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Internationalization in Health - Target Market: Mozambique Case Study: Clidis

Ana Magda Nogueira Monteiro, student number 2732

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Professor José Crespo Carvalho

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Abstract

This paper reflects a clear example of a successful internationalization strategy in the health sector. It also shows possible setbacks in developing countries. Clidis managed to overcome a lot of political, strategic and operational obstacles as their strategy, hard work and the quality of their services were rapidly noticed. Furthermore, their margin went from reflecting their very strong initial costs and low revenue, to showing their rapid success and growth in only a year.

Keywords: Internationalization strategy, Health sector, Mozambique, strategic model, occupational medicine

Chapter 1 - Introduction

Mozambique is currently the third most sought after destination country for Foreign Direct Investment in Africa, as it provides significant competitive advantages by comparison to its neighboring countries, such as, for instance, maritime access, natural resources (mines, forestry, to name a few) and its privileged geographical location that is extremely beneficial for transportation purposes. Their exports are aluminum based (accounting for 34% of total exports, 2014 data), followed by petroleum gas (9.2%) and refined petroleum (8.3%)¹.

Investors' primary source of interest is focused in the country's mining, hydrocarbon, energy, agro-industry, fishing, financial and tourism sectors. Mozambique's leading foreign investors are South Africa, the United Kingdom, Hong Kong, the Netherlands and Portugal.

¹ <http://atlas.media.mit.edu/en/profile/country/moz/#Exports>

Portugal has, up until now, invested almost 1.5 million euros in Mozambique, generating around 44.000 new job opportunities, according to the Portuguese embassy in Maputo.

Clidis is an example of the investment that's being made in Mozambique; with an exponential growth since its official opening on the 25th June 2015. In order to become a top private clinic its location was crucial; Clidis is located in Pemba, a developing city in the north of Mozambique, where most of the largest expanding international companies are located. This way, Clidis is able to operate within corporate customers and with a small percentage of the population that can either afford their services or hold health care insurance.

The Clidis project foresaw a new unit of health services in Pemba which intended to respond to a growing demand for these types of service in the region. On a more initial phase, and having identified an opportunity in the market, the project comprehended occupational healthcare, namely clinical analysis and other complementary diagnostic exams, such as X-ray and electrocardiograms.

Effectively, there is already in place a requirement for workers to have regular health check-ups, however, the supply of such services was very scarce, so the workers either didn't do them, or they had to commute to other cities in order to perform the tests.

The Project was promoted by Clidis – *Clínica Diagnóstica de Sines, Lda*, a Portuguese company that works in the healthcare business in Portugal and by another investor that lives in Mozambique.

This paper will therefore study the expansion of the project from its foundation up until the present, by performing detailed analysis of the implemented strategy, timing, and future perspectives, with the purpose of assessing whether we are witnessing a success case of internationalization or whether is still there room for improvement.

Chapter 2- Methodology

The methodology used to answer the key research **question “Is Clidis a result of a successful internationalization strategy?”** is the Case Study research. Hence, it becomes essential to assess the importance of this methodology in such question, and how it effectively works.

According to Yin (Yin, Robert.1984), this type of investigation enables to study the meaning of real-life events and which parts explain the whole. Moreover, Yin States that “In general, case studies are preferred when “how” or “why” questions are being posed”, which relates to this case specifically, given that in the path of founding out *how* Clidis’ strategy is a success, we consequently need to find out *why* is it a success.

In a case-study, it is also more challenging to present an adequate presentation of the qualitative facts. “The story typically consists of narrative that is interspersed with quotations from key informants and other supporting evidence” (Eisenhardt, 2007).

After defining the questions, an analysis is going to be conducted and the findings will be interpreted using specific criteria, mainly strategic formulation and environmental analysis frameworks. However, a set of hypothesis are going to be set throughout the study of various authors and sources of information about similar topics, in order to narrow down the most suitable frameworks to address the question proposed in this paper.

Chapter 3 – Literature Review

3.1. What is Strategy?

Firstly, it’s important to define strategy, and as Chandler put it (1962), “Strategy can be defined as the determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action in order to establish the correct allocation of resources necessary for carrying out these goals”, which gives us a broad idea of what is necessary to look for when analyzing whether Clidis’ internationalization strategy was a success case or not, and why (why not). In a way, the set of primary long term goals, given the environment and available resources, are

good and necessary indicators to reach a valid conclusion, albeit not sufficient. Therefore, strategy can be considered as the creation of a unique and valuable position, **involving a different set of activities** (Porter,1996).

Henry Mintzberg stated that “strategies have two essential characteristics: they are made in advanced of the actions to which they apply, and they are developed consciously and purposefully”. Mintzberg (1987), first wrote about the 5 Ps of strategy. They were about **Plan, Ploy, Pattern, Position and Perspective**, but nevertheless, he concluded that it’s inevitable that these definitions compete against each other, but in perhaps more important ways, *they complement* each other. “Not all plans are to become patterns that developed planned; some ploys are less than positions, while other strategies are more than positions yet less then perspectives.” In sum, each definition adds important elements to our understanding of strategy, and allows us to question about the way organizations work and interact at a local or global scale.

3.1.1 International Expansion strategy

In this case, the core of the analysis is Clidis’ international expansion, and for that matter it becomes essential to analyze various types of *internationalization strategies*, to set the initial framework of possibilities, hence, the way the internationalization process is being manifested. Johanson and Vahlne (1990) state that it can be seen in the “establishment of foreign subsidiaries, in international joint ventures, in licensing agreements, in international trade, exhibitions and a multitude of other events and actions”.

If we take the Uppsala model (Johanson and Vahlne, 1990) as an example, it defends that the involvement with the international environment is gradual, and because the firm will gradually find problems and promote solutions throughout the process, the internalization will tend to proceed regardless if the strategic decisions are made in that way or not.

It basically explains that the firm in principle will gain experience from more markets that are

easier to relate, e.g, culturally, and move on to more distinct markets in the future. Along the way, basic exportation methods are used in the beginning, evolving progressively to more complex operation modes as sales subsidiaries. In an article in Forbes written by Lilach Nachum in 2011, he helps reaching to the conclusion that there are fundamentally two misconceptions regarding strategy. The first is that it can be applied *lump* sum across countries. “Hence, it does not require specific attention.” (Nachum, Lilach, 2011, Forbes). Differences among countries come all the way from natural endowments up until differences in consumer behavior. In a paper written for the Harvard Business School Press, in 2007, Pankaj Ghemawat (2007), a professor and global strategist, wrote about distance undermining performance, and the so called CAGE framework (cultural differences, administrative, geographic and economic), and stated that “the idea that would-be internationalizers should go first to countries that presented the least *physic distance*-that is the least “distance between the home market and a foreign market resulting from the perception and understanding of cultural and business differences” – was first promoted thirty years ago”. If go even more back in time, Jan Tinbergen (1963), talked about the gravity theory among countries, relating it to with factors as population and GDP. So the idea here was that it would be better to first internationalize to a market with similar characteristics as the home country.

3.2. Entering a new market

There are a lot of market entry strategies, as exporting, licensing, franchising, joint venturing, mergers and acquisitions, counter trade, among others. But all of them have something in common; none of them are immune to possible barriers to entry. This subject has been debated for a long time in the history of strategy and even nowadays, findings about the dynamics among “entrants” and “incumbents” take place. We can take for example the Nobel Prize winner Jean Tirole (2014), and his work about the *Fat Cat* Effect. In the end, “barriers to entry determine the extent to which a firm can exercise market power in the long run” (Church,

Jeffrey & Ware, Roger: *Industrial Organization: A Strategic Approach*. 2000, selected works (Bepress). So when companies are entering a new market, a strong commitment concerning financial and managerial resources is needed, as well as research in various fields such as country size, level of development, trade and infrastructure (Mitra & Golder, 2002) as well as market assessment and timing of entry (Green, Barclay & Ryans, 1995). As stated by Gallego (2009), in order for companies to build an effective strategic approach; they should consider both present and future potentiality of the chosen foreign market.

3.2.1 Entering a foreign market

According to Meyer (2001) entering a foreign market can come with a variety of external challenges as the level competition intensity, the market potential, economic growth of the host country, cultural distance, law and financial issues. There are also different internal factors that could affect a company's decision to enter a new market measured through the firm's ability to successfully manage their operations internationally; firm size and the company's resources availability to be committed at an international level (Hollensen, 2014).

The reasons to enter a foreign market are therefore diverse. For example: "being the first firm to enter a market and to capture first-mover advantages is one reason for why a company wants to internationalize into foreign markets" (Spence, 1981; Ghemawat 1984). But market entry decisions are driven by the economic characteristics of the foreign business environment and the perceived growth potential of that particular market. (Laird et al. 2003; Gallego et al. 2009; Root, 1994; Young et al. 1989). "The market potential plays a vital part when a company decides to pursue with their internationalization" (Laird et al. 2003; Gallego et al. 2009). Another objective is if the company cannot attain their strategic goals at their domestic market, then expanding into a foreign market can be an alternative (Root, 1994; Young et al. 1989). Furthermore, if the growth ratios of the company's current market are small, "a diversified expansion would help it to reach its desired growth-level more quickly, and this can be done by

expanding into foreign markets” (Ayal and Zif, 1979; Young et al. 1989).

3.3 The medical-care industry

Thomas A. Lambo and Stacey B. Day, in “Issues in Contemporary International Health” (1990), predicted that the “international health of the future will be largely that of international business”. Nowadays there is a visible globalization of this sector, namely from developed countries to countries in development. Indeed for such transfer of knowledge, human capital, material resources and taking into account the specificities that a full operating clinic requires, there is a need for a strong internationalization strategy.

