners working from the NGOs' side and the premises for the partners working from the SMEs' side are different. Next, one can find the goals to be different, and it is not simple to put these together. I mean, we that work as companies, run companies to earn money. An NGO do not necessary need to be driven by money, it can be driven by an ideology or that one wants to spread a message. And then it is not necessarily that easy to matched every one. So this is very, very interesting. I see it as a positive thing, but it is hard."

- AN SME REPRESENTATIVE

"We want to develop an affordable system that can be applied in developing world countries so that's always been our goal. And so I think that this arrangement, this project with Uniteam can be a fantastic vehicle for achieving that goal."

- AN SME REPRESENTATIVE

"One of the reasons for us to be interested in participating in this project were that we could develop this technique for the energy container that also could be employed in other applications"

- AN SME REPRESENTATIVE

Further, there are findings of possible divergent goals within the collaboration. One example is Greenteam and Greengas that have ambitions for including a biogas plant into the RE-container. This appears to be in line with these two companies' own strategies, but is not mentioned in the interviews with other organisations.

Discussion

The theory stated that in collaborations between NGOs and firms, there existed a risk of both parties acting opportunistically due to their differences in strategic objectives (Webb et al., 2009). There exist only one statement that shows a slight worry for the possible risk of differences in the strategic objectives. In spite of this, we find that SMEs all have objectives of growth and the NGOs all have objectives to increase and support sustainable business development in the local community of operation, both in the BOP markets and in the SMEs home countries. Hence, the compatible strategic objectives seem to be aligned.

We find the partner organisations to be aware of the possibilities of reaching individual goals within the future alliance. However, there exist no evidence of a common understanding of how they will use their individual strategic objectives to reach the common goal of the alliance.

We were unable to uncover clear strategic objectives for the alliance. This is believed to lead the companies to project their own goals and ambitions into the product without the acceptance and knowledge of the other organisations, as showed through the case of *Greenteam-Greengas*. The lack of an overall objective for the alliance seems to make it difficult for the organisations to compare their own strategies with the other organisations' strategies, and further compare it with the objectives of future alliance. Before it is possible to evaluate this factor there exist a need to formulate a clear, unified goal, which leads to a common understanding of the different strategic objectives within the alliance. If they fail to recognise the need to develop a common goal and agree upon common objectives there exist a risk of the partners misinterpreting each other's strategies and perceive them to be comparable with their own strategy.

The risk of the partners unintentionally acting opportunistically is thereby increased.

The increased complications of multilateral alliances compared to bilateral alliance, as mentioned under *Resource Contribution and Need*, will also affect the activity of comparing each other's strategic objectives. When more than two partners are involved the evaluation process gets prolonged and more complicated because there are several organisations' strategies to assess. This may change the initial alliance objective several times before the different partners are ready to commit. Also, every time another partner is introduced to the alliances (as discussed under *Resource Contribution and Need*) one has to go through yet another evaluations of whether or not the different organisations' and the alliance's strategy is compatible with the new organisation's own strategy. This will delay the structuring of the alliance and increase the transaction cost.

Implications for the Framework

We find the factor *compatible strategic objectives* necessary to assess before the group of organisations decide on which alliance structure to use. Further, we perceive that the awareness to the partner organisations' compatible strategic objectives is important for agreeing upon common strategic objectives for the alliance.

The interviewees show low awareness to the factor, at the same time they have failed to agree upon a unified strategy for the future alliance. The findings and discussion leads us to suggest that there exist a need to develop a common ground before they start comparing and aligning their own individual strategies. Hence, a clearly understood goal needs to be formulated within the group before this factor is evaluated. This makes the factor *Compatible Strategic Objectives* dependent on the factor *Alignment of Interest*.

Reputation

Theoretical finding 4: When there exist a need for enhanced reputation and legitimacy an organisation would seek to join a strategic alliance

Empirical Findings

Reputation was hardly mentioned in any of the interviews.

On finding is that the Swedish SMEs and the NGOs have trouble separating the companies Greenteam and Uniteam. Greenteam is a spinoff from Uniteam, and some of the employees in Greenteam are part time employed in Uniteam. As a result they see the possibilities of leveraging the credibility of Uniteam into the alliance.

“I would say that all of us are small, except Uniteam. So it should probably be Uniteam that can give some credibility to the project.”

- AN SME REPRESENTATIVE

Discussion

With few statements from the interviews concerning reputation it is hard to draw any conclusions of whether or not reputation

concerns SMEs and NGOs when entering an alliance. Neither is it possible to find if this alliance will have a perceived need for legitimacy. The lack of data could have several explanations. It might be that the perceived need for this specific factor for the future alliance is non-existing.

We find it surprising that no one comments on the possible effect of *Norges Vel's* reputation in the BOP markets the RE-container is aimed for. Although, the interviewees might have shown greater awareness towards this factor if they were interviewed at a point where the market segment were clearly stated. Some of the interviewees mentioned that the market have not been chosen yet, which make the analysis or discussion of the needed reputation in the given market irrelevant. As a result, the partners might not be aware of the effect of the reputation being a possible advantage or disadvantage when entering a BOP market. Some of the interviewees also talk about launching the product in their home markets, where their own reputation will be sufficient.

Related to the statement in the applied theory of the NGOs needing to be aware of the firms' reputations, there is nothing indicating that this is an important factor amongst the NGOs within this case. These NGOs are not as dependent on public goodwill and donations as financing as the other types of NGOs, e.g. human rights and environmental NGOs. Thus, they appear to be less concerned of their reputation compared to the theoretical description of a social NGOs awareness to the topic.

We find that comments made on the possible leveraging of *Uniteam's* credibility particularly interesting. As stated in the theory, SMEs will seek to gain a better reputation through cooperation with larger firms. *Uniteam* is an MNE with a large network of suppliers and customers all over the world. They will not be a

direct partner to the alliance, but have a strong connection to the project through *Greenteam*. The other partners clearly have a hard time distinguishing the two, and the interviewees referred to *Uniteam* rather than *Greenteam* in a majority of the interviews. After assessing the interviews, we find that the reputation of *Uniteam* seems to exceed their lack of involvement in the alliance, and are perceived as a resource in the future alliance.

Another reason for the lack of evidence on awareness to the reputation factor might be due to the multilateral aspect. Compared to a multilateral, it is perceived as easier to relate to how a single partner's reputation is projected onto another partner in a bilateral alliance (Li, 2012). When assessing how seven organisations' reputation will reflect on each other within an alliance, the assessment becomes more complex. When spreading the reputation among multiple companies, the applied theory (Li, 2012) states that the negative effects will be less damaging, which again might explain the lack of empirical findings related to the factor *Reputation*.

Implications for the Framework

Due to the lack of empirical findings through the case study, the empirical evaluation of the factor is perceived to give a low contribution. In spite of this, after discussing the factor *Reputation* we find it to be a resource that the partner organisations would contribute to the alliance, and which will be obtained by the others. Hence, we suggest merging reputation with the earlier assessed factor *Resource Contribution*.

Developing Alliances Takes Time

Theoretical finding 5: Before the organisation decides to start negotiating the agreement for the alliance, one will evaluate possible time spent before the alliance will fulfil its strategic potential

Empirical Findings

All the interviewees agree that the structuring of a possible future alliance has required a lot of time, and that it will still need more time. They express concern for the time spent and that they still have not reached the phase of agreeing on the alliance structure. The frustration of the prolonged process is obvious. In spite of this, few of the interviewees express that they have done an evaluation of the needed time and effort to undergo the process of structuring an alliance.

"It is not like you meet up for the first time and agrees to make a company. You need some time to get to know each other. This is where I might have been too optimistic by hoping that in this process everybody would go: "Yes, lets do it" and get to work."

- AN NGO REPRESENTATIVE

"If I had worked with the project full time, then I would had the time to go more in depth of things and pushed it forward. But if we had taken too much ownership, then it would have been difficult for the companies to take responsibility, but at the same time then I could have had more time together with the companies and worked together with them."

- AN NGO REPRESENTATIVE

Discussion

The high frustration linked to the time spent on forming a possible alliance indicates that this is a factor that should be given a high level of attention in the initial phase of the structuring of the alliance. This would have given the participants a better understanding of the time needed before they could expect to see any realisation of the strategic potential within the alliance.

NGO-SME relations are likely to be driven by short project periods due to the financing of such project (e.g. Webb et al., 2009), and this case is no exception. The NGOs represented in the case are soon facing the need of getting some sort of funding dedicated towards the project in order to continue their engagement. Because the time is running out, *Glava Energy Center* has become impatient, and as a consequence they have taken action to build a prototype on their own initiative and funding. Though, due to the limited time and funding, the prototype only includes some of the possible components in the system. The building of the prototype is conducted in order to see some sort of result of the time spent before the project potentially gets terminated. We see the action of *Glava Energy Center* as a willingness to be a driving force in the alliance. This may push the alliance into the next phase of actually agreeing on an alliance structure.

