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CSR in International Business

Creating Shared Value

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I Problem description

This master thesis seeks to investigate whether or not multinational corporations (MNCs) can use corporate social responsibility (CSR) as part of their overall business strategy, in order to create shared value (Porter and Kramer, 2006). This concept argues that the responsible operations of a firm may not only benefit the society, but also the firm itself. How and under which conditions MNCs may use CSR to create shared value will be examined. This information will be further elaborated to understand how MNCs may best achieve shared value. The focus centres on the theory on competitive advantage by Porter (1985, 1996), and blue ocean by Kim and Mauborgne (2005).

II Preface

This thesis represents the conclusion of our Master of Science degree programme in Industrial Economics and Technology Management, at the Norwegian University of Science and Technology (NTNU). We have specialised our degree within the field of Strategy and International Business Development. This thesis is based upon our pre-diploma thesis written during the fall of 2014.

The aim of this diploma work is to provide an understanding of how multinational corporations can use corporate social responsibility (CSR) in order to create shared value, benefiting both the firm itself and the society. The work is part of work package 1 (WP1) - *Internationalisation* within the research project *Sustainable Innovation and Shared Value Creation in Norwegian Industry (SISVI)* at NTNU, led by Professor Annik Magerholm.

First and foremost, we would like to thank our academic supervisor Professor Arild Aspelund, for his valuable guidance, support, and constructive feedback throughout the project. The help and contributions are highly appreciated. We would also like to thank PhD. Nicolai Løvdal for taking an interest in our study, as well as for providing guidance and giving us constructive feedback through the SISVI meetings. Additionally, a big thank you for his help to identify suitable case firms for the study, and for engaging Stormberg in the project.

We would also need to express our gratitude to the two case firms Stormberg and Marine Harvest, for agreeing to participate within our study and sharing their valuable information. A special thank you is given to CR Manager Jan Halvor Bransdal and Communication Manager Petter Toldnæs in Stormberg, as well as COO Sales and Marketing Ola Brattvoll and Global Director Technical and R&D Øyvind Oaland in Marine Harvest, for spending their valuable time on our interviews, and performing perusals and quotation checks of our empirical data.

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III Abstract

The world is experiencing several global issues of economic, social, cultural, and humanitarian characters, and they are continuously increasing in scale. Multinational corporations (MNCs) are considered as both contributors to the problems, but also as a big part of the solutions. Consequently, the pressure put on firms to take responsibility for their actions is increasing, and corporate social responsibility (CSR) has emerged as an inescapable priority for managers. However, MNCs' investments in CSR are moderate, namely because the firms consider such investments as a cost factor only. A literature review on the subject of CSR within international business revealed that research investigating what MNCs may receive in return of their CSR investments, is absent.

This study responds to the lack of research by addressing how MNCs may use CSR to create *shared value*, benefiting both the firm itself, as well as the society. The focus centres on the issue of whether and how shared value can be achieved through creating either a *competitive advantage* or a *blue ocean*, by engaging in responsible actions. In order to investigate the subject, a case study is performed on two Norwegian MNCs that have incorporated responsible actions in their business strategies, as the only actors in their respective industries.

The findings of this study reveal that MNCs can create shared value by pursuing the two different methods investigated. It is found that MNCs can create a competitive advantage by differentiating themselves from their competitors by acting responsibly. Additionally, a blue ocean can be created by initiating a value innovation based on CSR. However, in order for both methods to be viable, certain guidelines must be followed, and preconditions must be fulfilled.

Based on the findings in this thesis, a strategy framework and tool is developed in order to provide clear guidance for other MNCs, on how to best achieve shared value creation. We call it the *Green Planet Strategy*. In order to create shared value, the firm must develop a *sustainable value innovation*, that is, a value innovation based on responsible actions. Such an innovation is created by reducing firm risks and costs, while increasing the value offering to the customers. Additionally, the responsible strategy must have relevance, which is achieved by addressing the most pressing issues in the specific

industry. Helpful guidance, preconditions, as well as tools are presented to help the firm create the best possible sustainable value innovation.

The findings of this study provide evidence for managers that business opportunities exist within CSR, and that CSR is not solely an expense. Thus, managers must discard this wrongful perception of CSR and acknowledge the opportunities that exist within this field. However, without true commitment from the top management, these opportunities can never be fully exploited. Furthermore, policy-makers need to intensify their work to impose additional and stricter regulations on MNCs. Additionally, indirect policy-makers must acknowledge their responsibility regarding this work.

IV Sammendrag

Verdenssamfunnet i dag opplever utallige økonomiske, sosiale, kulturelle og humanitære problemer, som stadig øker i omfang. Multinasjonale selskaper (MNCs) blir ansett som både en del av problemene, men også som en del av løsningen på disse. Følgelig presses slike selskaper i økende grad til å handle på en ansvarlig måte og til å ta ansvar for sine aktiviteter gjennom hele verdikjeden. Begrepet *sosialt ansvar*, også kalt CSR, har dermed vokst frem som en uunngåelig prioritet for ledere verden over. Til tross for dette er investeringene i CSR fortsatt moderate, noe som i stor grad er et resultat av lederes oppfattelse av CSR som en ren utgiftspost som reduserer selskapets overskudd. Et litteraturstudie gjort på CSR innenfor internasjonal forretningsutvikling viste at det tidligere ikke er forsket på hva MNCs, finansielt sett, kan tjene på sine CSR-investeringer.

Denne avhandlingen forsøker å tette det hullet som finnes i litteraturen, ved å undersøke hvordan MNCs kan skape *felles verdi* ved å inkorporere CSR i sin overordnede forretningsstrategi. Målet er at denne felles verdien skal gi fordeler både til selskapet og til samfunnet. Fokuset er rettet mot hvorvidt og hvordan det er mulig å oppnå felles verdi ved å skape enten et *konkurransefortrinn* eller et *blått hav*, basert på ansvarlige handlinger. Et case studie er utført på to norske, suksessfulle selskaper som har gjort CSR til en del av sin forretningsstrategi, som de eneste aktørene i sine markeder.

Funnene i avhandlingen avdekker at det er mulig skape felles verdi ved å bruke begge metodene som er nevnt over. Det ble påvist at det er mulig å skape et konkurransefortrinn ved å *differensiere* seg på CSR. Det er i tillegg mulig å skape et blått hav ved å bygge en *verdiinnovasjon* basert på ansvarlighet. For at det skal være mulig må imidlertid viktige retningslinjer følges, samtidig som noen forutsetninger må ligge til grunn.

Basert på funnene i denne avhandlingen er det utviklet et nyttig strategiverktøy som er ment til å veilede MNCs som ønsker å oppnå felles verdi, og forklarer hvordan dette kan gjøres på best mulig måte. Vi kaller det *Den Grønne Planets Strategi*. For å oppnå felles verdi må selskapet utvikle en *bærekraftig verdiinnovasjon*, nemlig en verdiinnovasjon bygget på ansvarlige handlinger. En slik innovasjon skapes ved å redusere kostnader og risiko for selskapet, samtidig som man øker kjøpsverdien for kunden. Det er viktig å

understreke at den ansvarlige strategien må være relevant for både selskapets kunder og markedsposisjon, og den må ta tak i de mest fremtredende problemene i den respektive industrien. Det er utviklet retningslinjer, forutsetninger og verktøy for at selskapet skal kunne oppnå en størst mulig bærekraftig verdiinnovasjon.

Denne avhandlingen fremlegger bevis for ledere at det finnes forretningsmuligheter i CSR, og at slike aktiviteter dermed ikke utelukkende representerer en kostnad for selskapet. Ledere må derfor forkaste sine gale oppfattelser av konseptet, og anerkjenne de mulighetene som finnes ved å investere i CSR. Det er ansett som en forutsetning at toppledelsen forplikter og engasjerer seg for at det skal være mulig å oppnå felles verdi. I tillegg må beslutningstakere intensivere sitt arbeid med å innføre ytterligere og strengere krav til MNCs, relatert til ansvarlighet. Også indirekte beslutningstakere må anerkjenne det ansvaret de har for å drive dette arbeidet fremover.

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1 Introduction

Today, the world is experiencing several international problems of economic, social, cultural and humanitarian characters. These problems affect the population around the world. In 2014 1,2 billion people still lived in poverty (UNDP, 2014), and today, one out of eight people are undernourished (United Nations, 2015a). Consequently, a great number of people live under unsatisfactory living conditions. Climate changes also represent major challenges around the world, leading to increase in the world's temperature, rise of the sea level and change in weather patterns. Consequently, societies are affected, and many have already experienced difficulties with food production due to increasing temperatures (United Nations, 2015b). Several international problems are also related to some sort of repression, where different groups are repressed by governments or other organisations due to their gender, religious beliefs, cultural background and so on, causing severe inequalities in the society. Inequalities can also be caused by corruption, leading to problems of an economic character where the wealthier get more and the poor less. The number of problems facing the world society is high, and these listed problems represent only a small part of the entire picture.

As the world has become more globalised and the international trade increases, the problems in one country can in fact have global effect. For example, global warming can reduce the yield in the agriculture in one region, affecting the food supply to another. Simultaneously, the borders between countries slowly efface, and the international media coverage has increased. Thus, it is easier to shed light on the many issues presented above. Consequently, pressing and uncomfortable issues are more difficult to ignore, even though they do not affect you personally. As the awareness of these global issues are increasing, different opinions and perspectives are developing on the multinational corporation's (MNC) role related to these problems. Corporate social responsibility (CSR) has thus emerged as an inescapable priority for managers.

From one perspective MNCs are viewed as a source and a contributor to these global problems. The industrialisation of societies around the world has created many large MNCs with resource demanding processes. Their way of operating can be viewed as greedy, as the history shows how many MNCs have earned great money while exploiting local communities and ignoring the consequences of their actions. Examples of workers in underdeveloped countries that have been taken advantage of and suppressed in order to

save production costs, are evident. Also raw materials have been used without worrying about how they pollute the environment or how over-consumption can affect the natural habitat. Furthermore, also production methods may have major impacts on the environment.

However, from another perspective MNCs can in fact be viewed as a part of the solution to these international problems. MNCs are in a unique position economically speaking, as well as with regards to knowledge and resources. As corporate citizens, they are better equipped than the normal citizen, and often governments and NGOs as well, to solve pressing problems in the society. Furthermore, MNCs normally have great impact on local communities in which they operate, namely because of their size and contribution to employment, and may therefore be positioned to influence the development in the area. Especially, MNCs are often in a good position to create awareness among the government and the people, related to pressing issues. Thus, MNCs can be pioneers to set the problems on the agenda, demanding that other firms, governments, NGOs and people take action to solve global problems. For example, many MNCs operate in underdeveloped countries, where there are high potential for increasing the locals' knowledge and economy if there is a good collaboration between the local society and the MNC. MNCs are also believed to solve international problems through their possibilities to create technological innovations, by for example developing more effective sources of renewable energy, or a more efficient agriculture that can supply a growing population in a sustainable way.

As we can see, MNCs may in fact represent the source of many problems, but also the solution to them. It seems simple enough to make the MNCs aware of their irresponsible actions and make them stop doing it, meanwhile engaging and investing in the local society. Many firms have in fact invested in various types of responsible actions. However, the effort does not seem to be enough to solve the numerous problems around the world. Furthermore, even though many view MNCs as a solution to the international problems, it is not given that the MNCs themselves agree or understand how and why they should engage in these problems. It is evident that many firms consider CSR as an expenditure item only, which take its share of the firm's profit (Christmann and Taylor, 2006). Consequently, many MNCs do only what they must in order to please stakeholders and obtain legitimacy, seeking to keep the actions to a minimum (Chen and Bouvain, 2009; Christmann and Taylor, 2006). Thus, the responsible actions are rather a result of external pressure and not the desire to do good (Aspelund, Fjell and Rødland,

2015). Obviously, this type of attitude will not contribute to solve the pressing global issues.

Taking a quite different view, one may believe that responsible actions and CSR can in fact represent an opportunity to the MNCs, in terms of business development. Thus, the firms can actually earn a return on their investments, benefitting both the firm and the society at the same time. Toms and The Body Shop are two examples of MNCs that show a great desire to do good, and they have both created responsibility as a core part of their product or strategy. The Body Shop takes responsibility through their product and production methods. The firm produces only makeup containing natural ingredients and can guarantee that none of their products are tested on animals. Toms, on the other hand, has the policy of donating a pair of shoes to a person in need for every pair they sell. What is common for both Toms and The Body Shop is the fact that they have both differentiated themselves from their competitors and obtained a unique position in the market, experiencing great success. They have introduced responsibility as a competitive factor to their industry, which have been much appreciated by the customers. Thus, they have been able to create a competitive advantage through their responsible actions.

Even though CSR activities may not create a business opportunity right away, it can pay off in the future. The external focus is moving towards more responsible actions, and the well-established competitive environment and the competitive factors are following close behind. A firm that acknowledge this responsible development and adjust to it, may get ahead of their competitors and create great opportunities to be harvested in the future. Likewise, a responsible business strategy may also function as an insurance against future costs related to being caught for acting irresponsibly.

It is evident that a MNC's role in the society may in fact impact the firm itself, its competitiveness, and thus its business performance, both positively and negatively, depending on the role taken. However, it is evident that MNCs may receive several positive effects if they use CSR in the right strategic way appropriate for the firm. If more MNCs engage in CSR, hopefully some of the problems in the global society can reach towards a solution.

1.1 Research focus

Despite the claimed positive effects of a responsible strategy for both the firm, key-stakeholders, and the society, the question of what MNCs may receive in return for their CSR investments is largely unexplored. As the external pressure for CSR activities continuously increase, managers yearn to know how they may receive financial returns on their CSR investments, and whether these investments can be used to change the competitive position of the firm. Especially for corporations that are constrained by law when it comes to using the stockholders' money for charity, a proof of how CSR can give financial returns would open new opportunities for investments in CSR. Today we can observe that corporations, as opposed to public firms, are more reluctant to invest in CSR due to their legal constraints. Thus, the aim of this study is to investigate how MNCs strategically can use CSR in order to benefit both the society and the firm itself. This is what Porter and Kramer (2006) define as *shared value creation*. In order to provide an in-depth understanding of how one can create shared value, different possible methods will be looked into.

Porter and Kramer (2006) argue that firms can create shared value by using CSR strategically to achieve a competitive advantage. In addition to make contributions to the society, the responsible actions can have a positive effect on the firm's business operations and competitive environment, thus improving the firm's market position. It is about doing things differently from competitors in a way that will either lower costs or better fulfil the needs of specific customers. However, this theory has never been empirically tested within the international business literature. Thus, we ask

RQ1: *How and under which conditions can MNCs use CSR as part of their overall business strategy in order to achieve competitive advantage?*

The former research question is based on the theory of competitive advantage, where it is assumed that the marketplace is a constant environment that does not change in size or scope. The firms in this marketplace continuously strive to get a bigger slice of the cake, and the competition is therefore fierce. The competitive factors are very much the same for all actors in the industry, they all strive to offer more for less (Kim and Mauborgne, 2005). However, one can believe that CSR can be used to achieve more than just a competitive advantage. Firms that acknowledge CSR as an opportunity rather than a cost factor only, may use CSR to break out of the existing competition. The Blue

Ocean Strategy (Kim and Mauborgne, 2005) argues that by adjusting the competitive factors, as well as adding new factors that no actor has previously offered before, a firm may actually create a leap in value for its customers. Thus, by observing how very few MNCs use CSR strategically, one can argue that CSR can be such a new competitive factor. By offering high value to customers, low costs, as well as differentiation based on CSR, firms may in fact reconstruct the whole market and industry boundaries. They may attract new customers that value responsibility, and create an unexplored and uncontested marketplace, where the old competition becomes irrelevant. One may refer to such a marketplace as a *blue ocean*. Consequently, by using CSR to develop a blue ocean, the firm may be able to create shared value. Thus, we ask

RQ2: *How and under which conditions can MNCs create blue oceans by engaging in CSR?*

The Blue Ocean Strategy contains concepts, tools, and frameworks, seeking to help firms develop a value innovation in their market, which will create a blue ocean. It can be expected that MNCs' engagement in responsible actions can create such a value innovation. Thus, it would be interesting to investigate whether some of the elements of the Blue Ocean Strategy can be used to help MNCs to best achieve shared value. Thus, we ask

RQ3: *How and under which conditions can MNCs use Blue Ocean Strategy to create shared value?*

To answer these questions, a case study will be performed on two Norwegian MNCs; the sports and outdoor clothing company Stormberg, and the world's largest Salmon producer Marine Harvest. The case firms are chosen due to their high investments in CSR, their responsible business profile, and the belief that they are creating a value for the firm by doing so.

1.2 Structure of the study

In this initial chapter an introduction is given to provide the readers with an understanding of the subject of this study, as well as for the reasons why these questions are addressed. In the next chapter, the conceptual background of this study will be

presented, in order to provide an understanding of the foundation of the study. Chapter 3 presents the methodology of the study, explaining and justifying the chosen research method. There will also be a presentation and explanation of how data is collected, and how it will be analysed. The validity and reliability of the chosen research method will also be discussed. Chapter 4 will present the empirical data that is gathered on our two case firms. In chapter 5, a thorough discussion and analysis of the case firms will be given, seeking to provide answers to our three research questions presented in the introduction. This chapter will also elaborate how the findings will have implications for managers and policy-makers, and the possible limitations of the study, as well as suggestions for further research. Finally, chapter 6 will draw a conclusion, presenting the answers to our three research questions.

2 Conceptual background

This chapter presents the conceptual background for this thesis. Firstly, a description of the concept corporate social responsibility (CSR) will be given, as well as a definition and its role in international business. Next, the theory on competitive advantage will be described, and the concept of shared value will be presented. Furthermore, the contradictory strategic mindsets of structuralism and reconstructionism are described, as well as their relation to strategic actions taken by firms. Lastly, a detailed explanation will be given of the concept of Blue Ocean Strategy.

2.1 Corporate Social Responsibility

As the world has become more globalised and transparent, the social, ethical and environmental consequences of MNCs' operations and value chains are increasingly put into light. The world society put heavy pressure on MNCs in order to make them account for their actions, aiming to make them reduce the impact on local societies, people, and environment. As mentioned in the previous chapter, some people argue that MNCs to a great extent represent the solution to many of the problems evident in the world society. Governments and organisations somewhat agree, and a lot of effort is put into developing new and stricter regulations, especially in developed markets. These regulations seek to control the operations of MNCs, make them account for their operations, and act as a responsible corporate citizen (Chen and Bouvain, 2009). Consequently, CSR has emerged as an inescapable priority for managers all over the world, and has even become a part of some firms' business strategies (Porter and Kramer, 2006). However, the perception of CSR varies, depending on whom you are asking. The term CSR has developed through the last sixty-five years, and represents different things to different people. The meaning of the term depend on factors such as demography, culture, economy, firm size, and the character and values of leaders and top management teams (Waldman et al., 2006; Laudal, 2011; von Weltzien Hoivik and Melé, 2009). Nevertheless, we aim to provide a clear definition of the perception of the term, which will be used throughout this study.

2.1.1 Definition of CSR

It is not possible to say when and where the term CSR originated. Even though the term have existed for a very long time there is still no clear definition of the term. The

perception that a firm has a responsibility to take care of the society in some way, has existed for centuries, but the first definitions were made in the 1960s. Davis (1960, p.70, cited in Gonzalez-Perez, 2013a, p.4) explained CSR as ‘business men’s decision and actions taken for persons at least partially beyond the firm’s direct economic and technical interest’. Today, this definition is still highly applicable, and describes the CSR engagement of many firms. These firms often keep their engagement to a minimum, and one can define such CSR activities as either *charity* or *stewardship*. The principle of charity involves how firms use their corporate power and resources for the good of the society. The principle of stewardship, on the other hand, entails the opinion that firms have an obligation to serve the society’s needs, namely because their wealth is generated from operations performed in the society (Davis and Post, 1988, cited in Gonzalez-Perez, 2013a).

However, as stakeholders have increased their expectations towards international firms and their accountability, it is evident that several firms take their responsibility to society and environment more seriously. *Global Corporate Citizenship* (GCC) is a term that has evolved after year 2000, and describes how the firm’s impact on society and relation to stakeholders are fundamental to the core of their business operations (von Weltzien Hoivik and Melé, 2009). This approach has by Porter and Kramer (2006) been characterised as *responsive CSR*, as companies often engage in generic social issues, or existing or anticipated negative effects of their operations. They consider the possibility of taking CSR a step further and using it to engage in the social dimension of the firm’s competitive context. This type of engagement is characterised as *strategic CSR*.

Chandler and B. Werther, Jr. (2011) present a definition of CSR that is more applicable for the development that has taken place in the field since the 1960s: ‘A view of the corporation and its role in society that assumes a responsibility among firms to pursue goals in addition to profit maximisation and a responsibility among a firm’s stakeholders to hold the firm accountable for its actions.’ It is this particular definition that is used throughout this thesis.

2.1.2 CSR within the international business literature

Even though the CSR literature started to evolve around the year of 1950 (Carroll, 1999), and the definitions of CSR started to emerge in the 1960s, it is not until 2001 that the literature investigates CSR in relation to international business. A significant

increase of empirical studies is found from 2006. Thus, CSR in international business is a relatively new research field. This is in close correlation with the increased attention put on the actions of international firms the recent years (Aspelund, Fjell, and Rødland, 2015).

The majority of the literature on CSR and international business takes either a stakeholder or an institutional view, aiming to understand the drivers and motivations for responsible actions. It appears that most firms engage in CSR activities due to external factors primarily to obtain legitimacy from stakeholders or improve reputation (Aspelund, Fjell, and Rødland, 2015).

Even though several aspects of the CSR literature have been covered, such as drivers and motivations of CSR, best practices, and the question of global or local approaches, it is evident that no empirical research have been performed on the relationship between CSR and profitability, or the opportunity to use CSR to create a unique market position. No researchers have looked into how a firm can incorporate responsible actions to their business strategy and receive financial returns on their investments, benefitting both the firm and the society (Aspelund, Fjell, and Rødland, 2015). This lack of research stands out as a major gap within the literature. As the external pressure from governments and society increases, consequently demanding that MNCs should account for their actions, it is expected that firms are very much interested in understanding how they can achieve an improved market position through their CSR investments.

Even though there is little or no research on the subject, it could be expected that some MNCs have acknowledged the opportunity of making returns of their CSR investments. However, in the search for appropriate case firms, it became evident that only a handful of firms have sought to use responsible actions as a central part of their business strategy.

2.2 Competitive advantage

In order to fill the obvious gap within the international business and CSR literature, this study seeks to investigate how MNCs responsible actions can create value for the firm, this in order to. This value can be reflected in various elements, for example increased demand, being the preferred supplier, reduction of production costs, and so on. However,

in many ways it is about achieving an advantage towards the competitors. Porter's theory on *sustainable competitive advantage* (1996) is recognised within the field of international business literature, and can thus be a helpful framework and tool during the investigation related to RQ1. Porter's theory emphasises the importance for a firm to create a unique competitive position in the market. To accomplish this, the firm needs to make a strategic decision on which activities to engage in, and which necessary trade offs that have to be made. The activities have to be tailored to the firm's strategy, so that they fit and reinforce one another. Consequently, the firm will obtain a unique market position, which is difficult to copy, thus creating a sustainable competitive advantage (Porter, 1996).

Porter's *three generic strategies* represent three opportunities for a firm to create a competitive advantage. A firm can either pursue *cost leadership*, *differentiation* or *focus* (Porter, 1985, 1998). In order to create a competitive advantage, a firm must choose which advantage it wants to pursue, and whether it seeks a *broad* or a *narrow target*. Porter (1985, 1998) points out that a firm is unable to obtain a competitive advantage if it aims to be all things to all people on the market. Pursuing all strategies at the same time is extremely resource demanding, especially in terms of costs. Additionally, such a strategy is very confusing for the customer.

Firms pursuing cost leadership seek to find and exploit all sources of cost advantage, and aim to become the cost leader in the industry. Consequently, a cost leader will not add components to their product or service in order to differentiate themselves from their competitors. Nevertheless, the firm must understand which components that are needed in order for the product to be accepted on the market, as well as to be evaluated and compared to the other products on the market (Porter, 1985, 1998). Important to note is that there can only be one cost leader in each industry.

A differentiation strategy, on the other hand, is all about creating an unique position in the market. A firm pursuing this strategy seeks to add a dimension to their product or service that is highly valued by the customers. This strategy allows for a higher price to reflect the increased offering level to the customers. However, the investments and actions taken to be divergent are often expensive, thus, such a strategy also often entails a higher cost structure. Important to note is that the price must exceed the costs in order for the strategy to be profitable. Thus, a differentiator cannot ignore its costs, and must seek to reduce costs in areas that do not contribute to differentiation, so that the

cost structure is not higher than necessary. In contrast to cost leadership, there can be several successful differentiation strategies in one industry (Porter, 1985, 1998).