The medical-care industry, which is what is also going to be approached in this case, since it is related to the expansion of a health clinic, can be quite challenging when it comes to applying the concept of international strategy combined with the health sector. It is true that in the health sector, the concept of quality is rather disperse since it is difficult to measure the quantity and quality of care provided (European Observatory on Health Systems and Policies, WHO, 2011). Kenneth Arrow (1963) separates health from other goods. This because if we look at a competitive market, and take for example the First Optimality Theorem (a confirmation of Adam Smith’s “Invisible Hand” 1776), where it is, at the *optimal* to make any individual better off without hurting another one, it will call for a second opinion in the health sector. “The first step then in the analysis of the medical-care market is the comparison between the actual market and the competitive mode. The methodology of this comparison has been a recurrent subject of controversy in economics for over a century”. Nevertheless, an important factor to have in hand when looking at the competitive models is their ability to *predict*.

3.4. Environmental Scanning

In order to analyze Clidis’ strategy it is important to perform an **environmental scanning**, both internal and externally, which monitors and evaluates the information from the environment within and out of the company. Moreover, it is an ongoing process and companies should

continuously try to refine their strategy and decision-making process. As Winston Churchill puts it: “However beautiful the Strategy, you should occasionally look at the results” (1957). For that matter, various models are going to be used that actually reflect where was the clinic in the beginning and if the chosen path was the most efficient one, given all of the external and internal factors.

Applied Frameworks

As Donald R. Lessard (2003) states, “International strategic management involves competition in industries that extend across national boundaries, among firms with different national home bases, and with firms that operate across national boundaries.” Therefore, in addition to reflecting the competitive advantage, the frameworks should reflect the geographic scope, the attractiveness of various locations as markets, the sustainability of internationalization and the degree of global integration and local focus of activities and processes. It is always important to understand which outside factors can be affecting your business, especially when going to a very different economy and social dynamics. With that in mind, the **PESTLE analysis**, which is a descriptive framework of Political, Economic, Social, Technological, Legal and Environmental factors, the **Porter’s Five Forces Model (Exhibit 1)**, that is more directional in the rivalry factors and the **SWOT analysis (see Exhibit 2)**, which balances the external and internal negative and positive scenarios are the chosen qualitative frameworks to analyze Clidis Strategy. Furthermore **Porter’s Diamond model (see Exhibit 3)**, which relates the firm’s strategy, structure and rivalry, demand conditions, factor conditions and related and supporting industries is also going to be applied to this case. These are part of Porter’s generic strategic frameworks. It is also important to analyze in its essence the differentiation factors that Clidis is creating in their services and *how* and *if* they are going to be perceived in the market. Not only that, but if the organization is in *fact capturing the value* of all of their resources. The **VRIO framework**, which is a *resource-based analysis* (Wernerfelt, 1984 and Barney, 1991),

developed by Barney in 1991 in his work *Firm Resources and Sustained Competitive Advantage* also answers important questions. According to him, the resources of the firm must be valuable, rare, inimitable and if the firm is organized to take in the value of the resources. The **Business Model Canvas** (see **Exhibit 14**), proposed by Osterwalde (2010), turned the business model in nine building blocks and he defended that “a Business Model describes the logic of creating, deliver and capture of the value of the organization”. As for other tools as the Value net model and the McKinsey 7S Framework, they are going to be illustrated further on the appendix.

As for quantitative frameworks, the **Value Chain approach** (see **exhibit 5**) allows for a comparison between the two first years of operations, which are expected to be quite different, since in the first year there are a lot of unique costs that are only going to happen in the beginning (such as consulting costs) and in the second year we see a rapid evolution of the revenue after actually establishing their market share in a more consistent way.

3.5. Strategic formulation

Strategic formulation refers to the process of choosing the most appropriate course of action in order to reach the organizational goals and objectives and therefore achieving the organizational vision. And this gives rise to a lot of questions. As Anthony W. Ulwick puts it in his book: “Organizations may know what results they are attempting to achieve, but do they know how to create breakthrough strategies and solutions that will enable them to achieve those results?”, (Ulwick, Anthony W., 1999. “Business Strategy Formulation: Theory, Process and the Intellectual Revolution”, London: Quorum Books). Ulwich defends inclusively that there are natural barriers to creating those solutions defined as structure, information and processing power. “Structure relates to the way information entering the strategy formulation process is organized, filtered and structured for use. Information relates to the types of data that are required for the successful execution of the process. Processing power relates to the power that

is required to simultaneously analyze, calculate and process the information that has been gathered to deliver a breakthrough result.”

With that in mind and since Clidis is already established and frameworks of external and internal analysis are going to be applied, including the possible obstacles, it's important therefore to analyze the values and objectives of the clinic and if the **Critical Success Factors** (Rockart,1981) are being achieved. These critical success factors are related to the firm and to the industry, representing key areas where “things must go right”.

3.6. Strategy sustainability and long term growth

Since Clidis is already established it's important to analyze if and how is their growth and strategy going to be sustainable. “A sustainable competitive advantage is an element (or combination of elements) of the business strategy that provides a meaningful advantage over both existing and future competitors” (Aaker, David A. & McLoughlin, Damien, 2010: “Strategic Market Management, Global Perspectives” United Kingdom: Wiley.). This way, it is important to keep analyzing **the Sustainable Competitive Advantage Framework (SCA)**. This framework analyses the “way you compete (product strategy, positioning strategy, manufacturing strategy and distribution strategy), the basis of the competition, what is offered and where you compete”. It's also important to analyze the values of the country, and compare them to the home country. Professor Greet Hofstede concluded that values in workplace are very much influenced by culture (see **Exhibit 6**). Using these tools, now it is plausible to analyze all the scope and timeline of the strategy, and its sustainability.

Chapter 4 – The health market in Mozambique

In any other country in the world, or even our own, there is an inherent risk of catching a disease. However, risks are a bit higher or lower depending on various factors, such as safe water, clean air, healthy workplaces, and the overall physical environment, since that in some countries it's more common to find certain diseases than in others. In Mozambique, the risk is

higher in comparison to the overall average. Not only the factors described above fail at some level to a relevant percentage of the population, the diseases found in Mozambique are quite severe and rare such as Malaria, Dengue Fever, African Trypanosomiasis, among others. So having strong institutionalized healthcare near you becomes fundamental. And albeit citizens and travelers are seeking for health, and not institutions necessarily, this is where the health business begins. Or at least where it should.

The International Journal for Equity in Health published that in a walking scenario, around 90.2% of Mozambique's population is considered unserved when it comes to health facilities, and 66.9% in a driving scenario. After an initial interview with the administrators of Clidis, the clinic which expansion is going to be analyzed throughout this paper, this was even clearer. Clidis specializes in occupational medicine, which is a branch of medicine which deals with the maintenance of health in the workplace. Although there are laws that oblige workers to do such checkups, covered by the insurance companies with which they have made agreements, many workers end up not doing them, because there are too few clinics that are able to provide such care, and the existing ones are overloaded, or too far away, and possibly ill-equipped.

Chapter 5 – Case Study: Clidis

5.1. Clidis History

Clidis, a diagnosis clinic in Sines, Portugal, and Lala, a water testing laboratory, were founded by a Portuguese engineer and pharma. Lala also served a company named Bio3, which is a company that works for the environment.

Clidis has been a successful clinic for 40 years, but recently (2013), since there are few hospitals in the area, it started to perform clinical analysis that usually were done in public hospitals, to use “the maximum capacity”, and for that matter, the state collected almost 30% of their revenue.

At the same time, a big discussion was taking place about a very big Portuguese company,

GALP, going to explore gas in the north part of Mozambique, along with ENI. Other companies, as Nadarco, were going to move to that region. With that said, 2013 was a very promising year towards FDI in Mozambique, especially in the North region where the major sources of natural resources were and still are being explored like mining, coal, gas and petroleum.

Later that year, the owners of Clidis went to the Pharmaceutical World Congress in Angola, where they had the chance to know more about this interest towards Mozambique. During that trip they decided to go to Mozambique to explore the North region, where Bio3 was opening BioDinamica, also an environmental company, and were invited to open there another Lala Lda, to collaborate with BioDinamica.

Summing such perfect timing between international companies expanding to the region, that meant new occupational medicine clinics were needed in the area, the BioDiamica offer, and the fact that the state was now cutting some of Clidis revenue in Portugal, led to that in the 30th June of 2013, two societies were created in Mozambique: Clidis Lda, and Lala Lda, although up until now, only Clidis is operating. Initially, the project was designed to go to Nacala, and not Pemba nor Maputo (the former two are important cities in the north region of Mozambique). This was because in Nacala there was the biggest airport of Mozambique under construction, which meant that it would be a much better location than Maputo in the long term. At the time, Galp was planning to twin Sines port, and Pemba's port, which meant, in the end that every Portuguese company was going to Pemba, and not Nacala, along with other companies, that made up for the decision of locating Clidis in Pemba.

The timing for the Clidis expansion was therefore very favorable to their business, but there was a setback: the guerrillas that started to happen for political reasons in Mozambique. The party that won the elections, FRELINO (Mozambique Liberation Front), was confronted by another party: RENAMO (Mozambique Resistance Movement). Renamo claimed that Frelino

only won because of some sort of corruption in vote counting and demanded to govern in the districts in which it had allegedly won. This started a major political instability in Mozambique, which turned out to be a step back in the expansion of companies as Galp and Nadarco.

In spite of that, Clidis managed to follow through. After studying and reformulating all of their market approaches, the administrators started to make agreements with most of their largest competitors, taking into account that both parties were going to benefit as most of the clinics and the hospital in Pemba were ill-equipped and not being able to respond to the population needs. In the following chapter, and appendixes, an environmental analysis is going to be performed, as well as the study of the evolution of Clidis from the initial expansion up until now. The Value Chain is also going to be the tool used to illustrate the evolution of their financial statements, taking into account their profit and loss schedule of accounts.