Although, as the quote in the findings suggest, having an NGO in the position as the driving force in an alliance, may potentially harm the alliance due to the organisation's limited possibilities of long-term commitment. It may take the feeling of ownership for the alliance away from the SMEs, or worst case makes the SMEs reluctant to take ownership. This ownership is needed to assure the continuation of the project if the NGO is unable from being involved in the alliance, due to the lack of funding. Another issue that has prolonged time

spent on building the alliance, is the lack of mapping the needed resources, as discussed earlier. The constant introduction of new partners throughout the lifespan of the project has prolonged the time needed for establishing, negotiating and building the alliance. The theory revealed that myriads of negotiations would prolong the time spent on deciding whether or not to commit to the alliance. If the organisations are eager to get to the next phase of designing the alliance, they should consider the introduction of new members more carefully.

The findings also suggest that there have not been made a mutual decisions on how much time the organisations will use on developing the alliance scope. Hence, there exist a low awareness to the importance of evaluating and monitoring the time needed to and spent on structuring a robust alliance. The lack of monitoring progress has resulted in factors within phase one of the *Conceptual Framework* not being agreed upon before moving into the next phase, which results in these factors being merged into phase two of the framework. This may be the reason why we find the project to be stuck in phase two, as stated above. Looking at the vision of initiators the project should actually have reached phase five of the *Conceptual Framework* by now, which is the phase of terminating the project.

Implications for the Framework

The progress of the organisations' decision to cooperate seems to suffer from the lack of focus on time spent, deadlines on certain task, and short-term goals. As of today, the organisations have used one and a half year discussing what to do, and how to develop the product. It is clear that a state of frustration has emerged within the group, as the perceived potentials of the alliance has not been realised.

The above findings and discussion clearly show the importance of awareness to the factor of how much time one would spend on building the alliance. Which again may lead to a more qualified estimate for when the organisations can expect to reach the strategic potential of the alliance. Because of this, we suggest that the factor *Developing Alliances Takes Time* should be moved near the top of the list of factors within the first phase of *Developing the Scope of the Alliance*. We reason that this action would give all of the entering actors a better understanding of what they are signing up for. This will help the alliance gather the most dedicated candidates for the alliance.

Relational Risk, Establishing Trust

Theoretical finding 6: When selecting partners, the organisation will assess their trust-level to the other parties and make the needed investments to lower relational risk

Empirical Findings

We found the overall trust-level within the alliance to be high. The Swedish SMEs and NGO have an especially tight relation, due to their earlier interactions and activities facilitated by *Glava Energy Centre*. Also, the organisations recognise the need for meeting in person to work on getting to know each other even more.

“We know Glava from before. We know this container supplier from earlier. We know several of the smaller companies involved, the electrician that brings the cooling from earlier, the battery, the battery supplier. We know a lot of them from earlier too, or know who they are since we have been in the same business.”

- AN SME REPRESENTATIVE

“We had a workshop where we physically installed the energy storage for two or three weeks ago and I invited the partners to participate. They contributed with the arrangement of the batteries; carrying and setting up them up on shelves and starting to connect them. Everybody showed up. That is for sure. It was not all that much. It was some exchange of experience. It was done to meet up, work together and learn to know each other.”

- AN NGO REPRESENTATIVE

In spite of the high trust-level, everyone express a reluctance to commit any work effort before contracts have been written and signed. When confronted directly if the reluctance originates from a fear of a partner misusing their trust, most of the interviewees dismiss this notion. It is not something they worry about. Nevertheless, they recognise the need for taking the issue of relational risk seriously, and there exist a consensus that a contract would act as an instrument to secure them from future events of such sort.

“A case we need to discuss in this group that we now are about to organise is that those who join in have to contribute. It is up to the group to choose the right persons to join in and we have already talked about that. We need to keep our eyes on that and communicate. It should not be so easy to do nothing without us to control it. We need to have some governance. I’m not directly afraid of freeloaders, but it is something you need to keep an eye on.”

- AN SME REPRESENTATIVE

Despite that we have not found any statements expressing any concerns about the other partners, the empirical study has shown that there exists some concern regarding Macbat. Macbat's main contributor to the project left the company not long before we made the first rounds of interviews. This person had a role as a driving force for the whole project. This shift of structure and turbulence within Macbat has led some of the other participants to worry about what Macbat's contribution to the project will be in the time to come. Macbat, on the other hand, can assure us that even though there has been some turbulence, they have now reached a clarification of the situation and are still positive and eager to continue to work with the structuring of a future alliance. Though the other organisations feel the need to rebuild the relationship with Macbat, as the management in the company has changed.

Discussion

The project of building a possible alliance started one and a half year ago. This period has mostly been used to get to know each other, and we have a notion that the high level of trust derives from this activity. Looking at the statement made by the NGO representative, one can see that they are stilling working on building the relational bond between the organisations. Hence, they have focus on building a relational history between the organisations.

We find it slightly contradicting that they claim to trust each other, but still have a hard time to commit due to the lack of contracts. We do not underestimate the need of contracts, but find the statements ensuring high level of trust to be contradicting to the statements that they do not want to commit anything before a contract has been signed. The contract is perceived to protect the partner organisations from each other's potentially opportunistic behaviour. Such

contracts would also increase transaction cost, but none of the SMEs are willing to contribute any financial resources into the alliance. We fear that these contradictions will act as roadblocks to the process of structuring the alliance further.

Another interesting observation is that in regards to technological challenges, the participant shows unconditional trust to each other's ability to fulfil what they are expected to delivered towards the RE-container. However, when looking into the organisations' acknowledgement of the other organisations competence beside their core competence, we find a decreasing level of trust to the alliance capability to perform what is foreseen.

Implications for the Framework

We have findings that show that there exists a high level of trust between the organisations. Though in relation to *theoretical finding 6*, we find the results to be slightly inconclusive because we have not been able to observe how these relationships have developed over time. As a result, we have no data saying that the SMEs and NGOs have had continues focus on the importance of relationship building from the start of the alliance. Although, the fact that they are working towards more established relationships at the moment, leads us to perceive the factor to be important for the building of the alliance, but, as stated before, developing trust takes time.

The partners would assess the other partners strategic objectives as a way of building a trust level, e.g. do the strategy show that they would be a possible competitor in the future. Thus, we do not think that the factor *Relational Risk, Developing Trust* will be a determining factor for whether or not one would collaborate before one have gotten to know the other organisations and their strategies and resource contributions.

Further, the identified lack of awareness towards the importance of aligning the alliance's interests and comparing each other's strategies are perceived to be partly the reasons for the organisations' contradicting statements, described above.

Alliance Experience

Theoretical finding 7: When selecting partners, the alliance will search for organisations with alliances experience to lower the transaction cost when building the alliance

Empirical Findings

None of the participating SMEs have previously been involved in alliances were they have been equal partners with an NGO. One of the participants has several times conducted projects commissioned by large NGOs.

"It is really the first time we do a project like this."

- AN SME REPRESENTATIVE

"So in actual fact, going to recruit an NGO to a specific task or a specific project I have never been involved in that. I've always been pulled in by an NGO to do something."

- AN SME REPRESENTATIVE

When asked directly if they have any experience from collaborating with other organisations, most of the SMEs answered "No". After elaborating the question to include experience from past employments, several revealed some experience conducting projects with other companies. Though, the organisations showed lack of experience of how to structure such alliances.

"We will need to give some money to a lawyer" (When asked how they would structure the alliance)

- AN NGO REPRESENTATIVE

"I have done some similar projects in other companies, but this is a little bit different. Previously there have been a lot clearer commercial prerequisite for the project. Meaning that there has already been a known customer when I have joined in. It has already been settled business; so to speak, the customer has signed an order. So all we are expected to do is to deliver."

- AN SME REPRESENTATIVE

Discussion

The statements from the interviewees related to the factor *Alliance Experience* shows that there exist a lack of awareness of ones own alliance experience. Also, there exist a lack of awareness of the other organisations' alliance experience. These findings show that the organisations are not taking advantage of possible knowledge and resources that may exist within the group regarding structuring of alliances. The possibility of this knowledge actually existing within the project is high, as it is a multilateral group.

After one and a half year the interviewees express the need for a third party with knowledge of how to structure an alliance in order to take the project to the next level. This shows that they acknowledge their shortcomings and are ready to take action. Although, if some of the partners already have the knowledge, it signifies that the investment in a third party might result in an unnecessary increase in transaction cost.

Implications for the Framework

As pointed out by Zollo et al. (2002), an alliance is more likely to achieve its strategic objectives if it possesses the resource of greater alliance experience. It seems as the group possess the resource of alliance experience, but lack the awareness of the importance of and contribution from such a resource. This may be a result of the lack of awareness towards mapping each other's resource base. Thus, if the SMEs and NGOs fail to map the resource as a possible contribution from one of the partners, it might result in an unnecessary increase in transaction cost.

We reason that the alliance experience is considered as a part of an organisation's resource contribution, and suggest that the factor *Alliance Experience* is merged into the factor *Partner Complementarity*.