Firms pursuing a focus strategy seek to have a narrow target group, focusing on either differentiation or low costs. The strategy is dependent on the needs of the chosen segment(s), and the resources and capabilities of the firm. The strategy becomes tailored to these specific segments, serving them to the exclusion of others. Thus, a competitive advantage will only be achieved in a smaller segment of the market (Porter, 1985, 1998). For example, cost focus exploits differences in cost behaviour in some segments, whereas differentiation focus exploit the special needs of buyers in certain segments.

Ever since Porter presented his theory on competitive strategy in 1980, his thoughts and mindset have dominated the field. Many researchers have based their studies and theories on Porter's theory on sustainable competitive advantage. Despite the appraisal, the theory has also received some criticism. Some commentators have questioned the use of the three generic strategies, claiming they lack specificity and flexibility, and that they are limiting. This criticism is especially aimed at Porter's saying that a firm must choose either low costs or differentiation, and commentators argue that there can be a viable middle ground in between the strategies (Mekić and Mekić, 2014).

2.3 Shared value creation

As mentioned in section 2.1.2, no empirical research has been performed on how CSR can be used strategically to the benefit of the firm. However, this does not imply that no one has thought about the possibility. In 2006, Porter and Kramer presented their concept of *shared value creation*, which implies that both firm and society in fact can gain advantages from engaging in socially responsible actions.

Porter and Kramer (2006) state that a firm can create a competitive advantage by incorporating responsibility to its business strategy. However, it is not given that any social responsible action will contribute to a competitive advantage for the firm. Most often the effort taken by firms to act responsible is not particularly productive, financially speaking. In fact, firms consider CSR as an unwanted cost (Christmann and Taylor, 2006). This is mainly due to the way firms consider business and society as conflicting elements, and not as interdependent. Additionally, this can also be seen in

relation to how firms choose their CSR activities in a generic way, rather than considering which activities that are most appropriate for the firm with respect to their business strategy (Porter and Kramer, 2006). Consequently, the concept of shared value creation describes how firms can incorporate CSR activities to their overall business strategy, so that they not solely represent a cost, but also create value for the firm in terms of a unique market position.

The concept of shared value creation demands that the firm takes both an *inside-out* and *outside-in perspective* when choosing which CSR activities to engage in during the development of their responsible strategy. By considering the inside-out approach, the firm is able to understand the social consequences of their business activities throughout the value chain. Furthermore, by taking this approach the firm is able to link their CSR activities to the firm's internal resources and capabilities. Consequently, they do not engage in activities that they are unfit to perform. On the other hand, by considering the outside-in approach as well, the firm is able to understand its competitive context. This is necessary in order to identify and target those social issues that actually have an affect on the firm's business performance and market position (Porter and Kramer, 2006). Thus, by combining these two approaches, the firm can identify and develop a responsible strategy that can both benefit the firm and the society in an optimal way.

The abovementioned approach largely differs from how the majority of firms engage in CSR today. However, if a firm uses CSR strategically as Porter and Kramer (2006) suggest, they will have the opportunity to create an unique position in the market, and thus create a long term competitive advantage. Nevertheless, by reviewing the literature it is evident that no empirical studies on CSR and international business have actually tested the concept of shared value creation, which reduces its conceptual credibility (Aspelund, Fjell and Rødland, 2015). A common criticism is also directed at the downplay of trade-offs that firms have to make, as it is not likely that firms will always be able to create win-win situations for all parts. They argue that firms are bound to experience some dilemmas between their activities and the effect on stakeholders. Furthermore, critics claim that Porter and Kramer have not acknowledged overlapping established literature and have claimed that this is a new subject of study, while it is found that previous literature is in fact touching upon creating shared value (Crane *et al.*, 2014).

2.4 Strategic thinking to create shared value: structuralism vs. reconstructionism

The concept of shared value creation is based on Porter's theory of competitive advantage (1980, 1985). This implies that the firm needs a *structuralist view* to create shared value, as Porter's theory is based on this kind of strategic, competitive thinking. This view is based on the economy in industrial organisation. The model to organise industrial organisation recommends a paradigm where the causal relationship goes from the market structure, to behaviour, and lastly to results. The *market structure* is given from supply and demand, which are the elements that shape the *behaviour* of the buyers. The buyer behaviour will in turn shape the *final results*. Changes in the system are thus decided by factors outside of the market structure, for example technical innovations or fundamental changes in the economy.

By taking this competitive view, firms seek to find a position, which they can defend against the other actors in the marketplace. Additionally, they want to achieve an advantage towards their competitors, which they can use to grab market shares. Thus, the competition is based on a zero-sum game. This form of strategic thinking makes the firms divide the market into attractive and less attractive parts, which decide where they should focus their attention. The firms choose the costs and position that fit to the internal systems and capacity, in order to meet their competitors. Thus, there is an analysis of costs versus value, however, the total profit level in the market is set exogenously by structural factors. Firms seek to conquer and reallocate the benefits.

However, it is not certain that this strategic competitive mindset is the only view firms can use in order to create shared value. As previously mentioned, the concept of shared value is relatively new, and only a handful of firms have successfully incorporated responsible actions to their business strategy. This indicates that the concept is not fully investigated, and that other strategic mindsets should be investigated. CSR as a part of the overall business strategy is also such a new field, that one can believe that such elements would completely change the market systems. The *reconstructionist view* is not based on competition, but rather on the firm's ability create innovations themselves. This view is quite opposite from the structuralist view, where innovations and changes in the system is decided by factors outside of the market structure, which firms are unable to influence. Thus, it can be believed that CSR can be used as such an innovation that

can also benefit the firm, which indicates that the reconstructionist view also can be an appropriate strategic mindset for MNCs, to enable them to create shared value.

The reconstructionist view is based on Schumpeter's theory from 1934 on endogenous growth (cited in Kim and Mauborgne, 2005). Schumpeter argues that the forces that change the system come from within the system itself. He claims that innovations can occur endogenous, and that the main source of the innovation is the creative entrepreneur. However, this innovation is still a mystery for others, as it is a product of the entrepreneurs' inventiveness, which cannot systematically be recreated. Furthermore, the reconstructionist view is also based on *the new growth theory*, which proves that innovations can be recreated endogenous by understanding the patterns or "recipes" of the knowledge and ideas behind the innovation. The point is to distinguish between the recipe of the innovation and the entrepreneur. This view allows for systematically recreation of innovations. Nevertheless, we do not know what these recipes or patterns entail, and thus we cannot convert them into actions to create innovations and growth on a firm level. The reconstructionist view starts where the theory of new growth ends, and shows how knowledge and ideas are part of the creative process, and create endogenous growth for the firm. The creative processes can occur in any organisation at any time, by cognitively reconstructing existing data and market elements in a new fundamental way.

Within the reconstructionist view, the existing industry boundaries exist only in the minds of the firms. This view suggests that there exists more and untapped demand, however, the question is how to create it. In order to do so, the focus must shift from supply to demand, and from competition to value innovation. With such a focus, firms can systematically look across the existing boundaries of the competition, and reallocate the elements in order to reconstruct a new marketplace where new demand can be created. Thus, there are no highly attractive or less attractive parts of the market, such as in the structuralist view. The level of attractiveness is defined by the firms' attempts to reconstruct the market. When the market structure is changed, so have the rules of the game, and the old competition becomes irrelevant. By stimulating the demand rather than the supply, the strategic value innovation contributes to expand existing markets and create new ones. Value innovators create a leap in value, without grabbing market shares from the old competition.

Blue oceans, as presented by Kim and Mauborgne (2005), is based upon the reconstructionist view, and represent the unexplored and uncontested marketplaces described above. One could argue that shared value also can originate from such strategic actions, namely by emphasising CSR in the recreational process. However, blue oceans have thus far not been applied within the CSR literature. In the following, we will describe Blue Ocean Strategy in more detail.

2.5 Blue Ocean Strategy

The problem with the structuralist view, argue Kim and Mauborgne (2005), is that the marketplace is fixed. The market is based upon a zero-sum game, and the rules of the game are known. Even though a firm may be able to create a competitive advantage which makes them better positioned to grab market shares from their competitors, the marketplace is often over-crowded and the competition too fierce. In such a saturated market, firms are forced to offer more for less, and the products and services are converging, making it difficult to distinguish between the different brands. Thus, firms may experience intense price wars and shrinking profit margins, and the markets offer limited growth opportunities. The leeway of firms is simply too small, and consequently, firms have a hard time surviving in these markets. These types of markets are often referred to as *red oceans* (Kim and Mauborgne, 2005).

The *Blue Ocean Strategy* explains how firms can break out of the bloody competition in the red oceans and create blue oceans (Kim and Mauborgne, 2005). The strategy is all about harvesting untapped demand, however, this demand must first be created. Thus, the firm's focus must shift from supply to demand. They need to focus on the commonalities in what customers value, as opposed to focusing on the differences between various customer groups. This way, firms can extend beyond existing customers and explore new markets. It is about exploring the opportunities that lie in eliminating segmentation. Blue Ocean Strategy seeks to reallocate elements within the firm's competitive positioning in order to reconstruct the industry boundaries, and create a new marketplace where the new demand can be created. When the market changes, so does the rules of the competitive game. Consequently, the old competitors are no longer in position to compete with the firm. By stimulating the demand rather than the supply, a strategic value innovation contributes to expand the existing markets and create new ones.

Value innovations are the cornerstones of blue oceans. However, a value innovation can only occur when the utility of the product, the price, and firm costs are properly aligned. The adjustment for utility, price and cost results in the innovation to be deeply anchored in the value, and firms avoid other actors to exploit the opportunity that they have laid out. Consequently, an adjustment must be made of the firm's competitive factors. By lowering costs for the firm, while at the same time increasing value for customers, and challenge the traditional pricing, one can create a leap in value (Kim and Mauborgne, 2005). As opposed to competitive strategies (Porter, 1985), Blue Ocean Strategy allows for both differentiation and low costs. It is more of a *and-and* strategy, rather than an *either-or* strategy, and the trade-off between the two is unnecessary. The strategy thus silences the criticism which Porter experiences regarding this trade-off, as mentioned previously.

Increasing buyer value

Value innovation is all about the offering level to customers. In order to increase the buyer value, firms need to prioritise competitive factors that earlier have been subdued and compromised. Furthermore, firms need to create and offer new elements to customers that have previously not been offered by the industry.

Reducing costs

While increasing buyer value, the firm must also lower the costs of the firm. This can be done by identifying competitive factors that customers and consumers take for granted, and factors that no longer add value, or in fact reduces the value of the product or service, so that these can be eliminated. Additionally, products or services that are overdeveloped in the fight of beating competitors, and thus contribute to over-serve the customers and increase costs without increasing the buyer value, must be highly reduced. Together, these measures contribute to reduce the costs of the firm, and thus strengthen the firm's cost structure (Kim and Mauborgne, 2005). During time, costs can continue to decrease as the effects of economy of scale can kick in due to high sales volumes caused by the superior value. Consequently, the value innovation continues (Kim and Mauborgne, 2005).

The relationship between value innovation, buyer value, and costs is illustrated in figure 1 below.

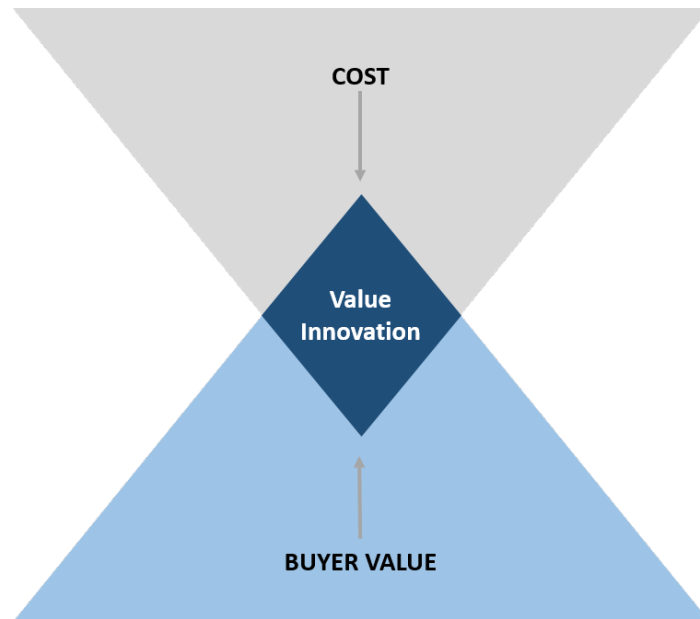


Figure 1: Value innovation

Tools to create blue oceans

Kim and Mauborgne (2005) present several tools and frameworks in order to guide firms in their pursuit of value innovations and blue oceans. These tools and frameworks include the Strategy Canvas, the Four Actions Framework, the ERRC Grid, and three characteristics of a strong strategy.

The *Strategy Canvas* is both a diagnostic and an action framework to be used to develop a compelling blue ocean strategy. The horizontal axis shows all the factors that the various actors in an industry compete on. The vertical axis, on the other hand, shows the offering level to customers for all these various competitive factors. The strategy canvas should be used to obtain an understanding of the market situation the firm is currently operating in, which allows the firm to clearly see what factors the industry competes on and where competition currently invests. For example, the firm can investigate whether they are operating in a red ocean. Coinciding value curves for the different actors indicate such a red ocean. On the other hand, the strategy canvas should also be used to help the firm reorient its focus, by looking from the competitors to alternatives, and from customers to noncustomers, thus, making the firm able to create a value innovation. A blue ocean strategy will clearly stand out in such a canvas, because the priorities of the firm are completely different from the competitors'. Important to note is that the firm must be able to read and analyse the strategy canvas in order to succeed (Kim and Mauborgne, 2005). Figure 2 below illustrates an example of a strategy canvas. The bold blue line indicate that the firm is currently in a blue ocean, namely because the curve stands out from the other actors in the market.

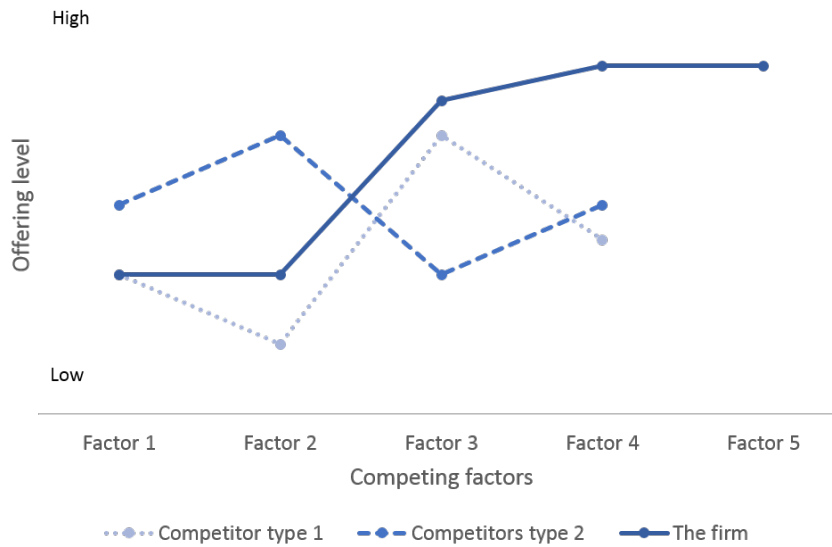


Figure 2: Example of a strategy canvas

The *Four Actions Framework* is developed with the intention to help the firm reconstruct the value offering and the cost structure of the firm, and to break the trade-off between differentiation and low costs. Four questions must be answered in order to be able to break out of the red ocean, and to create a new value curve. The four questions are listed in figure 3 below.

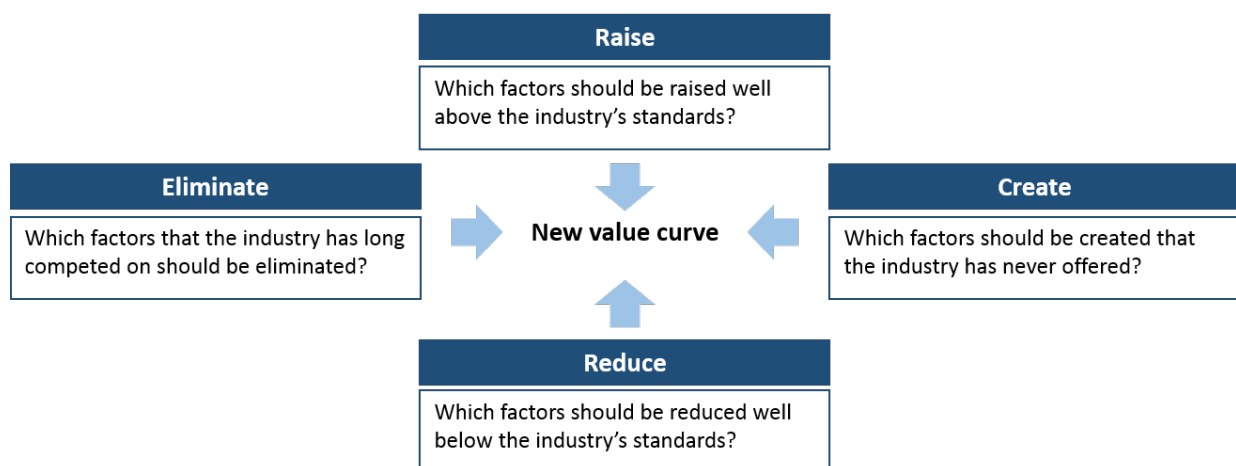


Figure 3: The Four Actions Framework

As figure 3 illustrates, the firm must identify the competitive factors that have low value for the customers, and consequently can be reduced or eliminated. Reducing and eliminating elements will help the firm to significantly lower the costs in areas that are not highly valued by customers. On the other hand, the firm must identify the competitive factors that do in fact represent great value for the customers, and that should be raised well above industry level. Additionally, the firm must create and offer

new elements to customers that have previously not been offered by the industry. Raising and creating elements contribute to significantly increase the offering level to customers. Consequently, a value innovation may occur.

In contrast to the four actions framework that makes the firm ask themselves the four questions presented above, *the Eliminate-Reduce-Raise-Create (ERRC) Grid* forces the firm to take their thoughts into actions. The grid pushes the firm to pursue both differentiation and low costs, as it becomes evident in the grid if the firm pursues only the one or the other. Creating a compelling blue ocean strategy is difficult, however, the grid makes the firm evaluate every competitive factor there is, helping them to discover implicit assumptions they make unconsciously when competing. Figure 4 below illustrates an ERRC grid.

Eliminate	Reduce
Non-value adding factor(s)	Less important factors that do not add significant value to customers
Raise	Create
Important factors that add significant value to customers	Unique factor(s)

Figure 4: Example of an ERRC grid

Lastly, a good blue ocean strategy must have the three following characteristics, namely *focus*, *divergence* and *a compelling tagline*. The firm must have a clear focus that shines through in the firm’s business profile and value curve. The firm cannot focus on all competitive factors at the same time, as this would obviously weakens the firm’s cost structure. Furthermore, the firm and its value curve should stand out from the other actors in the industry, being divergent. The firm should not benchmark themselves with competitors, but rather look across the alternatives. Last but not least, the firm must have a compelling tagline, which communicates the firm’s message. The tagline is used to reach out to customers, and it must therefore also be both catchy and truthful.

Blue Ocean Strategy within the international business literature

Blue Ocean Strategy has become central within the management and business literature. The theory has particularly been welcomed by firms operating in industries characterised as red oceans (Blue Ocean Strategy, 2015). For example, many researchers have investigated the opportunity to apply the Blue Ocean Strategy analogy within the travel and hotel industry, especially in Asia, within the gaming industry, and so on. Even though the theory has become well known, it has rarely been seen in relation to other concepts, like CSR for example.

Even though Blue Ocean Strategy has become central within the management literature, critical questions confront the strategy's credibility (TRU Group, 2015). Many sceptics point out that the theory has not been used systematically by others than Nintendo, and that all examples that Kim and Mauborgne present are firms that have not known about this theory beforehand. The actions of the firms can rather be explained by the theory, but they have not systematically used the tools and frameworks to reconstruct the marketplace. Thus, the theory can rather be characterised as descriptive as opposed to prescriptive (Pollard, 2005).

Another important critique against the theory is that Blue Ocean Strategy takes brand and marketing for granted. They do not consider these factors as key elements to success, and suggest that marketing success will come as a matter of course of value innovation. Sceptics point out that this is a dangerous assumption, as value alone does not make the consumer buy the product, the marketing campaign does (Pollard, 2005).

Lastly, some sceptics point out that the ideas behind the Blue Ocean Strategy are not at all new. They claim that the concepts and frameworks already exist within the competitive literature, for example in the Six Sigma theory. Thus, sceptics claim that Blue Ocean Strategy only colours and renames these old ideas in order to create a "sticky idea" made to sell (Pollard, 2005).

3 Methodology

This chapter addresses the methodology of this thesis. Firstly, an explanation of and account for the chosen research method will be given. Further, the method for collecting data will be presented, before the method used for analysing the data material will be explained in detail. An evaluation of the quality of the research design will be performed, and methodological limitations will be presented.

3.1 Choice of research method

Yin (2014) suggests that there are three conditions for deciding on research method. The first and most important condition is *the type of research question posed*. Secondly, one must consider *the extent of control over actual behavioural events*, and lastly, one must consider *the degree of focus on contemporary as opposed to entirely historical events*. In the following, research methods are evaluated with respect to these criteria, seeking the best research method for this thesis. Justification for the chosen method will be given.

3.1.1 Type of research questions

The research questions of this study seeks to investigate (1) how and under which conditions can MNCs use CSR as part of their overall business strategy in order to achieve competitive advantage (2) how and under which conditions can MNCs create blue oceans by engaging in CSR, and (3) how and under which conditions can MNCs use Blue Ocean Strategy to create shared value. As previously mentioned, these aspects of CSR and competitiveness, as well as the relation between CSR and Blue Ocean Strategy, have not been empirically investigated within the field of international business. Thus, these issues require an intensive and detailed examination in order to obtain an in-depth understanding. We depend on extensive insight to firms' business strategy and mindset, operations, market characteristics, motivations and drivers of responsible engagements, their competitive environment, as well as other relevant elements.

Additionally, the research questions have the form of “how”, rather than “what”, “who” and “where”, “how much”, or similar. This question form is more explanatory than the others, and need to be traced over time, rather than mere frequencies or an incidence. This study and its respective research questions require an examination of the firm, their mindset, competitive environment, and market characteristics both prior, during, and

after the implementation of socially responsible activities in firms' daily operations. Thus, considering the nature of the research questions, both a case study, historical study, and an experiment are preferred research methods so far (Yin, 2014).

3.1.2 Extent of control, and contemporary opposed to historical events

In order to provide answers to our three research questions, the study must examine contemporary events. Additionally, the relevant behaviours cannot be manipulated, as in an experiment. The firm factors that need to be examined are recent events, as well as present and ongoing developments and changes in the firms. Furthermore, for this reason also, we have the opportunity to observe the events, as well as to perform interviews of the people involved in the decision-making processes, in addition to investigate documents, archival records, and other sources of information. This constitutes the case study's unique strength, namely to deal with a full variety of evidence, beyond what is possible for a historical study.

By evaluating the three above-mentioned conditions for deciding on a research method, the case study stands out as the preferred choice. This due to the method's ability to perform an in-depth examination of the elements in question, as well as its unique strength to deal with a full variety of evidence, both historical and contemporary.

Even though the case study stands out as the preferred choice, one must also consider the method's weaknesses before making the final decision. This research method may receive criticism for not being rigorous enough, and that the researchers could be sloppy (Yin, 2014). Nevertheless, there are effective measures that can be taken in order to minimise such criticism. Furthermore, one may question whether it is possible to generalise from case study findings. Opponents argue that findings may only represent a single case or an incident. However, *analytical generalisations*, as opposed to *statistical generalisations*, are in fact possible to retrieve from findings of a case study. These generalisations will thus be of a higher conceptual level than the specific case (Yin, 2014). Lastly, one must not forget that a case study is time consuming and resource demanding. However, considering the amount of time available, as well as the fact that two researchers are focusing their attention to this study, the workload is considered manageable. Actions in order to minimise criticism of the method of this study will be discussed in the section regarding research quality (see section 3.5), namely validity and reliability, as well as in section 3.6 regarding the methodological limitations.

By adding up the weaknesses and the strengths of the case study method, this method is still the preferred choice in order to answer the three research questions. The method's distinct advantages will provide the best arena for this thesis. The weaknesses of this method are highly manageable and possible to overcome.