5.2. Clidis Operations

Clidis operates in the private healthcare industry. It's currently running in Portugal (Sines) and Mozambique (Pemba), capturing the demand for high quality service. At the moment it's focused on the occupational medicine segment (more in Mozambique), although it's prepared to serve any customer who seeks their services. They have a team of highly qualified doctors who operate in various areas of expertise, like dentistry, gynecology, psychology, pediatric and so on. Furthermore, they are experts and pioneers in the imaging medicine area, providing to their patients a quality service with top of the hedge technology.

5.3. Clidis Clients

Clidis has responded to a vast portion of the population that didn't have access to some of the essential services that they now offer. As for the local public hospital (*Hospital Provincial de Pemba*), it had many rooms in need for recovery and rehabilitation. Clidis clients are workers from Pemba and surrounding areas, who use their company insurance in the clinic as well as other individuals who seek their areas of expertise or general practitioners, despite being a

small percentage of the population (those with a higher income in Pemba). It could be considered, therefore, that Clidis operates in a niche market. As explained beforehand, Clidis initially moved to Mozambique because major corporations like Galp and Nadarco were moving to Pemba.

5.4. Key partners and Suppliers

Being a clinic that operates in so many branches of medicine, Clidis needs a vast list of specific supplies and regular maintenance to the equipment used, which aren't very easy to find in Pemba. After interviewing the administrators of the Clinic, they made clear that the only way they could actually have the supplies needed in their clinic was through pre-established contracts with the company THL (a company that performs the installation of X-ray and hematology equipment that operate in Portugal, Mozambique, and the majority of the PALOPs) or they had or with some agreements they made with the local hospital. In fact, Clidis made agreements with most of the other players in the health market in Pemba. Their biggest competitor is a private clinic ("Medlife Cabo Delgado") that exists inside the local public hospital ("Hospital Provincial de Pemba"). However, this clinic had some rooms that needed rehabilitation. Clidis pays a rent to use some rooms, performs its services there, and the hospital uses said rent's money to rehabilitate the rooms. Therefore, both clinics will benefit from Clidis' entering the market, as well as the population of Pemba. They also agreed on some other services that Clidis didn't have access to, as in medical waste collection, medicine supply and an ambulance (the ambulance and stabilization service came from an agreement from SOS international, another competitor).

Their channels are mainly insurance companies, so that they practice occupational medicine and not only perform the legally established check-ups that workers need to perform, but also serve the workers as their regular patients, since they have their company insurance connected to Clidis. Therefore, they already have contracts with some big insurance companies in Pemba,

like Multicare and Fidelidade. The clinic has also made arrangements with some financial institutions like Bank of Mozambique and EDM (Energies of Mozambique).

5.5. Competitors

It is possible to say that although there was some options for the target population in Pemba, Mozambique for the target market in question (niche market), but nevertheless, Clidis was able to not only surpass their market share, but also make them their allies, coping with their possible substitutes in a very strategic way. As explained, for example, Clidis made agreements with their competitors in order complement each other and leverage both of their value. There is also another clinic in Pemba, already established when Clidis moved there: SOS international, although it isn't a perfect substitute. SOS international (or SOS internacional) provides emergency services, as in stabilization, emergency ambulances and evacuation services, in case of accidents. Clidis also made an agreement with this Clinic in order to have an emergency service, in case one of the client's needs rapid aid.

In Pemba there aren't any other forms of competition, and one clinic that existed before Clidis, closed. So as easily perceived, Pemba was in the need of a clinic like Clidis.

5.6. Clidis Financial Statements

Expanding to a foreign country, and even continent brings inevitable robust initial costs. Not only that, but as explained beforehand, Clidis operates in a niche market and offers the best technology to their patients in their procedures. When analyzing the clinic's Profit and Loss statement of accounts for the first year of full operations (2015), this is rather clear. Nevertheless, the subsequent and analyzing the subsequent year of operations, it is fair to say that Clidis made a full recovery from those initial costs and grew tremendously (see **Exhibit 10**). However, and as it is going to be explored in the explored in depth in the **Value chain** ahead in the answers and debate session, Clidis will always have strong costs inherent to the quality and specificity of services it performs.

Chapter 6: Answers and Debate – Is Clidis a result of a successful internationalization strategy?

Having followed all the steps of pre-analysis in a case study research and giving rise to the question “Is Clidis a result of a successful internationalization strategy?” the relevant frameworks will be applied to conduct an analysis of the environment and strategy itself.

6.1. Compared frameworks

After applying several frameworks, it was noticeable that some of them debate over some factors in common. After putting the principal fields in analysis and exploring which frameworks were going in the same direction, we reached the results shown in the table below:

Table (Double –entry framework analysis) Source: By the author

	Suppliers	Customers	Substitutes	Complements	Partners	Entrant description	Incubant country factors	Value, mission, objectives	Quantitative
CAGE						✓	✓		
PESTLE							✓		
Porter's National Diamond	✓	✓	✓	✓			✓		
SWOT	✓	✓	✓	✓	✓	✓	✓	✓	
5 Forces	✓	✓	✓	✓		✓	✓		
VRIO			✓					✓	
7 S McKinsey								✓	
Value Chain									✓
Critical Factors of Success								✓	
Value Net Model	✓	✓	✓	✓					
Business Model canvas	✓	✓	✓	✓	✓	✓	✓	✓	✓

The following conclusions are therefore based on the models shown on the table above, aggregated by each category, in order to reach the conclusion if Clidis is in fact a case of success of internationalization strategy. This exercise will also allow us to identify the best frameworks to reach this conclusion, since it is a fact that many frameworks repeat points of view.

6.1.1. Conclusions on Suppliers

While analyzing the country by itself in terms of suppliers, it is quite visible through the **Porter’s National Diamond** (see Exhibit 16) that it is in fact quite difficult to build a network from scratch in Mozambique. As mentioned before, after talking to the administrators of the

clinic, they explained how that was one of the obstacles they had to surpass, admitting that the only company, THC, that was available to install and monitor some of the specialized equipment operated in most of the PALOP and in Portugal. This not only also represents a threat in the **SWOT (Exhibit 8)** framework (because it is an external negative factor that the company can't actually control), but also shows the bargaining power of suppliers in the **5 Forces of Porter (Exhibit 18)** that can willingly overcharge their clients, due to the few supply of this type of services in the region. Furthermore when it comes to chemicals, some reagents take weeks to get to Pemba. Even considered smaller parts of the project were at stake, if we take into account the poor internet connection that is operating in Pemba, putting at stake a lot of Clidis operations.

6.1.1.1. How did Clidis surpass the difficulties?

Clidis managed to overcome such difficulties by making arrangements with some of the players that were already in the market, making it possible for them to overcome some of the inconveniences that were in place. As explained before, deals with the public hospital to have access to some medicine is one the examples of how Clidis leverage both parties in the process of integrating in the health market in Pemba.

6.1.2. Conclusions on Customers

Intially, it was expected that some companies like Galp or Nadarco went to Pemba in a timing that would make them the top corporations that Clidis would serve in the occupational medicine segment. However, and as it is possible to observe in the **PESTLE** analysis (**Exhibit 7**) Mozambique is experiencing political unease which at the time and in the long run, may indirectly affect Clidis by exposing a threat to the companies that what to go to Pemba. This may always be an unpredictability that Clidis will have to face.

6.1.2.1. How did the clinic gained such a strong network of customers

It's important to bear in mind that there was an unexplored demand before entering Pemba. A

lot of needs of the general population weren't being fulfilled in terms of health services, this represented clearly an opportunity (see **SWOT analysis, Exhibit 8**). From clinical analysis to dentistry, there were only options at long distances or even if there were near options, they didn't have the best quality. In sum, Clidis not only gained the expected customers later on (Galp and Nadarco established in Pemba a bit later) but it also gathered a lot of loyal customers and made agreements with the big insurance companies (like Fidelidade and Medicare) that represent major channels to distribute their services across corporations. In the **SWOT analysis** it is also possible to understand that supporting industries around the gas and energy sectors, that are developing, are also potential future clients for Clidis. Once again **Porter's National Diamond** (Exhibit 16) shows us how beneficial are the natural endowments of Mozambique.

6.1.3. Conclusions on Substitutes, Complements & Partners

There aren't perfect substitutes for the services that Clidis provides, as it can be perceived in the SWOT analysis, 5 Forces of Porter and Value Net Model (See **Exhibits 8, 11 and 18**). Not only they operate in a niche market but in Pemba the clinic was pioneers in a lot of medicine branches that weren't available even in Mozambique as a whole. As the **Business Model Canvas shows** (see **Exhibit 14**) and as explained previously, in the branches that Clidis had substitutes, agreements were made so that both parties in the agreement were leverage. Furthermore, Clidis built a strong network with some of the key players in the health market, insurance companies and big banks and corporations, in order to create barriers to new entrants and maintain a sustainable growth. As for complements, because the energy, gas, and supporting industries, that come from Mozambique's natural endowments, will have a competitive advantage over other countries, which also comes hand-in-hand with the present and future Strategy, Structure and Rivalry of Mozambique (see **Exhibit 11**) especially Pemba. The growing markets in Mozambique will make space for competition which will lead to innovation, and growth.

6.1.4. Conclusions on Clidis, Value, Mission and Objectives

With the goal of enlarging and improve continuously the provided services, Clidis has been focusing on developing the best infra-structures, equipped with the most advanced medical technology, providing this way, conditions of excellence. In the VRIO framework (see **Exhibit15**) it is clear why. Up until the moment, the clinic has made available the best highly qualified technicians, a myriad of medical valences and complementary means of diagnosis, see SWOT analysis. They have been covering this way the majority of the clinic necessities of the population in the region they operate. Furthermore, and if we look at the **CAGE Framework (Exhibit 17)**, the fact that both countries speak Portuguese and the fact of being PALOP enhances the probability of having tax and legal benefits contribute to their integration and fulfillment of their goals. In sum, with 36 years of experience of medical services provider, Clidis evolved gradually and naturally, into a successful multidisciplinary company, as it shows in the Business Model canvas (**Exhibit 14**). Nevertheless, to provide such services in Pemba, Clidis will have to do big investments, not only in high quality equipment, but also in salaries, infra-structures, and so on. As explained in the Value Chain Section, it is clear that the fact that being a clinic in Mozambique is a factor that will naturally increase costs, in comparison to a clinic in Portugal.