Understanding Each Others Motivation and Willingness to Commit

Theoretical finding 8: a) When selecting partners, the organisations will use a bridge organisation to interpret each other's motivation for building the alliance in order to avoid conflicts and reduce transaction-cost b) When going into an alliance one is ready to commit, and will expect the other organisations to show the same level of commitment

Empirical Findings

The partners seem unwilling to contribute with financial resources as most of them express that they prefer to make the investment in man-hours. Also, as described earlier, they are reluctant to commit before any contracts have been signed.

" I think that if we are going to do this project, really bring forward this container, then we have to write a contract, just because it is such a large investment. I mean, we need to contribute with 3-4000 hours. We are going to have to rely on the others to deliver their parts to the project. So for that reason, to be able to develop this, we need a contract. So that we can know that all has decided to commit on this."

- AN SME REPRESENTATIVE

"We need that somebody steps into the role as a project leader, that take the main responsibility for the project. For we are just now a number of partners that all want to, but there might be none of us who has the competence or the personality or the finances to go in and run the project."

- AN SME REPRESENTATIVE

Despite the commitment level is perceived to be low, what the organisations may accomplish together seem to create a high level of motivation.

"My motivation is that I think this could be a good vehicle to get energy systems to developing world countries. I'm very concerned about that. I'm very frightened that you are going to see huge, coal powered, oil powered generating stations and very expensive electrical power plants being develop in the developing world. I don't think that would be good for us as creatures on this planet. I'm so old that I really should not be bothered anymore, but I got grandkids."

- AN SME REPRESENTATIVE

When asked if they have a short-term or long-term motivation and commitment level for the alliance, it was a unison answer of long-term.

Discussion

The partners' motivations for participating in the alliance seem to be heavily related to their fundamental values and ethics. As an example, *Norges Vel's* fundamental values are to create sustainable and viable local communities.

The NGO seem genuinely motivated by contributing towards the success and growth of the SMEs involved in the alliance. Hence, the organisations are all largely motivated to form an alliance, but see risks that prevent them from committing.

When asked directly, each interviewee is aware of his or hers motivation for going into the alliances and all of them claim that they are ready to commit. Though analysing the empirical findings, the case of commitment does not seem to be as convincing. All of the interviewees point to several issues that need to be resolved in order for organisations to commit. The risk of committing before these issues are resolved seems to be unbearable for each and every one of them. We find that a lot of the perceived risk is based on the lack of agreement on the alliance goals. This leads to uncertainties related to the alliance's need of resources for reaching its possible goals. None of them want to enter into the alliance without knowing how much resources they need to commit.

There is a unanimous cry for a project leader, a leader of the pack that takes initiative and makes the first commitment. The interviewees find this possible initiator to be the one person or organisation that will speed up the process of building the alliance. Although there seems to exist a lack of leadership within the process of building the alliance, *Norges Vel* and *Glava*

Energy Center appear to possess the roles as the *bridging* organisations mentioned in the theoretical findings. The bridging role should be able to structure the process of interpreting the different organisations' motivations and commitment-level. However, the NGOs have never been given a full mandate to undertake this task.

Implications for the Framework

The understanding of each other's motivation and commitment-level is of high importance to the alliance. In order to gain this understanding there exist a need for someone to step in and lead the process. There should be initiate a discussion on the goals and expectations for the alliance, and what resources each and every one of them need to commit to enter the alliance as an equal member.

Even without a discussion of that kind, it appears that the parties have a clear understanding of their own and the others' motivation. We realise that the motivation factor and commitment factor may not be as closely interconnected as we first thought. The motivation seems to be established when they get introduced to the alliance and make the decision to join the process of structuring the alliance. The commitment to an alliance, on the other hand, seems to rely on the outcome of all of the presented factors. Also, when talking about commitment the interviewees often used the word contract in the same sentence.

This leads us to suggest to split the factor into two separate factors positioned within two different phases. Motivation amongst the partners will be created when getting involved, hence in the phase of *Partner Selection*. Commitment will be established after the structuring of the alliance has been done, and the alliance can present a contract or agreement to sign. Before the alliance has

reached a signed agreement all of the involved parties has the opportunity to leave the future alliance.

Cultural Compatibility; Fundamental Values and Shared Ethical Grounds

Theoretical finding 9: When selecting partners, the organisation will consider the other organisation's values and ethical grounds, in other words their view of the world, to decide if it would be possible to create shared alliance goals

Empirical Findings

None of the organisations mention cultural compatibility directly in the interviews.

Discussion

The lack of quotes in this category can lead to the notion that the organisations involved are not concerned with cultural compatibility. On the other hand, if one look at their history, most of them have worked together for nearly two years or more, and the issue of cultural compatibility may no longer be of interest to them. According to the applied theory (e.g. Millar et al., 2004) NGOs would be more focused on cultural compatibility than a corporation. There exist no empirical findings from the case-study that supports or contradicts this claim.

Through comparing the respondent answers one find a set of secondary data. The NGOs and the SMEs appears to acknowledge the same business opportunities of creating both economic and social values through electrification of rural areas in Africa and further, increase the standard of life in a local community. Hence, there exists a set of shared values and motivation to reach a common goal.

At the same time some of the SMEs show a strong motivation towards gaining market shares in more developed markets, though at a later stage of the development. This motivation is not hidden, and do not seem to be a source for conflict. This may be due to *Norges Vel's*, *Glava Energy Center's* and *Stål & Verkstad's* common goal of creating local viable solutions both in developing and developed markets. Therefore they are equally motivated to help the SMEs succeed when reaching for their individual goals, as for the alliance's goals.

Implications for the Framework

Due to developed relational bonds between the parties in this case it is hard to tell if cultural compatibility is an important factor that needs to be analysed prior to forming an alliance. Hence, the case does not create a precedence of whether or not cultural compatibility is important ex ante. Since it is not possible to determine the importance of the factor, we suggest keeping the factor in the framework for further research.

Partner Complementarity

Theoretical finding 10: When selecting partners, the alliance will assess the complementary resources, capabilities and experience of the partner organisations to ensure high level of partner complementarity

Empirical Findings

The empirical findings show that the group find themselves to be technically complementary, and that this complementarity is highly appreciated.

“It is contradictions and ideas that make the project grow. It has been periods where we have succeeded and it has been hopeless at times. And that has been ok because in those periods we have dug deep down to find solutions. This is when you get the effects of synergy by having different cultures and technologies.”

- AN SME REPRESENTATIVE

“What I think is the best of the cooperation so far is that we cover the necessary technical competences. With our present partners we cover competence within power electronics, renewable energy from solar cells, assembled in a container. We have competence with heating and cooling systems. So all the technical elements that are needed to build and develop an energy container is present. [...] So the only thing we should need to complement this is a sales/marketing partner and project management too.”

- AN SME REPRESENTATIVE

When asked about what the organisations from the other sector might contribute other than technological capabilities, the answers became vague:

“I don't know what the NGO do. What is their role, how do they normally work in such projects? If they join in the early stage of the project and try to put together an organisation and then leave? or if they have some financial resources or how this works? This I don't know.”

- AN SME REPRESENTATIVE

When asking an NGO representative of what the person knew about the SMEs experiences, the answer was:

“ Not to much [...] this is because we normally meet at these gatherings, and then we meet all at the same time. We try to talk a little bit with the SMEs, but this is mostly done in groups, and then what they tell is possibly a bit varying.”

- an NGO representative

Discussion

From the interviews we find that although the organisations has relatively similar incentives to cooperate, there exist low understanding for what the other parties can contribute to the alliance. The NGOs want to make an RE-container for the rural areas in Africa. Because of this, they engage tech-companies that can develop such a system, but there exist little recognition of the SMEs contribution towards the alliance through their possessed business knowledge. The SMEs, on the other hand, want to co-develop a new technologically challenging product, and possibly launch the new product in Africa. They recognise the possible synergies the collaboration with other SMEs can give to their individual businesses, but show little understanding of what the NGOs may contribute in to the project. The SMEs have only experienced the NGOs as project managers. As a result they describe the NGOs contribution to be the managing role. We find that this leads to the NGOs not being exploited for their possible range of resources, capabilities and experiences.

Webb et al. (2009) and Dahan et al. (2010) highlighted the importance of not forgetting the NGOs contribution. Further, Reficco & Márquez (2012) suggest that the NGOs main contribution would be knowledge about the market and institutions within the given context. *Norges Vel*, on their side, could contribute with local market knowledge from, for example, Uganda, and possible local business connections within Uganda, Norway and other parts of Europe.

However, none of the interviewees mention this as a possible contribution from *Norges Vel*.

Implications for the Framework

As mentioned earlier and as the quotes above show, there exists a good overview of the technical complementarity within the group. Looking back at the discussion on the factor *Resource Need and Contribution* we reasoned that the organisations might be in danger of creating a redundant resource pool by focusing only on technical contribution. Thus, they have not conducted an assessment of other possible complementarities between the partners.