3.1.3 Case study design

A *multiple case study* design was chosen, rather than a *single case study* design, due to its distinct advantages. Herriot and Firestone (1983, cited in Yin, 2014) argue that evidence from multiple cases is often considered more compelling, and that the overall study therefore is regarded as more robust. By looking into more than one case, the opportunity for replication exist, examining whether the different cases have similar or deviating results, or perhaps constitutes a pattern. Further, the method provides the opportunity to investigate under which conditions generalisations can be made, and under which circumstances findings are applicable. This is especially important for our study, as all three research questions ask “under which conditions” a given concept may occur. Such findings can provide substantial support for the research questions. At the same time, the opportunity for the findings to be results of an unusual or extreme case is avoided. Single-case designs are usually vulnerable as researchers depend on one case only (Yin, 2014). The analytic benefits from having two or more cases could therefore be substantial. Nevertheless, it is acknowledged that a multiple case study is more resource demanding, in terms of travelling, data collection, as well as performing analyses, and the method is thus more time consuming. Anyhow, a multiple case study was preferred rather than a single-case design.

3.2 Case selection

Two suitable cases were chosen to constitute this multiple case study. Suitable cases proved to be hard to identify, mainly due to the newness of the field. As noted earlier, only a handful of firms have acknowledged socially responsible actions as a business opportunity. Consequently, few firms have included these types of activities in their business strategy, or considered CSR during the strategic decision-making processes. However, two cases were identified and believed to be sufficient to obtain the level of certainty that is wanted from this study. An important notion is that no researchers have looked into the relation between CSR, shared value, competitiveness, and Blue

Ocean Strategy. Consequently, no rival explanations need to be challenged. Furthermore, the time constraint of 22 weeks was also a decisive factor for limiting the number of cases. With only two cases constituting this multiple case study, an extensive and in-depth examination of the cases is possible, and the workload is manageable within the given time frame. Additionally, one cannot use the quantitative logic on this type of case study. We use the qualitative logic, meaning that we are not concerned about the number of cases, but rather identify processes that are similar in all organisations, which we can generalise to all MNCs. Thus, the number of cases is irrelevant, and two cases are sufficient to constitute the case study material.

The case firms were selected due to their relation to the research questions, and the belief that they can provide sufficient evidence to answer our research questions. Additionally, the cases were selected on the basis of literal replication, meaning that each case was carefully selected so that it predicts similar results. We hoped to find similarities between the two cases concerning shared value, and the relationship between competitive advantage and CSR, as well as blue oceans and CSR. Simultaneously, as the study is a part of the research project SISVI, we needed to include Norwegian case firms only. Thus, some criteria were set in the selection of cases: 1) the firm had to be a Norwegian firm with both national and international operations, and 2) the firm must have made clear strategic business decisions related to CSR, that differentiate them from their competitors. The strategy could not have been forced upon the firm, and it was required that they had the possibility to explore and choose other options than the chosen responsible strategy.

The Norwegian sports and outdoor clothing company Stormberg stood out as an obvious choice as case company, considering the firm's responsible profile. Stormberg's entire business strategy is based on a philosophy of making money in a way that is good for both the society and the people working for the firm, especially emphasising environmental issues, fair trade, donating 1 percent of the turnover to humanitarian and social projects, as well as an inclusive working environment. This strategy permeates all the firm's operations and decisions, and is well-communicated and marketed to customers, consumers, suppliers, and the society. Stormberg experiences great success due to their responsible strategy, and has received extensive recognition for their work on a national level. The firm has previously been involved in research projects regarding CSR, and is a well-known case in the Norwegian CSR literature.

By looking at a completely different industry we found Marine Harvest as a suitable case. Marine Harvest is the world's largest salmon farmer, representing one fifth of the global supply of salmon. The firm recently decided to clean the fish oils, which are used in their production of fish feed. This means that they eliminate over 90 percent of the unwanted pollutants from the fish feed, and thus from their salmon. Consequently, farmed Atlantic salmon from Marine Harvest will be a safe and healthy product, and constraints regarding how much salmon one can eat due to the pollutants level, become irrelevant. More importantly, Marine Harvest do not clean their fish oil because they have to, but rather because they can. The firm is the only actor in this industry that has made this decision. Thus, they have a clear responsible profile. This qualified the firm to be a suitable case firm for this study.

An extensive search was performed through the Internet, using Google, seeking to identify additional case firms. However, this search proved to be difficult, mainly due to the newness of the field as well as the selection criteria. Additionally, three other information sources were contacted via telephone and email in order to ask whether they had any suggestions for potential case firms. These information sources were (1) the consultancy firm Sigla AS, that works exclusively with sustainability, (2) the organisation CSR Norway, which is a Norwegian network for social responsibility, and (3) Næringslivets Hovedorganisasjon's (NHO) department for social responsibility and sustainability. However, despite this systematic search, no additional case firms were identified.

It was considered critical to access information from key managers responsible for, or involved with, the strategic decisions regarding the firms' socially responsible actions. Preferable, this study would interview a CEO, HR director, communication or CSR manager, marketing director and/or others responsible for strategy development in the firm. In the case of Stormberg, PhD. Løvdal approached the firm, as he previously have been working closely with the firm, and thus knows them well. PhD. Løvdal is an external resource on the research project SISVI. Stormberg agreed to participate in the study. In the case of Marine Harvest, Chairman of the Board Ole-Eirik Lerøy, as well as CEO Alf-Helge Aarskog, were contacted directly through email. These e-mails were forwarded to Global Director R&D and Technical Øyvind Oaland, who agreed to participate in the study together with COO Sales and Marketing Ola Brattvoll.

3.3 Data collection

When performing a case study there exist several common sources of evidence that can be collected, such as documentation, archival records, interviews, direct observation, participant-observation, and physical artefacts (Yin, 2014). The different sources of evidence are often highly complementary, and the case study is therefore based on several sources. Both various documentary sources, as well as interviews with key managers in the case firms, were used as case study evidence in this thesis. The interviews were performed in order to complement the information collected from the secondary sources.

3.3.1 Documents

The proposed research questions required in-depth understanding of the chosen case firms' responsible business strategy, as well as their mindset, operations, market conditions, and other relevant elements concerning their responsible strategies. Thus, various sources of documents were used to collect as much useful and detailed information as possible. These documents included press releases and mass media outputs, company websites, annual reports, reports to shareholders, and policy and mission statements, company blog, and online presentations.

Prior to case selection

The work on collecting data started already in the search for suitable case firms. An extensive search for information was performed in order to obtain knowledge about the firms. This was done to make sure that we had all relevant information on the table when making a decision concerning which case firms to select. This information was also needed in order to make a soundly based decision, and to make sure that the case firms selected had in fact incorporated CSR into their business strategy, with the aim of acting responsibly and simultaneously improve their market position. It was important for us to obtain knowledge not only about the firm, but also about their competitive environment, industry characteristics, challenges in the markets, and so on.

Press releases, media coverage, and company websites were the most important sources of information for both firms in this process. In the case of Marine Harvest, also organisational documents were collected, such as annual reports from the recent years,

and reports to stakeholders, as well as policy and mission statements. These types of documents were not available for Stormberg, as the firm is not a corporation.

Prior to the interviews

When the case firms were selected, a more thorough review of the information collected, was performed. The same sources of evidence as presented above were used in this process, however, the information was analysed in more detail. This was done in order to get to know every corner of the firms, their markets, and the competitive environment, and to be better equipped to shed light on all aspects of the case firms that were relevant for our study. This information also made us able to develop appropriate and precise interview guides, as we identified subjects that we wanted to further elaborate, and discovered other holes of information in the documents that we wanted to clog. A systematic search was also performed on the website *Retriever*, in order to filter media coverage and press releases about the two case firms and their respective industries. Retriever was a very helpful tool in the search process, as we could stay updated on news that were relevant for our study.

In addition to the mentioned sources of documents, also an online presentation were collected and analysed in the case of Marine Harvest. Stormberg, on the other hand, had useful visual information that could be collected via YouTube. Several uploaded videos explain Stormberg's responsible profile in detail, and the four different aspects of their strategy. Some of the videos also interview employees of the firm, questioning them about the firm and the firm's business strategy. Also Stormberg's company blog, which will be further elaborated in chapter 4, was an especially important source of information prior to the interviews.

3.3.2 Interviews

One interview was performed in each firm, where two key managers were present. The managers were interviewed together because of the time constraints of the managers in both firms. In Marine Harvest, Global Director R&D and Technical Øyvind Oaland and COO Sales and Marketing Ola Brattvoll were interviewed, as they both had an important role in the decision-making process of cleaning the fish oil. Oaland worked especially closely with the research project of cleaning fish oils, whilst Brattvoll is to a great extent involved with the communication with customers and other stakeholders of the firm, concerning this decision. In Stormberg, both Corporate Responsibility (CR)

Manager Jan Halvor Bransdal and Communication Manager Petter Toldnæs were interviewed. The CR manager works solely with planning and executing their responsible actions, as well as follow-up on their collaborators. The communication manager had insight in the market and its reaction to Stormberg's various activities, as well as the firm's original strategy development. By interviewing these key managers, we were able to focus directly on those subjects relevant for this study and to provide profound insight to the firms and their actions, as well as provide explanations and personal views. Prolonged case study interviews were performed.

Prior to the interviews

Prior to all interviews, documents were, as mentioned above, used to gather background information about the case firms, and to understand the relevant elements of their responsible strategies and their decision-making processes. This was done for two main reasons. The first reason was simply for us to prepare for the interviews, and to develop two strong interview guides. The better the interviewers know the particular firm, the better they are to instantly respond to and act on the responses from the interviewees, ask follow-up questions, guide the direction, and manage the focus of the interviewee (Yin, 2014). The second reason was to avoid spending too much time during the interviews on background information of the firms, as this information is highly distributed and publicly available. The time of these key managers were limited, and it was therefore more important during the interviews to focus on aspects such as motivations for their responsible strategy, previous and current market conditions and competitors, the implementation process, effects of the CSR strategy on the firm and its environment, reactions from customers and other stakeholders, future plans, and so on.

An interview guide was developed for each firm prior to the interviews. The interview guides can be found in Appendix A in this thesis. The interviews were intended to be semi-structured and open-ended, allowing us to have a great deal of leeway in how to reply to the interviewees. It was expected that some questions would not always follow exactly the way intended, and thus we had the opportunity to ask some questions that were not included in the interview guide, as we picked up things said by the interviewees. The interview guides was structured chronologically, containing 9 main elements: (1) Introduction, (2) Background information regarding CSR activities, (3) Market conditions prior to firm entry, (4) Strategy development, (5) Start-up and execution of strategy, (6) Effect on market and competitive environment, (7) International market position, (8) Results, and (9) Future plans. As Marine Harvest has

been established for a long time both in the national and international markets, the interview guide was modified to (1) Introduction, (2) Background information regarding CSR activities, (3) Market conditions prior to firm change, (4) Strategy development, (5) Implementation process, (6) Effect on competitive environment, (7) Effect on international market position, (8) Results, and (9) Future plans.

The interviewees were also given a short description of the main subject of the interviews. However, the information given was limited, so that the interviewees would not be affected by our own thoughts or opinions. The providence of the information was intended to allow the interviewees to prepare for the interviews, recalling important aspects of the subject, memories, experiences, strategy development processes, or decision-making processes, prior to the interview. Additionally, Marine Harvest was given the interview guide beforehand, as the interviewees requested this so that they could prepare for the interview. No other preparations had to be performed by the interviewees.

During the interviews

Both the interviews were conducted face to face with the interviewees, at the locations of the case firms' headquarters. This was due to the very limited and highly valued time of the key managers who were interviewed. The interview with Stormberg lasted for approximately 2,5 hours, while the interview with Marine Harvest lasted for 2 hours.

With the consent of the interviewees, all interviews were recorded with audio-recording equipment. This was done in order to avoid us having poor recall. Furthermore, by recording the interviews we did not have to take notes during the interviews, and could thus concentrate all attention to asking follow-up questions, and managing the focus of the interviews. The consent by the interviewees was given orally before the interviews started. Additionally, the audio-records enabled us to transcribe the interviews into transcripts, which have been extremely helpful during the analysis process. The transcripts have allowed for more thorough examination of the responses of the interviewees, and they have helped to counter accusations that our analysis might have been influenced by our own values or biases.

All the interviews commenced with us giving the interviewees a short introduction of the subject of this study, and the structure of the interview. This was done in order to ensure that the interviewees had a clear understanding of the concepts that were to be

discussed, and to make sure they correlated with our own perceptions. Neither of the interviews followed the interview guide directly, as some questions were answered when the interviewees answered a previous question. Additionally, new questions were created and asked during the interview, as we wanted to follow up on certain issues that the interviewees touched upon. The interviewees were encouraged to speak freely and emphasise aspects they considered important. Interviewees were also encouraged to suggest other possible interviewees that could have important contributions to the study, as well as other sources of evidence, however no suggestions worth following up, were made.

During the interview with Marine Harvest, both Global Director R&D and Technical and COO Sales and Marketing were present the whole time. They answered the questions freely, depending on who they thought were best suited to answer the questions. Stormberg's interview started with both the CR Manager and Communication Manager present, but the CR Manager had to leave halfway through due to time constraints. Thus, the first part was mostly directed to him, and the Communication Manager filled in on questions where he had more knowledge on the subject. During the Stormberg interview, also PhD. Løvdal was present, and asked some questions as well, namely because he has close contact with the firm, as well as being a part of the research project SISVI.

3.4 Data analysis

Analysing the case study evidence is often one of the most difficult procedures when performing a case study, and unlike statistical analysis, there is no fixed formulas or recipes on how this is to be done. It is therefore extremely helpful to have an *analytic strategy* to guide the researchers through the analysis in the search for patterns, insights, or concepts that seem promising (Yin, 2014). Thus, the purpose of an analytic strategy is to link case study evidence to concepts that are related to the research questions. The possibility to link the information from the interviews and documents to certain concepts, will give a sense of direction in analysing the evidence.

Grounded theory was chosen as a strategy for the data analysis of the collected evidence. This theory is the most widely used framework for analysing qualitative data (Bryman, 2012), and is characterised as iterative, meaning that there is a repetitive interplay between the collection and analysis of data. This iterative method was used in order to

see the data in context, and to link different concepts together. The possibility to go back and forth between the collected data and the data analysis helped us to pick up, and avoid missing, important findings. Tools used in this theory were theoretical sampling, coding, theoretical saturation, and constant comparison.

The process of theoretical sampling was already performed through our pre-diploma thesis from the autumn semester 2014, where literature on CSR and international business was identified and analysed (Aspelund, Fjell and Rødland, 2015). This was done in order to obtain a deeper understanding of theories and concepts related to the subject of CSR in combination with international business, as well as relationships previously investigated by other researchers within the field.

As previously mentioned, all interviews were audio-recorded and transcribed for use in the analysis process. Coding is the key process of grounded theory (Bryman, 2012), and is thus also the most central process of our data analysis. The coding process entailed reviewing the transcripts, memos, and notes, aiming to identify concepts or abstractions of potential interest (Yin, 2014). Labels were given to component parts that seemed to be of potential theoretical importance, or that appeared to be particularly salient within the subject of drivers and motivation for CSR activities, the strategic decision-making process, implementation of responsible activities, the firm's competitive environment, effects on the market and reactions from different stakeholders to the responsible strategies, or other relevant subjects of the study. The coding process helped us to obtain an understanding of the listed elements, but more importantly an understanding of the relationship between CSR and how it can create value for the firm.

Different types of coding were used: open coding, axial coding, and selective coding. During the process of *open coding*, the data were broken down, compared, conceptualised, and categorised. The identified concepts were then grouped and turned into seven categories, which are used to present the empirical data in chapter 4. These categories are (1) Background information, (2) Market conditions prior to initiation of the responsible strategy, (3) Decision-making process and strategy development, (4) Work effort to achieve desired effect, (5) Response from stakeholders, (6) Effect on international market position, and (7) Effect on the market and competitive environment.

Axial coding, on the other hand, was used to put data back together in new ways after the process of open coding. This enabled us to establish relations between the categories, and codes were linked to contexts, to consequences, to patterns of interaction, and to causes. Thus, it was possible to see the collected data on the case firms' responsible strategies and how they achieved shared value, in a bigger picture, and reveal relations between the documentary evidence and the answers given in the interviews. This process was particularly important when investigating how the specific responsible actions and the firms' strategies had resulted in a unique competitive market position for the firms.

Lastly, *selective coding* was conducted in order to select a core category, and systematically relate it to the other categories, validate the relationships between them, and identify categories that needed further refinement and development. The core category is the central focus around which all other categories are integrated (Bryman, 2012). The core category was identified as creating shared value. After identifying the core category, it was easier to get the overall essence of the findings from the data, identifying the most important findings of shared value creation, and to work towards answers to the three research questions. The coding process was performed manually, and was a very helpful and valuable tool as the subject of CSR and what the firms may receive in return is largely unexamined.

In addition to coding, it was also made use of memos in the analysis process. Also these analyses were performed manually. *Memos* are short notes written on observations found in the evidence, and are aimed to be reminders of terms, certain concepts or categories, such that we do not lose track of our thoughts and topics identified along the way. Memos were written through the search for information in the documentary evidence, as well as through the initial interviews and the analysis process. The data collected touched upon many different topics, and all associations and thoughts made on the topics along the way were valuable to have during the analysis process.

The aim of the analysis process was to provide a set of well-developed categories, concepts, and even a theory, that could explain the different aspects of this study, and provide answers to our three research questions.

3.5 Judging the quality of the research design

When performing a case study research, and especially a multiple-case design, there is a need for judging the quality of the research design. The quality of the research design may indicate how compelling, robust, or weighty the findings of a study may be (Yin, 2014). Four tests are commonly used as frameworks in order to assess case studies in the field of strategic management: reliability, construct validity, internal validity, and external validity (Gibbert, Ruigrok, and Wicki, 2008, cited in Yin, 2014). In the following, the quality of this study is evaluated based on these four criteria.

3.5.1 Reliability

Reliability is related to the process of collecting case study evidence, and refers to what extent the research design can be repeated and give the same results, when a later researcher follows the same procedures as described by an earlier researcher (Yin, 2014). The goal is to minimise errors and biases in the study. Poor documentation is most often the greatest weakness of the process, and such will make external reviewers suspicious and question the reliability of the study (Yin, 2014). As the subject of this study is a new and largely unexamined area of CSR, it is very important that reviewers have the possibility to judge and perfectly understand the chosen research approach. A challenge within this type of qualitative study is that it heavily relies on interpretation, both by the interviewees and by us. The interviewees have interpreted the events being studied, and we have most likely to some extent also interpreted the statements of the interviewees, as well as the statements found in the documentary evidence. Such interpretation is difficult to avoid one hundred percent. However, proper documentation is the best way of ensuring reliability. Thus, in order to make the study as reliable as possible, the procedures of collecting evidence were carefully documented through this chapter, and through a case study database.

The procedures of our data collection are thoroughly described in this chapter of the thesis, more precisely in section 3.3. The collection of documentary sources was performed first, before we performed interviews with key managers in the case firms, and these processes are separately described. The documentation process is done so that other researchers may understand and evaluate our research method. Thus, by documenting our procedures, the reliability of our study significantly increases.

A case study database was also created in order to increase the reliability of our study. The database is a formal compilation of the evidence collected, including audio-records and transcripts of the interviews, the interview guides, memos and notes about the data, hyperlinks to press releases and mass-media outputs, company websites, and all other documentary sources collected. The case study database is found in Appendix B of this thesis. Thus, the case study database significantly increases the reliability of this case study.

Even though these two measures are taken, the subjectivity of both us, as well as the informants, presents a potential vulnerability of the study with respect to reliability. Such subjectivity may wrongfully affect the case study evidence provided, and thus also the findings of the study. However, considering the measures taken in order to increase the reliability of the study, the reliability is considered sufficient.

3.5.2 Validity

Validity considers to what extent the collected data is relevant to the problem (Yin, 2014). Validity is usually separated into three components: *construct validity*, *internal validity*, and *external validity*.

Construct validity

Construct validity is related to the data collection process and composition, and involves ‘identifying correct operational measures for the concepts being studied’ (Yin, 2014, p.46). In order to overcome this challenge and increase the construct validity of our study, we based our findings on multiple sources of evidence, established a chain of evidence, and had key informants review the work.

As previously stated, both interviews and various types of documents were used as sources of evidence in this multiple case study. It is found that those case studies using multiple sources of evidence were rated more highly, in terms of their overall quality, than those that relied on only single sources of information (COSMOS Corporation, 1983, cited in Yin, 2014). Only two persons in each firm were interviewed, and as mentioned above, the findings of this study may have been exposed to personal interpretation. In order to minimise personal interpretations of the evidence, we used both interviews and documents as sources of evidence. Thus, conclusions were not only based on verbal information from the interviewees, but also on other publicly available

documents, such as company websites, press releases and media coverage, and annual reports. Consequently, the opportunity to obtain converging evidence between the different sources of data exists, as well as the chance to reveal conflicting evidence. Similar findings give strength to the study, while conflicting evidence may reveal misunderstandings, and prevent the results to contain misleading or wrongful information. Anyhow, by using both interviews and documents as sources of evidence, the construct validity of the study is strengthened.

To further increase the construct validity of the research, a chain of evidence was maintained. Thus, we, as well as external readers, were able to trace the evidence and their derivation from the initial research questions to the case study conclusions, as well as the other way around. Traces were left to secure the link between the case study report, the database, sources, and the case study questions. These traces were yellow markings of key phrases or words in transcripts and documents, citations, referencing, noting time and dates, and circumstances of collected evidence, and so on. Maintaining this chain of evidence helped to avoid that evidence were lost along the research process, and contributed to the overall quality of the case study. Furthermore, as no research has previously been performed in this area, the chain of evidence provides an opportunity for external readers to understand and evaluate how the study ended up with its conclusions.

Transcripts of the interviews, as well as the chapter presenting the empirical data in this study (chapter 4), were sent to the key informants for them to review, in order to make sure that no information was wrongful, had been taken out of context, or had been interpreted incorrectly. A possible challenge was that of using both the Norwegian and the English language. The interviews were conducted in Norwegian, as well as transcribed in Norwegian, while the thesis uses the English language. This can potentially lead to mismatches during the translation process and weaken the construct validity. Additionally, the interviewees and us can have different interpretations and understandings of terms and concepts, which can have led to misunderstandings of the answers given or the questions asked. However, this bias was minimised by having the interviewees review the transcripts in two rounds. This process also allowed informants to provide more evidence or material that they had forgotten during the data collection. Thus, the likelihood of false reporting or misrepresenting situations is reduced. Both Stormberg and Marine Harvest made corrections during the first review round. Marine

Harvest provided complementary information in the areas of the interview that we had not understood properly concerning the firm, their strategic decisions, and technical specifications. They also clarified misperceptions that had occurred. Additionally, Marine Harvest withdrew a small proportion of the information given, as they considered this as personal interpretations of the competitive market, rather than actual facts. Stormberg had few corrections, but gave us some supplementary information. Neither of the case firms made corrections after the second round of the review process. Thus, having the four key informants review the empirical data significantly increases the construct validity of this thesis, and enhance the accuracy of the study (Yin, 2014). Considering all the measures taken, the construct validity of the study is considered sufficient.

Internal validity

Internal validity is mainly a concern for explanatory case studies, similar to this study. Internal validity is related to the process of analysing the case study evidence, and seeks to establish a causal relationship, whereby certain conditions are believed to lead to others, as distinguished from spurious relationships. This study seeks to explain how CSR can be used to positively affect the firm's market position, and perhaps create a competitive advantage, or a blue ocean. Thus, it is relevant to be concerned about of the different aspect of internal validity, that could lead to a wrongful explanations and incorrect answers to the research questions. Our study is based on interviews and documentary evidence, meaning that we have not directly observed the firms, their decision-making processes, or the effects of their responsible strategies in the markets. Thus, our inferences have not been directly observed, but are based on the collected evidence, and one may questions whether these inferences are correct. In order to make sure that our findings and conclusions are airtight, we thoroughly analysed our data.

It could be believed that we would draw wrongful inferences on which factors that had an affect on the firms' unique market positions. In order to avoid this happening, we did not only collect evidence on the firms and their respective business strategies, we also focused on the competitive environments of the firms, as well as market conditions both prior and post the implementation of their responsible strategies. Consequently, we could analyse whether changes in the firms' market position were caused by the firms' internal effort and their responsible strategies, or simply by some external factors that the firms had no control over.

The issue of internal reliability is especially important as Marine Harvest and Stormberg are both operating in several different countries, resulting in an extensive value chain and numerous stakeholders. Additionally, they are often affected by external factors such as regulations, political decisions, or happenings that the firms do not have any control over. Furthermore, both firms operate in industries that have received extensive attention from NGOs and media for operating irresponsibly. History has shown how such attention can have a great effect on the customers, and their buyer preferences (Zyglidopoulos, 2002). Consequently, there are numerous factors that need to be taken into consideration before a conclusion can be drawn on which factors that caused the firms' unique market positions. Thus, by focusing on both the firms' responsible strategies and external factors, an extensive analysis can be performed. This thorough analysis thus significantly increases the internal validity of this study.