6.1.5. Conclusions on Incubant Country

Although in Mozambique it is already mandatory for companies to perform regular check-ups on their employees, the supply for these services in Pemba and other regions as Nacala and Palma is very scarce or even inexistent, which results in the workers having to go to other cities to perform the exams (see **SWOT analysis, exhibit 8**). Clidis has come to suppress these gaps in regions that present an enormous growth potential, first in Pemba, and possibly Nacala and Palma in the near future. Not only has Pemba been accommodating new big companies, but also Nacala is developing at a fast pace. A new airport is already in construction, and a new

deep water port (**Porter's national diamond, exhibit 16**).

Even so, there are various external factors that can materialize into obstacles for Clidis in Mozambique. For example, the political instability in Mozambique, and possible consequences, has the non-expansion of the Companies that were expected (has happened partially in Pemba already). As known and explained in the beginning of section 4.3, the guerrillas between FRELIMO (Mozambique's liberation front) and RENAMO (Mozambique's National Resistance), have brought many instabilities over time and it has blocked some development and foreign investment. This already happened when Clidis was counting on having as initial customers Nadarco and ENI (**PESTLE analysis, exhibit 7**). It is possible to say that Clidis has been practicing until now an **Integration Strategy**, having increased control over their competitors by making themselves needed to them, benefiting both parties (although it hasn't performed actually any direct merger or acquisition of other businesses), and by having a very strong growth strategy (which has been reflected rapidly in their accounts, if we look closely at the Value Chain model once again). Nevertheless, Clidis is competing in a growing industry in Pemba (and Mozambique overall) and it does have the capital and human talent to succeed. Furthermore, Clidis competitors are faltering due to a lack of managerial expertise and the need of particular resources that are hard to get.

With that in mind, an interesting exercise it to apply the **McKinsey 7 S model (see Exhibit 14)**, in order to actually to put this into practice, it is important to identify the hard and soft elements, among them the strategy, and how they all contribute for the fulfillment of their goals. Overall, it is possible to conclude that Clidis has very strong hard elements, as their Strategy, and very strong soft elements, as the talent and expertise of their staff, their shared values, and skills.

The **VRIO framework (see Exhibit 15)**, shows us that it is true that Clidis is Valuable and Rare, taking into account their level of expertise and quality. It has also a location advantage in these two factors, since in Pemba, they were pioneers in various health branches. Furthermore,

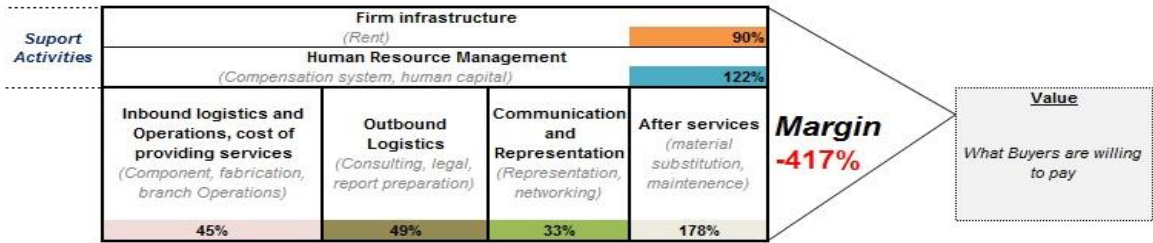
the human talent is also hard to imitate. When looking at the cost, it is in fact very expensive to replicate a clinic with such technology and human resources. When looking once again at the Value chain model, it is evident that in the first years the cost is very high and even after the first year, the maintenance cost is rather high. Of course that this builds up a natural barrier to entry, because being the costs high and very difficult to achieve economies of scale, if another company with similar characteristics enters it will have to have the same costs as Clidis, but less revenue since it won't be the only one operating in Pemba as a high quality clinic. Clidis experienced this way, a First Mover advantage. The firm is overall structured to capture value, in the way that it found a gap in the market and took advantage of the possible network could build and the relationship it could have with their customers.

6.1.6. Quantitative Analysis

Although the business model canvas (see exhibit 14) shows some important conclusions, it was the Value Chain approach that allowed for a deeper and more detailed analysis of the transposition of the effects of Clidis strategy into their accounts.

In this case, we obtained the Trial Balance of the Company at the end of the first official year of complete activity, which is considered to be 2015 (although it started operating in 2014 it doesn't reflect the true normal costs and revenue of a full operating company), see Exhibit 10.

This Trial Balance was used to extract the P&L of the Company in a way that would be possible to reach a margin (cost % over revenue) and building the Value Chain for Clidis.



517% TOTAL COSTS OVER REVENUE	
45%	Cost of Goods Sold and materials Consumed
122%	Personel Costs
49%	Consulting and Legal
75%	Maintenance and repair
90%	Rent
29%	Travel and subsistence
72%	Amortization
12%	fast-wearing tools
4%	Communications and representation
18%	Other costs

As expected, the Margin for the first year of official operations is negative. This comes from the fact that the clinic had many initial costs that are not constant throughout the subsequent years. It also is a reflection of the initial low revenue, that is expected to grow substantially over the first years. This is quite visible when analyzing the percentage of Consulting and legal (2,064,274€ expenses over 4,227,584€ of revenue). For initial establishment in Pemba, various legal and consulting costs were in place such as a viability and monitoring project structured by F9 Consulting, Licensing Program for the Ministry of Health, Calibration and Quality control monitoring and fundamental contracts with Mozambique's entities. These are expenses that are going to be reduced in 2016 and thereafter. Communication and representation (160,348 €) is also bound to be stronger on the first year. Nevertheless, some expenses are inherent to the type of business. Expenses related to amortization of materials, maintenance, and substitution of materials add for 5,097,592 €, if we consider the cost of providing the service and the after service expenses. That adds up to 223% of the total operational expenses and will probably have a positive growth multiplier related to the growth of the clinic itself. After talking to the administrators of the clinic and with further analysis of the results, it was also clear that these costs are higher in Mozambique than in Portugal: "All of the selection, programming, negotiation with suppliers and shipping motorization was also made by us, with a lot of work, knowledge and dedication. The maintenance prices and consumables are at least double of the prices practiced in Portugal and some reagents other can't be bought or take weeks to get to our facilities.

Subsequent events to expansion

In 2016, the second year of the clinic's operations, and as expected, we see a big improvement in the margin. It went from -417% to 178%. This improvement came both from revenue growth and the negative evolution of the costs in which the company had to incur throughout the first year of establishment. As it can be seen in **Exhibit 10**, revenue more than tripled in 2016, which

came along the major success that Clidis had and will continue to do so as it gains more reputation and connections. The reductions in costs are also visible, in about four million euros.

6.2. Conclusions and Expectations

It is possible to conclude that in fact, Clidis was the result of a successful internationalization Strategy. In whole, and after comparing the different frameworks, the strengths in its strategy came from the analysis of the “proximity” of the incumbent country in terms of culture, the possibility of building a strong network of alliances and the fact that there was market yet to be explored. Since this is the case, and after comparing the different frameworks it is possible to conclude that the frameworks that gave in its essence the most insight was the PESTLE framework, combined with the SWOT and CAGE. So in sum, it is important to understand the differences between the home country and the country to which the company is expanding, the strengths and weaknesses of the company when put in such environment and the competitive environment itself. It is also fundamental to keep track of the financial statements along the process, for which the Value chain framework is of much use. It is noticeable how Clidis margin evolved so rapidly (from -417% to over 200% positive) and how it managed to cope with all the obstacles along the way, proving that a successful internationalization strategy comes from quickly restructuring the plan of action while maintaining strong foundations.

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Other supports

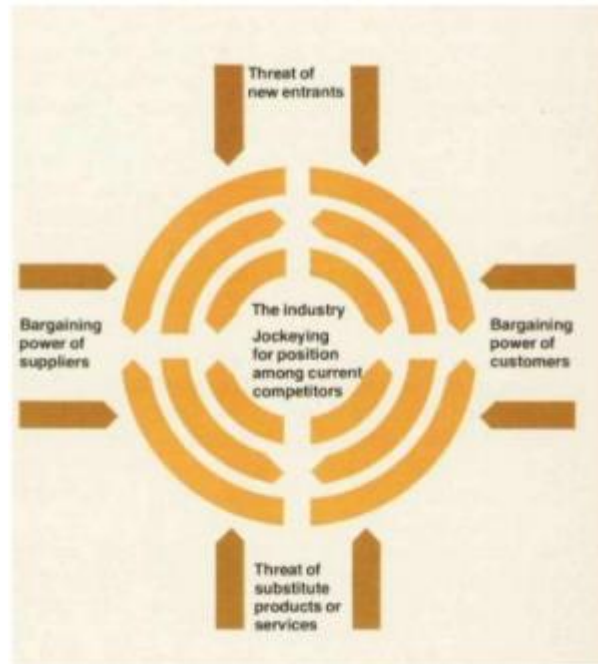
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8. Appendix