The above findings strengthen the perception of the necessity for assessing the complementary resources, capabilities and experience of the partner organisations to understand the possible partner complementarity within the alliance. This understanding may lead to a better utilization of the alliance capabilities.

The assessment of partner complementarity would reveal possible resource contributions and alliance experience. Because of this we find it to be unnecessary to separate these three factors within the framework. The activity of assessing partner complementarity is expected to be conducted when selecting alliance partners, in order to avoid extensive amounts of redundant capabilities within the alliance.

Alignment of interests

Theoretical finding 11: The organisations will set a scope for the alliance through a set of short-term, achievable goals, in order to reach long-term ambiguous goal to gain momentum

Empirical Findings

The long-term goal for the future alliance is to launch a RE-container somewhere in Africa, possibly Ghana or Uganda. This goal

appears not to be uniformly adopted by the organisations, as the SMEs would rather focus on the short-term goals during the interviews. Although, there exists few findings of any shared understanding of the short-term goals that would possibly enable the alliance to reach its long-term goal.

“We may make a product for energy storage, however, how to achieve this goal is not clear”

- AN NGO REPRESENTATIVE

“Our task is the production and then finding market”

- AN SME REPRESENTATIVE

“I hope that in the spring we can find a distinctive customer, to get started with the production”

- AN SME REPRESENTATIVE

“It takes a lot of time to develop the technology for solar energy, it may take two years and cost a minimum of five million to develop one part, so there is nothing we just develop and only hope that we discover a need afterwards. Therefore, it need to be a clear need and a distinctive customer before we start.”

- AN SME REPRESENTATIVE

Discussion

The finding on *Alignment of Interests* show that even though the alliance started with a long-term goal, there exist little recognition of that goal today, at least amongst the SMEs. The goal might have proven to be too great to achieve within the one and a half year that were set for the project's lifespan. The applied theory is stating that if goals are to be achieved in an

SME-NGO alliance they have to be formed in a manner that makes them achievable within a shorter period of time (Webb et al., 2010). This is because NGOs most often take on short-term projects in order to gain revenue to reach the organisation's strategic objectives. This is verified by one of the NGOs when the representative explains their business model and that they mostly work on a project-to-project basis. However, the partners could have sorted out some discrepancies in the short-term/long-term goals by aligning the different organisations' interests of going into the alliance.

We find that even though the factor *Alignment of Interest* is position in the phase of *Designing the Partnership* within the *Conceptual Framework*, it will affect the different parties' decision to enter into the process of structuring the alliance. We find that building of the alliance within this case is continuously prolonged due to the uncertainty of the other parties' goals. Because of this the organisations have never moved into the phase of *Designing the Alliance*. Since there has not been set a clear, achievable, unified goal from the start, the SMEs find it hard to commit to enter into the alliance.

Several of the SMEs' representatives express that they have not reached any of the goals that were envisioned when entering into the project one and a half year ago. As a result the co-development of the solution has never been started, and they lack a basic confidence towards the project's ability to execute. We have also discovered that several groups of SMEs are crystallising and have started to develop their own solutions without noticing the other parties. The interviewees explain the parallel development of solution is because they want to see some action being taken. We see these parallel developments as concerning, as they may terminate the alliance.

We also recognise a possible positive impact, as it may give the alliance a kick-start in the right direction.

Implications for the Framework

The time limitations of NGOs' engagement in projects may prove to become a challenge in terms of long-term goals and commitment to SME-NGO alliances. However, we find it to possibly have a positive impact on the alliance, since it gives the partners involved an opportunity to develop a set of achievable goals with shorter timespan. This can lead the alliance to gain momentum and create confidence within the group and the alliance's ability to execute on the given goals.

With this in mind, we find the factor of alignment of interest to be a crucial factor not only in the phase of *Designing the Alliance*, but as a foundation for the whole alliance. We find this factor to influence all of the other factors presented in the framework, and that the main function of the factor is to get the organisations to agree upon goals that set the direction for the rest of collaboration. This leads us to believe that the factor *Alignment of interest* should be rename to *Alignment of the Alliance's Goal*, and be moved to the first phase, *Developing the Scope of the Alliance*, at the top of the list of factors. This would create awareness to the importance of creating goals for the alliance within the initial discussion of creating an alliance. This again would lead to the development of the alliance scope. Further, the factor should trigger the partners to take a stand early on in the process of whether or not the goal of the alliance is reachable within the scope of the time they would like to commit. It will also ensure that all the partners involved are working towards the same goal at any time in the process.

The importance of creating a good foundation for the alliance early on were the reason for changing the name of the phase from *Decision to Cooperate* to *Developing the Scope of the Alliance*.

Emphasizing the Potential of Joint Value Creation

Theoretical finding 12: It is important to have a goal of co-creating value and not obsess over possible long-term cost

Empirical Findings

The participants are highly motivated to perform joint value creation, but are concerned about the financial risk that exists within the project.

“Working together with other people who are working in a similar field, there are tremendous synergies you can develop. It’s a good forum for exchanging ideas. Getting involved together in projects, in different areas I think it’s going to be very valuable. I think I’m more looking at the intangible sense of such a relationship rather than the tangible and the money, monetary side of things. I think there is a lot more to be won from this cooperation than just money and tangible things.”

- AN SME REPRESENTATIVE

“And I see that if we could link our technology together with the technology that Uniteam and Norges Vel is promoting we could in actual fact enable a small rural community to actually generate more energy than they use and then you can start thinking about linking one village to the next village with some cable and you could all organically grow a national grid. And at the same time you would provide a lot of redundancy so that if one village had a problem with some equipment at a particular time they could still get some energy from the grid. So

that is the advantages I see with working together with Uniteam.”

- AN SME REPRESENTATIVE

“The risk is too great for us to join forces with Greenteam, Ferroamp and Macbat and the others that should be developing this energy container, if we do not know that there exist a market for it.”

- AN SME REPRESENTATIVE

“I believe that this can turn out to be something, but that prerequisite that we can bring a customer forward.”

- AN SME REPRESENTATIVE

Discussion

All of the organisations focus on the joint value they possibly can create together through developing and launching the RE-container. However, the SMEs are worried about the risk of the investment they will have to make if they commit to the alliance. The obsession over the possible needed investment holds the participants back. Throughout the interviews the need for financial investments is repeated over and over again as an explanation for why the organisations have not started to develop the potential value that they see in this project.

We find that both short-term and long-term costs are preventing the partners for entering the alliance. Since the market is unknown the SMEs are unsure of the possible return on investment, and that there exists a risk of uncontrolled short-term costs due to the unsettled long-term goal. In other words, the SMEs do not have a clear picture of the cost of the development of the RE-container, and the interviewees fear that the

other organisations lack of commitment may gear the cost negatively for the organisations that are committing to the alliance. Although, they acknowledge the many long-term opportunities created by the joint value creation, but need to see everyone committing before they want to start creating anything.

As stated under *Alignment of Interest* there has been several initiatives on developing parts of the RE-container conducted by some of the SMEs. Hence, the different groupings of SMEs have partly started to commit and work with the product without including everyone. By doing so they may risk that the full potential of the joint value creation is strongly reduced, as valuable knowledge possessed by parties not included may be lost in the process. It seems as though it is easy to emphasise the potential of joint value creation when entering the alliance, but when it comes to actually getting things done it is easier to just *do it yourself*. This might be because of the realisation of the needed cost and time investment of actually collaborating, which is one of the downsides of multilateral alliances (Li, 2012).

Implications for the Framework

The participants are highly motivated to create value together, and explain that the value creation is the reason for why they wanted to join the alliance. This leads us to reason that the factor is important. Though, the SMEs consider the financial risk to be too great to fully committing to the project and creating this value.

The empirical findings show the partners are reasoning the antithesis of what the framework is suggesting. This leads us to reason that the factor might create awareness towards the joint value creation, but it has no power to remove the doubts about the other organisations' lack of commitment. Before one would start

emphasizing the potential of value creation one should work through scoping out the alliance and finding the partners that are willing to commit.

Keeping and Protecting Core Competencies

Theoretical finding 13: It is important to understand the willingness of the partner organisations to exchange knowledge in order to find the most appropriate structure for keeping and protecting each other's core competencies

Empirical Findings

The partners in the collaboration are willing to share information about their technical solutions to the other partners. One of the representatives from an SME tells us that they do not perceive any risk when doing this since none of the partners are direct competitors.

"None of the companies involved in this group are direct competitors. So there is no reason to keep secrets within the group. However, there might be a reason for making sure it does not leave the group."

- AN SME REPRESENTATIVE

"I think for sure that there is probably going to be developed new product from this project. The problem is to find out how to structure the application of the product so that those who contributes will get paid."

- AN SME REPRESENTATIVE

“It is important that we make a cooperation where nobody is afraid of sharing the competence they got. There is nobody who is hiding an unpleasant secret.”