Even though this measure has been taken, one should also question rival explanations for the success of firms that have incorporated responsible activities to their business strategies, and achieved success. However, as mentioned several times before, the subject is largely unexplored, and there exist in fact no rival explanations to compare with. Thus, we do not have the opportunity to challenge rival explanations. Additionally, this study partly relies on interviews, resulting in the fact that the interviewees may misinterpret cause and effect issues related to the firms' success. However, as the findings of this study is based on both interviews and documentary evidence, the chance of such misperceptions related to cause and effect issues, is relatively low. Considering the measures taken to avoid wrongful inferences, the internal validity is considered satisfactory.

External validity

External validity is related to the research design of a case study, and refers to the definition of the domain to which a study's findings can be analytically generalised to other situations that were not part of the original study (Yin, 2014). Replication logic was used in order to increase the external validity of the multiple-case design.

First of all, as mentioned earlier, the cases were carefully selected so that they were to predict similar results, that is, literal replication. However, the firms are operating in quite different industries and are different in age, size, management style, and degree of internationalisation. These are all factors that are said to influence the firm's CSR strategy (Laudal, 2011; von Weltzien Hoivik and Melé, 2009; Waldman et al., 2006).

Inequalities concerning firm and industry characteristics were desired, so that generalisations could be applicable for as many MNCs as possible. Thus, our generalisations would be stronger, and we also had the opportunity to identify whether or not such inequalities affect firm success. We sought to identify processes and factors that are similar for all organisations and industries, so that the findings could be analytically generalizable. This is, as previously mentioned, the qualitative logic of replication. Thus, generalizability is highly possible beyond our two specific case firms, and may represent a higher conceptual level for all MNCs. This significantly increases the external validity of the study.

Furthermore, when developing our research questions we had the external validity of the study in mind. The questions of “how” and “under which conditions” make it easier to generalise our findings, namely because of the form of the questions (Yin, 2014). Thus, this aspect also increases the external validity of the study. Considering the study’s measures to increase the external validity of the study, as well as ability to perform analytical generalisations, the external validity of the study is considered satisfactory.

3.6 Methodological limitations

There are some methodological limitations of this multiple case study that need to be considered. This includes limitations related to the research method, the data collection, as well as the data analysis process.

3.6.1 Research method

Despite the case study method’s distinct advantages, there are also acknowledged some weaknesses, as mentioned in section 3.1. Even though actions are taken in order to minimise criticism to the research method, one cannot preclude that some limitations may be evident.

It was mentioned that the case study method was accused for not being rigorous enough, and that the researchers could be sloppy. However, referring to all the measures taken in section 3.5 to strengthen the study’s validity and reliability, it can be suggested that this is not the case in this case study. However, one still cannot completely exclude the possibility of subjectivity of the researchers, as well as wrongful interpretation of the data.

Yin (2014) also points out that it is only analytical generalisations that can be made from a case study, as opposed to statistical generalisations, or both. As presented under the section concerning external validity, an analytical generalisation refers to a generalisation that represents not only a single case, but can be transmitted to other cases as well. Statistical generalisations, on the other hand, are based upon a sample or population, and refer to the quantitative logic of replication. Even though many researchers prefer statistical generalisation, because they argue that the more cases you have to support your findings, the stronger the findings will be, analytical generalisations function just as well from the view of qualitative logic. However, some argue that findings based upon both analytical and statistical generalisations are more convincing and robust (Yin, 2014). The argument is that the research methods that are based upon both quantitative and qualitative data have the ability to collect a richer and stronger array of evidence that can be accomplished by a single method alone. However, for several reasons, such as the newness of the field and the time constraints of this study, it was not possible to perform a quantitative study at this point.

One may also question whether we have sufficient time to perform such a time-consuming multiple case study within the given time frame. Considering that only two firms constitute the multiple case study, as well as the fact that we are two researchers currently working on this study, the work effort was considered manageable within the given time frame of 22 weeks. Nevertheless, the time constraint has of course resulted in a few limitations for the study. For example, in order to obtain more depth in our study we could have performed an expert interview within the field of CSR, such as the leader of CSR Norway. However, there was not enough time to perform and analyse another interview. It could also have been interesting to include another Scandinavian MNC in the study, which were not from Norway, especially as we had a hard time identifying suitable case firms from Norway. Scandinavian firms are often considered very similar to Norwegian ones. However, in addition to limited time available, the affiliated research project provides limitations regarding case firms and their origin, namely because the project addresses the Norwegian industry. Thus, investigating a non-Norwegian firm would not have been possible.

3.6.2 Data collection

The collected evidence was based upon both documentary sources, as well as interviews, aiming for the different sources to complement each other. Both types of evidence have certain weaknesses that one must take into account.

Documents, especially on the Internet, can be difficult to find. This concerns press releases, media coverage, reports, and so on. For example, certain documents may also be deliberately withheld. Additionally, it may be difficult to sort out the exact information you need, due to the unlimited information available. Thus, one could argue that the collection of documentary evidence collected is incomplete.

There may also be problems related to the credibility of the sources. Most of the types of documents used are provided by the firms themselves, or by mass media or other virtual outputs that are considered as reliable sources of information. However, one should not forget that the documents often are written for a specific purpose and audience other than those of the case study performed, seeking to achieve a certain objective. The documents may promote a certain impression or political stand, which may be difficult to identify. Also, one may not always find the source of the document, or be sure that the source is the person or organisation that it states to be. This may bias the findings in the documents. Consequently, we have reviewed the material collected from documents critically. In addition, mass media and virtual outputs may be out of date, if one looks closely. We have aimed to minimise the bias due to these limitations by conforming information collected from documents with the interview material.

There exist several limitations concerning the interviews. First, there may exist bias due to poorly articulated questions. In order to minimise such bias, the interview guides were thoroughly developed and revised by our supervisor, as well as the external resource PhD. Løvdal in the case of Stormberg, before the interviews took place. This process was done twice, so that the questions were to be as concise and accurate as possible. This also helped us to ask the most relevant questions, and weed out other less important questions. This review process thus contributed to collect the desirable information. Interviewees may also have provided some poorly articulated replies to our questions that may have affected the interview material. However, this bias was difficult to control beyond providing well-articulated questions for them to answer and asking follow-up questions. As mentioned in section 3.5, interviewees were also asked to review the

transcripts and the empirical chapter in order to confirm that all information was correct and that no misperceptions had occurred, giving them the opportunity to revise potentially poor articulated answers. The feedback given was taken into account, and misperceptions and wrongful information were rectified. The interviewees were then again asked to confirm the information. The second time, we did not receive feedback on such misperceptions or wrongful information. Thus, the bias related to poorly articulated questions and poor answers, is considered low.

Secondly, response bias may also have been evident, meaning that some factors or conditions may have affected the evidence. We sought to be as consistent as possible regarding all factors that could possibly have an effect during the interviews. However, it can be expected that the answers were affected by the fact that both interviewees were present and interviewed simultaneously. This situation was originally not desired, as they could have influenced each other's answers. However, due to the limited time of the interviewees, this was the only solution. During the interviews none of the interviewees seemed uncomfortable with the other person present, but due to limited time it could be that one of them avoided answering the question or give their opinion, as they thought that the answer from other one was good enough. It could also be believed that one of the interviewees disagreed with the other interviewee, but did not want to say so, or that he changed opinion when he heard the answers of the first interviewee. Thus, we cannot be sure what the other person would have answered, unless we had the opportunity to ask each person directly every question in two separate interviews.

Lastly, and perhaps the most menacing weakness of the interviews, is the opportunity for reflexivity. Reflexivity means that the interviewees give the answers that the interviewers want to hear (Yin, 2014). It was difficult to avoid this type of bias, and as we did not get to interview the managers separately, it was difficult to compare and check their answers. However, by using both documents and interviews as sources of evidence, we sought to avoid becoming overly dependent on the interviewees. Additionally, when developing the interview guides, as well as when asking questions during the interviews, we avoided any questions that possibly could be leading. It was focused on developing "how" and "in what way" questions, as well as "to what degree" and "which", as these questions are fairly open-ended. Questions of the type "why" were avoided, as such questions may put the interviewees in a unwanted defensive position, that may annoy the interviewee or keep them from sharing important information, or

even provide wrongful information. Furthermore, we kept our cards close to the chest. For example, personal meanings, opinions, or any other hypotheses, of the subject in the interviews was not shared with the interviewees. This was done in order to avoid undesirable colouring of the interview material.

The answers of the Stormberg interview was also affected by the way it was divided into two parts. During the first part of the interview, all questions were directed to the CR manager, and the communication manager was present only to fill in the answers where he felt like it. When the CR manager had to leave, we did not have time to start over and ask all questions to the communication manager as well, so he answered only the last half part of our questions. It could be that the communication manager did not have all the information that we needed, even though he did not give this impression to us. Consequently, we would have needed to ask the questions to the CR manager as well. Thus, it can be expected that we could have got more information if we could have asked all our questions to both of them separately.

3.6.3 Data analysis

By coding the data manually, all identifications are based on our own perceptions and opinions. We acknowledge that there might exist concepts or categories that we have not been able to identify through the coding process, and that we may not have been able to consider all possible points of view on the manner. It is difficult to be one hundred percent objective when performing such a data analysis, as the identifications are based on personal interpretations, both from the interviewees and us. Furthermore, we are only two researchers, indicating that there is a limited set of thoughts available. If we happen to share the same ones, findings may have remained unchallenged. However, we have in great extent sought to challenge all findings, independent of their degree of confidence. Findings have been thoroughly discussed in between us, as well as with our supervisor, and to some extent with our external resource PhD. Løvdal, in order to receive new input and determine their importance to the study. Additionally, we performed the analysis first separately before comparing and combining the results. This was done in order to make sure that all possible correlations and findings were identified. Also, the nature of the iterative coding process has forced us to consider new findings and new points of view.

4 Empirical data

This chapter presents the relevant empirical data collected on the two case firms. The data is based on the documentary evidence collected prior to the case selection and during the thorough review of the firms prior to the interviews, as well as on information collected from the interviews with key managers. The structure of this chapter is based upon the seven categories identified in the coding process, as presented in the previous chapter. Analysis and discussions of the findings will not be performed in this chapter, and are to be found in the next chapter.

4.1 Stormberg

The case description of Stormberg is based on primary data collected from interviews performed with CR Manager Jan Halvor Bransdal and Communication Manager Petter Toldnæs. Furthermore, information is also collected from secondary sources such as the company website, the company blog, as well as mass-media outputs, and press releases.

4.1.1 Introduction and background information

Stormberg is a Norwegian sports and outdoor clothing company established in 1998. They have the vision of “Outdoor fun for all”, and aim to manufacture clothes that are functional and good-looking, with a sensible price tag (Stormberg, 2015). Their work is based on a saying that “small trips are also big”. More importantly, Stormberg’s business strategy is based on a philosophy of making money in a way that is good for both the society and the people working for the firm. This is precisely aligned with their mission of “Making the world a better place” (Stormberg, 2015). Stormberg focuses especially on four corporate responsible elements as illustrated in figure 5; environmental issues, fair trade, donating 1 percent of turnover to various social and humanitarian purposes, and an inclusive working environment (Stormberg, 2015). This environmentally and socially responsible business profile has been part of the mindset of the entrepreneur from the inception, and was incorporated to the business strategy a few years later. Numerous measures are taken in order to obtain the responsible business profile.

Stormberg’s headquarter is located in Kristiansand, Norway. The brand sells clothes through concept stores, the Internet, and retail stores (Stormberg, 2015). The concept

stores are primarily located in Norway, but the firm also have one concept store in Sweden. Through the firm web shop Stormberg ships clothing to both Norway and Sweden, but also to Finland and Germany. These four countries make up the firm’s target markets. Since the start in 1998, Stormberg has experienced major growth in sales and number of employees, but is still by many, including themselves, considered as a start-up. Nevertheless, the firm has a vision of continuing to grow and expand across borders in northern parts of Europe, targeting markets that suit their business profile for both sports and outdoor clothing.



Figure 5: Stormberg’s four corporate responsible elements.

Environment

Stormberg is a climate neutral company, meaning that all their products are manufactured in a way that provide zero carbon emissions, and thus do not contribute to global warming. They thoroughly keep track of the carbon footprint of the firm, and work continuously to eliminate additional emissions (Stormberg, 2015). For example, Stormberg strives for the use of more environmentally friendly materials in their products. Strict requirements are imposed on manufacturers and factories used in the supply chain, and they avoid the use of certain toxic and toxins in their clothing. In all parts of their value chain that they are in control of, they have a guarantee of origin of their power consumption, meaning that it is hundred percent renewable. Furthermore, Stormberg is part of several initiatives and follows strict certifications. They are, to mention a few, a part of the Norwegian Government’s Climate Campaign and the Green Dot Partnership, and are appointed the certificate Environmental Lighthouse (Miljøfyrtårn) (Stormberg, 2015). Even though all these different environmentally measures are taken, Stormberg has not yet reached their zero vision. The firm therefore compensates for the carbon footprint that is left behind, by buying UN approved carbon offsets. The climatic impact of all Stormberg’s activities is thus the same as if the activities had not taken place. Stormberg’s *Climate Action Plan* guides the firm at any time, in the aim of achieving their environmental goals (Stormberg, 2015).

Fair trade

Stormberg emphasises fair trade to a great extent. It is important for them that their production abroad contributes to a healthy, social, and economic development for their manufacturers and the society they live in. Since 2002 Stormberg has been a member of The Ethical Trade Initiative (Stormberg, 2015). This membership helps Stormberg to better face the challenges of operating abroad, and to better cooperate with suppliers and manufacturers in countries such as China and Myanmar. Ethical guidelines are developed for the firm, and Stormberg imposes strict requirements for their suppliers and manufacturers in terms of working conditions, wages, and human rights and anti-corruption. Random factory inspections are carried out several times a year (Stormberg, 2015). Stormberg is also a member of the UN Global Compact Initiative, which obligates the firm with respect to human rights conditions in the workplace, working environment, and anti-corruption (UN Global Compact, 2015).

Inclusive working environment

Stormberg has a great focus on having an inclusive working environment. This element of the responsible business profile has been evident from the inception, and has been important for the firm's entrepreneur. 25 percent of Stormberg's recruited employees are people who have, for various reasons, difficulties with entering the labour market. This must be the case in all of Stormberg's departments and concept stores. Stormberg has a close collaboration with organisations such as NAV (Ny arbeids- og velferdsforvaltning) and Wayback. Together with Stormberg, these organisations seek to help people with disabilities, psychological health problems, people with drug problems or previous convicts, youths that are dissatisfied with school or have fallen out, back into the work life.

The 1 percent

One percent of Stormberg's yearly turnover (exclusive VAT) is reserved for humanitarian and socially beneficial projects (Stormberg, 2015). This one percent goes to projects and organisations that address some of the social responsibilities that Stormberg feels that they have, but are not suited to solve themselves due to lack of resources, competence, or knowledge. Therefore, Stormberg leans on other organisations and use money through them in order to solve some of these issues. These funds contribute, among others, to provide new and used clothing for less fortunate families in Eastern Europe, and buy carbon offsets that contribute to clean burning ovens in Mali, to mentioned a few (Stormberg, 2015).

In addition to the measures mentioned within the four main areas of concern, several other small and big measures are taken within these four areas in order to obtain and maintain the firm's socially responsible profile. Stormberg has received extensive recognition for their work on a national level. A complete overview of all environmentally and socially responsible measures taken by Stormberg can be found on their company website.

4.1.2 Market conditions prior to firm entry

In 1998, the Norwegian market for sports and outdoor clothing was dominated by few but expensive brands, whose focus was on delivering supreme quality clothing, often for extreme weather conditions and expeditions. The clothing were often characterised by advanced technical features, which were consequently reflected in price. The well-known windstopper for example, dominated the outdoor clothing market and could easily cost 4-5.000 NOK or more. Some cheaper brands existed, but they did not play a significant role in the market.

Additionally, the sports and outdoor clothing market was considerably smaller than it is today. The trend shows that over the years more and more people exercise and spend time outdoors. Furthermore, the distinction between what we wear during workouts and out in the nature versus normal clothing, has become more blurry. Thus, people use such clothing to a greater extent than what they used to before. Consequently, the whole market has expanded.

Worth mentioning is also the fact that no other actors in the market emphasised social responsibility in their business strategy.

4.1.3 Decision-making process and strategy development

Stormberg's responsible business strategy is based on the values and mindset of the firm's entrepreneur and CEO Steinar J. Olsen, as well as his dedication to society. In addition to deliver low-price clothing with reasonable quality, he wanted to do more and take responsibility in the society. The fundamental strategy that lies behind the brand Stormberg was created in the beginning of the 2000s, a few years after the foundation of the firm. The business strategy was developed together with some external consultants. They were eager to find an element that the entrepreneur was passionate about, and

thus Mr.Olsen's dedication to society and social responsibility was identified as a possible source of competitive advantage, and thus as a profitable strategy and building block to create a successful brand.

Stormberg's business strategy has since the beginning of the 2000s primarily remained unchanged. However, the activities that constitute the strategy have evolved, and been developed and shaped over time. The work to find new measures to include is continuously ongoing, as they find new elements that are affected by the firm's production processes or operations. Stormberg seeks to include as many spheres as possible into their sum of activities. The corporate responsibility is an important element in the business strategy and is thus always considered when strategic decisions are made. It is primarily the CR Manager that works with these issues. He collaborates closely with different organisations and expertise communities such as The Ethical Trade Initiative, CSR Norway, Friends of the Earth Norway (Norges Naturvernforbund), NAV, Wayback, and so on. These organisations have a lot of experience, frameworks, and tools that Stormberg can draw upon, and they help the firm to make the necessary priorities on which measures to choose. Thus, Stormberg is highly dependent on others to make the necessary evaluations, as they do not have the required resources to do it themselves, and they must actively seek the information they need, it does not come to them. Additionally, also the customers matter in a great extent when some priorities are made concerning which responsible measures to initiate. Stormberg very often seeks to adjust their measures to what their customers want, meaning that the there is the customers that set the agenda. Furthermore, Stormberg seeks to evaluate the costs versus the financial benefits of their measures. However, it is by no means easy to quantify the effect of such responsible measures. Therefore Stormberg very often looks at the balance of cost and societal benefits of a potential measure. Very often they cannot evaluate a single measure, but must rather look at the big picture. However, in the evaluation of measures, a measure must have a social effect to be implemented. The CR Manager has some discussions with the management and the CEO, however, most decisions lie on this manager alone.

4.1.4 Work effort to achieve desired effect

In their work to achieve the desired effect of their responsible business strategy, that is to produce and sell sports and outdoor clothing to a reasonable price while making the world a better place, Stormberg heavily make use of the different channels of the

Internet. More precisely, communication through the firm website, their web shop, and other social media output such as Facebook and Twitter, is of the essence. Also the firm's concept stores are important in this endeavour.

Through Stormberg's website and web shop the firm can to a great extent control the communication that goes out to all customers and consumers. This makes it easier to shift and vary the messages that are sent, and it makes it easier to promote campaigns. Additionally, the firm can turn around very quickly. For example, every time you make a purchase in the web shop the site says something like: "Thank you! 1% of this purchase is donated to a humanitarian or socially beneficial project. You have now made the world a better place". Thus, Stormberg easily communicates and promotes their socially responsible profile to the customers. Furthermore, Stormberg strives to be as transparent as possible, both upward and downwards the value chain. The firm actively uses their website to shed light on every corner of the organisation, such as showing their list of factories in China and Myanmar, which chemicals that are found in their clothing, and numerous other aspects of the firm. Such information is not promoted on the front page, however, the information is there to be easily found for the people that seek it. Stormberg does this in order to show their dedication to being a responsible firm, and to create a strong fundament and to act trustworthy. They want to show that they have nothing to hide.

Stormberg also has a blog on their website where they publish blog posts on matters that they find intriguing and important, that be statements or opinions from the firm, stories about engagement in the society, responses to pressing issues on responsibility, experiences, or the daily life in the firm. These posts come from both the CEO, managers in different departments, a shop worker, as well as some guest writers.

Facebook and Twitter are the top two areas of communication on social media, however, Stormberg is also to find on Instagram, Google+, Flickr, LinkedIn, YouTube and Pinterest. Facebook and Twitter have daily activity, and these channels are used actively in order to communicate both to and with customers and consumers. Additionally, on these channels Stormberg can easily control the communication and the messages they want to send. Posts very often spread like fire in dry grass, and the recipient mass is enormous. Thus, the market value of the social media output for Stormberg is extensive, especially since they are still a considerably small start-up with limited resources. The communication with customers and consumers on Facebook and

Twitter is very efficient, as it allows fast response and interaction. They receive feedback from customers and consumers on products, on how the firm is perceived, and on what the consumers really think about them. This is information of high value to the firm.

In 2006 Stormberg established their first concept stores, in addition to sell their clothing through retailers. Several stores have opened since, and today they have as many as 53 concept stores (Stormberg, 2015). In these stores Stormberg has their own shop workers to communicate the brand, and it allows for more marketing in the store. For example, Stormberg's deposit schemes are located in their concept stores, where customers and consumers may deliver used Stormberg clothing and receives a small monetary value in return. This illustrates Stormberg's focus on the global environment and social responsibility. Another example is that you can meet a shop worker in a wheelchair, stating the firm's policy of an inclusive working environment. Common for all Stormberg's effort to achieve the desired effect of their business strategy is that "action is weightier than words".

Stormberg has achieved great success in Norway, however, they are still working towards achieving the same effect in Sweden, Germany, and Finland. In order to achieve the desired effect internationally, Stormberg seeks to follow the same strategy as they have used in Norway. This strategy has proven to be successful, and the firm acknowledges several similarities in their target markets, which indicates that the same strategy will provide success over time. However, they also know that some inequalities exist, so that certain modifications must be made. For example, consumers in Germany are more concerned about environmental issues than consumers in the other markets. Communication Manager Petter Toldnæs stated:

"I think that we have a coherent and well thought out strategy, which have served for almost 15 years, and which we have shown that works in Norway, we do not have to invent the wheel all over again. (...) We already have a clear strategy on how to do things (...) and there is no reason that the same strategy will not work in the other countries." - Communication Manager Petter Toldnæs

Stormberg acknowledges that there is a big job to do related to branding and awareness in these markets, and they will use the same Internet sources to communicate their philosophy.

4.1.5 Response from stakeholders

Stormberg has received different response from the various stakeholders of the firm. In the early years some consultants and strategy developers expressed their scepticism to parts of the responsible profile, especially regarding the inclusive working environment element. They even dissuaded the proposal. They believed that no one would make purchases of a previous convict or drug addict, and that no bank would provide loans to the firm. Also, some climate sceptics are always evident.

Despite some scepticism, the response from customers and consumers in Norway has been exceptional. Many customers and consumers in the sports and outdoor market have embraced the brand, both for their reasonable priced clothing, as well as for their effort to make the world a better place. Since the start in 1998, Stormberg has grown from four employees and a turnover of 3.8 million NOK to over 400 employees in 2015 and with 377 million NOK turnover in 2013 (Stormberg, 2015). In competition with other similar brands, Stormberg often stands out to be the preferred brand because, all other similar, they offer something more and give the customers the chance to make a difference. Customers of the brand are often very engaged. For example, they may request new collections if it has taken too long since their previous launch, or question Stormberg's use of certain chemicals in their clothing, or point out things that the firm can do better.

Advocates of Stormberg often feel proud when carrying the brand on their chests. They like to communicate Stormberg's brand and what they stand for to friends, family, and co-workers. Stormberg like to call these customers for "Stormberg ambassadors", which is an important marketing channel for the brand. Communication Manager Petter Toldnæs stated:

"...We have many customers that are important ambassadors for us. There are a lot of people that wear our clothing with pride because they feel that it is important to support someone that shows that they care, and that speak very warmly about us." -

Communication Manager Petter Toldnæs

Advocates of Stormberg often also defend the firm on different social media outputs when the firm receives negative media coverage, by taking their side. This is to great help to the firm.

However, as mentioned in the previous subsection, Stormberg experiences that the brand knowledge that exist in Norway is not evident to the same extent in Sweden, Finland, and Germany. This can be seen in relation to the shorter amount of time that Stormberg has been present in these markets. Consequently, sales in these markets are still moderate. The firm has acknowledged that a lot of work needs to be done, especially on branding, in the new markets in order to achieve similar response as in Norway. The webshop in Finland is growing very fast, and the Swedish one is also growing, but some slower. This may have something to do with different ways people dress in the two countries. Swedes for example, are more into fashion and are more embellished in the way they wear daily clothing, compared to Norwegians and Finns. The latters have a more blurred line between what they normally wear and what they wear during workouts and hikes. Furthermore, the different countries respond differently to different measures and responsibility focuses, so Stormberg makes adjustments in the new markets and focus on different areas of responsibility. They continuously work to identify the main areas to focus on in the different countries.