Literature Review

Exhibit 1 – Porter’s 5 forces



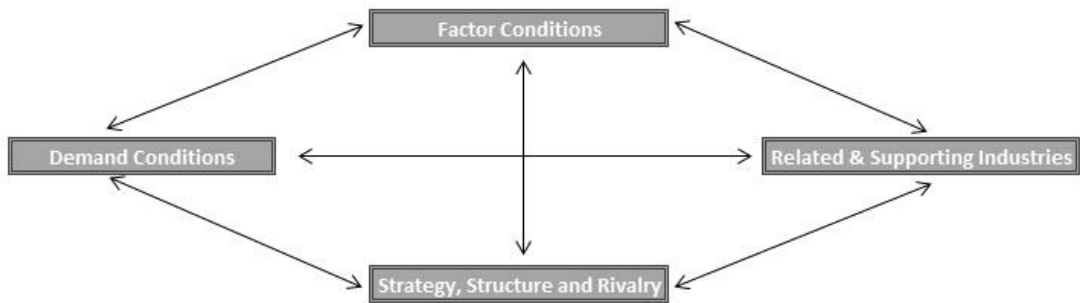
Source: The Five Forces that shape industry competition (Porter, Michael 1979 – The Five Competitive Forces that shape strategy, Harvard Business Review)

Exhibit 2 – SWOT Analysis

	Positive	Negative
Internal	Strengths	Weaknesses
External	Opportunities	Threats

Source: The author

Exhibit 3 – Porter’s National Diamond



Source: The author

Exhibit 4 – Business Model Canvas

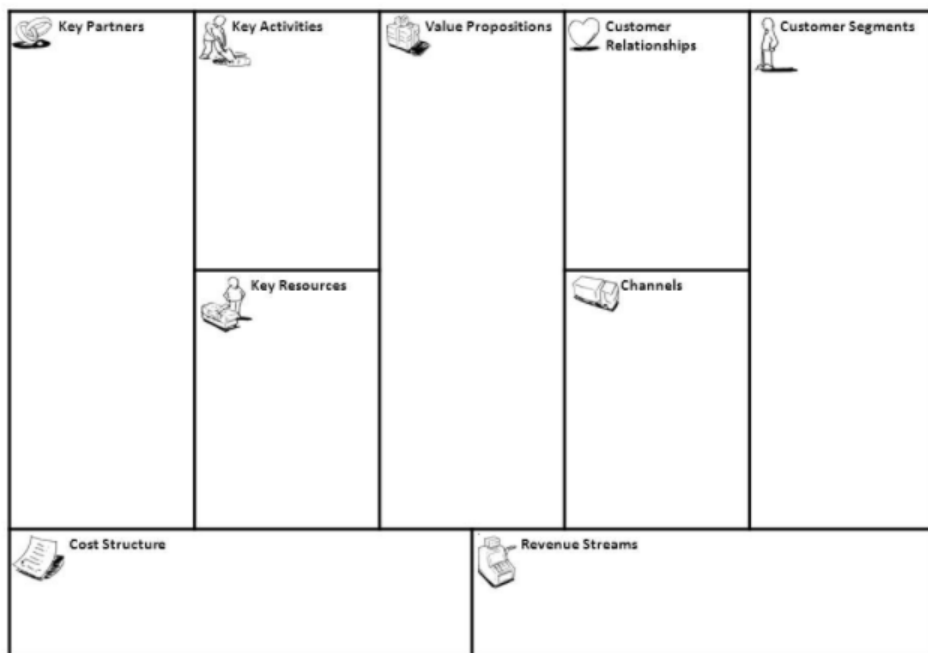
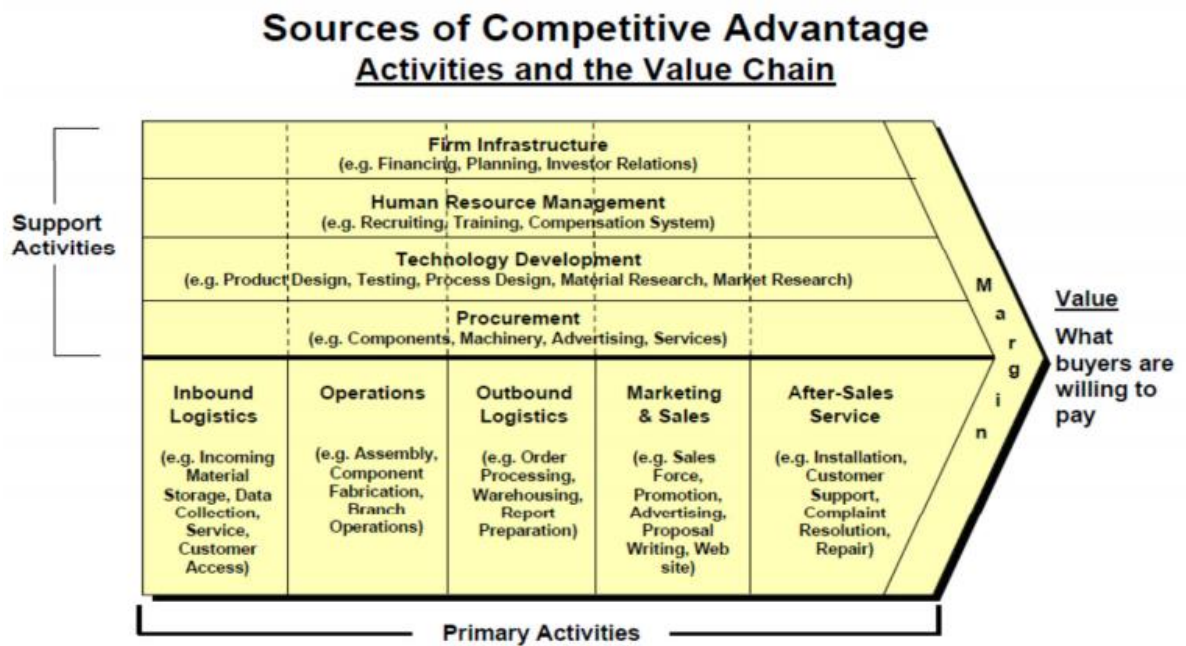


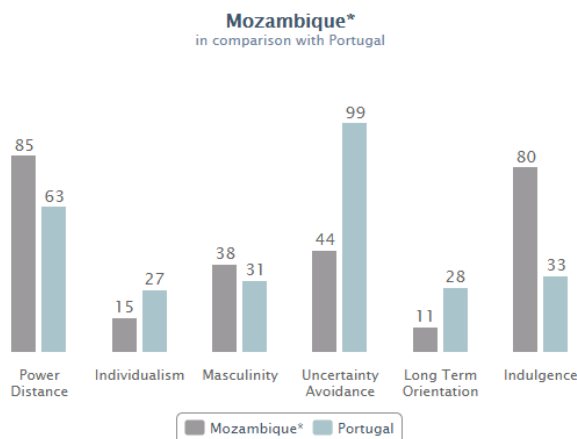
Exhibit 5 – Value Chain Model



Source: Supporting strategy material Nova SBE, teacher: José Crespo de Carvalho

Answers and Debate

Exhibit 6 – Hofstede comparison between Mozambique and Portugal



Source: Greet-Hofstede
comparison website

Exhibit 7 – PESTLE Analysis

Political - As for the Political overview, it is true that *“The government of Mozambique encourages foreign investment in the country’s economy by creating favorable conditions for direct investment and facilitating the establishment of foreign companies. One of the most important incentives is a program of tax benefits generic facilitated by the Investment Promotion Center (CPI).”*

Overall Mozambique has stimulated a lot of foreign investment throughout the years but some success. But nevertheless, it is very politically unstable. In fact, as mentioned before, it was this instability that materialized into one of the obstacles that Clidis had to face.

The presidential candidates for the 2014 elections were Filipe Nyusi, from the Mozambique Liberation Front (FRELIMO), Alfonso Dhlakama from the Mozambique national Resistance (RENAMO) and David Simango from the Mozambique Democratic Movement (MDM).

Frelimo and Renamo have been two political rivals for a reasonable number of years. Frelimo was the party that started as a nationalist movement that fought for the the independence of the Portuguese Overseas Province of Mozambique, achieved in 1977. It has ruled in Mozambique since that time, firstly as a one-party state. It has faced many confrontation with the anti-comunist party Renamo, a militant organization and political movement founded in 1975, culminating in a long civil war (1976-1992). As for MDM, it was formed in 2009, after breaking from RENAMO, the main opposition party.

Frelimo won the elections in 2014 elections with 57.03% of the votes, but soon enough the leader of Renamo argued that the elections results were fraudulent and called for a unity government, a call that was dropped afterwards. Nevertheless, there have been several confrontations up until now, which translates in severe political instability and unsafety on the streets of Mozambique. Due to these situations, big companies like Galp and Nadarco delayed

their expansion to Mozambique, companies that make a difference to Clidis, since it focuses on occupational medicine, and although it overcame this obstacles, there is always a certain uncertainty in how the country political state will evolve, which may be a major setback to various companies who were planning to go to Mozambique.

Economic - On the other had, **in economic terms**, Mozambique is still facing challenges in the short medium term, since it has faced decreasing GDP since 2014, which a determinant year for Clidis. It was worth approximately 1,179 million MZN in 2014 and it fell dramatically in 2015 to 1,029 million MZN. Economic activity decelerated also since that time, being the service sector the major contributor. Political/military unrest also has been a determinant factor to these results (as explained in above).

Domestic currency depreciation, scarcity of foreign reserves, adverse weather conditions and supply constraints related to political tensions in some regions culminated in inflationary pressures that have obliged the Central Bank of Mozambique to adopt a tighter monetary policy.

Mozambique also has high income inequality. The so considered “high skilled workers”, earn about 16000 MZN/month, whereas the “low skilled” earn between 5500 MZN/month and the minimum wage. The minimum wage is around 3298 MZN/month.

As known, Clidis is a private high end clinic. Since in Mozambique most of the population can’t have money to afford their services, it focuses on serving “high skilled workers”, that work namely in big companies that expanded to Mozambique, through insurance contracts (once again, occupational medicine).

