



DEPARTMENT OF POLITICAL SCIENCE

IMPORTANCE OF REPUTATION FOR THE HUMANITARIAN NGOS

Qualitative Study of the Danish Humanitarian NGOs

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Abstract

The issue of reputation has been studied in a variety of contexts such as, for example, educational (Plewa et al. 2016), religious (Nordin 2015) and environmental (Liao 2018), however, most frequently in regards to its influence on firms and states (Gillies 2010). Few studies analyzed it from the perspective of a non-profit actor (Mitchell and Stroup 2017), but hardly any in relation to humanitarian NGOs. This paper aims at filling this research gap by answering the question of how reputation becomes important for the humanitarian non-profit actors and presenting a qualitative study of two Danish humanitarian organizations where interviews and participant observation were chosen as major data collection methods. The information obtained was further analyzed by application of the transaction-costs and resource-based theoretical frameworks typically used for analysis of the reputation's role for the actors of the private sector, which led to several findings. Firstly, reputation proved to be important for the non-profit actors under examination due to the fact that it was identified as one of the key factors having impact on the decision-making process in regards to opening of a new humanitarian operation. Secondly, there was established a connection between reputation of the organization and the amount of funds it collects from general public. Thus, two types of the reputation's potential implications for humanitarian actors were identified, which opened up this research area for further studies.

Key words: reputation, humanitarian organizations, decision-making, transaction-costs theory, resource-based theory

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List of Acronyms

BP British Petroleum

DANIDA Danish International Development Agency

DKK Danish Krone

DRC Danish Refugee Council

ECHO European Civil Protection and Humanitarian Aid Operations

EU European Union

ICRC International Committee of the Red Cross

IRC International Red Cross

NGO Non-Governmental Organization

NRC Norwegian Refugee Council

UNHCR United Nations High Commissioner for Refugees

Chapter 1. Introduction

As a result of recent major long-lasting conflicts such as those in Syria, Iraq, Yemen and South Sudan in 2015, the record number of over 65 million people has been considered forcibly displaced population (Development-Initiatives 2016). At the same time, 2015 has been marked as a year when international humanitarian assistance reached its record high amount of 28 billion U.S. dollars (Ibid.). While most of the international humanitarian work is organized and implemented by the relevant United Nations agencies within recently established cluster system, non-governmental organizations have been playing more and more important role in this process not only as implementing partners but also as important stakeholders in terms of operations' design and coordination.

Normally, when conflict escalates and reaches a certain point, international NGOs, which are mostly Europe or U.S. based respond by providing humanitarian aid. According to the Sphere handbook, which comprises the most widely accepted and internationally recognized core humanitarian principles officially shared by the major relief organizations, aid must be allocated in accordance with the existing needs and on the grounds of their thorough assessment (Project 2011). A similar requirement is found in the Humanitarian Code of Conduct, from which it follows that aid prioritization should be based on the needs alone (International-Federation-of-Red-Cross-and-Red-Crescent-Societies 2013).

These are the principles that the majority of western organizations declare to share. Nevertheless, even brief insight into the work of humanitarian community shows that there are many other factors besides needs that humanitarian actors have to consider before making any decisions. While lack of funding or expertise is among the most often mentioned obstacles for operating in certain countries, these factors form just a tip of the iceberg and as empirical evidence demonstrates, in the real world the decision to provide humanitarian assistance is always inevitably affected by a number of other factors (Heyse and Noortmann 2013). Even though some of these factors such as, for example, donors' restriction and access issues, as well as organizational presence, are commonly acknowledged by a wide range of scholars (Olsen, Carstensen, and Høyen 2003), others remain quite controversial. Reputational concerns form a group of factors that is scarcely discussed in the literature and is often related to the private sector only. Nevertheless, in many cases, harm to the reputation of a certain NGO may have severe long-lasting implications for all kinds.

To provide a recent example of such reputational damage in the NGO community, one may look at the case of Irish charity GOAL. GOAL has long been one of the two biggest Irish humanitarian organizations with more than 30 years of successful international operation funded (besides other donors) by British and American governments (GOAL). In March 2016, when the U.S. Office of Inspector General started an investigation of all the U.S funded cross-border aid programs in Syria implemented from Turkey (USAID 2016), GOAL became one of the organizations accused in alleged supply chain irregularities as well as bribery and bid-rigging related to its operation in the region under examination. While according to the Irish Times, the actual reason of investigation was wrongdoing of just “one former employee of Goal and a single transaction worth \$172,000” (Cormaic 2017), it had tremendous implications for the organization. As soon as the investigation began, the U.S. Agency for International Development froze funding to some dimensions of the charity’s program in Syria, followed by the Irish Aid agency, which put on hold more than 10 million euros equivalent to about 9 percent of the GOAL’s entire donor base (Ibid.). Later in 2016, GOAL announced the closure of its U.S. based office and dismissed twenty five percent of its staff in Dublin and London. Barry Andrews, former organization’s executive director also stepped down in November 2016 (Cormaic 2016). In the beginning of 2017, GOAL announced a call for bids on its acquisition and was officially in merger talks with Oxfam Ireland (Anders 2017). However, eventually GOAL managed to maintain its independence, and its long-lasting positive reputation of a highly efficient agency has become one of the crucial factors in this regard as several donors agreed “If we don’t have Goal, who is going to do this?’ It’s not like there’s a queue of other agencies that can do this. There isn’t.” (Cormaic 2017).

The story with GOAL cannot but shows how something as abstract as reputational change may result in quite tangible troubles for the organization or can serve as an important asset saving organization at times of turbulence. It also leads to the central assumption of this paper, namely to the fact, that organizations being aware of potential consequences of change in their reputation are very likely to have reputational concerns, which in turn, can be one of the factors affecting decision-making process in regards to opening a new operation as well as be a reason for their choice of certain partners or behavior towards donors.

Thus, the main objective of this study is to understand the role reputation plays for the humanitarian NGOs based on the example of Danish organizations. In order to achieve it, the paper is making use of a heuristic type of a case study and Grounded theory methodology, which is known to be particularly useful for identification of new factors influencing the object under

scrutiny through participant observation, interviewing and documentation analysis (Bryman 2015). Due to the limited scope of a master thesis project and immediate availability of the organization to the researcher, this study's main object is the Danish Refugee Council, and an additional one, the Danish Red Cross. Overall, findings of the study suggest that reputation is an important factor, which may have significant influence on the decision-making process in regards to the opening of a new humanitarian operation. Besides, application of transaction-costs and resource-based theories has shown that positive reputation may serve as a valuable asset, which can reduce different types of the organization's transaction costs and lead to economic gain or loss.

Thus, results of this research project complement existing academic literature in the field of humanitarian action by highlighting an importance of the reputation factor for humanitarian NGOs. In general, the findings can be beneficial for both, academics and practitioners working with the type of organizations as those under examination. As for the scholars, this study demonstrates the utility of application of the theories initially designed for analysis of reputation in the private sector context. At the same time, practitioners are offered an insight into previously underestimated factor of reputation in decision-making, understanding of which may contribute to the improvement of the overall decisions' quality.