In the matter of competitors, reactions to Stormberg's responsible business strategy have been long in coming. No competitors have followed Stormberg's actions, despite the fact that a lot of the measures are easy to copy, such as the deposit scheme. One of the main reasons to this, believes Stormberg, is that the benefits of engaging in socially responsible actions are very difficult to quantify. It is hard to get an overview of what you get in return for your investments. However, the firm experiences more and more conscious consumers, especially younger ones, and believes that soon the competitors must follow to some extent. Actually, some competitors have decided to show their lists of factories and use chemicals in the clothing, and have a greater focus on environmental issues. Stormberg also points out that many of their competitors have some good measures, however, they do not communicate it to consumers because they do not see the benefits of doing so. Governments may also introduce new regulations that the industry must follow, however, unfortunately governments are far behind on these issues. In other words, the industry is to a great extent driven forward by the consumers rather the governments.

Stormberg also points out that it has been easier to come in contact with various NGOs in foreign countries, due to their responsible business profile.

Stormberg has received numerous awards for their work effort and dedication to social responsibility. For example, in 2014, for the third year in a row Stormberg was announced as the firm with best reputation in Norway, through a reputation survey performed by RepTrak (Stormberg, 2015). They were also named the most sustainable brand in Norway, both in 2014 and 2015, by the Sustainable Brand Index (Sustainable Brand Index, 2015), and announced the best Norwegian online store of the year in 2013, to mention a few. Also the firm's CEO has received various awards for his engagement and leadership style. Additionally, Stormberg has received acknowledgements from government and politicians for their corporate responsibility, and has been visited by the Norwegian Prime Minister, political party leaders, and various Ministers from the Norwegian Government. These awards and visits have resulted in extensive media coverage.

4.1.6 Effect on international market position

Stormberg has grown from a small start-up company to one of the best selling brands in the sports and outdoor clothing industry in Norway, counted by number of garments sold. However, as previously mentioned, Stormberg has not yet achieved the same position in its international markets. The Swedish market was entered in 2012 (Stormberg, 2015), where Stormberg today is between the top ten selling brands. The firm also introduced its web shop to Finland in 2014, and the market has already caught up with the Swedish web shop. The German market was entered in early 2015, and is still in the start-up phase. Nevertheless, Stormberg continuously seeks to better their international market position, by following the same strategy that has proven to be effective in Norway.

The socially responsible part of Stormberg's business strategy has been crucial for the firm's development in Norway. The fact that the brand stand for something more than only reasonable quality combined with family friendly prices, has, as mentioned earlier, resulted in Stormberg being the preferred brand, all other similar. Consumers sometimes even buy Stormberg's clothing even though they actually were looking for more technical advanced garments. This believes Stormberg, is because the consumers associate the

brand with something more and they want to make a difference, contributing to make the world a better place. Thus, the socially responsible profile has differentiated Stormberg from the competitors. The Stormberg brand is so strong in Norway that they have achieved a significant competitive advantage. In other words, the responsible business strategy has been good business for Stormberg. Communication Manager Petter Toldnæs stated:

“... Yes, it has (the strategy ref.) differentiated us from other brands. It has not only been profitable, I think it has been absolutely essential for our development. And if you start looking at how our turnover has increased in comparison to others’, then it is no doubt that this has been an obvious contributory factor.” - Communication Manager

Petter Toldnæs

Stormberg’s responsible business strategy compels them to enter long-term agreements and contracts with manufacturers and suppliers. As mentioned earlier, the firm imposes strict requirements to their collaborators, which are not easy to either implement or enforce. It is time consuming and requires mutual trust and commitment from both parties. However, these strong relationships bring with them a lot of benefits. For example, the manufacturers and suppliers are very reliable. During the financial crisis, Stormberg did not have one single delay, which is extraordinary in this industry. This is, says CR Manager Jan Halvor Bransdal, exclusively due to great manufacturer and supplier relationships. Thus, the responsible business strategy has not only provided customers, but also ensured stability and made the firm better equipped to meet times of uncertainty, which again results in a stronger market position.

“...During the financial crisis, a time of uncertainty and disturbances in the market and where there were delays, people lost money, etc. Then we could make a mark in the roof; we did not have one single delay in that period. That I mean is, and I think that is easy to document, solely a result of good relations to the suppliers. We had been with them for long, they knew they could trust Stormberg. (...) Ergo they could help us with our situation the same way as we had helped them before.” - CR Manager Jon Halvor

Bransdal

Stormberg experiences more and more conscious consumers in the sports and outdoor industry. The firm believes that the consumers will impose stricter requirements on the

brands operating in the industry, especially regarding social responsibility and environment. Today, many actors have a poor or absent focus on such issues. Thus, when and if the time comes, Stormberg will be able to serve the customers that set these requirements, and actors that must change in order to respond to the market, will most likely struggle. It is believed that this will give Stormberg a future competitive advantage, an advantage that are not evident today, but that may be applicable sometime in the future. The same competitive advantage may appear if governments impose new regulations that Stormberg is already following, whilst their competitors are not.

4.1.7 Effect on the market and competitive environment

Stormberg's way of doing business has to some extent influenced the sports and outdoor clothing market and the competitive environment. Compared to the time before Stormberg entered this industry, the price on such clothing was considerably higher than it is today. Stormberg was, compared to the other actors on the market, a low-price alternative when they entered the market. Stormberg has always been pushing for lower prices, however, lower prices in the industry are not only a result of Stormberg's business strategy. The firm cannot take this credit alone. Several other factors has affected the price of sports and outdoor clothing the later years, but we will not go into more detail here. Even though, the expensive brands have often launched collections with cheaper variants of their clothing.

Stormberg has also been pushing for more regulations and stricter requirements for the actors operating in the industry. They believe that too much social responsibility is voluntary. However, Stormberg's dedication and focus on social responsibility and environment have in fact contributed to more regulations as well as more conscious consumers. Conscious consumers, believes Stormberg, is one of the most important elements for the industry to become more sustainable, namely because it is the consumers that is the driving force of the industry. Stormberg pinpoints that a lot of work still needs to be done and it is a time consuming effort, but the industry has started to walk slowly forwards.

4.2 Marine Harvest

The case description of Marine Harvest is based on the primary data of an interview performed with Global Director R&D and Technical Øyvind Oaland and COO Sales and Marketing Ola Brattvoll. In addition, information is collected from secondary sources such as Marine Harvest's website and annual reports, as well as mass-media outputs and press releases.

4.2.1 Introduction and background information

Marine Harvest is the world's leading producer of farmed Atlantic salmon, satisfying one fifth of the global demand (Marine Harvest, 2015). The firm has been in business for over 50 years, but has grown and changed along the way, as several mergers and acquisitions have been performed with other seafood companies. Today, Marine Harvest has over 11,600 employees and is represented in 26 different countries. The headquarters is located in Bergen, Norway, and the firm is listed on both Oslo as well as New York Stock Exchange. Marine Harvest delivers salmon to more than 50 markets worldwide, and is present in all major salmon farming regions around the world (Marine Harvest, 2015). Above 50 percent of their products are sold to grocery retail chains or food services such as restaurants and cafeterias. Marine Harvest operates the entire value chain, all the way from fish feed to value adding process, and distribution of the processed farmed salmon. The firm is the first large producer of farmed salmon to have its own in-house fish feed plant, which was opened in Bjugn, Norway during autumn 2014. Marine Harvest still needs to buy an amount of fish feed from fish feed suppliers until they are able to produce all the feed that they need themselves.

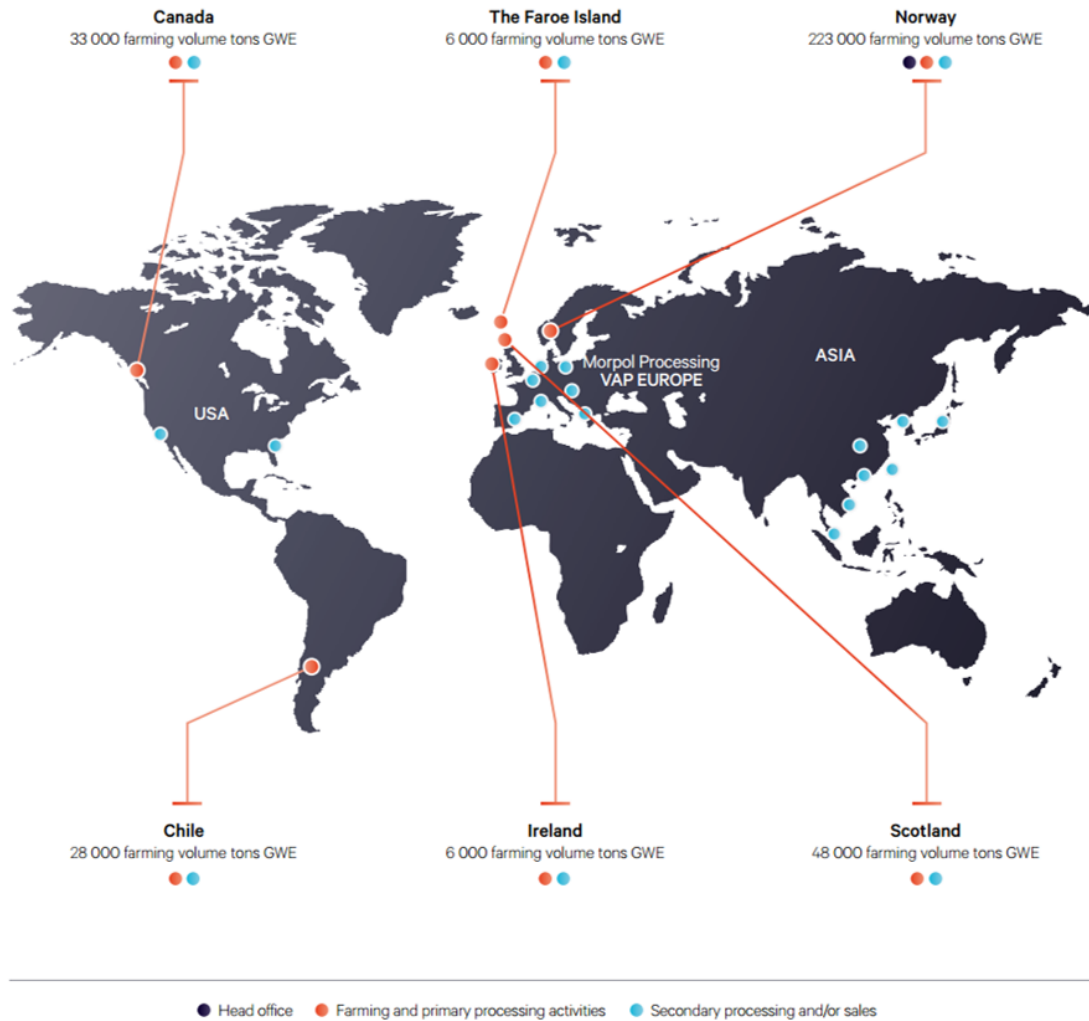


Figure 6: Marine Harvest's global operations (Marine Harvest, 2014).

Marine Harvest has a vision of “Leading the Blue Revolution”. The firm seeks to develop the industry by being in the forefront of technology development and transformation of industry practices (Marine Harvest, 2015). Through this work, Marine Harvest seeks to ensure a sustainable food supply to the world’s population. They are engaged in, and cooperate with, several organisations in order to improve the environmental consequences of their production. One of these efforts is the work to get certifications from the Aquaculture Stewardship Council (ASC). They have already certified several of Marine Harvest’s farms, and their goal is to be 100-percent ASC certified by 2020. Additionally, they are working with WWF Norway to improve the conditions of Norwegian aquaculture (Marine Harvest, 2015), and with the Global Salmon Initiative, which unites 15 international farmed salmon producers, to improve the sustainability of aquaculture by reducing environmental impact, increase social contribution and maintaining economic growth (Global Salmon Initiative, 2015).

However, Marine Harvest is also taking responsible initiatives on their own. In 2014, they decided to clean the fish oils used in production of fish feed, thus removing environmental pollutants by about 90 percent from the fish oil, and thus their farmed salmon. Due to the pollutants level in the farmed Atlantic salmon, there have been restrictions regarding how much and often people should eat the salmon, even though the levels in the farmed salmon is already well below governments' safe limits. By cleaning the fish oil, the restrictions regarding how much fish one should eat due to environmental pollutants from the fish oil will become unnecessary, and consumers can eat farmed salmon practically as much and as often they want. Marine Harvest points out that this is not something they do because they have to, but rather because they want to (Lerøy, 2014). By fall 2015 or winter 2016, all of Marine Harvest's farmed Atlantic salmon will be fed on diets with oils cleaned for environmental pollutants, with the most effective methods available, as the only farmed Atlantic salmon farmer on the market.

Fish farming is affecting the environment, and the ecological footprint of the industry is continuously being debated. There has been a tendency of mixing food safety, especially related to pollutants, with sustainability. Some NGOs have been using food safety arguments to get attention from the media, and then spread their view on sustainability mixed with food safety to the public. By removing the pollutants from the farmed salmon, Marine Harvest hopes to make them a more difficult target.

In the years 2007-2009, Marine Harvest was involved in the crisis in the Chilean salmon farming industry, with downscaling and severe losses due to outbreak of the viral disease ISA. The crisis was a consequence of a production system where best practices for biological principles were not applied and where the industry grew too fast without sufficient biological control. Marine Harvest suffered severe financial losses, and is still not back to normal production volumes. This incident has given the firm perspective and awareness of the risks of acting irresponsible, which is one of the reasons why they have a strong focus on responsibility and sustainability throughout their operations today.

4.2.2 Market conditions prior to firm change

The market conditions are virtually the same now, as when Marine Harvest decided to clean their fish oils. Marine Harvest has been the market leader since the merger

between Marine Harvest, Fjord Seafood, and Pan Fish back in 2006, and is one of the few actors in the market having a fully integrated value chain, including feed. The other actor is Bakkafrost, who is a much smaller actor, operating at the Faroe Islands only. Even though Marine Harvest is the market leader, it does not imply that competition is easy. The firm operates in an industry where the overall product is virtually the same, namely salmon. Even though some modifications are often made, such as differences in quality, you may have frozen or fresh salmon, or ready-to-eat salmon, it is difficult for the customers and consumers to differentiate the suppliers. However, due to biological restrictions, the demand for farmed salmon is higher than the global supply. Consequently, it is all about being the preferred supplier and getting the best possible price for the product.

Over the last 10 to 20 years, the focus on food safety and sustainability by the consumers has significantly increased. The safety of farmed Atlantic salmon and the level of pollutants had been a recurrent issue for several years, and were first mentioned back in 2004. Over the years this has made consumers question the safety and purity of the product. However, in 2014 the media took an offensive approach. This massive negative attention created uncertainty amongst the consumers, and put the salmon farming industry in a very bad light, and gave them a bad reputation. This media attention found its way to the French market, which is one of the most important markets for Marine Harvest. In France, this negative media coverage actually affected the demand in the market in a way that the firm had not experienced before.

“What happened was that you had the newspaper articles in Norway first (...) which created massive disturbance in the market. Then it started to spread to France and we experienced a real effect on the demand in a way that we had never seen before.” - COO

Sales and Marketing Ola Brattvoll

Thus, the market conditions were troubled and characterised by uncertainty and unanswered questions. The consumers developed a wrongful perception of farmed Atlantic salmon, as they considered it as an unhealthy and dangerous protein source, even though this was not actually the case.

4.2.3 Decision-making process and strategy development

The decision to clean the fish oils used for fish feed was a result of several different factors and events that came to happen somewhat at the same time. Thus, this decision was not a result of a single factor only.

First of all, as mentioned above a lot of critical questions had been raised towards the level of pollutants and the safety of farmed Atlantic salmon. Marine Harvest experienced noise and uncertainty related to the pollutants level and safety of farmed Atlantic salmon, even though the level of pollutants in their product was far below the strictest regulations set by governments around the world, on all different pollutants, for example PCB, dioxides, and antioxidants. Consequently, Marine Harvest was already producing a healthy and completely safe product. Due to the negative media coverage, Marine Harvest was continuously in a defensive position. COO Sales and Marketing Ola Brattvoll stated:

“We experienced that we were continuously in a defensive position, even though we had all possible scientific approvals from the Norwegian authorities. But it was not enough.”
- COO Sales and Marketing Ola Brattvoll

The negative media coverage and the decreasing level of demand in France were of course unwanted elsewhere. Marine Harvest wanted to reduce the risk of this happening in any of their other markets, and to one time for all eliminate all doubts related the safety of their product. Rather than having a massive offensive in the media, telling customers and consumers how good their product was, Marine Harvest decided to meet the challenge face to face and cut the problem by the root. Thus, by decreasing the level of pollutants in the fish oils by about 90 percent, which is the amount that is technically possible using the two-step method, they can communicate to customers and consumers that they can eat farmed Atlantic salmon as much and as often as they like. This way Marine Harvest would also be less exposed to attacks and hits from critics with a hidden agenda, such as certain NGOs working against the fish farming industry.

Despite the negative media coverage and uncertainty related to farmed Atlantic salmon, Marine Harvest did not consider this focus as a threat to the firm’s market position. Actually, they considered it a threat to the whole salmon farming industry. As the market leader, Marine Harvest wanted to step up and take responsibility and make sure

that the industry would not suffer from the recurring negative focus. It is of their interest that the whole industry is perceived the best possible way. Even though they acknowledged the opportunity for free riders, i.e. that the reputation of other fish farmers also could be improved rather than only the reputation of Marine Harvest, this was not considered a negative effect. It was in fact considered as a positive effect of the measure, as Marine Harvest wanted people to understand that the fish farming industry is responsible, with a safe product. This could open up the market and attract new customers.

On the other hand, Marine Harvest did not only want to silence the disturbances and act responsible. They also wanted to position themselves more favourably. Marine Harvest considered cleaning the fish oils as an opportunity to differentiate themselves from their competitors, where they could provide additional value for the customers that highly value food safety, while at the same time collect a higher price for their product. Thus, Marine Harvest identified the measure to be a possible competitive advantage towards those customers, and thus as a commercially viable strategy. COO Sales and Marketing stated:

“We have customers that are concerned about this issue (food safety ref.), and by initiating this measure it is clear that for us it was also an opportunity to create an advantage towards those customers. (...) So it was not only a decision we took because we felt like a responsible corporate citizen, it was also a commercial decision...”

- COO Sales and Marketing Ola Brattvoll

Furthermore, Marine Harvest had recently decided to start producing fish feed. The fact that the firm had a fully integrated value chain made it easier to start cleaning the fish oils used in the feed, they were not dependent on external fish feed producers. More importantly, the possibility of cleaning the fish oils was identified as an opportunity to demonstrate the strength of having a fully integrated value chain. This could, together with the opportunity to create additional value as mentioned above, significantly improve Marine Harvest's positioning in the competitive environment, as they could deliver products adjusted to what the customers and consumers want, something their competitors without a fully integrated value chain could not. Thus, they aim to provide more value for their customers and consumers and achieve a higher price. COO Sales and Marketing Ola Brattvoll points out:

“So what we are thinking is that by controlling the entire value chain we will have more leeway in order to differentiate ourselves, and to take positions which you cannot take if you do not own the entire value chain.” - COO Sales and Marketing Ola Brattvoll

Marine Harvest is not only competing with other producers of farmed salmon, but also producers of other sources of protein, such as meat. Even though the salmon producers stay well below the safe limits set by governments, the farmed Atlantic salmon still has a somewhat higher amount of certain pollutants than meat and dairy products. Even though meat and dairy products represent the most important food source for contaminants due to the high intake among consumers, farmed Atlantic salmon has in fact been a significant source of pollutants, partly also explained by its high fat content. However, by cleaning the fish oils used in feed, the pollutants level will sink to a minimum, and be comparable or even lower than the levels of pollutants in meat and dairy products. Thus, Marine Harvest is better equipped to compete in the protein source market.

Due to the uncertainty and questions raised regarding the safety of farmed Atlantic salmon, Marine Harvest’s R&D and Technical Department initiated in 2012 a project to investigate the possibility to clean the fish oils for pollutants, how it would affect the feed and the quality of the product, as well as the related costs. However, this project was at the time only one of many other projects ran in this department, and it was not a project with a clear timeline for implementation. Nevertheless, when the offensive media attention hit in 2014, Marine Harvest had already a massive decision basis ready to act on. They knew how to do it, the technical solutions were ready, they knew what effect it would have, and everything was ready to go. That element made the decision-making process significantly easier and faster.

Considering all these elements and events, the decision to clean the fish oils was made because it was considered as a commercially valuable strategy that could strengthen the firm’s positioning, help differentiate Marine Harvest from its competitors, and give them an advantage towards customers that cares about and value food safety. At the same time, the firm would act as a responsible corporate citizen by solving a pressing issue related to food safety, and take responsibility and act on behalf of the fish farming industry. Marine Harvest seeks to remove all doubts regarding the safety of the salmon, and hopes to silence the noise and uncertainty related to the product. When the decision

was taken, both the technology, the necessary research and the fish feed plant were in place. The cost benefit analysis indicated a positive net result. The decision, pointed COO Sales and Marketing Ola Brattvoll out, was in the end easy to make.

4.2.4 Work effort to achieve desired effect

In order to achieve the desired effect of their strategy, that is eliminate uncertainty related to farmed Atlantic salmon as well as receive a premium price from certain selected customers, Marine Harvest collaborates closely with the targeted customers. The firm has performed a thorough analysis of all their customers and identified the ones that may value cleaned Atlantic salmon, in addition to have a certain profile suited for the product. Furthermore, Marine Harvest has identified some potential customers, which they are currently not collaborating with, but that may be interested in such a product. The majority of the customers are primarily grocery retail chains and actors in the food services industry, that Marine Harvest already have had a long partnership with, and that have good relations to the firm. The customers identified are also highly concerned about their reputation as a food supplier, and value sustainable production and food safety when choosing suppliers.

Marine Harvest and their customers collaborate in order to send the message to the consumers in the best possible way, as well as to find out how to position the product, in order to create most possible value for both the consumers and the customers. They make customer specific plans. For example, food safety is something that matters when a consumer is to choose a product from the store shelf, namely because this is something that directly affects the person. On the other hand, whether the production of the product is sustainable or not, matters considerably less, often because this is a highly abstract issue that is hard for the consumers to relate to. Thus, food safety is an important message to communicate to the consumer. Marine Harvest believes that they, together with their customers, are able to receive a premium price for the product, create more demand, or even both.

4.2.5 Response from stakeholders

The response from the consumers and media has so far been solely positive, and Marine Harvest is met by benevolence and praise. Nevertheless, as the clean, farmed Atlantic

salmon is not yet on the market, the firm has not pushed a high offensive in the media so far. Thus, more reactions from consumers and media are expected to come later on.

The reaction from the competitors has been quite different. Only one other actor have communicated that they clean the fish oil beyond the legal requirements, namely Bakkafrost as mentioned earlier. No other actors in the market have followed and started to clean the fish oils with the two-step method decided to be used by Marine Harvest, a method that effectively removes dioxins, PCBs and pesticides. The main reason why their competitors have not followed, believes Marine Harvest, is the fact that they do not consider it strictly necessary.

“It is difficult to understand how they (the competitors ref.) are thinking, but the discussion was all about; why doing it when it is not necessary?” - COO Sales and Marketing Ola Brattvoll

As mentioned earlier, the level of pollutants in farmed Atlantic salmon is today well below restrictions set by governments in the countries in which the product is sold. Additionally, in December 2014, the Norwegian Government removed restrictions on how much and often consumers can eat farmed Atlantic salmon due to the reduced level of pollutants in the salmon diets and the products over the last years. Even though Marine Harvest knew this would happen before they decided to clean their fish oils, they wanted to remove as much of the pollutants as possible.

4.2.6 Effect on international market position

Marine Harvest’s clean, farmed Atlantic salmon is not yet on the market, and it is thus not possible to observe any effects just yet. However, certain customers have already showed great interest in the product, and are working closely with Marine Harvest with customer specific plans. This may indicate that Marine Harvest will in fact create a competitive advantage towards the customers that highly value food safety. According to customer and consumer preferences, this product primarily appeals to the western markets, mostly Europe, which are well developed markets and that are concerned about food safety, environment, and sustainability when buying products. The US also cares about this manner, however, there are major variations between the states. Markets in less developed countries are more interested in pressing the prices to a minimum. Furthermore, it is not expected that Marine Harvest will experience a change in market

position in undeveloped markets. Food safety and pollutants levels are not something you are concerned about if you do not eat farmed salmon in the first place. It is also a complex and technical manner to explain to new customers on the market.

In the markets where clean, farmed Atlantic salmon is valued, Marine Harvest expects to collect a premium on the price. Today, the firm sells ASC-certified farmed Atlantic salmon to a higher price compared to their normal farmed Atlantic salmon. This indicates that customers and consumers value a responsible food producer. Furthermore, Marine Harvest hope to become the preferred supplier of farmed Atlantic salmon, due to their responsible decision as well as their ability to control the entire value chain.