- AN SME REPRESENTATIVE

“You need to share a lot of information in order to make it work the systems will have to be integrated and they will dependent upon each other so you will have to share a lot of information.”

- AN SME REPRESENTATIVE

“They are, maybe especially the Swedish are very attentive towards that if someone comes up with a genius idea, who owns the copyrights? The companies have come up with genius ideas earlier and they have experience with this from before since they are small firms that might be living of contriving good ideas.”

- AN NGO REPRESENTATIVE

“If you look at IPR, intellectual property rights, patents and all that. We have not made a formal agreement on how to share that knowledge.”

- AN NGO REPRESENTATIVE

Discussion

The partners are willing to share technical information in order to co-develop the components needed for the RE-container. However they are concerned of what will happen if two or more of the partners come up with a genius idea. Who will own this idea and who will have the right to benefit from the new ideas? Several of the SMEs demand that this question is answered before they enter any form

of alliance. When asked, the partners are more than willing to share their knowledge, they are, however, afraid that this knowledge can be used to generate good ideas without themselves getting a share of the pie. In order to solve these issues, the SMEs want to hire a lawyer to help them write contracts that would protect them from possible opportunistic behaviour from the other partners.

Except from contracts, there appears to be no other discussions on how to structure the sharing of knowledge. One of the partners points out that the core competence of the businesses are complementary and shared knowledge can not be directly transferred to increase the individual SME's competitive advantage. This is supported by the literature, e.g. by Oxley & Sampson (2004); when the complementarity in the knowledgebase between the organisations reaches high levels, the risk of unintended leakage is reduced. However it is stressed that even though the risk of unintended leakage of knowledge within the alliance is low, there is still a need for the organisations to control that the knowledge does not leave the possible alliance.

Implications for the Framework

Keeping and protecting core competencies are important to the SMEs. The NGOs seem to understand the SMEs' worries. The partners relate this factor to the action of writing and signing a contract when committing to the alliance. Thus, we find it to be one of the last issues on their list of issues to discuss before committing fully to alliance, and suggest moving the factor to the bottom of the list of factors in the phase of *Designing the Alliance*.

Top Management Support

Theoretical finding 14: The organisation will start building top management support when considering entering an alliance

Empirical Findings

There exist low or no awareness on the importance of top management support within the group at the moment of this study. The only exception is the partners' awareness to the lack of top management support in *Macbat*, which were created by the loss of a visionary for the RE-container that had a position within the top management of *Macbat*.

"There appears to have been some problems with the relations to *Macbat*'s owners. *Macbat*'s owners do not want to fund the work anymore."

- AN SME REPRESENTATIVE

"In the container project there has not happened a lot. It is almost a shame calling it a project. I would say that the partner that has contributed the most was [...] in *Macbat* because it was this person who initiated the discussion of the project. Since then we have not come very far. The only activity we have actually had is two meetings and some teleconferences. Not a lot more has happened. So when you ask me of who has contributed the most it is probably *Macbat* while [...] participated."

- AN SME REPRESENTATIVE

Discussion

The low awareness to the factor of top management support might be due to the fact that within these organisations there is a short distance from top management to the engineers involved. In most cases the top management is already informed and support the project. Further, in the case of *Ferroamp*, *Greengas*

and *Greenteam* the top management is actually participating in the alliance on behalf of the company. These findings may be the reason for why the need of top management support is given little attention.

However, there exist concerns of the change in management within *Macbat*, and how this will affect their participation in the RE-container project. This has also led to some of the organisations considering whether or not the project still exist at the moment, as a result of the loss of initiative within *Macbat*'s top management. Hence, there is a need for rebuilding trust with the soon to be new top management to regain momentum.

Implications for the Framework

From the situation of *Macbat* it is clear that if a company is initiating an alliance, they should strive to gain commitment from the top management. The advantage of SMEs compared to larger firms is the short distance from the people at bottom to the management at top within the organisations. This organisation structure might lead to a smoother process of informing and getting the acceptance for entering an alliance from the top management. Though, the data indicates a trend of low awareness to top management support at this phase of the alliance structuring.

This factor is placed far back in the framework. We find it risky to let the process of structuring an alliance go to far before the individual organisations decided whether or not it is interested in investing in the alliance by getting the top management support. On the other hand, it should not be necessary to involve top management from the first day an alliance is being discussed. The employee presenting the possibility of an alliance for the top management should have knowledge about the alliance scope and which organisations will be

involved to ensure the top management of the compatibility of the alliance's objectives with the organisation's own strategy.

Alliance Coordination

Theoretical finding 15: Alliances see the need to develop mechanisms for coordination of the alliance and clarification of the organisations' interdependencies

Empirical Findings

The time spent on structuring the alliance shows how important it is to start coordinating the alliance early in the process in order for the whole group to work towards common goals. Even though the partners highlight the need of structure, they have not spent a lot of time discussing how to coordinate this structure. The need for a project manager that can lead this discussion and the alliance is mentioned repeatedly throughout the interviews. In spite of this none of the interviewees give a unified answer on which of the organisation should.

"The project needs someone who enter into the role of project leader. Now it is like we are some partners that really want to, but there may be no one who have the competence or personal finances to enter into the role as project manager."

- AN SME REPRESENTATIVE

"To begin with there is a need for a structure with a visible project manager and long term goals. I think it is a problem that several of the people involved in this project, for example [...] from Stål & Verkstad only had finances for one year, and that did not work. You need to have someone who really can decide that this should be done and have a long-term perspective for this type of development takes a long time. It is not something that can build up in three months. It is going to take three years."

- AN SME REPRESENTATIVE

"In reality there are two things that are needed, money and management. So to unite the two will not be easy, but it has to be solved. You cannot only have one because if you have money and can solve the financial issues for this project it will come to short if one do not have the network or the people that is needed to realise the project and if you only have the people and not the finance, it will fall short as well."

- AN SME REPRESENTATIVE

"It is important to have project members and it is also important to have a kind of catalyst that can make sure we get along with how to cooperate, how to split the cost and how to share future gains. How to build a joint equity or a foundation or how to run this business."

- AN NGO REPRESENTATIVE

"If you take too much ownership in the project that might make it harder for the companies to take on the responsibility."

- AN NGO REPRESENTATIVE

Discussion

The interviewees express a huge need for structure and coordination within the group of organisations. This seems to have an impact on the organisations' decision on whether or not the alliance is worth entering. However, the issue is not taken care of. The reason for this could be that the project has shown to possess four project managers one from each of the organisations *Norges Vel*, *Kunnskapsbyen Lillestrøm*, *Glava Energy Center* and *Stål & Verkstad*. One representative from an NGO express hopes for the SMEs to be more inclined to act on the lack of structure when the *Interreg* funding is now terminated and the money for keeping four project managers is no longer present. Though, the long period from December 2011 to present day with a lack of coordination have made several of the partners impatient for results. This impatience may decrease the willingness to spend time on a structuring process.

As stated above in the empirical findings and as stated by the applied theory (Webb et al., 2009) the norm in business-NGO collaborations are to conduct short-term projects. In this particular project, the NGOs engagement is only on a temporary basis to lead the initial phase of structuring the collaboration. We find this to limit the NGOs performance. The interviews show that the NGOs are reluctant to take ownership within their role as project leaders, as they are afraid to make the SMEs too dependent on their presence before they leave the project. This has led to an imbalance, where the SMEs are expecting the NGOs to take the role as leaders of the process, but at the same time the NGOs are waiting for the SMEs to step up and take charge of the project. This imbalance of expectation has resulted in the partners being hesitant to actually enter into a cross-sector alliance, as there is a lack of evidence of mutually commitment amongst the joining partners.

We find that there is a need for the organisations to agree upon whom is the project owner and initiator, as it exist a set of inequalities in expectations. We find that Rondinelli & London (2003) have a point when stating that it may be difficult for organisations to coordinate their activities when they have fundamentally different governance structure and missions, as is the case between SMEs and NGOs.

Implications for the Framework

Based on the discussion and findings from the study of the empirical data, we find that ex ante attention to alliance coordination is a highly important factor when attempting to structure an alliance. The factor is dependent on the alliance scope and commitment from all the partners. Because of this, we find it to fit into the evolution of the alliance structuring in the phase of *Designing the Alliance*.

Alliance Performance

Theoretical finding 16: Alliances see the need to develop mechanisms that oversee the alliance performance in order to keep track on progress and increasing the alliance potential

Empirical Findings

The first meeting about the RE-container was held in December 2011. Since then the organisations have had meetings discussing technological aspects of such a product. There has not been revealed any mechanisms for overseeing the performance, though several of the interviewees expressed dissatisfaction concerning the lack of progress in the project.

“The SMEs held the discussions themselves, but they stagnated, as I understood it. The discussion went back and forth and back and forth. So we all had a joint meeting at Uniteam. That meeting did not lead to anything either. So

we all had another meeting with Uniteam, and lately we have had more physical meetings. Then there were more stakeholders joining in. The more meetings we have had, the more stakeholders have been included. And, we have noticed as project managers in Glava, that the more project participants join in, the more complex it becomes. When we in Glava engage in innovation projects, it is easiest to just have one single partner.”