The thesis is organized as follows: the first chapter formulates the research question and objectives of the study as well as presents a literature review of the studies on reputation in the private and in the non-profit sector to summarize previously made by scholars arguments, and to examine how concepts and theories used in the private sector can be applied to the study on reputation in the context of NGOs. This chapter also outlines the theoretical framework. The second chapter is devoted to the research design of the study presenting its objects, methods and their limitations as well as data analysis procedure. The third chapter introduces and summarizes findings of the research. Finally, the fourth chapter presents concluding remarks and discussion of the results alongside marking potential areas for further research

1.1 Research Aim and Objectives

To the best knowledge of researcher, to date, the issue of reputational concerns in humanitarian organizations has not been thoroughly studied by the scholars. This notion finds support in a quite extensive literature review on reputational issues in general compiled by Alexandra Gillies, who has come to the conclusion that most of the studies cover this aspect from the perspective of states or companies (Gillies 2010). Significantly fewer studies are devoted to the issue of

reputation in the context of non-governmental sector, and almost none looked at it in the context of humanitarian organizations.

Thus, primarily the aim of this study is to provide a contribution to a better understanding of the phenomenon of reputation and its influence on the performance of humanitarian NGOs. On the theoretical level, this thesis endeavors to establish whether existing theories for evaluation of the reputation's role in a private sector can be applied to similar studies of the non-governmental sector. On the empirical level, this study aims to complement existing understanding of the factors affecting the decision-making process in regards to the opening of a new operation by conducting an open-minded investigation at one of the biggest EU-based humanitarian NGOs, the Danish Refugee Council.

Research question: How is the factor of reputation important for Danish humanitarian non-governmental organizations?

Main Objectives:

1. To locate reputational concerns among the factors having impact on the decision-making process within humanitarian organizations in regards to opening of a new operation
2. To highlight the importance of reputation for the Danish humanitarian organizations by applying theories from the private sector's studies

1.2 Literature Review

Literature review section comprises the most relevant for this study arguments referring to the concept of reputation. The review is divided into two major parts and follows after the definition of reputation. The first part is devoted to the discussion of reputation in the context of the private sector, where it was studied in most cases before, while the second part introduces the scarce literature referring to reputation in the non-profit sector. Finally, the section concludes with the identification of the common for both sectors patterns in terms of reputation's influence and explains the choice of the theoretical framework presented and applied in the following chapters.

The implications of having positive or negative reputation have been studied by numerous scholars from different research areas, some of which are referenced further in the literature review. While there is a great variation in definitions of a reputation as a concept, in framework of this study, the definition of a general character was chosen due to the fact that some parts of this paper relate to the private sector's actors and others to the non-profit actors. Thus, the definition suggested by Michael Tomz is quite comprehensive and can be applied to both types

of actors:

Reputation is an impression others have about an actor's abilities and preferences (Tomz 2012).

1.2.1 Reputation in Private Sector

As it has been recently noted by Charles Fombrun, founder of the Reputation Institute, the literature on reputation in private sector is centered around three major issues, namely, the definition and essence of reputation, the origin of reputation and effects reputation may have on companies (Fombrun 2012). The latter represents particular value in the framework of this paper, therefore this section focuses on this aspect.

In general, scholars studying reputation in private sector agree that reputation is "a valuable intangible asset that needs to be managed as it influences stakeholders' perceptions and preferences of companies" (Puncheva 2008). As it has been stated in one review, the most referenced definition of a corporate reputation is "a collective representation of a firm's past actions and results that describe the firm's ability to deliver valued outcomes" (Walker 2010).

In both articles, Puncheva (2008) and Dollinger et al. (1997) the reputation of a private actor is examined in the context of the decision-making in regards to engaging in an interaction with another actor (Dollinger, Golden, and Saxton 1997). Thus, both papers argue that reputation is an important factor, and as in the case with Puncheva, even the first and foremost factor, that affects one firm's decision to begin an exchange relationship with another firm. The argument made refers to the fact that companies, whose reputation was damaged, are less attractive for joint business activities, which in turn, also leads to their loss in revenues.

Fombrun and Low (2011) studying how a change in reputation may translate into company's economic profit or loss, provide an overview of cases with both positive and negative reputation-driven implications recently faced by the world-known companies. As an example of positive reputation management, the article refers to Apple, which at the year of publication saw a tremendous 92 percent profit growth secured by its spotless "reputation for innovation", "eye-catching design" and "exceptional functionality" (Fombrun and Low 2011). As for the negative examples, the authors particularly emphasized the BP case with the Deepwater Horizon explosion followed by the massive oil spill in the Gulf of Mexico in 2010. Not only BP's work caused one of the largest environmental disasters in history, but it later demonstrated its inability to deal with the crisis in terms of public relations (Ibid.). Many years later, we see that BP is still dealing with the consequences of this disaster being "a lightning rod for those who are opposed

to the oil and gas industry on environmental, social and moral grounds” (Kaye 2015). This is in line with the argument by Puncheva (2008), who underlined the importance of reputation as a factor influencing the choice of business partners. Thus, besides huge financial losses, the company, which once was among the most active proponents of renewable energy use and climate change fighters, has become a subject of contempt and mockery for many resulting in loss of some of its long-standing partners.

Another case study was received upon request from the Oxford University Centre for Corporate Reputation (Ind 2015). This paper not only provides an overview of the reputation evolution of the Adidas brand but also emphasizes the crucial role reputation played in some of the most challenging periods of the company’s history (Myers 2016). For example, when in the end of 1980s, Adidas was on the edge of bankruptcy, its new owner, French tycoon Bernard Tapie, said it was a reputation that saved the company (Cooper and Group 2011). Later, Adidas reconfirmed its status of a good employer, and in 2015, it was rated as Germany’s best employer of choice (Myers 2016). This case shows that corporate reputation plays an important role not only in terms of economic revenue but also at times of changes in management and strategy.

Thus, based on the accumulated academic knowledge in the field of corporate reputation, as well as looking at some real life examples of the reputation’s role for some of the world-known companies, we may conclude what kind of consequences companies may have to deal with when facing a reputational change. While financial loss or gain is something more or less on the surface and quite predictable, there are also several long-term implications possible. One of them is company’s attractiveness in terms of business cooperation, which can be negative as shown in the case of BP, and positive, as described in the case of Adidas. Therefore, change in reputation can have both immediate and deferred implications, which may influence company’s performance in a different scale and directions.

1.2.2 Reputation in Context of NGOs

While reputation in private sector due to its proven connection with economic profit is a widely discussed topic not only among practitioners but also in the academia, the same issue in the field of NGOs is slightly covered. Nevertheless, as the non-governmental sector is dependent on the revenues from government grants and donors, for NGOs, reputation is often regarded as “more important than for firms” (Olegario 2017). As argued in one of the most recent studies on the role played by a reputation for the non-profit actors, “NGO’s reputation is a critical determinant of its authority and ability to act independently or collaboratively to influence global politics”

(Mitchell and Stroup 2017). This section provides an overview of the arguments, which shed light on why this is the case.