4.2.7 Effect on the market and competitive environment

Thus far, Marine Harvest has not yet experienced any effect on the market or the competitive environment due to their responsible decision. It is difficult to predict what the effects will be, or whether there will be changes at all, when the firm launches and promotes their product on the different markets.

5 Discussion

The following chapter will provide an in-depth analysis and discussion in order to give answer to the three research questions presented in chapter 1. We seek to provide an understanding of how MNCs can create shared value. The discussion will be based on the conceptual background presented in chapter 2, as well as the empirical evidence presented in the previous chapter. Firstly, we will investigate whether and how MNCs strategically can use CSR to achieve a competitive advantage. Next, we will evaluate whether and how the responsible actions of MNCs can create blue oceans. Based on our findings of the previous two research questions, we seek to answer the third research question by presenting a new strategy and framework that aims to help MNCs to create shared value through their CSR investments. We call it The Green Planet Strategy. Lastly, implications and limitations of the study will be discussed, as well as the possibilities for future research.

5.1 Creating a competitive advantage

In chapter 2 we mentioned that the concept of shared value creation lacks empirical support within the international business literature. Stormberg and Marine Harvest are both firms that have incorporated responsible activities to their respective business strategies, and their currently unique competitive market positions indicate that they have had success. From the conceptual background chapter it was evident that shared value only exist if the CSR investments initiated by the firm benefit the firm itself, while simultaneously benefitting the society or the environment surrounding the firm. Porter and Kramer (2006) highlight that in order to create shared value, the firm must create a competitive advantage, which is based on their responsible measures. Thus, through analysis and discussion in this subsection, we aim to answer our first research question of how and under which conditions MNCs can use CSR as a part of their overall business strategy, in order to achieve a competitive advantage.

We will first perform a thorough analysis of Stormberg and Marine Harvest and their respective strategies. Also the processes of developing the strategies will be looked into. Thus, we aim to be better equipped to deny or confirm whether they have actually created a competitive advantage, and consequently created shared value. Based on our

findings, we will present a set of guidelines of *how* firms can achieve a competitive advantage by engaging in CSR, as well as a set of *preconditions* for it to be possible.

5.1.1 Analysis of Stormberg and Marine Harvest

The analyses of Stormberg and Marine Harvest related to competitive advantage will be conducted separately, starting with Stormberg.

Stormberg

The sports and outdoor clothing industry that Stormberg was about to enter back in 1998, was characterised by tough competition. Even though few actors dominated the market in Norway, the number of different actors was still high. It was obvious that Stormberg needed a clear strategy in order to make it in this market. As mentioned in the previous chapter, Stormberg aimed for reasonable clothing to family friendly prices. One could believe that the obvious choice for Stormberg was to choose a cost leadership position, as this position was close to open at the time. However, the entrepreneur had a wish to include responsibility to the business strategy in order to do good, which to a great extent excluded the opportunity of cost leadership, namely because responsibility brings with it a lot of additional costs. By choosing a responsible business strategy, Stormberg had to make a clear trade-off, accepting both increased costs and reduced quality (compared to high-end competitors). The quality of the products was compromised in favour of more environmentally friendly textiles and production methods.

Stormberg's responsible strategy was motivated by various factors, both internal and external. First of all, the strategy was clearly motivated by the mindset and values of the entrepreneur. Consequently, responsibility has become deeply incorporated in the firm's business strategy, and the responsible measures are not performed in order to satisfy the various stakeholders of the firm, but rather in order to do good. Additionally, Stormberg is aware of the negative consequences of their operations and seeks to minimise as many of these as they can. Their daily operations are to the full extent affected by this responsible strategy. The motivation caused by the belief that such a strategy would be good business for the firm, was also of significant importance. Furthermore, when Stormberg decides on which responsible measures to engage in, they very often seek to adjust them to the issues that their customers are concerned about. This enables the firm to initiate measures that are also valued by the customers. By

looking at Stormberg's different motivations for their responsible strategy, it is obvious that they have considered both the inside-out and the outside-in perspective when they developed their business strategy, as well as during the development of the different activities that this strategy entails.

No other actor in the sports and outdoor clothing industry had responsibility included in their business strategy. Stormberg strategically used this to their advantage, and sought to differentiate themselves from their competitors and be unique. The firm has not only differentiated themselves on their products, by offering more environmentally, as well as consumer, friendly garments, but also through their entire value chain and way of doing business. This is evident as their attention to responsibility permeates the value chain, and their way of doing business is characterised by responsibility. The firm has included numerous responsibility measures throughout the firm, focusing on the four elements mentioned in the previous chapter. With this differentiation strategy, Stormberg targets the everyday family and the responsible high-end customers. Thus, one can argue that the firm has a fairly broad focus, including many segments of the industry. Consequently, Stormberg has a broad targeted differentiation strategy.

However, as stated above, the responsibility dimension of their strategy entails increased costs. Even though Stormberg aims to offer sports and outdoor clothing to family friendly prices, the price of their products is adjusted slightly above the peer low-cost brands, however, still significantly lower than the high-end brands. This is to reflect the increased value offering to the customers, as well as the increased costs. In that respect one can argue that Stormberg receives a premium price on their offerings, compared to the low-cost brands.

Stormberg has done something that no one else in the sports and outdoor industry have done before them, and consequently the firm stands clearly out from the crowd. They have identified important issues that the customers care about and that are a concern in the market, and uniquely positioned themselves to meet those needs. They have strategically positioned themselves in the market by adding the dimension of responsibility to their strategy, which is highly valued by customers. Stormberg have clearly differentiated themselves from their competitors, and created a distinct competitive advantage based upon responsibility throughout the firm. Corporate responsibility can be characterised as the core of the firm. The firm's responsible profile

has contributed to their well-developed and unique brand, which is well recognised by their customers. In other words, Stormberg's competitive advantage has clearly contributed to create shared value. Their responsible actions benefit both the firm, their employees and stakeholders, customers and consumers, and the society and environment, and is thus a win-win situation for all parts.

Marine Harvest

The industry, in which Marine Harvest operates, is somewhat different from the sports and outdoor clothing industry. Even though the fish farming industry is in a favourable position where demand exceeds supply, the competition is still tough. As the product is merely the same for every producer, namely salmon, it is extremely hard to differentiate the products, and consequently for Marine Harvest to differentiate themselves from their competitors. Despite these difficulties, Marine Harvest seeks to take advantage of the disturbances in the market related to food safety. They seek to differentiate themselves on their product, by including the dimension of responsibility to their business strategy and eliminating unwanted pollutants from their salmon.

Marine Harvest's decision to nearly eliminate all pollutants from their farmed Atlantic salmon was, as mentioned in the previous chapter, motivated by various factors, both internal as well as external. First of all, the firm was motivated by the concerns of their customers and consumers related to food safety, and their wrongfully perception of the protein source. These issues caused severe disruption and uncertainty in the industry. Even though Marine Harvest's product was completely safe, with pollutants level well below the strictest governmental regulations, a massive problem arose related to the external perception of the product. Marine Harvest sought to eliminate this noise and to provide their customers and consumers with a completely safe and healthy product, for which questions could not be raised. These are all external factors, and thus, Marine Harvest did take an outside-in approach during their decision-making process. However, Marine Harvest was also highly motivated by the opportunity to act as a responsible corporate citizen. More importantly, this measure was well suited to support and reinforce the firm's positioning in the market, and to demonstrate the strength of having a fully integrated value chain. These are clearly internal motivations. Thus, similar to Stormberg, Marine Harvest also considered both the inside-out and the outside-in perspective during the decision-making process, and when aligning the responsible measure with their overall business strategy.

Neither of the other Atlantic salmon farmers in the industry has sought to do something about the problems in the market, except from the smaller actor Bakkafrost, which only operates in the Faroe Islands. Additionally, Bakkafrost only eliminates those pollutants relevant for the European markets. Consequently, Marine Harvest is the only big actor that eliminates all types of unwanted pollutants from their salmon. Even though the firm had to make certain trade-off when developing the strategy, such as increased costs due to additional production costs, the firm hopes that by strategically position themselves in order to meet the needs of the market, they will clearly stand out from the crowd. Considering the tremendous attention and concern related to the safety of farmed Atlantic salmon, Marine Harvest hopes that salmon free of pollutants will be highly valued by their customers. The firm primarily targets retailers that are concerned about responsibility and sustainability, as well as other customers and consumers that highly value food safety. They will seek to tailor their offerings to the specific needs of these customers, however, they expect a premium price in return. Thus, Marine Harvest's differentiation strategy has a fairly narrow target, and is thus a focused differentiation strategy, as opposed to Stormberg that has a rather broader target.

By having a focused differentiation strategy, Marine Harvest seeks to differentiate themselves from their competitors, as well as to become the preferred supplier for customers concerned about food safety, sustainability, and environment. However, one cannot document any accomplished competitive advantage for Marine Harvest so far, due to the fact that the product is not yet on the market. Nevertheless, as the firm is already experiencing great interest from targeted customers and are collaborating with them on how to communicate the message out to the consumers, it shows that there is a great potential for the product. Additionally, by looking at how Marine Harvest receives a premium price for their ASC-certified salmon, the same reaction from customers may be expected for the clean Atlantic salmon, that is, in markets where food safety is highly valued by the customers. Furthermore, in the long run this responsible measure may also prove to be a valuable strategy if or when the biological limitations are overcome, and the supply have caught up with the demand. The competition will be tougher, but reliable customers will hopefully contribute to maintain Marine Harvest's great market position. Consequently, it could be expected that Marine Harvest will achieve a competitive advantage based on their responsible action, both on a short-term perspective due to higher prices of their product, but also in the long-term perspective,

being the preferred supplier. Thus, it seems that also Marine Harvest is in a favourable position to create shared value.

Conclusion

As it appears from the discussion above, Stormberg has proven that it is in fact possible to use CSR in order to create a competitive advantage. Consequently, the firm has also proven that shared value is possible to achieve. Marine Harvest, on the other hand, have not yet created a competitive advantage based on CSR, however, the firm is in a good position to achieve such an advantage and shared value, once the product hits the market. Both firms have sought to differentiate themselves from their competitors, Stormberg with a broad target and Marine Harvest with a narrower target, aiming to grab market shares from their competitors and achieve an above-average performance within their respective industries. Additionally, it is evident that both firms have accounted for both internal and external factors when they developed their responsible strategy. This is in accordance with the theory on shared value creation (Porter and Kramer, 2006). They have carefully evaluated the competitive environment and identified issues that are of high concern of their targeted customers, and implemented responsible measures as part of their business strategies in order to meet the needs of the customers. This competitive view on the market indicates that Stormberg and Marine Harvest have had a strategic mindset based on the structuralist view, as presented in chapter 2.

5.1.2 How CSR can be used to create a competitive advantage

Even though Marine Harvest and Stormberg were in two very different stages and positions when they decided to act responsible, there are several similar elements that can be considered as contributors to their achieved, or possible future achieved, competitive advantage. Based on the previous analysis, we will present a set of guidelines for MNCs to follow that seek to create a competitive advantage based on CSR. The guidelines and preconditions for creating a competitive advantage are illustrated in figure 7.

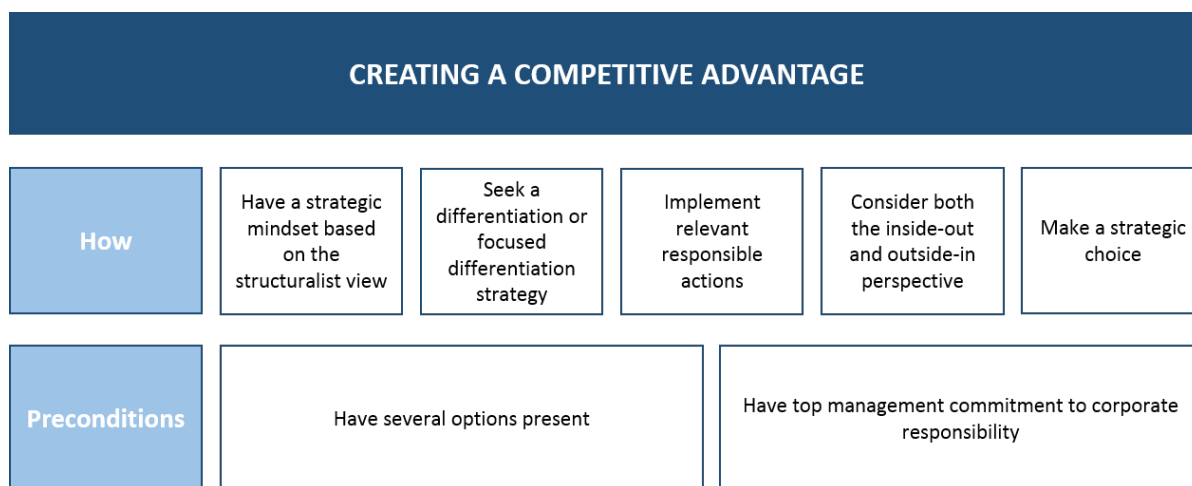


Figure 7: Guidelines and preconditions for creating a competitive advantage based on CSR.

Have a strategic mindset based on the structuralist view

First and foremost, in order to create a competitive advantage by engaging in CSR, the MNC must have a mindset based in the structuralist view. This mindset enables the firm to consider CSR as a way of beating the competition and grabbing market shares from its competitors. Additionally, it helps the firm to evaluate its competitive environment, so that it can understand what their competitors do, as well as identify issues that are important to certain customers, and which these customers value. Furthermore, the structuralist view enables the firm to divide the market into attractive and less attractive parts. Consequently, the firm can identify which parts of the market it should prioritise and which opportunities to exploit, and which parts that should be abandoned. This way, the firm can work towards achieving a competitive advantage. Marine Harvest has clearly taken this competitive view. They have identified a pressing issue in the industry, as well as which customers that are concerned about food safety and that consequently will value their clean salmon. Consequently, they have turned their focus to this highly attractive part of the market.

Seek a differentiation or a focused differentiation strategy

In order to create a competitive advantage based upon CSR, responsible activities must in fact contribute to create either a differentiation strategy, or a focused differentiation strategy, as presented by Porter (1985, 1998). It is evident from the analysis of Stormberg and Marine Harvest that investing in CSR activities is synonymous with increasing your costs. Thus, it is hard to understand how these activities can contribute to a cost leadership. It is believed that a cost leadership position only can be achieved in extreme cases, such as where a firm experiences an outrageous economy of scale. However, such positions are extremely rare. As mentioned above, Stormberg have a

differentiation strategy with a broad target group, targeting the everyday family, as well as the responsible high-end customer. Marine Harvest, on the other hand, will only use their pollutant free salmon to differentiate them from their competitors in those markets where the customers and consumers are concerned about the level of pollutants in the product. Thus, they have a narrower target and a focused differentiation strategy. Both firms show how such a differentiation strategy makes the firm able to take out a higher price, which compensates for the increased costs as well as the additional value offered to the customers.

Implement relevant responsible actions

Firms pursuing a competitive advantage based on responsibility must differentiate on responsible elements that are relevant for the customers, as well as for the firm's business and daily operations. This means that the differentiation must be highly valued by the customers. Additionally, the responsible actions must somehow be connected to the daily operations of the firm. This implies that responsible activities cannot be selected randomly. Both Stormberg and Marine Harvest address issues that their customers and consumers are highly concerned about, and that are pressing issues in the industry. Additionally, all the measures concern either the firms' products, their value chain, or their way of doing business. If the MNC choose to invest in CSR measures that are irrelevant for the customer, they will not be tempted to buy the product. Likewise, if the CSR measures are not connected to or relevant for the firm's business, the strategy will not affect the firm's business performance.

Consider both the inside-out and outside-in perspective

In order to identify the rightful responsible measures to implement, the MNC must have a two-sided approach during the strategy development process, considering both the inside-out as well as the outside-in perspective. In chapter 2 it became evident that most firms consider external factors only, taking a stakeholder or an institutional perspective. This results in a responsible strategy that may have relevance for the present market situation, but that is not properly aligned with the firm's business activities or strategy. Thus, the CSR activities are unable to have a positive influence on the firm's business performance. Additionally, strategies based solely on external factors are often not considered credible to the customers, as it may shine through that the firms are acting responsibly only to please stakeholders and improve their reputation. Consequently, customers often consider such actions solely as PR, and not as the firm's heartfelt wish to be a responsible actor.

On the other hand, if a responsible strategy is developed by considering only the inside-out perspective, the MNC will end up with a strategy that is in fact properly aligned with the firm's business activities, however, the strategy do not target the pressing issues in the industry that the customers are concerned about. Consequently, a strategy developed by a one-sided approach will not work as a differentiation strategy, but rather only contribute to increased costs. As it appears from the analysis above, both Stormberg and Marine Harvest have taken into account external as well as internal factors during the development process of their strategy. The firms have chosen responsible activities that are valued by the customers, while they are simultaneously anchored in the firms' overall business strategies. Thus, the responsible measures fit and reinforce the other activities in the firms. Consequently, it is difficult for competitors to imitate their responsible actions, and get the same effect. This provides support to Porter and Kramer's theory (2006), stating that both the inside-out and outside-in perspective must be considered in order to create a competitive advantage through a CSR strategy. By considering both approaches in the development process, one can actually achieve differentiation based on responsible actions, thus achieving shared value.

Make a strategic choice

It is important that the MNC understands that a strategic choice has to be made on whether or not the responsible strategy is the rightful solution for the firm. The identified responsible strategy should be reinforcing the MNC's existing business activities, and not be a result of for example an increasing CSR trend in their industry. Thus, an evaluation has to be made to make sure that the firm believes in the strategy, and considers it as way of reinforcing and improving their market position, compared to other strategies. For example, Marine Harvest made an obvious strategic choice when they decided that cleaning the fish oils was the right strategy for them. The firm acknowledged that such a strategy would reinforce their decision of having their own fish feed plant. Additionally, they considered this strategy more commercially viable than the strategy of simply going out in media, explaining that their farmed Atlantic salmon is a safe product according to governmental restrictions.

If the responsible strategy is chosen, there may be several possible responsible actions that the firm can choose to engage in. However, this may not always be the case. In the case of Marine Harvest, the only responsible solution regarding the high pollutants level was to eliminate the unwanted pollutants from their salmon. Anyhow, when several options are present, as in Stormberg's case, a strategic choice has to be made on which

specific responsible activities the firm should engage in. The MNC needs to perform trade-offs to find the rightful combination of activities, and several factors need to be evaluated and taken into account. The firm must choose those activities that constitute a strategic fit to the firm's business profile, so that they in fact reinforce the business strategy. Consequently, such a strategy is difficult to copy, which is often considered an important element in order to create a competitive advantage. According to Porter (1996), this can even create a sustainable competitive advantage, which Stormberg have proven to be correct. Stormberg shows how they continuously make trade-offs in order to find the rightful responsible activities to engage in. For example, they take into account the interests of their customers, costs related to each measure, advice given by NGOs, as well as their own values and beliefs. Thus, firms that seek to create a competitive advantage by engaging in CSR must perform a *strategic choice*, choosing the actions that the firm believes will be most profitable for the firm itself.

5.1.3 Preconditions for using CSR to create competitive advantage

Not many preconditions apply for MNCs that pursue a competitive advantage based on CSR. We observe that there are few similarities between the two case firms in terms of firm size, age, industry, and international presence. More importantly, none of these factors seems to be important contributors to the achieved, or possible future achieved, competitive advantage of the two case firms. Thus, these are all factors that are not considered as preconditions for using CSR to create competitive advantage. However, it could be expected that Marine Harvest will struggle a bit more than Stormberg to be seen as a responsible firm, as Marine Harvest carry with them a lot of history. While Stormberg started with clean sheets, Marine Harvest, as the market leader, is often associated with the whole industry and its reputation, which by many stakeholders is not considered the best, this for various reasons. Additionally, they have been involved in cases like the one in Chile, which is a direct example of irresponsibility. Thus, one could argue that young firms might have an advantage when building a brand around their responsible strategy. However, as Marine Harvest has not started to market their cleaned farmed Atlantic Salmon yet, it is hard to predict how the consumers will react, and whether their brand will be associated with responsibility.

However, by looking beyond these general firm characteristics mentioned above, two factors are prominent, and have been important for both Stormberg and Marine Harvest. MNCs must have several possible strategies present during the decision-making process.

Additionally, top management dedication and commitment to being a responsible actor, is of the essence.

Have several options present

The first condition that must be fulfilled in order to create a competitive advantage by engaging in CSR is the fact that the MNC must have had other possibilities present, when deciding on the new strategy for the firm. The firm cannot have been forced into the responsible strategy, for example by certain regulations, or by pressure from the industry or its customers. Neither can the responsible strategy be the only way left to make the firm survive in the industry. If the firm do not have a choice, the actions will be more about survival or license to operate, instead of actually doing good or creating a differentiation strategy. If the firm do not have several options present, all the firms operating in the industry will continue in the same direction, and neither of the firms will have the opportunity to cultivate heterogeneity or stand out from the crowd. Consequently, the firms will not be in a position where they can follow the guidelines presented above, in order to achieve a competitive advantage.

Stormberg had numerous options when they decided to implement their responsible strategy. The firm was at its inception with the world at its feet, and theoretically speaking, the firm could have chosen any possible strategy they liked. For example, Stormberg could simply have relied on a straightforward low-price strategy, aiming to sell cheap products with reasonable quality, without taking all these responsible actions. At that time, the cost leadership position was open, however, the time has shown that several low-cost suppliers have entered the sports and outdoor clothing industry. Thus, it would have been difficult to keep the cost leadership position over time. Also Marine Harvest had various options on the table during the decision-making process. For example, they could have chosen to do nothing, as most of their competitors did, or they could perhaps have invested large amounts of money in media in order to tell everybody that their product was safe as it is.

Both Marine Harvest and Stormberg show that by having other options, which have seemed like more obvious choices to their competitors, they have been able to choose an unique responsible strategy. Additionally, by having several options, MNCs will be in a position where they can evaluate them up against each other, seeking the rightful option. Thus, the conditions are set in order to make the firm able to make a strategic choice, as presented in the guidelines.

Have top management commitment to corporate responsibility

It is evident that for a MNC that seek to create a competitive advantage by engaging in CSR, commitment from the top management to being a responsible actor, is crucial. The fact that both Marine Harvest and Stormberg made important strategic choices related to responsibility, can be seen in relation to how both firms had, and still have, highly committed top management teams. Stormberg's entrepreneur's dedication and wish to take responsibility for the firm's actions, and to make the world a better place, is of the essence. Also Marine Harvest's wish to step up and take responsibility for food safety, and thus the health of their consumers, as well as for the industry, has been important elements in the decision-making process. These commitments have made the firms able to evaluate these unorthodox strategies, and to investigate whether a strategy based on CSR can actually be valuable and commercially viable. Without this internal motivation from the management, the firm would probably never have gotten to that point.

However, a problematic issue with responsible activities and measures is the difficulties of quantifying their profitability. This is highly due to the fact that it is difficult to know how customers and consumers will react on the measures, and whether or not responsibility was the decisive factor when a product was purchased. This specific issue related to responsible actions taken by firms, may be considered an explanation to why many firms find it so hard to invest in responsible strategies. For many, it can seem like a big risk to take, with no proof of, or guarantee for, the return on the investment. However, with a top management that considers responsibility as a part of the core of the firm, like the management teams of both Stormberg and Marine Harvest do, the decision to invest in responsible actions is easier to make. Both top management teams acknowledge the possibilities that lie in responsible actions, in which less responsible firms do not. Thus, Marine Harvest and Stormberg consider investing in responsible actions as a profitable investment, unlike their competitors. Additionally, both firms also acknowledge that by acting responsibly, the risks the firms are exposed to, as well as the risks the society and environment are exposed to, significantly decrease. The firms know how irresponsibility can destroy an industry and their marketplace. This is something Marine Harvest learned the hard way, when the salmon farming industry in Chile collapsed in 2007. Thus, both Marine Harvest and Stormberg express that they want their competitors to follow their footprints, even though this will reduce the unique positions of both firms. The top management teams have an utter wish for firms to do their part in order to improve the sustainability of their industries and the society in general. Stormberg points out that they will always push forward and be in the forefront

of the responsible evolution, which will maintain their position as the most responsible actor in their market.

5.2 Creating a blue ocean

Stormberg and Marine Harvest prove that it is possible to create competitive advantage through responsible actions, and thus it is possible to create shared value for both the firm and the society. The previous findings indicate that the case firms offer something that the other actors within the respective industries cannot. In many ways it seems that Stormberg and Marine Harvest are competing in markets where only they are present. The competitors have difficulties with matching up to these firms, and are simply not able to compete. Thus, one can argue that the competitive advantages that Stormberg and Marine Harvest have created can actually be considered as blue oceans. This implies that also blue oceans can be a source of shared value creation. In the following section, we will give an answer to our second research question; seeking to answer how and under which conditions MNCs can create blue oceans by engaging in CSR.