In Pemba, there is only one public hospital, that has a small private clinic inside, that is the biggest competitor for Clidis. Even so, the hospital and the clinic itself have very poor conditions and the majority of the rooms need renovation.

Social - while looking into the the **Hofstede’s cultural dimensions (see exhibit 6)**, this is a

framework that is used frequently to identify the core values and culture of a given society and its members and how these will affect their social behavior.

According to this framework, Mozambique shows evidence of a very hierarchical society, which translates in the general acceptance of the existence of a certain order in which everybody has its role. As is defended by Hofstede, “hierarchy in an organization is seen as reflecting inherent inequalities, centralization is popular, subordinates expect to be told what to do and the ideal boss is a benevolent autocrat.” When it comes to individualism, Mozambique hits a very low score, which translates in a society with a high degree of interdependence among its members. Loyalty in a collectivist society as this ends up being more important than other social rules and any regulations. As for the degree of competitiveness, Mozambique’s score goes along with its individualism score. It evidences that quality of life is considered a sign of success but standing out from the crowd is not admirable. People value equality, although Mozambique shows high scores of income inequality and high corruption.

Technology - Jadafa, the Agricultural Trade Intelligence for Africa, explained that in the field of genetic engineering and bio-technology has picked up, it is ICT that has however continued to lag behind. With exception of cell phones utilization which improved significantly, progress elsewhere (e.g. internet usage and in industrial technologies of processing equipment) can be described as low or average. These also include even sectors where the levels of services required almost necessitate fast and high uptake such as financing. In conclusion, Mozambique is still lagging behind the rest of the continent in terms of access to and adoption of recent technological advancements and services. This implies that its regional and global competitiveness is weakened in relative terms.

Legal - Mozambique has formulated its trade policies in order to stimulate industrialization process, Mozambique has entered into multilateral, regional bilateral and preferential trade agreement. (based on Jadafa, Agricultural Trade Intelligence for Africa)

Environmental - In this case, when analyzing a health clinic, it's important to look at the **environmental** issues that may aggravate the health in Mozambique. It's in fact much more difficult to have access to clean water, in fact, Mozambique, the Democratic Republic of Congo and Papua, New Guinea, are the three countries that have the least access to clean water, according to Unicef. The prices for clean water are also high, which aggravates the probability of sickness. It is also a very hot and humid country which makes transmittable diseases through mosquitos (like Malaria) an issue to look into closely.

Exhibit 8 – SWOT Analysis

Strengths

With the goal of enlarging and improve continuously the provided services, Clidis has been focusing on developing the best infra-structures, equipped with the most advanced medical technology, providing this way, conditions of excellence.

Up until the moment, the clinic has made available the best highly qualified technicians, a myriad of medical valences and complementary means of diagnosis. They have been covering this way the majority of the clinic necessities of the population in the region they operate.

In sum, with 36 years of experience of medical services provider, Clidis evolved gradually and naturally, into a successful multidisciplinary company.

Weaknesses

To provide such services, Clidis will have to do big investments, not only in high quality equipment, but also in salaries, infra-structures, and so on. As explained in the Value Chain Section, it is clear that the fact that being a clinic in Mozambique is a factor that will naturally increase costs, in comparison to a clinic in Portugal.

Opportunities

Although in Mozambique there is already mandatory for companies to perform regular

check-ups on their employees, the supply for these services in Pemba and other regions as Nacala and Palma is very scarce or even inexistent, which results in the workers having to go to other cities to perform the exams. Clidis has come to suppress these gaps in regions that present an enormous growth potential, first in Pemba, and possibly Nacala and Palma in the near future. Not only has Pemba been accommodating new big companies, but also Nacala is developing at a fast pace. A new airport is already in construction, and a new deep water port.

In commercial terms, the main target is big companies that operate in these regions, and there have been efforts to enlarge the networking chain around Clidis, even before their establishment. In fact, the sensitivity collected *in loco* (by the consulting firm, F9) with the Companies, authorities and population when it came to the installation of such medical unity in more places (again, as Nacala), has been very positive. There has inclusively been some pressure to rush into its establishment because indeed the supply has been very few for these services.

In example, and picking up one of the suggestion that was picked up locally, it was decided to integrate in Pemba dental medicine services, which had a strong neglected demand.

Even though Clidis is focusing on occupational medicine, there is also an opportunity in individuals. It's important to foment and form the access of the population to quality basic healthcare.

Threats

There are various external factors that can materialize into obstacles for Clidis. For example, the political instability in Mozambique, and possible consequences, has the non-expansion of the Companies that were expected (has happened partially in Pemba already).

As known and explained in the beginning of section 4.3, the guerrillas between FRELIMO (Mozambique's liberation front) and RENAMO (Mozambique's National Resistance), have brought many instabilities over time and it has blocked some development and foreign

investment. This already happened when Clidis was counting on having as initial customers Nadarco and ENI.

Exhibit 9 – Porter Table

Análise da Indústria Aplicação do Modelo das 5 Forças de Porter		CONTRIBUIÇÃO PARA A FORÇA						
		Muito baixa	Baixa	Média	Alta	Muito alta		
Ameaça de entrada de novos competidores								
Economias de escala negócio da saúde ocupacional	Altas	X					Baixas	Due to the specificity of every treatment, it's quite difficult
Diferenciação dos produtos (diferentes serviços de saúde)	Alta	X					Baixa	Clidis focuses on a niche market and in delivering the best choices in various areas of expertise that didn't exist in Pemba yet.
Outras desvantagens de custos (Custos correntes, de manutenção de equipamento médico)	Altas	X					Baixas	
Necessidades de capital (exigências materiais)	Altas	X					Baixas	
Custos de mudança para os clientes (percepção dos serviços de saúde oferecidos)	Altos			X			Baixos	
Acordos com Seguradoras (espaço para mais acordos)	Altas				X		Baixas	Clidis struck deals with most of the insurance companies needed
Dificuldade de acesso à tecnologia necessária/meios materiais necessários	Alta	X					Baixa	For the number of health areas of expertise that Clidis operates in, a high level of access to technology is needed.
Dificuldade de acesso a matérias primas	Alta	X					Baixa	Sometimes it's very difficult to have access to certain medicines
Efeitos de experiência	Altos		X				Baixos	The clinic has 40 years of experience in health service, although not in Mozambique
Probabilidade de retaliação pelas empresas existentes	Alta	X					Baixa	Clidis made agreements with the majority of its competitors
Valor global da força		Baixa	1.60				Alta	
Rivalidade entre as empresas da indústria								
Nº de empresas concorrentes (diretas)	Baixo	X					Alto	
Grau de concentração do mercado (nº de players)	Alto	X					Baixo	
Crescimento do mercado	Alto					X	Baixo	
Custos fixos (de operação)	Baixos					X	Altos	
Custos de posse de stock	Baixos					X	Altos	
Grau de diferenciação do produto	Alto		X				Baixo	
Custos de mudança para os clientes (contratos estabelecidos com concorrentes, .../...)	Altos		X				Baixos	
Grau de diversidade das empresas concorrentes (ou bunkering zones) e package global oferecido	Alta					X	Baixa	
Valor global da força		Baixa		3.75			Alta	
Barreiras à saída								
Grau de especialização dos activos (tangíveis e intangíveis)	Baixo					X	Alto	
Custo concentrado da saída do negócio	Baixo					X	Alto	
Barreiras emocionais à saída do negócio	Baixas		X				Altas	
(Valor global das barreiras à saída)						4.33		
Valor global da força		Baixa					Alta	
Ameaça de produtos substitutos								
Disponibilidade de produtos substitutos	Baixa	X					Alta	
Custo (para os clientes) de mudança para o produto substituto	Alto		X				Baixo	
Rentabilidade dos fornecedores de produtos substitutos	Baixa	X					Alta	
Agressividade dos fornecedores de produtos substitutos	Baixa	X					Alta	
Relação 'price / performance' dos produtos substitutos face à da indústria	Baixa		X				Alta	
Valor global da força		Baixa	1.80				Alta	
Poder dos fornecedores								
Nº de fornecedores (fornecedores de combustíveis) da indústria	Alto					X	Baixo	
Dimensão e grau de concentração dos fornecedores, relativamente à indústria	Baixo					X	Alto	
Importância da indústria como cliente	Alta		X				Baixa	
Volume médio das compras aos fornecedores	Alto		X				Baixo	
Custo de mudança de fornecedor	Baixo					X	Alto	
Rentabilidade dos fornecedores	Alta					X	Baixa	
Peso dos custos dos produtos comprados pela indústria no custo total	Baixo			X			Alto	
Importância da qualidade dos produtos comprados	Baixa					X	Alta	
Grau de diferenciação dos produtos comprados pela indústria	Baixa		X				Alta	
Disponibilidade de produtos substitutos (dos produtos comprados)	Alta					X	Baixa	
Disponibilidade de informação sobre os fornecedores	Alta				X		Baixa	
Valor global da força		Baixa				4.27	Alta	
Poder dos clientes								
Nº de clientes da indústria	Alto	X					Baixo	
Grau de concentração dos clientes, relativamente à indústria	Baixo	X					Alto	
Volume médio das compras pelos clientes	Baixo		X				Alto	
Custo (para os clientes) de mudança de fornecedor (mudança contratual, .../...)	Alto		X				Baixo	
Peso dos custos dos produtos vendidos pela indústria no custo total para o cliente	Baixo			X			Alto	
Importância da qualidade dos produtos vendidos pela indústria para os clientes	Baixa					X	Alta	
Grau de diferenciação dos produtos fornecidos pela indústria	Alto		X				Baixo	
Disponibilidade de produtos substitutos para os clientes	Baixa	X					Alta	
Disponibilidade para os clientes de informação sobre a indústria	Baixa	X					Alta	
Valor global da força		Baixa	2.44				Alta	