Recent increase in number of non-governmental actors in various fields has led to the heightened competition among them, which in turn, made scholars talk about the “marketization” trend of this sector in a sense that NGOs often have to compete for grants and donors adopting concepts and values from the private sector (Schloderer, Sarstedt, and Ringle 2014). Nevertheless, researchers working with the concept of reputation in the context of the non-profit sector usually use the definitions tailored for their studies of this particular sector. Hence, Padanyi and Gainer, for instance, refer to the concept of peer reputation, which is “how an organization is regarded by those organizations, decision-makers and clients who operate within the sector or interact directly with it rather than how an organization is regarded by the general public” (Padanyi and Gainer 2004), while Schloderer et al. use a broader definition and state that non-profit organizations’ reputation is “a stakeholder’s overall evaluation of an organization in respect of its past, present and future handling of stakeholder relationships, which reflects its ability and willingness to meet stakeholder expectations” (Schloderer, Sarstedt, and Ringle 2014).

It is a common knowledge that NGOs, being non-profit organizations, have to rely on the funds coming from a variety of donors. There are many factors, which help donors to decide where to allocate their resources. Among many others, reputation is often mentioned as one of the most important factors in this context. For example, Gent et al. claim that “donors would like guarantees that their scarce resources are being distributed to competent and effective organizations” (Gent et al. 2015). This notion finds support in an analysis of the recent trends in the humanitarian community, as it states that donors prefer to work with “NGOs with solid reputations” (Stoddard 2003). One of the direct connections between the donors’ resources allocation and reputation of an NGO is in the fact that field experts often act as advisors to donors in terms of their investment decisions in the non-profit sector (Padanyi and Gainer 2004). Thus, organizations strive to have a reputation of “competent”, “effective” and “solid” in order to be more attractive for donors’ funding in general, which can be seen as a reflection of companies’ concerns for investments and consumer demand in the private sector.

While funds received from donors usually form the largest share of non-profit organizations’ income, significant contribution can also be provided via donations from the general public. To date, scholars tend to agree that there is a link between organization’s reputation and willingness of public to support it by means of donating or volunteering in its activities (Schloderer, Sarstedt, and Ringle 2014).

Reputation is also often mentioned in context of crisis situations. Kent et al., for example, note that nowadays humanitarian crises have become more politicized than ever, which make them “imbued with high levels of political significance”. This cannot but lead to “serious reputational and ‘survival’ issues” in case of failure to provide adequate response not only for governments but for other international actors as well (Kent R., Armstrong J., and A. 2013). Hence, poor performance resulting in having a negative reputation can sometimes put into question the very existence of the organization. At the same time, as the story with Irish Charity GOAL mentioned earlier in this paper, shows that factor of positive reputation may also become one of the reasons helping an organization to survive in crisis situation.

With many NGOs admitting the importance of reputation for their activity, another trend is coming to the scene, namely, the creation of the so-called consortia or associations of NGOs working on the same issue or in the same region. Analyzing this and other trends in the humanitarian community, Stoddard points out that some of the functions of such consortia are to “cultivate an external image of NGO expertise and proficiency” and “to serve as important legitimizing measures for small or young organisations” (Stoddard 2003). Therefore, it is possible to assume that with consortia being a tool for the ‘expertise cultivation’ and ‘legitimizing measure’, NGOs should take reputational concerns seriously when choosing their potential consortium partners as choice of unreliable partners may cast shadow on their own reputation having a reverse effect and resulting in undermining of their expertise or even legitimacy.

1.2.3 Implications of Reputation

It is important to note that the literature review presented above did not aim to provide grounds for comparison of the reputation’s role in the private and non-profit sectors, nevertheless, it allowed to summarize possible implications of reputation that had been studied in different contexts earlier.

Firstly, based on the arguments analyzed, it is possible to conclude that reputation of both companies and NGOs is strongly connected to the resources available. In case with companies, scholars talk about the economic profit private actors gain as a result of heightened consumers demand as one of the implications of having a positive reputation, and about the economic loss in case of negative changes in reputation. As for the NGOs, the same idea finds support in regards to donors’ funds allocation. Several studies point out that donors tend to support those organizations, which have a reputation of reliable and stable partners as opposed to young and

rather unknown ones. Moreover, there is a general consensus that reputation serves as an important factor helping general public to decide whether to donate and volunteer for certain organization. Thus, while there is a similar pattern in terms of reputation's connection with economic gain or loss in both sectors, it is also clear that in case with non-profit sector, this link is more multifaceted as NGOs usually have various sources of funding as opposed to private sector actors, which are usually solely dependent on the consumer demand.

Secondly, for companies as well as for NGOs, reputation may play a crucial role at times of crisis or instability. As Adidas case study demonstrates, in the period of financial turbulence, it is often positive reputation, which keeps a company afloat. NGOs' practice shows the same pattern for crisis situations as demonstrated by the case with GOAL, the Irish Charity. This aspect of reputation's implications seems to be the one that has most similar influence on both private and non-profit actors based on the evidence reviewed.

Finally, for the private sector, the notion of reputation has been studied significantly in the context of joint business activities. A number of studies focusing on joint ventures highlight the importance of reputation when taking a decision in terms of a potential business partner. They also show that companies have significant reputational concerns when choosing a certain partner as it may either improve or worsen their own reputation situation. As for the NGOs, the notion of their reputational concerns also becomes important in context of their cooperation with other non-governmental actors, namely, participation in the so-called consortia. Thus, as in case with joint ventures, NGOs also use reputation as one of the indicators helping to identify trustworthy consortium partners. Nevertheless, in this regard, negative reputation as a result of failed joint project, can have more complicated implications for NGOs because of their accountability not only to themselves and beneficiaries but also to the donors (Najam 1996) unlike private sector's actors, who are in most cases, accountable to their own goals and customers without being financially dependent on funding from the donors.

All in all, as the purpose of this thesis is not to compare the two sectors but rather to lay foundation for further empirical investigation of the role that reputation plays for the humanitarian NGOs, a sub-group of the non-profit sector where reputation has not been studied thoroughly yet, the literature review attempted to summarize the accumulated knowledge on the reputation studies in general and to provide grounds for further application of private sector theories related to reputation in the context of NGOs. Thus, the studies discussed in this section demonstrate that reputation is considered to be an important factor for both non-profit and for-profit actors even though it may have different implications for them. Identification of

similarities between the sectors has become an inspiration for the choice of theoretical framework, which was initially developed for the analysis of reputation in the private sector but applied to the non-profit actors in this paper that is discussed in the following section.

1.4 Theoretical Framework

When it comes to studying reputation, it has mostly been done in the context of the private sector, and firms' behavior in particular. However, as the literature review has shown, there can be identified several patterns, which are inherent to reputational change in both private and non-profit sector. Thus, in framework of this study, it has been decided to adopt more of a public policy perspective and to follow a recent recommendation of the Oxford University Centre for Corporate Reputation, which is to "put non-profits and firms on a par with one another and understand how reputations affect all of these organisations" (Olegario 2017). As this paper is aiming to provide a better understanding of the role of a reputation for NGOs activity, and considering the bigger amount of studies focusing on the reputation in private sector, the theoretical framework applied is constructed based on the models used in the studies of the reputation of companies.

As reputation is an important component of three major theoretical models, namely, game-theory, resource-based theory and transaction-cost theory. Each of these theories presents reputation as a valuable asset, which has an effect on different aspects of a firm's activity.