- AN NGO REPRESENTATIVE

As of today, no agreements have been made and no contracts have been signed. Though, in March 2013 all participants were optimistic about signing the contracts.

Discussion

As Hoffmann and Schlosser (2001) highlighted, the lack of track on the alliance performance may decrease the alliance potential. In the studied alliance, not focusing on alliance performance has led to a stagnation of the structuring of the alliance. The partners are not moving forward and are reluctant to making a commitment. This highlights the importance of focusing on performance and coordination even before the alliance is formed.

The earlier presented challenge of new stakeholders constantly participating has also proven to affect the alliance performance. The progress will rely heavily on a well-coordinated group, when many stakeholders are involved, the need for using mechanisms to oversee the alliance performance increases (Li, 2012). Even though the partners acknowledge the need for seeing some progress, which is discussed throughout the above factors, the group of organisations is relying heavily on dedication and voluntarism from the individual partners in order to gain the momentum of structuring of the alliance. Relying on dedication and voluntarism is ignoring the need for coordination when dealing with such a large group of organisations.

Implications for the Framework

The theoretical finding only states that the alliance will see the need for structural mechanism in order to *keep track on progress and increasing the alliance potential*. Based on the organisations' awareness of the need for seeing more progress within the alliance and the need for structure, we find it odd that they are not acting on it. This leads us to reason that seeing the need is only one step towards taking action. Because of this we find that the factor *Alliance Performance* is closely related to the factor *Alliance Coordination*. It will be important to develop the correct structural mechanism for the group when designing the alliance in order to oversee the progress of the alliance. However, these mechanisms will not only affect the performance and progress, but everything that needs to be coordinated within the group. Therefore we find it reasonable to merge the factor *Alliance Performance* into the factor *Alliance Coordination*.

Joint Learning

Theoretical finding 17: Alliances see the need to create environments for its members to develop a high capacity to learn from and transfer knowledge to each other

Empirical Findings

All the partners agree on learning to be an important motivation for entering the alliance. For the SMEs it is mainly about increasing their technical knowledge, but also to gain alliances experience. The NGOs see the increased knowledge about process revolving an alliances and structure alliances as the most important learning objectives.

“The greatest expectation we have to the project and project learning is to learn about new markets, new adjustments and what to do for reaching these markets.”

- AN SME REPRESENTATIVE

“I learn a lot about cooperation between companies and that these processes take long time. How these processes can work and there is probably things that could have been done better and that is what we learn from.”

- AN SME REPRESENTATIVE

Discussion

The factor of joint learning has shown to be closely linked with the factor *Emphasizing the Potential of Joint Value Creation*. As with the previous discussed factor, joint learning is one of the main motivations for entering the alliance. All of the organisations are eager to learn more about how to develop alliances. Though the SMEs are more focused on the potential for learning and further development of their own product line and markets. Matt and Ohlhausen (2011) use this as a positive for alliance formation, but we find it surprising to see that the possibilities of developing ones own core competence blinds them from seeing the other opportunities within the alliance.

The SMEs talks a lot about what can be learnt through research and development, while only a few talks about what can be learnt about the different companies market knowledge and other non-tech related issues. It might be that it is easier to see what can be learnt related to the SMEs field of knowledge, than within areas that are non-core competency related. The focus on the development of competencies has lead to an inferior understanding of the resources and capabilities they have at hand.

Implications for the Framework

Even though joint learning is an important factor, we do not find the need to separate it from the factor *Emphasizing the Potential of Joint Value Creation*. Most of the statements presented above were said in the same breath as the statements under *Emphasizing the Potential of Joint Value Creation*, which may imply that they would be assessed within the same phase and at the same time during the structuring of the alliance. Because of this we suggest to merge the two and change the name to *Emphasizing the Potential of Joint Value Creation and Learning*.

Termination of the alliance

Theoretical finding 18: Alliances will work towards an agree upon a plan for how the termination of the alliance will be conducted ex ante

Finding

Even though the project is at a possible point of termination due to the ending of the *Interreg* funding, no one talks about the termination of the alliance structuring.

Though there exist one quote, suggesting that the alliance needs to be changed in terms of participating organisations, which may imply termination for some of the involved parties.

“I think that the project has grown a little too big and too expensive so that it is better to scale it down, and keep it simple.”

- an SME representative

Discussion

The only statement found related to termination is stated by one of the partners who wonders if the project has become too complicated and

too expensive. This leads the interviewee to suggest that a smaller solution with fewer actors involved could have been a solution to get the alliance moving forward.

It is interesting to observe that the group do not talk about the termination of the possible alliance. It could be that none of the parties wish to be perceived as the ones wanting to focus on the exit and therefore do not mention the issue. Since they have not committed to the alliance the thought of exiting from the alliance may become too abstract for the interviewees.

Implications for the Framework

Since there exist no data related to the factor *Termination of the Alliance* we suggest that the factor should undergo further testing, before one can say that it is important or redundant in this setting. Although, we find the phrasing of the name to imply that one would undergo the termination of the alliance when assessing the factor. Because of this, we suggest to change the name of the factor to *How to Terminate the Alliance*.

Summary of the Findings & Discussion of the Factors Within the Framework

In the above discussion we found some factors to have a greater impact on the structure of the alliance than others. From the analysis of the interviews we found most statements revolving:

1. Resource Contribution and Need
2. Compatible Strategic Objectives
3. Understanding Each Others Motivation
4. Commitment and Alignment of Interests

The survey conducted after the analysis of the framework ranked the four most important factors to be:

1. Strategic Compatible Objectives
2. Partner Complementarity
3. Alignment of Interest
4. Understanding Each Others Motivation and Commitment

The two results are surprisingly similar. We find these factors to represent aspects that create an understanding of the other parties operations, their compatibilities, complementarities and goals. Throughout the analysis we found this understanding to be lacking between the two sectors, which has led to great challenges when structuring the alliance. The applied theory (e.g. Webb et al., 2009) suggested that business-NGO alliances is a relatively new phenomenon, and because of the newness the organisations are still searching to find how to structure collaborations and alliances. This suggestion corresponds with the findings in this case, which implies that there exists a lack of experience from how to structure such alliances.

By comparing the empirical data with the theoretical findings we find support to the call from Webb et al. (2009) and Reficco's and Márquez's (2012) for a set of normative standards on how to structure business and NGO alliances. Through the analysis of the case we find the framework to be a practical tool to guide the process of structuring the alliance. The factors can help create awareness towards challenges and benefits that will be experience throughout the alliance evolution.

The Overall Findings & Discussion of Strategic alliance Between SMEs and NGOs

The key finding from the study revolving how SMEs and NGOs can build a robust alliance to launch a new product in BOP markets is that when forming an alliance with multiple partners the most important action to take is to listen to your potential partners. What are their previous experiences? What are they willing to contribute to the alliance? And what are the resources they have access to? We suggest using the developed framework as a tool for discussing and evaluating these questions before entering into an alliance.

The underlying issue influencing all the factors discussed throughout this case is the lack of a unified goal, which in turn would create the scope for the alliance. The lack of achievable goals within projects between SMEs and NGOs has also been observed to be an issue when talking to other organisations within the renewable energy network. Therefore we find the factor *Alignment of the Alliance's Goal* to be a fundamental factor that needs to get the highest priority when attempting to build an alliance between SMEs and NGOs.

Next, we will highlight and discuss the most critical aspects of the structuring of an alliance that was found throughout the applied theory and the study of the empirical data.

Understanding What the Other Organisations May Contribute and their Commitment-Level

Empirical Findings

The organisations from one sector show a low degree of understanding about the organisations from the other sector. The NGOs

and SMEs have different view of the world that has shown to create challenges. Though we do not find that there exist unwillingness to understand each other, but rather that it exist unawareness of the implication of the lack of understanding.

“I would be best to establish on joint venture or have on product that is co-developed by the organisations and that it is the SMEs that are leading this. Then, we could rather be working with more concrete assignments within the cooperation. Gathering customer or getting financing or look at the technical challenges would be things we could do, but it is best that the companies lead the project.”

- AN NGO REPRESENTATIVE

Discussion

To enable a collaboration where everyone is mutually committed to contribute with the needed resources, the NGOs need to step up show what they got. There is a need for the NGO to be more involved in the project in order for the SMEs to understand what the NGOs may contribute to the alliance's resource and knowledge base. Using the NGOs only as project managers do not exploit the full potential of what the different organisations could contribute to an alliance within the given context. Further, it leads us to reason that the organisations lack of understanding for each other's resource contribution prevent them from seeing the possible benefits of forming a cross-sector alliance.

Equally important as understanding the other organisations' contribution is the understanding of the other organisations' level of commitment. The empirical data revealed that the organisations were reluctant to move forward with the alliance due to uncertainty in the other organisations' level of commitment.