In order to investigate the manner, we will provide a thorough analysis of both Stormberg and Marine Harvest and their responsible actions. We will investigate their markets prior to their responsible engagement, and consider whether or not the markets can be characterised as red oceans. Next, a stepwise analysis of the actions of both firms will be conducted, in order to confirm or deny whether Stormberg and Marine Harvest have actually created blue oceans by incorporating CSR to their respective business strategies. Based on this analysis, we will present a set of guidelines for other firms to follow, in order to answer *how* MNCs can use CSR to create a blue ocean. Furthermore, we present a set of preconditions, in order to answer *under which conditions* it can be possible.

5.2.1 Analysis of Stormberg and Marine Harvest

The analyses of Stormberg and Marine Harvest related to blue oceans will be conducted separately, starting with Stormberg.

Stormberg

Stormberg's sports and outdoor clothing industry is in a tough position economically speaking. This industry is far beyond over-crowded, with numerous suppliers and brands

to choose from. One usually roughly distinguishes between the high-end brands and those focusing on low-costs. Brands operating in the high-end market often differentiate themselves on technical features or extreme quality, while the low-cost brands normally compete on nothing but price. As the industry is over-crowded, the sports and outdoor clothing industry repeatedly invites to new price wars that pressure the profit margins of the actors, continuously making them offer more for less, may it be either the high-end or the low-cost brands. When one actor cuts their costs or adds a new feature, the other ones must follow in order to not be outcompeted. Consequently, the industry appears as something similar to a trench, where the actors operating within it are continuously forced into a defensive position, trying to survive and defend themselves against the others. It is all about beating the competition and achieve a bigger piece of the cake, i.e. grab more of the existing demand.

It is obvious that Stormberg is operating in a very difficult and challenging industry. The industry boundaries are to a great extent already set, and are widely accepted by the different actors. Furthermore, the competitive rules of the game are known. This makes it difficult to stand out and become the preferred brand. It is evident that the sports and outdoor clothing industry in which Stormberg operates can in fact be characterised as a red ocean. Consequently, the different actors take part in a bloody competition based on a zero-sum game, struggling to keep their head above the red waters. Competitors are either stuck in a constant price war, or in constant search to offer a better feature to the customer.

Despite the fierce competition in the sports and outdoor clothing industry, Stormberg has managed to differentiate themselves from their competitors and created a distinct competitive advantage. However, in many ways the firm have taken it a step further and done something more than only creating a competitive advantage.

When the strategy for Stormberg was developed in the early 2000s, it was decided that the brand was going to represent something more than only functional and good-looking clothing with a sensible price tag. Stormberg turned their back on competitors and benchmarks, and developed a strategy that was based on what they thought the customers and consumers would value.

First of all, Stormberg acknowledged that their target group had no need for clothing with the extreme quality and advanced technical features that their high-end

competitors offered, and that the consumers often considered these elements unnecessary. Consequently, Stormberg reduced these elements of their clothing, as they had little value for the consumers. Additionally, Stormberg acknowledged that a reasonable quality and a good-looking design were important factors for the customers. Thus, Stormberg focused on these elements and made them a part of their products, making sure that they were better positioned than their low-end competitors on these elements. However, Stormberg's priority of these factors is still not as high as the priorities of other high-end actors in the market. By reducing several factors, costs were severely reduced. Thus, Stormberg are able to position themselves with prices that are significantly lower than the prices of other high-end brands in the industry.

More importantly, Stormberg has added the competitive factor of responsibility to their strategy. Responsibility permeates the organisation and affects everything they do and all the strategic decisions they make. At the time Stormberg entered the sports and outdoor clothing industry, the focus of the actors on social responsibility and environment was very limited, if even non-existing. Stormberg has added something that a lot of customers and consumers can relate to and highly value, namely by offering them a way of contributing to making the world a better place. In return, Stormberg has obtained a very good reputation and a strong brand. Additionally, they highly turn the awareness and attention of customers and stakeholders to the matter, as they have raised their customer relations, well above the industry standard. This was done by communicating with the customers through social media, as well as the firm's own stores. This has over the years, of course combined with other factors, resulted in more and more conscious consumers, that value Stormberg's actions. In addition, due to the fact that Stormberg sacrifices a certain quality and advanced features on their garments, it has been easier for them to include responsibility. Extreme quality and advanced features often namely limit which type of textiles and treatments they can use in the production process. Thus, by adding the factor of responsibility and raising other competitive factors, the firm significantly increases the buyer value offered to their customers.

On the other hand, it is obvious that operating in a sustainable way is not the most cost efficient solution for Stormberg, and that their operations cause additional costs. However, by adding the factor of responsibility to their strategy, Stormberg also reduces the risk of additional costs related to possible future consequences of not initiating these

CSR activities. In other words, the CSR strategy functions as an insurance that reduces the firm's costs in the long run. For example, this could potentially be costs that could have occurred in relation to not being aligned with new sustainable regulations imposed by the government, or costs occurring due to a world crisis or similar, such as a financial crisis. Future potential costs can thus be avoided due to their responsible profile, for example by their good and long term relationships to suppliers and manufacturers. Additionally, they will also reduce the risk of being caught in irresponsible operations, which can lead to boycott from customers, which may cause a decreasing demand, or fines from the government.

What Stormberg has actually done is adjusting their competitive factors, thus, they have reallocated the elements within their competitive positioning. By doing this, the firm has created additional value for their customers, while challenging the traditional pricing in the sports and outdoor clothing industry. The adjustments of the competitive factors have created a crucial value innovation, which has effaced the old industry boundaries and created a new marketplace. The way Stormberg has managed this, indicates that they have had a reconstructionist view. In this new market they have created for sports and outdoor clothing, the rules of the game are still to be set, meaning that the old competitors are unable to compete. As long as competitors do not have a similar responsible profile, they are unable to offer products to customers that seek a trustworthy and responsible brand. According to the firm itself, they have, in addition to grab market shares from their competitors, created new demand in terms of customers that previously did not buy garments in the sports and outdoor clothing market, due to their responsible business profile. Thus, they have opened up the market for new customer groups that value responsibility and sustainability. Stormberg often appears as the preferred brand compared to others. By carefully adjusting utility, price, and costs the innovation has become deeply anchored in the value. By reducing costs while increasing the value offered to customers, the strategy is based on both differentiation and low costs, rather than only one of them, which is normally the case in red oceans. This leap in value for both customers, the society, and the firm have created new demand and a new marketplace. Thus, Stormberg has created a blue ocean, which has been essential for the firm's development and success.

Marine Harvest

The fish farming industry that Marine Harvest operates in, is characterised by tough competition, even though the industry is in a favourable position where global demand

exceeds the global supply of farmed Atlantic salmon. The different actors do not compete on price, which makes it difficult for customers and consumers to differentiate between the various actors. This is also highly due to the fact that the product, farmed Atlantic salmon, is primarily the same either it is produced by Marine Harvest or some other supplier in the industry. Suppliers may seek to differentiate themselves by making various modifications to the product, for example by performing value adding processes, or by using a different type of feed, which can affect the quality of the salmon. However, differentiation is very difficult. Consequently, the opportunity to obtain a higher price for the product is also tough. Additionally, it is hard to obtain loyal customers, and the industry appears as something similar to a random “salmon exchange”.

Similarly to the sports and outdoor clothing industry, also Marine Harvest’s market is extremely challenging. The industry boundaries are already set, and are widely accepted by the different actors. Furthermore, the rules of the game are known, and the prominent biological challenges in the industry limit the leeway of the actors. Due to these limitations, it is very difficult to stand out and be the preferred supplier. Thus, also the farmed Atlantic salmon industry can be characterised as a red ocean. The different suppliers take part in a bloody competition based on a zero-sum game, and the competition for the customers is fierce. The various suppliers are in a constant search to differentiate themselves from their competitors.

Despite these unfavourable market conditions, Marine Harvest has sought, and partially succeeded so far, to differentiate themselves from their competitors. Cleaning the fish oils was a strategic decision made by the firm in order to strengthen their position in the competitive environment. As mentioned in the previous chapter, the firm considered cleaning the fish oils not only as an opportunity to step up and act as a socially responsible corporate citizen, but also as a commercially viable strategy and an opportunity to differentiate themselves from their competitors. Similar to Stormberg, also Marine Harvest identified elements that were highly valued by their customers, as well as a pressing issue in the industry.

The increased attention to pollutants in farmed Atlantic salmon demonstrated that the consumers were highly concerned about this issue, as well as the health related consequences caused by eating the salmon. Thus, food safety is highly valued by customers and consumers. By cleaning the fish oils, and thus providing a healthy

product free of pollutants, Marine Harvest has severely increased the competitive factor of food safety of their product. Additionally, Marine Harvest has even changed how the customers and consumers evaluate food safety. Before, food safety was related to how much pollutants the different suppliers had in their farmed Atlantic salmon. Today, it is a question about whether or not suppliers feed their salmon with clean fish feed. As of today, Marine Harvest is the only actor in the category of salmon fed on diets with fish oils cleaned for environmental pollutants. Thus, the firm has actually added the competitive factor of social responsibility to their strategy, first of all in terms of the healthiness of their consumers, but also by acting responsibly on behalf of the fish farming industry and the environment. Consequently, the firm significantly increases the buyer value of the product.

Furthermore, Marine Harvest has strengthened their relationships to their targeted customers. As previously mentioned, they work closely with their customers that value food safety, in order to establish more loyal customers, and more committed and interdependent customer relations. Thus, the competitive factor of customer relations has increased, which again contributes to increase the overall buyer value offered to customers. This will also increase the retailers' engagement to farmed Atlantic salmon free of pollutants, which again hopefully will generate increased awareness among the consumers. Increased consumer awareness will also hopefully strengthen the brand and increase Marine Harvest's reputation, as well as the reputation of the whole Atlantic salmon farming industry. A stronger brand and better reputation will, similar to increased customer relations, contribute to increase the overall buyer value. The firm also severely reduces the risk of being accused for serving unhealthy salmon, which is intended to rectify the misperception related to the safety of the product.

On the other hand, it is obvious that the process of cleaning the fish oils has an additional cost, which of course increases the overall costs of the firm. However, approximately at the same time that Marine Harvest decided to only serve clean fish feed to their salmon, they conveniently opened their first in-house fish feed plant. By having a fully integrated value chain for their product, the firm is now better positioned to control their costs, as well as other cost related uncertainties that may appear when being dependent on external actors, for example currency fluctuations. There are few fish feed producers compared to fish farmers, a situation that puts the feed producers in a favourable position similar to monopoly. Even though the process of cleaning the fish oils is performed by a third party, Marine Harvest is better equipped to control the costs

of their operations. In the long-term the firm hopes to achieve high efficiency and economy of scale in their feed production, which may contribute to reduce the overall costs of the firm. Additionally, by offering their customers salmon free of pollutants, the firm reduces the risk for possible additional costs related to not initiating this measure. Thus, similar to Stormberg, this initiative works as an insurance that reduces costs in the long run. For example, future offences in the media causing confusion and uncertainty about the product, and worst case affecting the demand of salmon, could possibly provide substantial costs for the firm.

Lastly, when the product hits the market, Marine Harvest will seek to strategically price their farmed salmon slightly higher than today's salmon price. The aim is to reflect the increased value offered to the customers and consumers, in terms of food safety. Thus, the price is aligned with the customers and consumers experienced utility of the product, as well as the increased production costs due to cleaning the fish oils.

Marine Harvest aims to a great extent to meet the needs and preferences of their customers and consumers. They have created a product that has never previously been on the market, a product that is believed to be highly valued, especially by actors in developed markets such as Europe and the US, that have a focus on sustainability and the environment. Similar to Stormberg, the firm has adjusted their competitive factors and priorities to be different from their competitors'. The firm has sought to carefully adjust utility, price, and costs, in order to differentiate themselves from their competitors and to create a leap in value, both for customers, consumers, the society and the firm itself. Thus, also Marine Harvest's business strategy is more of an and-and strategy, rather than an either-or strategy. These elements indicate that the firm may have also had a reconstructionist mindset. Even though it is a little early to conclude, as the product is not yet on the market, many elements suggest that Marine Harvest has created a value innovation, causing a new and uncontested marketplace for customers that value food safety, where competitors are unable to challenge them. In other words, similar to Stormberg, also Marine Harvest may have created a blue ocean by incorporating CSR to their business strategy.

Conclusion

As it appears from the discussion above, both Stormberg and Marine Harvest have in fact created their own respective blue oceans that are anchored in socially responsible actions. They have turned their back on benchmarks and competitors, and rather

focused on alternatives. Furthermore, the firms have looked across the existing customer base, and have opened up the market for new customer groups that highly value responsibility and sustainability. Consequently, they have created new demand. Stormberg and Marine Harvest have reconstructed the industry boundaries, and created two new and uncontested marketplaces where they have set the rules of both the market and the competitive game. The result is a win-win situation for all parts, including the firm itself, its customers and consumers, the employees, stakeholders, as well as the society and the environment. Thus, by creating blue oceans based upon CSR, they have created shared value.

The actions of Stormberg and Marine Harvest do in fact indicate that both firms have had a strategic mindset based on the reconstructionist view. However, this contradicts with the findings in the previous subsection, namely that the firms' actions indicated that they had a structuralist view when they created a competitive advantage. As it appears from chapter 2, it is clear that blue oceans cannot originate from a structuralist view, as this type of strategic thinking limits the thinking to only the existing marketplace. As illustrated above, both Stormberg and Marine Harvest have reconstructed the industry boundaries, and created new demand and a new marketplace. What is evident is that the firms have created a competitive advantage, and at the same time a blue ocean, and both actions have resulted in shared value. Thus, the findings indicate that both the structuralist view and the reconstructionist view can be used in order to create shared value, and that the distinction between the two views are not so clear as presented in the conceptual background chapter. Creating a blue ocean can be considered as a competitive advantage taken a step further. Even though both strategic mindsets in theory can create shared value, only the reconstructionist view can create a blue ocean.

5.2.2 How MNCs can create a blue ocean by engaging in CSR

Both case companies prove that by engaging in responsible activities a MNC can create a blue ocean. By drawing parallels to the cases of Stormberg and Marine Harvest, we will provide a set of general guidelines for how other MNCs can create blue oceans by engaging in CSR. Both the guidelines and preconditions for creating a blue ocean are illustrated in figure 8.

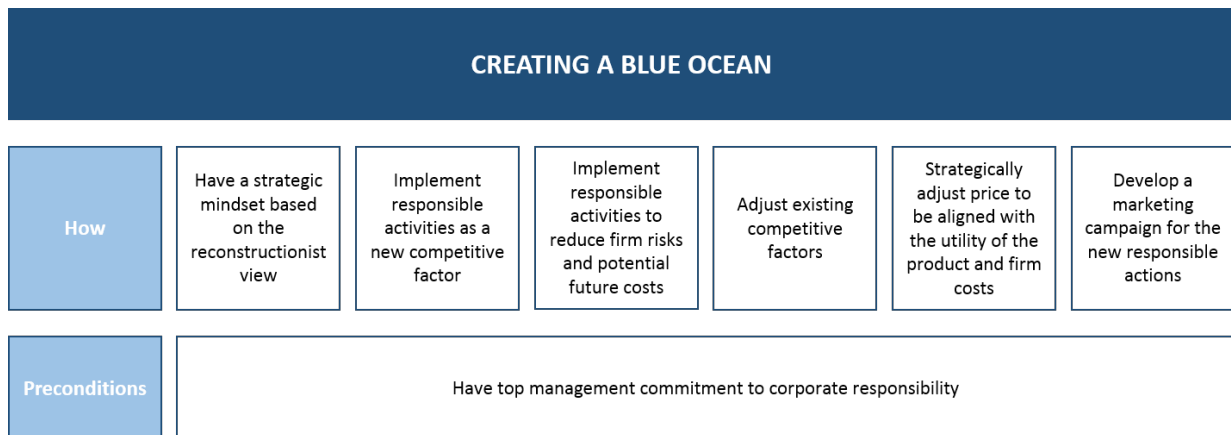


Figure 8: Guidelines and preconditions for creating a blue ocean based on CSR.

Have a strategic mindset based on the structuralist view

First and foremost, in order to create a blue ocean by engaging in CSR, the firm must abandon the strategic mindset of the structuralist view, and embrace the reconstructionist view. The latter opens up to new marketplaces, and untapped demand that values responsibility. Only this way the rightful adjustments of the competitive factors can be made, so that the industry boundaries can be effaced and recreated with respect to responsible actions. Thus, blue oceans can be created and anchored in CSR. In the case of Marine Harvest it is evident that the competitors are stuck in a mindset based on the structuralist view, focusing only on supply. Marine Harvest, on the other hand, has acknowledged and taken an interest in the fact that their customers demand salmon with significantly lower pollutants levels, than what is offered today. It seems that the competitors are entrenched on the fact that, in accordance to regulations, their farmed Atlantic salmon is solely safe and healthy to eat. Consequently, they are not interested in making any changes to their pollutants level in their salmon, especially not changes that entail increased costs. By looking beyond this situation, Marine Harvest has been able to create an untapped demand, namely for Atlantic salmon free of pollutants, which only they can satisfy.

Implement responsible activities as a new competitive factor

In order to create a blue ocean, a new and unique competitive factor has to be introduced to the market. It is evident that CSR thus far only has been incorporated to the business strategy in a handful of firms, and thus the global marketplace has not particularly been exposed to such a firm and its corresponding strategy. However, both Stormberg and Marine Harvest show that it is in fact possible to create a blue ocean by adding the factor of responsibility to their competitive positioning. Consequently, such a factor will make the firm stand out from its competitors, and be unique. However, it is

not enough to just introduce some new responsible factor, the responsible factors must also be highly valued by the customers, thus increasing the buyer value of the product. Only then can a true value innovation be created. The responsible actions must be a response to issues that the customers care about. Thus, the MNC can break out of the red ocean and create a blue ocean, namely because the customer only want to buy products from the brand or supplier that has taken responsibility for their actions. Both Stormberg and Marine Harvest addressed elements that were the most pressing elements in each industry. Marine Harvest experienced how highly some of their customers valued food safety, and developed a new factor of pollutant free salmon, which no other competitor could deliver.

Managing to find the right responsible actions to introduce as a valued competitive factor can be difficult, and will demand a deep understanding of customer and consumer preferences. However, both Stormberg and Marine Harvest had good insight to the general preferences of their customers and consumers. Both firms pointed out elements that have the largest value for the consumer in a buying situation, namely factors that have a negative effect on the consumers themselves, such as pollutants in farmed Atlantic salmon or chemicals in garments. Taking responsibility for other societies or the environment, on the other hand, are actions that do not directly affect the buyer, and that are difficult to relate to. Consequently, such issues are often not a decisive factor in a buying situation. On the other hand, these preferences may be different for the customers, such as retailers and brand stores. For example, many of Marine Harvest's collaborators are concerned about their reputation, and thus value sustainability. Insight to customer and consumer preferences is important in the process of choosing which responsible actions to engage in, as the firm needs to create a responsible factor that actually has value for the buyer.

Implement responsible activities in order to reduce firm risks and potential future costs

In order to make a best possible value innovation, the firm's CSR activities also need to reduce the firm's costs. However, engaging in CSR involves investments in new activities, and thus, engagement in CSR will not reduce costs itself. Nevertheless, responsible activities will in fact reduce the external risks that the firm is exposed to, such as the possibility to be involved in a scandal or crisis due to irresponsible operations, or being in arrear when new regulations are imposed. Such situations often entail significant costs, however, by acting responsibly these potential future costs are

avoided, or at least remarkably reduced. Consequently, CSR investments may function as insurance for potential future costs.

Both Marine Harvest and Stormberg show how being a responsible actor work as insurance for future potential costs. By taking responsibility for their actions, the firms are precautionary and avoid unnecessary costs. For example, the likelihood of Stormberg being labelled as irresponsible is very low. Marine Harvest, on the other hand, has so low levels of pollutants in their salmon that they never will be denied to sell their fish to any market. Consequently, both firms avoid costs related to situations caused by irresponsibility. Firms need to be aware of the threats and challenges that are involved with being an irresponsible actor, and how they can avoid them by taking responsibility for their actions. Thus, by engaging in CSR the firm can reduce its risks as well as potential future costs, which will improve and reinforce their value innovation, and contribute to create a blue ocean.

Adjust existing competitive factors

In addition to adding a factor of responsibility to its competitive positioning and implement actions to reduce potential future costs, the firm should also adjust other existing competitive factors. This entails reducing or eliminating factors that have no significant value for the customers and consumers. This may for example be factors that have previously been over-served by the actors in the industry trying to increase buyer value, but that the customers are not concerned about. Competitive factors that are inconsistent with the firm's responsible strategy should also be eliminated or reduced as much as possible. Such factors can namely weaken the firm's business strategy and outweigh the responsible actions taken. Also factors that may hinder other responsible actions to be taken, should be eliminated. Thus, it will be easier for the firm to initiate responsible actions. By reducing and eliminating elements, the firm can further lower their costs. Additionally, competitive factors that have great value for customers and consumers should be raised, especially factors that support the responsible strategy of the firm. This should be done in order to increase the buyer value as much as possible. Thus, by lowering costs while increasing buyer value, the value innovation can increase.

Strategically adjust price to be aligned with the utility of the product and the firm costs

In order to create a blue ocean, an alignment between utility, cost, and price is necessary. Consequently, an adjustment of the price is necessary when both the utility of the product and the firm costs have changed due to the previously adjustments. Implementing responsible actions will most often create additional costs. Thus,

increasing the price can be a suitable measure. This requires that the responsible action create an increased buyer value. Marine Harvest has this as a clear strategy, and will most likely be able to take out a higher price compared to its competitors, in markets where the customers value food safety. On the other hand, it can be that other firms are able to adjust so many of their existing competitive factors that this will compensate for the increased cost related to the new responsible factor. Thus, they will not need to increase price, and can even be able to reduce the price. When Stormberg entered the sports and outdoor clothing market, they lowered their prices compared to the market leaders. However, their prices are positioned higher than the low-cost brands', as they have differentiated themselves from them with their responsible profile. Thus, by engaging in responsible actions that are unique and valued by the customers, MNCs can increase their prices of their products, and reinforce their value innovation. Even though the price are either raised or reduced, it must be aligned with the utility of the product and the costs of the firm.

Develop a marketing campaign for the new responsible actions

In many cases customers and consumers are unconcerned about whether firms act responsibly or irresponsibly. This is often due to the fact that they lack knowledge and are not aware of the problematic issues related to irresponsibility in the industry. For example, if a customer is not aware of how production of palm oil has led to deforestation of the rainforest, and destruction of the habitat for many endangered species, they will not understand why they should buy products which does not contain palm oil. Thus, by looking at Stormberg and Marine Harvest, it is evident that to obtain the desired effect from acting responsible, engagement and awareness from the customer are crucial. Thus, the customers must be made aware of the consequences that irresponsible actions and products have on society, as well as themselves. This demands that the firm runs one or several heavy marketing campaigns, promoting their activities towards targeted customers and consumers. The firm must also put a large effort into customer relations and collaboration with NGOs, media, and governments, in order to create awareness and knowledge around the subject they are engaged in.

5.2.3 Preconditions to create a blue ocean by engaging in CSR

First of all, similar to the findings in section 5.1, analysis of Stormberg and Marine Harvest show that not many preconditions apply to firms that pursue a blue ocean by engaging in CSR. The opportunity to create blue oceans is not affected by any

characteristics of either the firm or the industry. This is in accordance with the findings presented earlier, which illustrates that a firm's opportunity to create competitive advantage is neither affected by these characteristics. Marine Harvest and Stormberg are two very different types of firms that have both achieved the same thing, namely created blue oceans based on CSR. Marine Harvest has a long history and has operated in the fish farming industry for decades. Stormberg on the other hand, was a newly established firm when it laid out its strategy for the sports and outdoor clothing industry. Both industries were receptive for this type of CSR strategy. These elements are clearly supported by Kim and Mauborgne's statement that the blue oceans strategy can be applied by anyone (2005). The firm can either be old, like Marine Harvest, or new like Stormberg, big or small, it can operate in any thinkable industry, and so on. However, as mentioned in section 5.1, it can be expected that a well-established firm with a somewhat fuzzy reputation regarding responsibility and environment, can experience difficulties when implementing a responsible strategy. For example, they may have difficulties with being taken seriously and be valued by the customers as a unique responsible brand. However, further research is needed to conclude on this area.

Looking beyond general firm characteristics, the case firms highlight one precondition that is important and that must be in place, in order to create a blue ocean.

Have top management commitment to corporate responsibility

In similarity with our previous findings in section 5.1, the top management's commitment to being a responsible actor is crucial, when a MNC seek to create a blue ocean by engaging in CSR. As the firm's responsible activities must create a value innovation, a dedicated top management is needed to see those opportunities that other actor in the industry overlook. Additionally, the top management team must have great knowledge about customer preferences, so that they understand what kind of irresponsibility the customers are concerned about. Consequently, the management is better equipped to develop responsible actions that increase the buyer value of the product, and prevent the customer to consider other potential brands or distributors. Consequently, the MNC will create a blue ocean through their responsible actions.