For example, according to the **transaction-costs theory**, positive reputation has proved to be connected with a decrease in transaction costs (Dollinger, Golden, and Saxton 1997). Bergh et al. describe several ways, in which reputation can affect the cost of a certain transaction (Bergh D.D 2010). First, they believe that positive or negative reputation, as opposed to no reputation, leads to more visibility in media and public attention, which in turn results in fewer resources required for identifying a suitable partner. Moreover, such increased visibility significantly simplifies monitoring and evaluation procedures for potential partners (Dollinger, Golden, and Saxton 1997). Second, the authors note that positive reputation can significantly decrease the costs connected to negotiation and enforcing of the contracts as a trustworthy partner is not expected "to behave opportunistically" thus making it unnecessary to create additional legal barriers, which results in lower transaction costs (Bergh D.D 2010). Thus, among transaction-costs theory proponents, there is a general consensus that positive reputation reduces overall uncertainty for companies, which in turn results in a reduction of costs in terms of suitable business partner identification and contracts' negotiations as well as their further enforcement and monitoring.

In the framework of the **resource-based theory**, reputation is perceived as one of the key assets a firm possesses (Grant 1991). In the case when a reputation is positive, it often becomes a “sustainable competitive advantage” (Dollinger, Golden, and Saxton 1997). It often becomes a source of economic value by creating support, advocacy and loyalty of the stakeholders (Fombrun 2012). For example, when a firm is seen as socially responsible, it has fewer chances of facing lawsuits and is characterized by shorter periods of recovery times needed in case of going through different types of crises (Jones G. H. 2000). In one of the top executives’ survey, some components of reputation were among the most important contributors to the overall firm performance (Hall 1992). Hence, according to the resource-based theory, reputation for the private sector’s actors is a valuable asset, which leads to economic gain, stronger crisis resilience and long-term relations with the stakeholders.

Finally, **game theory**, which is widely applied to many research areas far beyond different aspects of economics, assigns quite a lot of importance to the notion of a reputation as well. In general terms, all participants of the game, who are assumed to be rational, are interested in increasing the total payoff as a result of their actions. That is why, the predictability of their “game partners” is an important characteristic in case any interaction is anticipated, and one way to predict behavior of others is by looking at their reputation (Weigelt and Camerer 1988). Thus, positive reputation may serve as a guarantee that the ‘co-player’ is not likely to damage the payoff, and normally encourages future interactions with the same player.

Thus, the concept of reputation is a crucial element of several theories typically applied for the analysis of various developments in the private sector, and several of them are presented in this section. While transaction-costs and resource-based theories imply existence of connection between reputation and some quite tangible outcomes such as decrease in transaction costs and economic gain or loss, the game theory assumes that there are certain factors, which are connected with reputation but does not name them. Therefore, the first two theories fit well with the chosen methods, as it is deemed realistic to obtain the needed information using methods described in the next section. In turn, even though reputation has already been studied in framework of the game theory (Pineiro-Chousa, Vizcaíno-González, and López-Cabarcos 2016), its application in this paper might be problematic due to the fact that it requires quite extensive information on actors’ motivation, which may not be necessarily obtained with the chosen methodology. That is why analytical part of this study focuses on application of the transaction-costs and resource-based theories only.

Chapter 2. Research Design

In order to answer posed in the beginning research question, namely how reputation becomes important for humanitarian NGOs, it has been decided to do a heuristic type of a case study, which is useful for identification of new factors during certain types of field work such as archival research or interviewing (George and Bennett 2005). Thus, as development of a reputation as a previously overlooked factor is a key aspect of this study, it is based on interviews as the major method of data collection and participant observation as an additional source of data. Both of these methods are qualitative and were selected because of the complicated nature of the phenomenon under examination, which is reputation. The study has been narrowed down to the investigation of only two Danish humanitarian organizations due to their immediate availability to the researcher. Thus, this chapter describes the methods used in this study as well as their limitations. However, prior to that, it introduces the scene where data collection took place.

2.1 Study Objects

Being one out of only six countries in the world that reaches the goal set by the United Nations to grant 0.7 per cent of its gross national income for the foreign aid (DANIDA 2017), Denmark makes a good case country for studying various aspects of the humanitarian NGOs activities. Not only its government spends significant funds on international assistance, but it also highlights the importance of Danish NGOs in this field (DANIDA 2015).

As for the organizations for the study, a combination of convenience and purposive sampling has been applied. Since the study aims at the understanding of the role reputation plays for the Danish humanitarian organizations, initially five organizations were identified as suitable. However, due to the limited scope of this study and some practical challenges, respondents from only two organizations eventually took part in the interviews: Danish Refugee Council and Danish Red Cross. Both organizations have a vast international presence and therefore are expected to have reputational concerns.

2.1.1 Danish Refugee Council

The DRC is a non-governmental, non-profit humanitarian organization with headquarters in Copenhagen established in 1956, which currently operates in more than 40 countries around the world (DRC 2017). Due to historical connections and expertise, most of these countries belong

to different regions of Africa, Middle East and Asia with the only exception of Colombia:



Figure 2.1.1: International Presence of the DRC. Source: DRC internal web-page (Insite).

Such geographical distribution can also be explained by the DRC's focus on work with the conflict-affected population, and not so actively with the natural disasters' relief.

Being the largest Danish humanitarian NGO, the DRC's biggest donors are DANIDA, UNHCR and EU as well as governments of such countries as Sweden, USA, Switzerland, Holland and UK. The smaller financial contributions are also raised through individuals' donations and by the DRC itself in a form of revenue from various consultations and trainings offered to Danish institutions, private sector actors and individuals (Ibid).

As researcher had immediate daily access to the DRC premises, as well as had opportunity to participate not only in the weekly team-meetings of the DRC Stand-by Roster unit, the department of internship, but also in the monthly meetings of the whole International Department where strategic objectives and long-term goals of the DRC's activities abroad were discussed, it provided additional opportunity to track how reputational concerns are reflected in the organization's agenda.

2.1.2 Danish Red Cross

The Danish Red Cross is a part of the International Red Cross and Red Crescent Democratic Movement, which has its representation through National Societies in almost every country

around the globe, thus being active in 190 countries (ICRC 2017). This fact makes it the largest independent humanitarian network in the world. As stated in its primary objective, the International Red Cross Movement aims “to help people affected by armed conflict”, thus its current operational activity can be found almost in every ongoing conflict (Ibid.).

Specifics of the Red Cross operational activity are strongly connected to the very nature of the movement and to the fact that National Societies are considered auxiliary to the government. Thus, unlike other humanitarian organizations, which usually coordinate relief efforts from the headquarters, ICRC streams aid through its national representations. It is important to highlight that for this reason, speaking in legal terms, Danish Red Cross is not an NGO, but a part of an international democratic movement. However, it has similar to humanitarian NGOs functions, stakeholders and objectives, therefore, for the purposes of this study the Danish branch of the IRC can be equated to an NGO.

Despite the fact that the Danish Red Cross is a part of the International Red Cross and the Red Crescent Movement, the biggest share of its funding comes from the Danish institutions such as Danish Immigration Service and Danish Ministry of Foreign Affairs as well as other Danish organizations, the smaller part is received from the international institutions, and significantly less funds are raised through private donations as well as second-hand activities (The-Danish-Red-Cross 2016). The predominance of the Danish donors among the Danish Red Cross funders is yet another implication of the International Red Cross and the Red Crescent Movement’s unique nature, which makes its National Societies rather independent from its Geneva headquarters.

It is also important to note that Danish Red Cross is an additional case, which allows for getting a more general picture of the Danish humanitarian landscape, as opposed to the DRC where data was collected for the most part.