This suggests that one partner will not commit before the other has committed, which leads to the reasoning that the partners will have to commit at more or less the same time. Through the interviews we find that a contract will clearly state each organisation's commitment to the alliance, and we find that the proposed framework may help structure what to include in the contract as a statement of the organisations' commitment.

Bilateral and Multilateral Alliances

Empirical Findings

The multilateral nature of the group has proven to present several challenges for the structuring of the alliance.

"We would never have launched the product to Africa without the collaboration."

- AN SME REPRESENTATIVE

"When we participate in projects of innovation the easiest are to only have one partner. But then you start with five, six, seven, eight, nine different partners, all the different partners have different areas of interest, different ideas, different visions and the more partners that are involved the more complex it becomes to run the project."

- AN NGO REPRESENTATIVE

Discussion

In the *Applied Theory* we proposed that literature on bilateral alliances are not directly transferable to the case of multilateral alliances. This proposal was backed by several authors, e.g. Das and Teng (2002), Lavie et al. (2007) and Li (2012). The significant implication of the multilateral aspect of the studied alliance highlighted throughout the discussions of the factors, shows the importance of differentiating

the two types of alliances. This is not only apparent for the researches, but several of the interviewees also highlight both challenges and benefits of the multilateral nature of their group. This is shown through the statements above.

In the *Applied Theory* we also proposed that that multilateral alliances would be more robust than bilateral alliances. We have found both pros and cons towards this statement in through the empirical data. As several of the interviewees recognise that they would not have developed the RE-container on their own initiative, or aim to launch the product in a BOP market. At the same time, several of the organisations' representatives partly blame the multilateral nature of the group to be the reason why the process of structuring the alliance is stagnating.

Explaining Relations between SMEs and NGOs with Theory from SMEs

One of the theoretical challenges in this Thesis has been to develop the understanding of SME-NGO alliances. We proposed that one could use literature on SME strategic alliances, business-NGO alliances and MNE-NGO alliances. We find that the literature creates synergies towards the understanding of SME-NGO alliances, and that the different perspectives provided a basic understanding for the common factors of strategic alliances. However, we have not been able to generate data that can disprove or verify the transferability of literature on SME strategic alliances into theories on SME-NGO alliances.

Looking at the MNE-NGO alliances, we found that the empirical data revealed that the participating SMEs aim to move their businesses across borders and control value-added activities in more than one country. This finding expands the context of this Thesis, which is launching a product in BOP markets, to also include controlling the value-added

activities in the given country. Looking back at the earlier definition of MNEs, we find that the SMEs in this case are developing into MNEs. Also, the applied theory showed statements from OECD (2008) for the need of differentiation between small, medium and large MNEs. Which in turn reasons that the term MNE includes both small companies and large corporations. The literature shows little recognition of this need, as we rarely find the size of an MNE being stated. Before this differentiation has been conducted, we find the MNE-NGO literature to be applicable in the context of SME-NGO alliances, when the SMEs have goals of expanding their businesses across borders.

Ex Ante Evaluation of SME-NGO alliances

The *Applied Theory* proposed the need for ex ante evaluation of alliance structure in order to build a robust alliance. It has been shown through the analysis of the factors that the framework developed for ex post evaluation of a strategic alliances can be used as a tool for discussing the alliance structure ex ante. We find that the further developed framework can create awareness towards the critical factors of an alliance, and can help the partner organisations to make decisions on the most suitable structure for the alliance.

Critique of findings:

Our findings are based on interviews conducted two months apart. This creates only an empirical snapshot of the reality of one alliance. This implies that there are several factors and stories within the alliance that are escaping our attention. These limitations can lead to several misconceptions about the condition of the alliance.

The findings regarding the framework clearly state that the factors can be used to evaluate

an alliance structure ex ante. Parkhe (1993) suggested that ex ante evaluation would result in the creation of more robust strategic alliances. However, the findings from this case do not state if the evaluation using the proposed framework will result in a more robust alliance. To analyse the possible value of an ex ante evaluation of the alliance structure, one should also have revisited the case ex post to analyse the outcome of the alliance.

The purpose of this Thesis was to explore how SMEs and NGOs can structure collaboration in order to launch a product in BOP markets. In order to try to answer the research question of this Thesis we chose to perform an embedded single case study. Due to the limitations of the single case study not using replicable logic, it is important to highlight the further research recommended from this study so that other researchers can improve upon and validate our research externally.

PENTHOUSE

THE OUTCOME

Presentation of the theoretical and practical implications, and recommendations for future research.

RESULTS & FUR- THER RESE- ARCH

RESULTS & FURTHER RESEARCH

This Thesis has aimed to answer the research question *How can SMEs and NGOs build a robust alliance in order to launch a new product in BOP markets?* We searched for answers to this question by interviewing NGOs and SMEs that were structuring an alliance in order to co-develop and launch a new product in BOP markets. Through several encounters we discovered the group of organisations working towards the co-development of the renewable energy container, and chose to use this case as the object of study for the Thesis.

When trying to get a better understanding of the situations and the issues concerning the organisations participating in the alliance we discovered that there were several gaps in the theory that made it hard to get a comprehensive understanding of SME-NGO alliances. Through our research we have found that given the context of the Thesis, the literature on MNE-NGO alliances is transferable to SME-NGO alliances, keeping in mind both benefits and challenges related to SMEs.

Further, we realised that the organisations represented another challenge through the multilateral aspect of the alliance. This also showed a lack of differentiation within the applied literature, as the literature rarely differentiate between bilateral and multilateral alliances. Through our empirical findings we find this lack of differentiation to be ignorant, as the multilateral nature of the group proposed one of the greatest challenges for the goal of the alliance, the progress, the coordination, the understanding of the different actors, time management, relational risk and commitment to the alliance.

Prior research (Parkhe, 1993; Swoboda, 2011) proposes that an alliance would benefit from evaluating the alliance structure ex ante. It is claimed that this practice will make the alliance structure more robust. However, the review of

the literature did not reveal any frameworks developed for discussing the structuring of an SME-NGO alliance prior to committing to an alliance through agreements. In order to conduct an analysis of alliance structure ex ante, we used an existing framework intended for analysing SMEs' strategic alliances ex post, In spite of Rondinelli & London (2003) warning of treating business-NGO alliance as a business alliance. The framework was refined using the applied theory to fit the purpose of ex ante evaluation of alliance structure and the Thesis context and research subjects. Then, we analysed the theoretically developed framework with empirical data from an alliance in the phase of structuring. The findings from this analysis led to some alterations of the framework by adapting the phases, merging some factors and repositioning others. The analysis resulted in the framework described in table 4. We find that the framework would be beneficial as a guide to create awareness for critical factors and grounds for discussions when going through the evolutionary steps of structuring an alliance between SMEs and NGOs.

To return to our research question:

How can SMEs and NGOs build a robust alliance in order to launch a new product in BOP markets?

The research conducted through this Thesis leads us to the result that in order to create a robust alliance the organisations need to have a willingness to listen to each other. Also, the partners need to jointly decide what alliance structure will be the most suitable for achieving the alliance's goals. In order to do this, the initiators of the alliance need to agree upon a common set of goals that will create a unified scope of the alliance. At the same time they will need to decide on a set of milestones and define what resources they need to reach those milestones.

4

■ TABLE

FRAMEWORK DEVELOPED THROUGH EMPIRICAL TESTING**PHASE 1:****DEVELOPING THE SCOPE OF THE ALLIANCE**

Alignment of the alliance's goal

Developing alliances takes time

Resource need

PHASE 2:**PARTNER SELECTION**

Compatible strategic objectives

Partner complementarity

Cultural compatibility;
fundamental values and ethics

Relational risk, establishing trust

Motivation

Top management support

PHASE 3:**DESIGNING THE ALLIANCE**Emphasizing the potential of
joint value creation and learning

Alliance coordination

Keeping and protecting core
competencies

How to terminate the alliance

Committing to the alliance

Then the initiators can go out and find the partners with the compatible strategy and complementary resources, which also share a common set of fundamental values. The possible partners will start develop relational bonds when being introduced to each other, and work on these bonds to lower the relational risk before committing to the alliance. Through top management support, all of the partners willing to go further decide on how they can co-create value and learn from each others' capabilities.

To enable the collaboration and co-development the partners need to define a set of mechanisms that will help them coordinate these activities to meet the alliance's milestones. When all of the above has been conducted the partners can evaluate the agreements that has been made continuously and decide on what kind of governance structure will be most fitting for these agreements. When all of the above mentioned steps have been followed through, the Thesis reasons that the SMEs and NGOs are ready to commit to an alliance structure that met their needs and goals. Hence, they have co-developed a robust alliance.

The above paragraph may seem trivial, but as the young Sirolli saw in 1971; it is often hard to realise the need to listen to the people one surrounds oneself with. The empirical evaluation of the case shows that although technology development has change our everyday living dramatically since 1971, listening to the other parties contributions, needs and goals is still as challenging.