NOTAS

- 1 - A grelha deve ser preenchida para as situações actual e futura
- 2 - Da lista devem ser utilizados apenas os factores aplicáveis
- 3 - Devem ser acrescentados outros factores relevantes para a indústria em análise

Exhibit 10 – Financial Statements Clidis (P&L)

Demonstração de Resultados por Natureza	2015	2014
Vendas de bens e serviços	4,227,584	0
Varição da produção e de Serviços em curso	0	0
Investimentos Realizados pela própria empresa	0	0
Custo dos Inventários vendidos ou consumidos	-1,909,030	0
Custos com Pessoal	-5,175,592	0
Fornecimentos e Serviços Externos	-11,608,158	-1,853,686
Amortizações	-3,044,716	-440,411
Provisões	0	0
Ajustamento de Inventários	0	0
Ajustamentos de Contas a Receber	0	0
Outros Ganhos e Perdas Operacionais	-100,500	-106,793
	-21,837,996	-2,561,238
Rendimentos Financeiros	300,979	-733
Gastos Financeiros	-4,126,062	245,445
Ganhos/Perdas imputados de Associadas	0	0
Resultado Antes de Impostos	-54,881,648	-2,316,526
Imposto sobre o Rendimento	-12,012	0
Resultados do Período das Operações Continuadas	-54,893,660	-2,316,526
Resultados Líquidos das Operações Descontinuadas	0	0
Resultados Líquidos do Período	-54,893,660	-2,316,526

Detalhe de Gastos 2015

(Fonte: R&C Clidis 2015)

#	Descrição	2015
61	Custos das mercadorias Vendidas e das matérias consumidas	1,909,030
611	Custos das mercadorias Vendidas e das matérias consumidas	1,909,030
62	Gastos com Pessoal	5,375,592
622	Remunerações dos trabalhadores	4,815,907
623	Encargos sobre remunerações	172,430
625		269,336
629		117,920
63	Fornecimentos e Serviços Externos	11,615,154
632	Fornecimentos e Serviços	11,615,154
63211	Água	1,126
63212	Eletricidade	46,259
63213	Combustíveis	77,856
63214	Utensílios dedesgaste rápido	522,310
63215	Conservação e reparação	137,817
63216	Material de escritório	101,033
63221	Manutenção e Reparação	3,050,155
63222	Transportes de carga	94,411
63224	Comunicações	132,804
63225	Honorários	671,274
63228	Deslocações e Estadas	1,225,161
63229	Despesas de representação	27,544
63231	Contencioso e notariado	755
63232	Rendas e Alugueres	3,790,060
63233	Outros (seguros)	216,107
63234		600
63235	Limpeza higiene e Conforto	18,565
63236	Vigilância e Segurança	52,011
63237	Trabalhos especializados	1,392,245
63238	Uniformes	6,000
63291		2,898
63299	Outros Fornecimentos e Serviços	48,162
65	Amortizações do Período	3,044,716
68	Outros Gastos e perdasoperacionais	100,500
69	Gastos Financeiros	4,126,062

<i>P&L</i>	<i>Notas</i>	<i>2016</i>	<i>2015</i>	<i>Variation</i>
Revenue		13,469,903	4,227,584	9,242,319
Investments		0	0	0
Cost of goods Sold		0	1,909,030	-1,909,030
Salaries and Payrol		3,218,845	5,175,592	-1,956,747
Operating Expenses		12,615,317	11,615,154	1,000,163
Amortization		3,048,266	3,044,716	3,550
Provisions		0	0	0
Inventory Adjustments		0	0	0
Other operating costs		499,786	100,500	399,286
		-5,912,310	-17,617,407	11,705,098
Investment income		30,184	300,979	-270,795
Gain/loss from investments		10,143,082	4,126,062	6,017,020
EBIT		-16,025,207	-21,442,490	5,417,283
Income Taxes		8,392	12,012	-3,620
Earnings after taxes		-16,033,599	-21,454,502	5,420,903

Exhibit 11 – Value Net Model

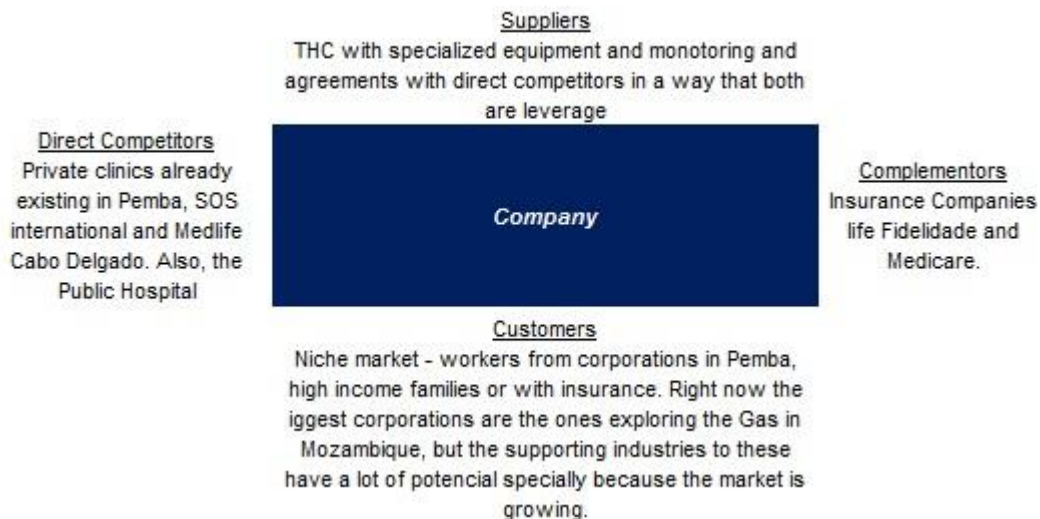


Exhibit 12 – Mckinsey 7 S Framework

<i>Hard Elements</i>	<i>Soft Elements</i>
Strategy - Clidis has a strong integration strategy.	Shared Values - With strong beliefs and values, Clidis aim is to help their patients and offer the best service they can to the community, facilitating the diagnosis process and treatment
Structure - The clinic has a strong structure with experienced administrators in the health industry that are the foundation of the clinic	Skills - With 40 years of experience, this is one of the strongest elements that Clidis Presents. With a high trained team of doctors and experienced administrators in the health business, it is promised the best quality in their services.
Systems - Clidis offers the top of the hedge technology in the health services provided. However, it's quite the challenge to have access to proper maintenance and materials in Mozambique or rather costly.	Style - In Portugal and in Mozambique, Clidis has a clean and modern look that makes their patients comfortable and at ease-
	Staff - As stated, the staff is highly qualified and specialized in many areas of expertise in the health industry.

Exhibit 13 – Critical Success Factor

After talking to the Administrators of the Clinic, the Critical success factors that were determinant were narrowed down to 3:

- ➔ Ability to integrate with the health system in Pemba, making agreements with the key entities
- ➔ Big Corporations actually going to Pemba, as planned (Nadarco, Galp, etc.)
- ➔ Having access to the needed supplies to offer the promised service to Pemba’s community

Exhibit 14 – Business Model Canvas (Resumed)

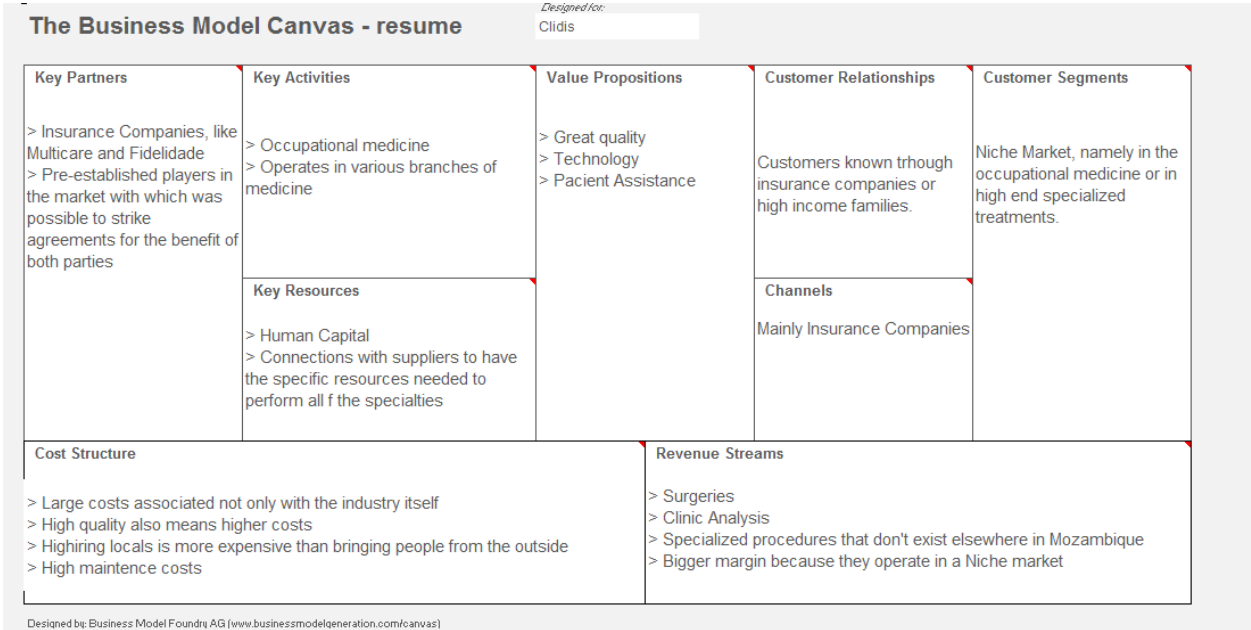


Exhibit 15 – VRIO

Valuable – Clidis has a unique combination of quality in the procedures performed, variety of health specialties they operate and closeness to their patients. Their family based values and critic thinking, they are helping a large percentage of the population of Pemba, everyday.