These organizations can be characterized as influential actors in the international humanitarian arena, and have similar objectives as well as similar stakeholders. Thus, each of them has donors from different sectors, the biggest of which are national governments, intergovernmental organizations and private actors. Also, these organizations are accountable to their beneficiaries, namely to people whose life is affected by the organizations’ activities, and those are considered as important stakeholders. Finally, another group of stakeholders is represented by the Danish public, taxpayers.

2.1.3 Justification of Cases' Selection

From the previous two sections it is possible to conclude that both organizations are influential actors in the international humanitarian arena. Each of them has donors from different sectors, the biggest of which are represented by the Danish institutions making both organizations primarily accountable to the Danish taxpayers. The DRC and the Danish branch of the Red Cross are accountable to their beneficiaries, namely to the people whose life is affected by the organizations' activities, and those are considered as important stakeholders as well.

Hence, even though the Danish Red Cross has a different way of operation being a national branch of the International Red Cross Movement, it is still possible to claim that at large both organizations have similar sources of funding, objectives and stakeholders to whom they are accountable. That is why, one can expect that both organizations are in principle the same when it comes to the importance of reputation, and therefore, studying them can provide grounds for some generalizations.

2.2 Interviews

In order to open as much space for identification of a new factor as possible, the semi-structured interviews were used. The semi-structured interviews are often advised to be used when there are certain topics within research area that need to be uncovered (Bryman 2015). This is because this type of interviews allows the interviewer to go beyond the list of prepared in advance questions, and pose some follow-up questions if a previously unnoticed aspect comes to the fore. It is particularly important taking into consideration the novelty of this study and the extent of complexity, which surrounds the notion of reputation.

Nevertheless, the quality of interviews is of paramount importance too, since the data obtained through this method is the key source for further analysis and application of the theoretical frameworks. That is why, significant attention was paid to the procedure, and the researcher intended to follow the recommendations on how to conduct a high quality interview compiled by Steinar Kvale (Kvale 1996). Therefore, the strategy was to pose brief and concise questions, to transcribe the interview in order to further follow-up on interesting points mentioned by the respondent via email and to come to the interview well prepared in terms of knowledge about the organization and relevant themes.

Ideally, all the interviews were expected to be based on a recent case where the role of reputation could be tracked. The case was normally selected at the beginning of the interview after the

researcher briefly introduced the research background and objectives. However, not all the respondents managed to come up with a case during the interview for different reasons, and some repeated the cases that had already been mentioned by the previous participants. Nevertheless, different perspectives on the same case also provided certain important insights and allowed for its in-depth analysis.

The interviews, in general, lasted from forty-five minutes to one hour. The Informed Consent Form (Appendix B) was signed prior to the beginning of each interview. All the interviews were audio recorded and further transcribed. The participants were guaranteed confidentiality as reputational concerns are quite a sensitive area, which has to be treated carefully.

All the interviews were based on an Interview Guide (Appendix A). The guide was constantly updated if one of the respondents revealed an interesting previously not included in the guide aspect.

2.2.1 Selection of Respondents

The respondents were chosen based on their familiarity with the decision-making rules in the organization and affiliation with the senior management groups. Employees working for the communications departments in both organizations proved to be particularly knowledgeable when the issue of reputation came to the fore, therefore four out of eight interviewees were from the communications field. In total, there were eight interviews conducted: five at the DRC, and three at the Danish office of the IRC:

Respondent	Organization	Position
1	Danish Refugee Council	Humanitarian Advisor
2	Danish Refugee Council	Risk Assessment Officer
3	Danish Refugee Council	Communications Coordinator
4	Danish Refugee Council	Communications Officer
5	Danish Refugee Council	Protection Officer
6	Danish Red Cross	Humanitarian Advisor
7	Danish Red Cross	Communications Coordinator
8	Danish Red Cross	Communications Officer

Table 2.2: List of interview participants

2.3 Participant Observation

Even though the data obtained by means of interviewing is the primary source of information for analysis within this project, participant observation served as an additional method and was used only for studying the main case, namely, the Danish Refugee Council.

While working on this project, I had a status of an intern in one of the departments of the DRC, which gave me an opportunity to collect additional data by engaging in participant observation on a daily basis. It is important to note that prior to the beginning of this internship, I notified my direct supervisor as well as head of the department about the research I was working on, and its objectives, thus obtaining their consent to proceed.

Because of my long-term access ‘to the scene’, and possibility to participate in all the activities for the DRC staff, following Tracy’s classification of participants, I considered myself a “complete participant” (Tracy 2013). Such participation provides a number of advantages, one of the most important of which is that it “allows insight into motivations, insider meanings, and implicit assumptions” that otherwise could be unnoticed (Ibid).

Thus, besides taking notes on different aspects of the decision-making within DRC, I also participated in a number of meetings at different levels. The monthly meetings of international department proved to be particularly relevant as there were discussed issues of importance for the organization as a whole, and reputation is definitely one of those. Also, this research is making use of my notes obtained through informal conversations with different staff members. Interestingly enough, these conversations almost always led to either further appointment of an interview or recommendation for a person, who is an expert in the area of this research.

2.4 Limitations of Chosen Methods

While interviewing and participant observation have a number of advantages for studying such a complex phenomenon as reputation, there are certain drawbacks as well.

As for the interviewing part, due to the timeframe of this study, the sample of organizations and respondents is quite small, which provides only limited grounds for generalization and further applicability of the findings. Also, reputation studies form quite a sensitive area of the research, and interview participants can be reluctant to describe the actual state of affairs in their organizations in case they feel that their words might affect the organization. Thus, there is always a possibility that certain facts may be presented subjectively. Moreover, it is important to remember that humanitarian response is most of the time delivered in a multifaceted

environment under pressure of many external factors, and relatively short time of an interview may be not sufficient to reveal all of them.

In terms of participant observation, the limitation concerns the particular type of observation it was, namely “complete participation” as it is known in the literature (Tracy 2013). The major disadvantage of this data collection method is a high risk of losing the perspective, which may occur if the researcher spends too much time in the field, and simply stops noticing dialogues, situations and other aspects, which might be of importance for the study (Ibid). In this regard, the fact that some of the interviews were conducted in the second organization might serve as mitigation, though still needs to be mentioned.

2.5 Data Analysis

This section describes how collected data was analyzed. While there are two organizations that make cases for this paper, the distribution of their coverage is not equal in a sense that there is a major in-depth case study – Danish Refugee Council, and there is another, less deeply studied case of the Danish Red Cross. This difference in focus is a result of the researcher’s immediate access to the DRC and its personnel as a field study and quite limited access in terms of the other organization.

Following the holistic nature of a case study as a method, all the available materials were used in order to get the full picture while information obtained through the interviews was given a priority. Thus, alongside with transcribed interview materials, the research was making use of notes from participant observation as in case of the DRC.

Overall, the combination of inductive and deductive approaches was used. The inductive methodology was applied for analysis of data on the major factors affecting the decision-making process in humanitarian organizations under examination and place of reputational concerns among these factors. This is done through the prism of the Grounded Theory approach, which is normally used in order “to develop a conceptual, theoretical understanding of what the incidents mean with respect to the research question under scrutiny”, and is characterized by “a continual interplay of data generation, data inspection, and theoretical reasoning in an iterative-cyclical procedure” (Bryman 2015). Overall, Grounded theory is a general inductive method, which ideally should lead to emergence of a conceptual category (Ibid.).