Further Research

Further research could extend the findings of the Thesis in several ways. Further testing of the framework and factors with several cases would ensure external validity. Also, by testing the framework on a wider range of alliance forms and across different countries would enable the generalisability of the framework. As the framework is derived from a framework developed for SME alliances, further testing would also highlight if theory developed for SME alliances is transferable to the case of SME-NGO alliances.

The framework is developed to act as a tool and guidance for structuring a robust alliance. The findings regarding the framework reason that the factors can be used to evaluate an alliance structure *ex ante*. However, the findings from this case study do not state if the evaluation using the proposed framework will result in a more robust alliance. To extend the findings one should conduct further analysis on the possible value of an *ex ante* evaluation of the alliance structure. Revisiting the case *ex post* to analyse the robustness and outcome of the alliance could be one way of testing this. Such testing would also help refine the proposed factors. As stated throughout the *Findings and Discussion of the Factors*, there are several factors that need further testing, e.g. *Reputation, Cultural Compatibility; Fundamental Values and Shared Ethical Grounds* and *Termination of the Alliance*.

This Thesis highlighted several deficiencies with in the existing literature, and suggested to search for an answer for the research question by using possible compatible theories. Though, we were unable to confirm that theory on bilateral alliances is transferable to multilateral alliances. There is a tendency in both the applied theory and the empirical findings, which suggest that theory revolving bilateral alliances is not transferable to cases of multilateral alliances. We would therefore suggest that further research is done on SMEs and NGOs participating in multilateral alliances in order to further development of the research field. This could also been done with respect to our proposition in the applied theory that *a bilateral SME-NGO alliance will be less robust to take on bigger projects than a multilateral SME-NGO alliance*.

The Thesis also searched to find the transferability of existing theory on MNE-NGO alliances to the case of SME-NGO alliances. Through the literature review we found that the definition of MNE is not differentiating small, medium and large companies. We find this to be a deficiency that would need further research.

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APPENDIX

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APPENDIX

APPENDIX A	ANALYSIS OF DATA	118
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A-categories

- 01 – Getting involved
- 02 – Trends
- 03 – Motivation
- 04 – The Mission of the Alliance
- 05 – Parts
- 06 – Partners
- 07 – Customers
- 08 – Users
- 09 – The Project Initiator
- 10 – Alliance Duration
- 11 – About the Cooperation
- 12 – Contribution
- 13 – Finance
- 14 – Importance of Collaboration
- 15 – Expectations
- 16 – Job to be done
- 17 – Learning
- 18 – Culture
- 19 – Markets
- 20 – Early Expectations
- 21 – NGO
- 22 – Structure
- 23 – Challenges
- 24 – Advantages
- 25 – Reputation
- 26 – Risk
- 27 – Local Involment
- 28 – Information Flow
- 29 – IPR
- 30 – Trust

B-categories

Phase 1: The incentives and decision to co-operate

- 1. Flexibility and Independence
- 2. Resource contribution and need
- 3. Compatible strategic objectives
- 4. Need of reputation
- 5. Developing alliances takes time

Phase 2: Alliance building

- 6. Relational risk, establishing trust
- 7. Alliance experience
- 8. Understanding each others motivation and commitment
- 9. Cultural compatibility; fundamental values and ethics
- 10. Partner complementarity

Phase 3: Designing the partnership

- 11. Achivement of Alliance Goal
- 12. Emphasizing the potential of joint value creation
- 13. Keeping and protecting core competencies

Phase 4: Implementation/management

- 14. Top management support
- 15. Alliance coordination
- 16. Alliance performance
- 17. Willingness to learn from partners

Phase 5: Success/termination

- 18. Termination of the alliance

C-categories	Including categories	
	B	A*
<i>Phase 1: Developing the scope of the alliance</i>		
1.Achivement of Alliance Goal	11	4, 10, 16, 27
2.Developing alliances takes time	5	1
3.Ressurs need	2, 4	12, 16, 20, 23
<i>Phase 2: Partner selection</i>		
	7	6, 20, 21
4.Compatible strategic objectives	1, 3	1, 12
5.Partner complementarity	2, 7, 10	6, 11, 12, 20, 21, 22, 24
6.Cultural compatibility; fundamental values and ethics	9	2, 21
7.Relational risk, establishing trust	6	6, 20, 21, 22, 24
8.Motivasjon	8	3
9.Top management support	14	22
10.Understand others commitment level	8	12, 13, 16, 22
<i>Phase 3: Alliance design</i>		
11.Emphasizing the potential of joint value creation	12,17	3, 17
12.Alliance coordination	15, 16	21, 22, 23
13.Keeping and protecting core competencies	13	22, 28, 29
14.Termination of the alliance	18	not enough data
15. Committing to the alliance	8	22

* all A categories is mentioned if there is more that 3 quotes relevant to this C-category

Survey 4. juni 2013.

Thank you for participating in this survey. This is a part of our master thesis that will have the title: "How can SMEs and NGOs cooperate" and we will focus especially on the discussion between the companies [SMEs] and non-governmental organisations [NGOs] before entering an alliance with multiple actors.

Question 1.

I participate today on behalf of a _____ company *please tick the right answer*
 _____ non-governmental organisations
 _____ other

Question 2.

Prior to enter an alliance with multiple organisations I would have discussed the following topics in this sequence:

Please number the topics in the table on the left side from 1 to 14. Where 1 is the number you would prefer to discuss first and 14 is the one you would discuss just before writing a contract.

Q. 2: Please number:	Topics for discussion before entering an alliance with multiple organisations.	Q3:
#	Alliance coordination	
#	Termination of the alliance	
#	Alignment of interests	
#	Emphasizing the potential of joint value creation and learning	
#	Cultural compatibility; fundamental values and ethics	
#	Partner complementarity	
#	Top management support	
#	Compatible strategic objectives	
#	Keeping and protecting core competencies	
#	Compatible strategic objectives	
#	Motivation	
#	Resource need	

#	Developing alliances takes time	
#	Relational risk, establishing trust	
#	Understand others commitment level	

Question 3.

Before going into an alliance with multiple other organisation I believe these, out of the topics listed above, are the top five important topics to discuss:

Please pick the z most important topics by ticking 5 boxes on the right hand side of the table.

Question 4.

In addition to the topics presented on the previous page I believe the following topics are important to discuss before entering an alliance with multiple other organisations:

Please write down as many as you feel are necessary.

Thank you so much for your participation
Ragnhild Byrkjeland & Hanne Ersdal

Survey results

	NG O	CO	C O	OT	OT	CO	CO	OT	AV	MED
5 1.Alignment of interest	2	1	9	4	8	4	3	1	4	3,5
2.Developing alliances takes time	12	9	#	12	10	14	10	11	11	11
3 3.Ressurs need	9	12	3	6	4	1	13	10	7	7,5
6 4.Compatible strategic objectives	3	3	1	5	1	12	1	3	4	3
6 5.Partner complementarity	4	2	2	2	7	8	2	6	4	3
1 6.Cultural compatibility; fundamental values and...	1	4	#	7	12	3	8	4	6	5,5
2 7.Relational risk, establishing trust	8	8	6	7	5	13	9	8	8	8
4 8.Motivastion	7	10	4	1	11	2	7	2	6	5,5
3 9.Top management support	13	11	8	9	2	10	5	5	8	8,5
2 10.Understand others commitment level	5	7	7	8	6	7	4	7	6	7
3 11.Emphasizing the potential of joint value creation	6	6	6	3	3	7	6	14	6	6
12.Alliance coordination	10	5	5	13	13	5	11	9	9	9,5
13.Keeping and protecting core competencies	14	14	#	11	9	11	12	12	12	12
14.Termination of the alliance	11	13	#	10	14	6	14	13	12	13

NGO - non governmental organisation

CO - company

OT - other

AV - average

MED - median

C.

OVERVIEW OF PERSONAL COMMUNICATION

INTERVIEW ROUND 1.

Representative from K8, Oslo,
Representative from Norges Vel, Oslo,

INTERVIEW ROUND 2.

Representative from Ferroamp, Skype, March 13, 2013.
Representative from Greenteam, Oslo, March 11, 2013.
Representative from Kunnskapsbyen Lillestrøm, Kjeller, March 13, 2013.
Representative from Macbat, Skype, March 13, 2013.
Representative from Greengas, Skype, March 20, 2013.

OBSERVATION 1.

Observation at a seminar with some of the partners present
Forretningsutvikling innen fornybar energi i Afrika, Gründereneshus, Oslo, April 16, 2013.

INTERVIEW ROUND 3.

Representative from Glava Energy Center, phone call, Mai 14, 2013.
Representative from Greenteam, phone call, Mai 15, 2013.
Representative from Macbat, Skype, Mai 15, 2013.
Representative from Ferroamp, May, 21, 2013.
Representative from Norges Vel, Mai 25, 2013.

OBSERVATION 2.

Participation at a workshop with designers, SMEs and aid NGOs
Energy devices for humanitarian markets, Designhøgskolen, Oslo, June 4, 2013.