Rare – Clidis is a pioneer in Mozambique in imaging medicine, and not only that, it offers top technology along with a team of experts, furthermore, they have 40 years of experience in the health industry.

Costly to imitate – It is in fact very costly to imitate a clinic like clidis, not only because if there is a clinic alike in the market already, it will be difficult to recover from the initial costs, because the future revenue will be split with another clinic. It is fair to say that until now Clidis doesn't have a direct substitute in Pemba and because they offer very high quality and use very recent technology in their treatments and diagnosis, it becomes rather costly to imitate.

Organized – Clidi's administrators have a lot of experience and they managed to make a solid network of partners that assured Clidis integration in the market.

Exhibit 16 – Porter's National Diamond

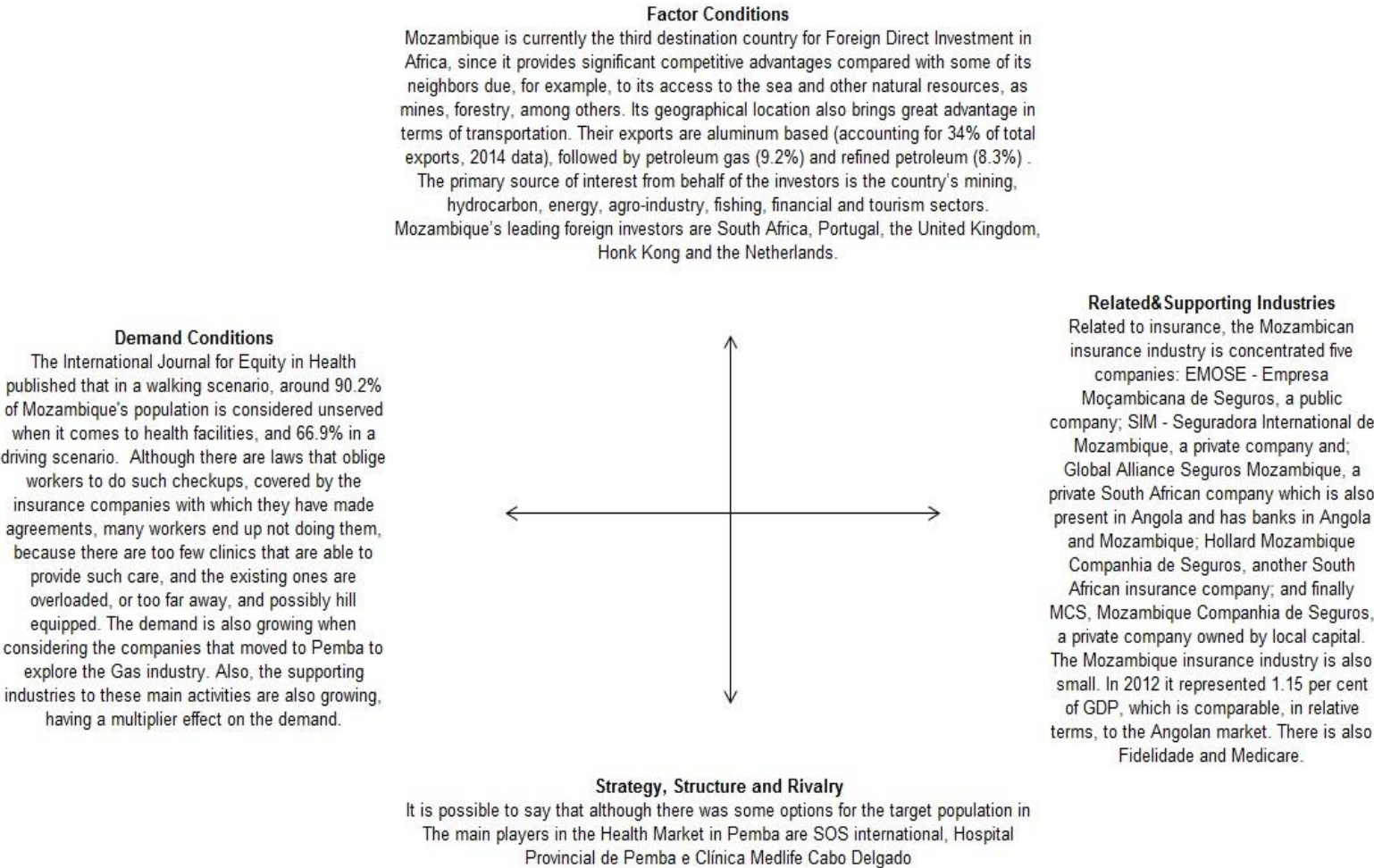


Exhibit 17 – CAGE (topics only for bilateral measures)

Cultural Differences – Between Portugal and Mozambique there are a lot of cultural similarities because of the colonization. It proclaimed independence since 1975 but even so, a lot of cultural influences from Portugal remain, as the language, religion and so on.

Administrative differences – Mozambique has a lot of political instability. See Exhibit 7 (PESTLE Model, Political), which is what is going to be more difficult to deal with, when expanding there.

Geographical distance – The distance between Portugal and Mozambique is 7,874 km. By plane, it takes approximately 8 hours to arrive.

Economic differences – Mozambique is still considered a country I development while Portugal is already developed. In Mozambique there is a very high income inequality .

Exhibit 18 – Porter’ 5 Forces

Bargaining power of suppliers

In a country like Mozambique it’s very difficult to have access to the materials needed to have a high quality specialized clinic like Clidis. The administrators of the Clinic inclusively said that all the equipment, specialized furniture for each type of patients (for different types of procedures) and laboratory equipment came from Portugal, which made all of the process even more time consuming and expensive than usual. Negotiating and monitoring the suppliers is in fact a much bigger challenge and even the shipping process has to be overlooked by the administrators.

Maintenance prices are also at least double of what is practice in Portugal and some reagents can’t be bought or take weeks or months to get to Pemba, being quite the challenge and slowing the solidification of the panoply of treatments that are to be made possible by the clinic.

Bargaining power of customers

Clidis was quite clear when it comes to their target market, serving the companies that were going to be established in Pemba, hence, occupational health. For this, Clidis needed to strike deals with the insurance companies that operated in Pemba, and have various services available to give response to the high demands of these new corporations. In fact, and as explained promptly in the next section, Clidis made arrangements with most of the insurance companies, financial companies, and even some of their competition. Furthermore, there wasn't a lot of competition for Clidis, specially when it came to this type of quality, and this type of demand. It's ultimately fair to say that Clidis capture the demand it created, by negotiating and connecting upfront with the companies that were interested in moving to Pemba.

Threat of substitutes

Analyzing the bargaining power of substitutes, it is possible to say that although there was some options for the target population in Pemba, Mozambique for the target market it question (niche market), Clidis was able to not only surpass their market share, but also make them their allies, coping with their possible substitutes in a very strategic way.

Starting by the local hospital, "Hospital Provincial de Pemba", it has a private clinic inside the hospital, which represents one of the main substitutes. However, the quality of the services is very low, and the rooms need rehabilitation. While establishing Clidis started negotiating with the hospital, hence, the private clinic. Indeed, they could complement each other and leverage both of their value. Pemba doesn't have any other options when it comes to childbirth, and in fact, many times the population of Pemba needs to go to Maputo, which is far, and many times not quick enough to perform the childbirth on time. When built, Clidis didn't have rooms to perform this type of service, nor post-labor rooms to accommodate the patients. So the Clinic made an agreement with the hospital. They will pay a rent for some of their rooms, perform their services there, and the hospital will use that rent to rehabilitate the rooms in the Hospital.

Therefore, both clinics will thrive with the entrance of Clidis in the market, as well as the population of Pemba. They also agreed on some other services that Clidis didn't have access to, as in medical waste collection, medicine supply and an ambulance.

There is also another clinic in Pemba, already established when Clidis moved there: SOS international, although it isn't a perfect substitute. SOS international (or SOS internacional) provides emergency services, as in stabilization, emergency ambulances and evacuation services, in case of accidents. Clidis also made an agreement with this Clinic in order to have an emergency service, in case one of the client's needs rapid aid.

In Pemba there aren't any other forms of competition, and one clinic that existed before Clidis, closed. So as easily perceived, Pemba was in the need of a clinic like Clidis.

Threat of new entrants

Up until the moment Clidis hasn't found any threat of new entrants, but nonetheless it has assured their share of the market by arranging agreements with the major insurance and financial companies of Pemba, as in Multicare, Fidelidade, Bank of Mozambique and EDM (Energies of Mozambique), among others. Also, as described before, Clidis operates in a niche market, exploring quality over price, and exploring these specificities of the market, along with the agreements described above, have set a tombstone for the clinic.

Overall competition in the industry

In sum, there wasn't a very big market demand nor supply before Clidis established themselves in Pemba, Mozambique. This was because Clidis laid on the fact that there were in the presence of a big change in Pemba, with a lot of important companies moving there, companies that would need occupational health services. Clidis is now a reference in Pemba and it has managed to not only surpass the quality of its competition, but also cooperate with them. It has also made it difficult, specially because of the contracts with the insurance companies, to penetrate the market.

Exhibit 19 – Interview Structure

The interview was performed with one of the administrators of Clidis, Célia Ferreira. The following questions were addressed:

1. How did Clidis begin, in Portugal
2. Why Mozambique, and more specifically, Pemba?
3. How was the market when you firstly started to analyze the possibility of expanding to Pemba, and how is it now?
4. Was it difficult to get all of the supplies and specificities that are needed to open a clinic like Clidis?
5. How did the population react?
6. What were your main obstacles? How did you overcome them?
7. How is your cost structure and how do you expect it to evolve?
8. Do you see Clidis expanding further on?