Some advocates of the Grounded Theory encourage scholars “to start their empirical investigations right away” without previous immersion into the subject in order to be “unbiased

from pre-given theoretical frameworks”, however, others argue for “knowledge-based theoretical sensitivity” instead (Ibid.). Given the limited time of this project, it has been decided to take advantage of the existing academic debate, the most relevant arguments of which are presented in the literature review section. A literature review was also updated several times when new facts were revealed during the course of the interviews.

As for the deductive approach, it proved to be useful when applying the private sector theories to the analysis of the interview data on the role of a reputation for the organizations under examination.

Chapter 3. Results

The first part of this chapter provides overview of the participant observation’s role in this study. It further continues with presentation of the interview findings on the factors that have impact on the decision-making in regards to opening of a new operation and place of reputational concerns among them. The third part is devoted to application of the chosen in section 1.4 theoretical frameworks onto the data obtained through the interviews, and the final section summarizes all the findings.

3.1 Participant Observation

While information obtained through the interviews was given a priority, notes from participant observation played a significant role in this research project as well. Apart from contributing to the data triangulation, it has provided some important insights described below.

First of all, it was the result of the researcher’s observation that led to identification of possible ‘channels’ through which reputation may have impact on the humanitarian NGOs’ activities. After participation in a couple of the DRC international department’s meetings, it became clear that reputation was most often mentioned in context of a new operation opening as well as in connection with funds allocated by the donors. That is why, these aspects were chosen as main research directions in framework of this thesis.

Second, participant observation allowed to reveal another additional way of the reputation’s importance for humanitarian NGOs. Through informal dialogues with some of the staff members it was noted, for example, that DRC employees cared a lot about who was going to be appointed for a position of their new secretary general in the summer 2017. Apart from being naturally

concerned about the new management style and well-being of the employees, the staff members also frequently mentioned the implications that new appointment would have for the DRC's image and highlighted the importance for a new manager to be an expert not only in the international humanitarian agenda but also in the internal Danish political landscape. This fact cannot but demonstrates that accountability to the Danish taxpayers is taken very seriously at the DRC, and they are considered as key stakeholders, whose impression about the organization's activities matters a lot.

Overall, even though the example described above has not received further elaboration in this paper due to its limited scope, it has provided additional evidence for the central assumption of this thesis concluded from the literature review, namely, that reputation plays important role for the non-profit actors. Thus, notes from participant observation allowed to re-confirm the relevance of this statement for a specific sub-sector among non-profit actors – humanitarian NGOs, and to provide additional example of one of the ways how reputational concerns may show in this type of organizations.

3.2 Factors Influencing Decision-Making in Humanitarian Organizations

This section summarizes the factors defined by the interview respondents as important when speaking about the opening of a new operation.

3.2.1 Spectrum of Influential Factors

Needs identified. All respondents were quite unanimous in their opinion that the most important factor that should be guiding opening of any operation is the needs of the affected populations:

We, as a humanitarian NGO, always work according to the humanitarian imperative, so when there are needs, then we would be considering entering. Needs is our first and foremost criterion (R. 1).

While identified beneficiaries' needs certainly make organizations consider starting a new operation, it then has to take into consideration a number of other factors, after assessing which, it can decide how realistic implementation of such intervention can be.

Capacity. All interview participants also mentioned that availability of required capacity to provide exactly the type of aid to cover identified needs is another core aspect that affects all the decisions in terms of starting a new intervention. This is due to the fact that almost no organization can have the capacity to deliver all kinds of humanitarian response. Thus, in many

cases, the required capacity can be either not present at the organization at all or may be present within the organizational structure, however, not being immediately available at the region of potential operation. Both organizations under examination are relatively big and capable of providing a wide range of aid activities, nevertheless, a respondent from the DRC stated:

Work related to Protection and Food Security is something we are looking at primarily, and what we can do best. We do not have so many experts in WASH (Water, Sanitation and Hygiene) and Education sectors (R.4).

Due to a very specific structure of the Red Cross internationally, all the national branches of this organization also have specialization within certain sectors. Hence, the capacity issue is also relevant for the National Societies of the Red Cross. One of the interviewees from the Danish Red Cross exemplified it as follows:

In Denmark, we are very strong in Logistics and Communication. In Norway, they have a strong Field Hospital sector. So, we have different capabilities and Geneva coordinates which National Society can contribute in which way (R.6).

Organizational Presence and Access. Another factor closely connected to the capacity aspect is whether the organization is already present in the country/region under examination. If this is the case, then it does not face the problem of access to the field, which is particularly frequent in conflict situations. Moreover, once present in the region, an organization does not need to set up logistics from the ground and spend a lot of resources on scoping assessment missions as it receives information directly from the field. Though it can hardly be an issue for the Red Cross as it operates through the National Societies in almost every country around the globe, it proved to be an important factor for the DRC:

Before opening a new operation, we always think if we have regional or neighboring countries that can support a set-up, and that was the case when we were opening up in Nigeria because we have already had a West Africa regional operation (R.2).

Funding. Following from the factor described above, availability of funds is naturally yet another very important aspect when taking a decision in regards to opening a new operation. All respondents tend to mention different types of restrictions imposed by donors, also, as both organizations are Danish, several interviewees (3) spoke exactly about the necessity to follow the so-called DANIDA trends, for instance:

DANIDA always has some kind of initiative, for example, something called Partner Countries or the list of prioritized countries, which they fund at the moment, and it is

different for all kinds of assistance. Development assistance usually gets funding for Latin America, but we are a humanitarian organization and so far we don't have access to the 'development pool of money'. However, we might get it soon as some part of our work is of development nature, but still, our expertise is in other regions. Humanitarian funds are normally allocated to Africa, Asia and Middle East (R.1).

Overall, the factors above, mentioned by the respondents as important, are in line with those identified in previous studies as follows from the literature review presented in section 1.2. As the factor of reputational concerns was not studied in this context before, section 3.1.2 elaborates on it in more details.

3.2.2 Place of Reputational Concerns

In general, all respondents underlined reputational concerns as one of the key aspects that have impact on the decisions in regards to opening of new operations:

We need to consider how it will look if our organization says that it can't engage in a certain operation, we have to have very good reasons for that. Also, the other way around, if we go in and start something that is not solid. It can cause us serious problems afterwards (R. 3).

We always look through the prism of reputational risks in whatever activity we do (R.7).

However, in order to position reputational concerns among other factors affecting the decision-making process in regards to opening a new operation, it is useful to relate to the case of Greece in summer 2015, when the EU faced a big influx of refugees arriving to the Greek island Lesbos. The major challenge then was that Danish public criticized NGOs in Denmark for their inactivity and inability to assist during the major migration crisis the EU has seen in the past years. Respondents from both organizations recall:

In the media, there was a lot of pressure against us, why we were not there, why volunteers had to do all the work when you are such a big organization with a lot of money (R.5).

People in Denmark followed the crisis and didn't see the Danish Red Cross there. We got a lot of messages on Facebook accusing us of inaction (R.6).

Nonetheless, interviewees also claimed that the reasons for such inaction were far deeper than it

was possible to explain to the general public:

We did not open the Greek operation not because we did not want to be there, but because it was difficult for several reasons like registration process, funding for this operation and resistance of the Greek government, which simply did not want any external organizations there at first (R. 5).

Thus, even though in the beginning of the refugee crisis in Greece, there were no funds available for this operation and host government was quite hostile towards the presence of non-Greek organizations in Lesbos, under the public pressure and fearing severe reputational damage, the participation of the Danish organizations became possible:

In the end, we had several assessment scoping missions and ended up opening there in October or November 2015, even though territory of the European Union is not the area where we usually work (R. 4)

The fact that all respondents underlined the importance of reputational concerns as a factor influencing the decision-making process in regards to the opening of a new operation and the evidence from the Greek operation demonstrates one of the ways how reputation may become important for the humanitarian NGOs.

3.3 Application of Theoretical Framework

This section demonstrates application of the transaction-costs and resource-based theoretical frameworks earlier described in section 1.4 on the data obtained through the interviews.

3.3.1 Transaction-Costs Theory

Theoretic literature review has shown that in the framework of the transaction-costs theory, having positive reputation leads to a reduction in costs for identification of a suitable business partner as well as enforcement and monitoring costs for the private sector actors. Data obtained through the interviews confirm that this is also true for the Danish non-profits.

In case of NGOs, the enforcement and monitoring aspect is naturally strongly connected with donors and their perception of a trustworthy implementing partner. Donors' community has done quite a lot in terms of making the reputation tracking process more transparent as can be seen from the fact that for the past twenty years, we have witnessed emergence of a number of professional standards, codes of conduct as well as creation of measures of effectiveness and

systems of accountability (Barnett 2013). This is in line with several (5) respondents' answers, who claim, for example:

We always try to make sure that we have donors' trust in our accountability mechanisms and that we deliver the best results possible given the allocated resources. This is very important as it stipulates our long-term partnership, which allows us to continue fulfillment of our mandate (R.6).

Thus, having a transparent and reliable accountability and reporting systems in place results in more trust from the donors' sides, which in turn, do not need to spend additional funds on monitoring activities. Also, it is important to note the fact of reciprocity here as the respondent mentions long-term nature of the contracts based on the donors' loyalty.

The issue of suitable partner identification was also revealed quite well in the course of the interviews. One of the trends identified through the researcher's notes as a participant observant is the tendency for creation of the so-called *consortia*. The consortium is (usually) a short-term association of several NGOs working together:

Consortium can be formed based on expertise in particular area, or it can be a multi-profile consortium, where each partner covers different profiles (R.3).

For example, it was noted that quite often DRC works together with NRC, IRC, Save the Children and Oxfam in some type of consortium. The choice of consortium partners is not an easy task as the failure of one of the consortium's members may then cast shade on its other participants:

This process requires strong rules when we are making a joint commitment, as there also can be risks associated with other partners' inability to fulfill their obligations (R.3).

Therefore, reputation is often a factor that can reduce uncertainty, and help to identify a reliable partner for a joint operation. Moreover, one organization is usually expected to take a lead in a consortium, and serve as an administrative coordinator instead of a donor:

For example, ECHO is very keen on consortia as administratively it is easier for them. Because when you enter a consortium, it means that the leader of the consortium is doing the work that otherwise ECHO would have done. Rather than having ten contracts, now they only have one, and then the consortium leader is the one, who has to handle all the partners (R.3).

Both cases confirm the importance of reputation in a sense of identification of a suitable partner implied by the transaction-costs theory. The example with ECHO also demonstrates the explicit decrease in donor's administrative costs when members of a certain consortium have a proven record of reliability and one can be granted a role of an administrative coordinator thus significantly decreasing the monitoring costs for the donor.

3.3.2 Resource-Based Theory

In this theoretical framework, firm's positive reputation is seen as a strategic asset, which enables its economic gain and enhances resilience to crises.

Based on the interviews data, one way to apply this theory to the analysis of reputation in the Danish humanitarian organizations is by using again the case of Greece, which experienced an enormous influx of refugees in the summer of 2015. As it was already mentioned in the previous section, this case is particularly important for this study as it was recalled by five out of eight respondents from both organizations when they were asked to provide an example when reputation factor played a crucial for the decision-making role.

However, apart from having become a determining factor in terms of opening an operation in Greece for both organizations, reputational harm also resulted in economic loss:

Crisis in Greece was a huge reputational damage for us, which cost us a lot of money that we usually receive through donations (R.7).

However, in general, the connection of reputation and availability of funds was also highlighted by another respondent:

The public perception of our organization is very important because people donate money for our work, and they will not do so if they can't trust us. ... At the end of the day, we are fully dependent on people's trust to us. (R.4)

Thus, based on the evidence, it is possible to conclude that reputation has certain implications for the availability of NGOs funds. Nevertheless, if we look at the DRC's income statement regularly published as a part of its annual report, then it becomes clear how much, for example, in 2016, donated funds - 2,057,338,000 DKK plus government allocations - 44,515,000 DKK exceeded the collected funds - 115,664,000 DKK (DRC 2016). The report further specifies that collected funds are private donations, funds received through the annual national collection as well as foundations, and lottery funds (Ibid.). Hence, direct donations from the Danish public

amount to only about five percent of the sum received from the donors and governments.

Therefore, it is important to note that when speaking about the loss of money as a result of public support's reduction, it is frequently only the loss of some part of that five percent sum, as in case with Greece, when some of the hidden to the general public challenges did not allow Danish organizations' intervention. However, usually, it does not affect the bigger funds allocated by the donors. This is in line with another respondent's opinion:

We value a lot our long-term relationship with donors, who are not easily shaken by one or two articles in the media, and this is where trust plays an important role (R.4).

Thus, difficulties in providing a satisfactory explanation to the Danish public may result in reputational damage, which in turn, can lead to the reduced donations. However, it will probably not lead to the reduction in donors' contributions, which as a part of an expert community are more aware of the hidden challenges faced by the humanitarian actors.

As for the connection between resilience to crises and reputation, even though respondents called the case of Greece "a huge reputational damage" and "one of the biggest reputational crises lately" the data obtained during the interviews is not sufficient in order to evaluate the role of reputation in its mitigation and to test this aspect of the resource-based theory.

3.4 Summary of the Findings

Data obtained allows for important insights in terms of understanding both the place of reputational concerns in the decision-making process in regards to opening a new operation and the notion of a reputation for the Danish non-profit organizations, in general, applying theories from the private sector studies.

Thus, the evidence collected allows to position reputational concerns quite high in a range of influential factors affecting the decision-making process in regards to opening of a new operation. Namely, the case with crisis in Greece demonstrated that access and organizational issues, as well as funding limitations, can be put on a back burner when the risk of reputational damage appears on the horizon. However, it is possible to imply that capacity factor would also play a very important role as well as expertise is something that cannot be acquired on a short notice, but the interview data has not revealed this aspect.

Application of the transaction-costs theory on the work of the Danish humanitarian organizations demonstrated that NGO's positive reputation may decrease the costs for enforcement and

monitoring as well as identification of suitable consortium partners. Thus, both of the theories key aspects proved to be true for the Danish organizations.

According to the resource-based theory, positive reputation is a strategic asset, which leads to economic gain and stronger crisis resilience. While testing of the latter part was not possible for the Danish humanitarian organizations due to insufficiency of the data obtained through the interviews, the first aspect has found some confirmation in the data. Thus, it allowed to confirm the connection between reputation and economic gain/loss for the Danish NGOs through their support/disapproval by the Danish public. However, it also revealed that the funds collected through donations equal only to about five percent of the sum provided by the donors.

Chapter 4. Conclusion

As it becomes evident from the summary in chapter 3, the paper provides several answers to the research question posed in the beginning, namely, how reputation becomes important for the humanitarian NGOs. Based on the case study of two Danish humanitarian organizations - the Danish Refugee Council and the Danish representation of the International Red Cross - using such qualitative methods as interviewing and participant observation, the research provides several answers to the question under scrutiny.

First, it was identified that reputational concerns form as an important factor for the decision-making, which in certain cases might be the determining one prevailing over other factors, as the case with Greece has demonstrated. Thus, one of the ways showing how reputation becomes important is through its influence on the decision-making process in terms of the opening of a new humanitarian operation.

Second, application of both transaction-costs and resource-based theories have demonstrated that reputation may serve as an important asset not only for the private sector actors but also for the NGOs, which is reflected in the established connection between the positive reputation and decrease in transactional costs as well as proved by the examples when losing of general public's support resulted in resources' loss for the organization. Hence, another demonstration of the reputation's importance for NGOs is via its impact on the amount of collected funds from the general public.

4.1 Discussion

Overall, findings of the study relate in several ways to both the field of academia and policy. As for the academic contribution, this study has developed the notion of a reputation as an important factor influencing the decision-making process in terms of the opening of a new operation by humanitarian NGOs. It has also become one of the pioneering studies that followed a recommendation from the Reputation Symposium 2017 (Olegario 2017) and used a public policy perspective, which opened up space for a demonstration of the potential of some private sector's theories application to the analysis of the role reputation may play for the non-profit sector.

On the practical side, results of the study can be useful for the decision makers aiming to improve overall quality of their decisions in a complex context of the humanitarian response as well as for the risks assessment personnel. They might also be insightful for a broader public of taxpayers in terms of better understanding of the humanitarian actors' actions and representatives of the donors' community, who aim at more reasonable allocation of their funds.

4.2 Limitations

One of this study's limitations lies in the abstract nature of reputation as a phenomenon, understanding of which is based on numerous definitions provided by the scholars and popularity of the term outside of the academic circles. Thus, when respondents were talking about reputation, each of them could have had a very different idea of it. For example, reputation is often confused with such concepts as image or status. While all these concepts are naturally interrelated, there are still differences, which are when ignored may lead to incorrect outcomes.

It is also important to highlight that organizations under examination are some of the biggest humanitarian organizations that are more likely to have reputational concerns and face implications due to change in their reputations. However, it might not be the case for smaller NGOs, which don't have such a vast international presence.

Also, as this study analyzed exclusively Danish organizations, the external validity of this project's results can be debated. Nowadays, we witness the proliferation of humanitarian actors both in the western world, but also increasingly in the developing states. Such variety cannot but provoke the whole spectrum of differences in the decision-making process in general and perception of reputation in particular. Therefore, by studying only Danish actors, one cannot claim analysis of the reputation's role for other world's humanitarian organizations, which depending on the political and economic context of their operation can be very different.

Moreover, as it was mentioned earlier in section 2.4, the small size of the interview sample also adds additional limitations in terms of applicability of this study results for other humanitarian actors.

4.3 Future Research

Results of this study provide several answers to the question of how reputation becomes important for the NGOs, nevertheless, they can hardly be considered exhaustive. Therefore, future research could contribute to further development of the topic by identifying other ‘channels’ of reputation’s influence, which would either reconfirm or refute the importance of reputation for the humanitarian actors. One way of conducting such a study, based on the example of this research, can be by applying other theories previously used for studying reputation in sectors other than non-profit.

Additionally, according to one of the outcomes of the Reputation Symposium 2017, reputation is such a phenomenon that is particularly sensitive to a political, economic and even geographical context (Olegario 2017). That said, doing a similar case study in U.S based NGOs, NGOs in developing countries or even European countries outside Scandinavia could reveal some overlooked by this research aspects and lead to different conclusions, which in turn, would provide grounds for comparison and understanding of the contextual issues that strengthen or weaken the importance of reputation for the humanitarian actors.

It is also important to remember that there is an increasing number of consulting firms, especially in development sector, working alongside NGOs and providing their advice to different types of actors on a commercial basis. Therefore, another future research suggestion would be to do a similar case study of two organizations working on similar issues but being from different sectors such as, for example, a consultant company and NGO. This type of study would give grounds for the so-called ‘inter-sectoral’ comparison in terms of reputation’s importance for a non-profit and for-profit actors, which may become yet another argument in favor of the public policy approach for studying reputation.

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Appendix A: Interview Guide

The interview guide presented below was used as a foundation for the interviews. The guide was only used to structure the interviewing process and to make sure that all the aspects of the study are covered.

The so-called probing technique was applied quite often in a sense that once the answer was given by the respondent, an additional question of “could you please elaborate on this aspect..” or “what was your opinion about this...” usually followed.

I. Introduction

The study was briefly introduced to the interviewee, the informed consent form was signed and the permission to record the interview was obtained, then the group of questions followed:

- Could you please introduce yourself? What is your title? How long have you been working for the organization?

II. The decision-making process

The next group of questions aimed at identification of major stages of the decision-making process as well as factors that influence it the most:

- Could you recall a recent case of new operation’s opening?
- What was your / your department’s role in the decision-making process in regards to the opening of a new operation?
- What were the key factors affecting the outcomes of this process?
- How important was the factor of a reputation for that decision?

III. Reputation

The following line of questions was focused on the reputation factor itself and its possible implications for the organization:

- How important is a reputation for an organization like yours?
- How often do you evaluate reputational risks? Under what circumstances?
- Could you recall a case when there was significant reputational damage to your organization? How did organization react to it?
- What are the mechanisms for mitigating reputational risks?
- How can change in reputation be possibly measured?

Appendix B: Informed Consent Form

INFORMED CONSENT FORM

Information and Purpose: The interview, for which you are being asked to participate in, is a part of a research study that is focused on the role of reputation for the humanitarian organizations operating in conflict contexts. The purpose of this study is to understand how reputation becomes important for the humanitarian organizations. The study is supervised by Mr Kohei Suzuki from University of Gothenburg.

Your Participation: Participation consists of one interview, lasting approximately one hour. This interview will be audio recorded, unless otherwise requested by the participant. There may be additional follow-up/clarification through email, unless otherwise requested by the participant. Privacy will be ensured through confidentiality. If participant wishes for the use of his/her full name in the study, this request will be adhered to as well. This participation is voluntary and the interviewee has the right to terminate the interview at any time.

Confidentiality: Your name and identifying information will not be associated with any part of the written report of the research. All of your information and interview responses will be kept confidential. The researcher will not share your individual responses with anyone other than the research supervisor.

If you have any questions or concerns, please contact the researcher:

Name: Daria Bykova

Telephone: +4591457263

Email: daria.d.bykova@gmail.com

By signing below, I acknowledge that I have read and understood the above information. I am aware that I can discontinue my participation in the study at any time.

Signature _____

Date _____