5.3 Green Planet Strategy

In the search for suitable case firms for this study, it was evident that most Norwegian MNCs had difficulties with getting their CSR investments to positively affect their

market position. In fact, it seemed that most firms had not even considered this opportunity. Nevertheless, through the analyses of Stormberg and Marine Harvest, we have proved that it is possible for MNCs to use CSR to create a competitive advantage or a blue ocean, thus creating shared value for both the firm, the consumers, and the society. More importantly, Stormberg and Marine Harvest have given us an understanding of how they have managed to accomplish this. This knowledge, combined with the concepts, tools, and frameworks of the Blue Ocean Strategy, will now be used to answer the third research question, explaining how MNCs can create a shared value by applying elements of the Blue Ocean Strategy. We present *The Green Planet Strategy*.

5.3.1 Sustainable value innovation

The Green Planet Strategy is, similar to Kim and Mauborgne's Blue Ocean Strategy (2005), based upon the reconstructionist view. It is intended to guide firms out of their bloody red oceans and into a more favourable position, where the firm's actions result in benefits for both the firm itself, the employees, and stakeholders, as well as the society. In other words, the strategy helps firms to consider CSR as a profitable opportunity, opening up for untapped possibilities for the firm, thus creating a new marketplace.

The Green Planet Strategy is all about harvesting untapped demand, however, this demand must first be created. Thus, the firm's focus must shift from supply, like in the structuralist view, to demand. More importantly, the demand must be created by engaging in CSR, and the demand created must value responsibility. The Green Planet Strategy seeks to reallocate elements within the firm's competitive positioning in order to reconstruct the industry boundaries, and create a new marketplace where the new and responsible demand can be created. When the market changes, so do the rules of the competitive game. Consequently, the old competitors are no longer in position to compete with the firm. By stimulating the demand rather than the supply, the strategic value innovation contributes to expand the existing markets and create new ones.

Creating value innovations that benefit both the firm, the society, and customers and consumers, is obviously a win-win situation for all parts. We define such value innovations based on responsible actions, as *sustainable value innovations*. Thus, as compared to the regular Blue Ocean Strategy, we add the factor of CSR to the matter, which create positive effects for the society. The value innovations of both Stormberg

and Marine Harvest’s value innovations can be characterised as such sustainable value innovations. In sustainable value innovations, all three factors are equally important and must be allocated the same amount of attention. Sustainable value innovation is created in an area where a firm’s operations affect both the costs, the risks of the firm, the society, and the value for customers. It can only occur when the utility of the product, the costs, and the price are aligned. If the firm do not anchor the sustainable innovation in the value, they only opens up for other firms to explore the opportunity they have laid out, thus losing the opportunity themselves to create shared value. Thus, in order to create a sustainable value innovation, the MNC must aim to *increase the buyer value* of the product, while *reducing firm costs and risk*. Additionally, the responsible activities must have *relevance*. Figure 9 below, illustrates the concept of sustainable value innovation.

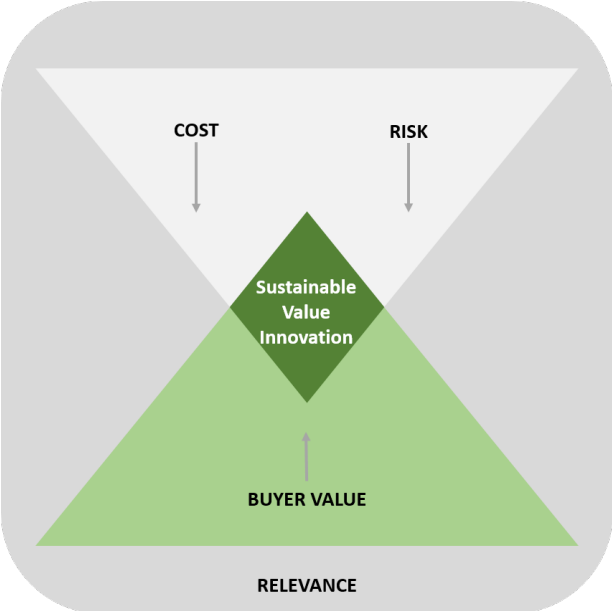


Figure 9: Sustainable value innovation.

Increase buyer value

First and foremost, sustainable value innovation is all about creating value for the customers. The buyer value of the product can be increased by raising competitive factors in the industry that customers value, and by creating elements that the industry has never offered before. More importantly, the main element of this value must be highly related to responsibility. Take Stormberg for example, they offered their customers the massive element of responsibility. They offered their customers a way of contributing to making the world a better place, an element that no other actor in the industry offered. By adding the element of responsibility to their business strategy,

Stormberg created additional sustainable value for the customers that are concerned about environment, sustainability, and fair trade. Additionally, this responsible profile is also the core of the brand and has provided Stormberg with a great reputation, which is an important competitive factor.

Reduce costs and firm risks

In order to create a sustainable value innovation as big as possible, costs should be reduced. This can be done by either eliminating or reducing competitive elements in the industry that do not have a significant value for the customers. As mentioned previously in this chapter, Stormberg sacrificed both quality and advanced features in favour of more environmentally friendly garments and production methods.

However, also the firm's risk should be reduced. The risk of the firm is negatively correlated with the firm's responsible actions. The more responsible a firm is, the less is the risk the firm is exposed to. It is evident that the global marketplace, especially in developed and western markets, experiences more and more conscious consumers. Additionally, various NGOs continuously seek to make MNCs take responsibility for their actions and operate in a responsible way. Also governments in different countries impose stricter requirements related to pollution, fair trade, and so on. This highly increases the chance of being caught when acting irresponsibly in the value chain. Furthermore, firms acting irresponsibly often get burned, or get struck by an unexpected crisis, catastrophe, or similar. Sooner or later the irresponsible actions most often come to light, and such revelations result in massive consequences. For example, a firm's reputation may take immense hits from such revelations. The costs related to decreasing demand and loss of sales, sanctions imposed, or the work to make things right, can be tremendous. Thus, by acting responsibly and incorporating responsibility as a part of their business strategy, firms may not only reduce risk as much as possible, they also indirectly reduce or eliminate future costs. As previously mentioned, Marine Harvest learned this the hard way, when the salmon farming industry in Chile collapsed. Thus, Marine Harvest seeks among other things to hedge themselves against similar events, by acting responsibly and respect biological limitations. Consequently, the responsible actions will potentially have a high value for the firm in the future.

Relevance

To be able to create shared value, the sustainable value innovation must have relevance, similar to the findings related to competitive advantage in section 5.1. Otherwise, the responsible actions will just end up as charity. MNCs pursuing shared value must

therefore address one of the most pressing issues in its industry. Consequently, the firm ensures that the investments address those issues that the customers are concerned about. This in turn indicates that the actions taken to solve these issues are highly valued by the customers. However, by addressing the most pressing issues in the industry, the firm also ensures that the actions taken have relevance for the current market situation. Additionally, the responsible actions must have relevance for the firm's overall strategy and business operations, meaning that they must strengthen and reinforce the firm's other activities. Marine Harvest's decision to clean the fish oils was highly relevant for their business strategy and daily operations, as they just had decided to open their own fish feed plant. Consequently, the firm have the opportunity to illustrate their advantage of having a fully integrated value chain. Additionally, the decision was relevant for the current market position, namely because no other actors in the industry had the opportunity to offer the same product. No other actors are big enough to be able to have a fully integrated value chain, and are thus dependent on external feed suppliers. Additionally, the food safety of farmed Atlantic salmon was one of the most pressing issues in the industry, and Marine Harvest targeted this particular problem.

5.3.2 How to develop a sustainable value innovation

When a MNC is developing a sustainable value innovation, it is simultaneously creating shared value. To achieve this win-win situation it is important that the firm follows certain guidelines in order to achieve the best result. In the previous subsections, several similarities have been evident related to guidelines in order to create shared value and blue oceans by engaging in CSR. In the following, specific guidelines on how to develop sustainable value innovations and shared value creation are presented and explained in detail. Both the guidelines and preconditions are illustrated in figure 10.

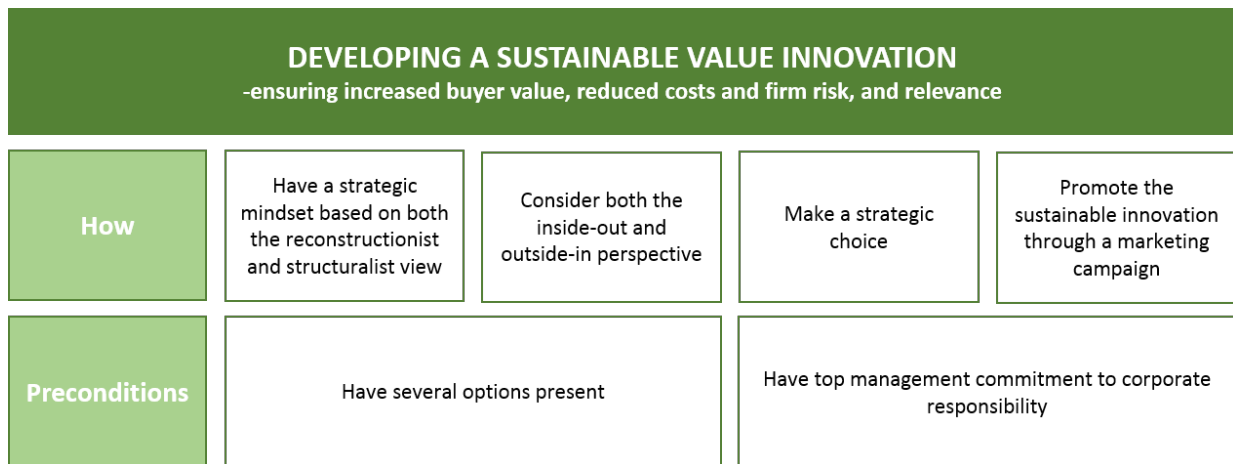


Figure 10: Guidelines and preconditions to develop a sustainable value innovation.

Have a strategic mindset based on both the reconstructionist and structuralist view

In order to create a sustainable value innovation, the MNC must have a strategic mindset based upon *both* the structuralist as well as the reconstructionist view. The findings presented in section 5.1 and 5.2 revealed that shared value may occur from strategic thinking characterised by elements from both the structuralist and the reconstructionist view. These two types of mindsets are presented as strictly opposites in the theory, however, these findings may indicate that the distinction between the two is not as clear as one first would think.

Obviously, only the reconstructionist view can contribute to reconstruct the marketplace and make the old competition irrelevant. It is this particular view that helps the MNC to dare to think innovatively, and develop a value innovation based on CSR. Anyhow, the structuralist view also contains important elements that a MNC should take into account when pursuing shared value. Both case firms revealed that all consumers in all markets do not value responsible actions. Marine Harvest is deliberately targeting specific customers who value their responsible actions, while Stormberg has a strategy of only entering markets where the consumers are aware of and concerned about the irresponsibility taking place in the sports and outdoor clothing industry. While the reconstructionist view is about de-segmentation and creating new demand, the structuralist view makes MNCs able to investigate the different segments, and reveal their needs. Thus, as responsibility is not a subject valued by all consumers, the structuralist view will make MNCs able to identify the attractive parts of the markets, where consumers will value their sustainable innovation. Consequently, the MNCs will be able to have a more focused strategy, exploiting these markets where shared value can be created.

Consider both the inside-out and outside-in perspective

In order to create an innovation that both increase the buyer value, reduce costs and firm risk, and has relevance for the customers and the firm, an understanding is needed of how the firm's business activities affect the firm's competitive environment, and how the competitive environment affects the firm. Thus, the firm must consider both the inside-out and outside-in perspective when developing their strategy. This two-sided approach helps the firm to understand which CSR activities that are most valued by the customers, and which activities that fit best into the firm's existing business activities. By considering both the inside-out and outside-in perspective, the firm avoids engaging in CSR activities that may be important for the customers, but that do not affect the firm's competitive position. This will only result in increased costs with no return on the investments. Similarly, the firm avoids engaging in CSR activities that have an affect on the competitive position of the firm, however, that are not interesting for the customers. Such activities will of course not attract customers. Taking both an inside-out and outside-in approach will give the firm the possibility to actually break out of the intense competition and benefit both the firm and its environment, thus creating shared value.

Make a strategic choice

Creating a sustainable value innovation and shared value is in many ways about doing something different than your competitors. Consequently, the CSR activities that the firm engages in in order to accomplish this cannot be something everybody else is doing. The chosen strategy has to be a result of a strategic decision where the strategy was considered as the best possibility to be different and to create a unique position in the market, while at the same time acting responsibly. When evaluating the different options, the firm needs to consider some criteria in order to find the optimal strategy to create shared value. A consideration has to be made on whether the strategies will simply reinforce the fierce competition in the red ocean the firm is currently operating in, and thus get the firm into more trouble than it is already in, or whether it actually has the ability to become a sustainable value innovation. The firm must therefore investigate whether the chosen strategy increases buyer value, reduces costs and risks, and can be considered relevant. Additionally, an evaluation has to be made on whether a responsible strategy is the best solution, or if there are any other strategies that will more likely get the firm to break out of the red ocean.

Promote the sustainable innovation through a marketing campaign

Our findings in section 5.2 suggested that it is important to build customer awareness around the irresponsibility that takes place in the firm's industry, and how the firm's

sustainable innovation actually create value for the society, the customers, as well as other stakeholders. The same arguments apply for the Green Planet Strategy. For example, even though Stormberg has been an actor in the sports and outdoor clothing industry for almost 15 years, awareness building is still one of the most important and time-consuming work they do today. In some industries, this may not be necessary, but as the firm pursuing shared value will be a first mover, it should be expected that the customers are not well aware of the irresponsibility going on in the industry. In other cases it could be that the customers are concerned about an issue, but not aware that some firms actually seek to address the problems. However, what is evident is that the firm will not achieve the desired effect of their responsible business strategy if there exist lack of knowledge in the market. Thus, marketing campaigns should be a significant part of the responsible strategy, providing the customers with information about the firm's responsible strategy and actions. This focus is highly contradictory with the Blue Ocean Strategy, as Kim and Mauborgne states that marketing is unnecessary, as the value innovation will promote itself. By looking at the special case of sustainable value innovation, it is not believed that the innovation will promote itself, namely because the key to deliver a high buyer value is customer awareness. It is not given that this awareness is present. Promoting the sustainable value innovation is the only way the firm can bring attention to the social issues that they seek to address, as well as show the customers and consumers how their product or operations contribute to solving the problems. This will make the customers aware of, and hopefully also make the customers value, the sustainable innovation.

5.3.3 Preconditions to develop a sustainable value innovation

Not many preconditions apply for firms that seek to develop a sustainable value innovation and shared value. However, as our findings previously have highlighted both in the section concerning competitive advantage and CSR, as well as in the section concerning blue oceans and CSR, top management commitment is crucial. This finding also applies for firms that seek to develop a sustainable value innovation. Additionally, the firms pursuing shared value must have several options present during the decision-making process.

Have several options present

Similar to the preconditions that must be fulfilled in order to create competitive advantage, we also acknowledge the importance of having several options present when

developing a sustainable value innovation. It is especially important that the MNC is not in a condition where they are forced by external actors to invest in responsibility, such as for example by regulations or pressure from the industry or the customers. Neither can the responsible strategy be the only way left to make the firm survive in the industry. If the firm do not have several options present, all the firms operating in the industry will continue in the same direction, and neither of the firms will have the opportunity to cultivate heterogeneity or stand out from the crowd. Consequently, a differentiation strategy will not be possible to achieve.

Additionally, in order to create a sustainable value innovation, internal motivation and exploration of opportunities are important factors of the innovation process. These factors will not be present if the firm is in a situation where other people tell them what to do and what is expected of them. Furthermore, to create a best possible sustainable value innovation, it will be an advantage if other options and business opportunities reinforcing the red ocean are present in the market, appearing as more relevant and safe choices for the competitors. Thus, as competitors explore these opportunities, they are making the competitive environment even fiercer for themselves, without creating any leap in value for the customers. Consequently, there will be better room for a sustainable innovation, offering an awaited and valued factor to the customers.

Have top management commitment to corporate responsibility

To be able to acknowledge the opportunities that lie in a responsible business strategy, the top management must be fully committed to being a responsible actor. A fully committed management team will evaluate the financial opportunities of investing in responsible actions, in which less responsible competitors would not have even thought of investing in. Additionally, they will have a greater belief in the profitability of the strategy, and will be less dependent on quantitative data to confirm it, which have proven to be difficult to develop. These aspects give the firm the opportunity to bring something new to the market, in terms of a sustainable value innovation. Furthermore, a committed top management team will ensure that the entire value chain of the firm is highly responsible. This is very important, namely because if the firm gets caught for acting irresponsibly while claiming to be responsible, the reactions among the consumers can be tremendous.

5.3.4 Tools to create a sustainable value innovation

Several helpful tools can be used to find the rightful sustainable value innovation. It is not easy to look at the well-known competitive environment with new and critical eyes, especially not breaking up the elements and reallocate them to create a new market. The guidelines presented above are not easy to satisfy, however, tools presented by Kim and Mauborgne (2005) can ease the process of finding good options and choosing the one that will create a sustainable value innovation. However, modifications of the original tools are made in order to create sustainable value innovation.

The Strategy Canvas

The strategy canvas, as presented in chapter 2 is both a diagnostic and an action framework in order to develop a strong value innovation. This tool, however, can also be used to develop a strong Green Planet Strategy. The strategy canvas, including value curves from different actors in the market, should be used to obtain an understanding of the marketplace the MNC is currently operating in, which allows the firm to clearly see what factors the industry competes on and where the competition currently invests. Additionally, the strategy canvas should be used to help the firm reorient its focus. Consequently, the strategy canvas gives the MNC the necessary insight to identify which adjustments that should be made on existing competitive factors, as well as which responsibility factor that can be added as a competitive factor, in order to differentiate themselves from their competitors and to create and maximise a sustainable value innovation. The increased buyer value for the customers is reflected in the added competitive factor(s) as well as in the higher prioritised factors. Reduced risk is also reflected in the responsible competitive factors added, as well as those responsible factors that are higher prioritised. Reduced costs, on the other hand, are reflected in both reduced risk due to the reduction of future potential costs, and in those competitive factors that the firm have little or no investments in, compared to earlier.

Stormberg's value curve, as presented in figure 11, clearly shows how the firm's offering level to the customers is different from the other brands' offering level in the sports and outdoor clothing industry. The figure represent the market situation today, and shows how high-end actors also have implemented responsible actions in terms of environmental friendly clothing and production, fair trade initiatives, and donations, after Stormberg entered the market in 1998. However, they are not at the same level as Stormberg, and none of the high-end actors have included their responsible actions into

their overall business strategy and made it part of their brand. When Stormberg entered the market, these actors did not consider such factors at all, and Stormberg was the only brand with dedicated responsible operations. Thus, Stormberg's offering to the customers is unique, and it has been well appreciated by the customers. Consequently, the responsible profile has been crucial for Stormberg's well-developed and awarded brand, as well as the firm's great reputation.

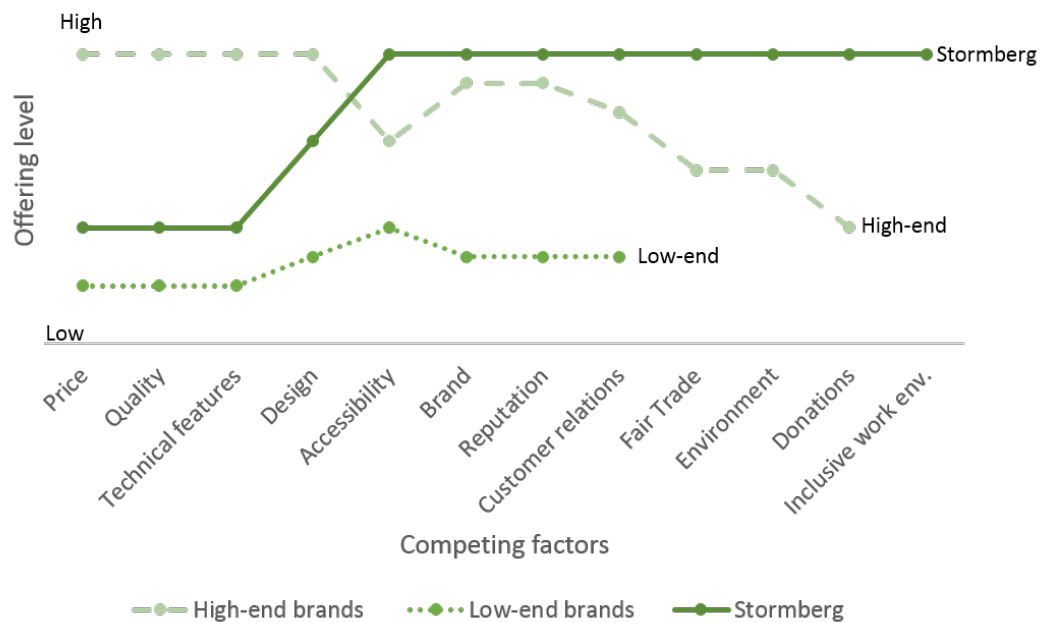


Figure 11: The strategy canvas and value curve of Stormberg.

The original value curve of Marine Harvest, from the time before they decided to clean the fish oils, shows how the firm's offering was not particularly divergent and did not differ much from their competitors' value curves (see figure 12). Marine Harvest differed in the way they could offer the customers more customised products, as they have control of the entire value chain. Additionally, they could offer farmed salmon with a pollutants level well below government restrictions. However, this was also something many other competitors could offer. Consequently, it was very difficult for the customers and consumers to differentiate between the actors in the industry. When the farmed Atlantic salmon free of pollutants hits the market, Marine Harvest's strategy canvas will change. Marine Harvest has introduced a new competitive factor. Previously, the concern was all about how high the level of pollutants was, in the farmed Atlantic salmon offered from the various actors in the industry. When the new product launches on the market, it is rather a subject of whether or not there are any pollutants in the product. Additionally, Marine Harvest will increase their price to obtain the increased

value they are offering the customers. Consequently, they will also increase their customisation offering to the customers, and reinforce their role as an actor with a fully integrated value chain. Finally, as the response so far has been positive, it is expected that this will improve their reputation. The strategy canvas of Marine Harvest before and after the implementation of their responsible strategy is illustrated in figure 12 below.

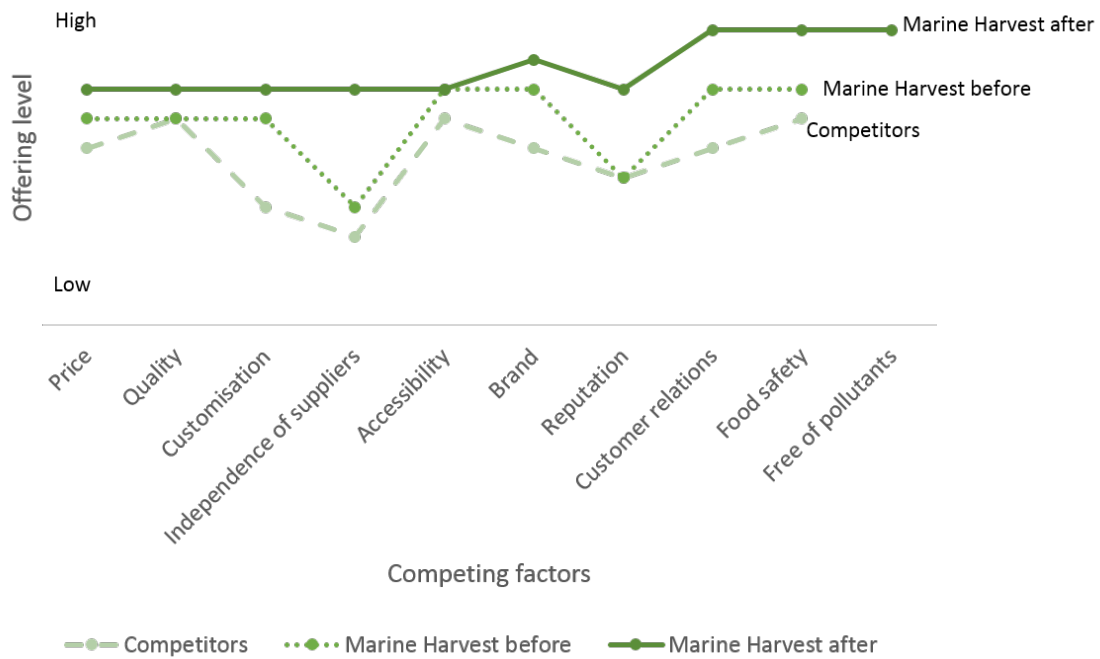


Figure 12: The strategy canvas and value curve of Marine Harvest.

The Four Actions Framework and the ERRC grid

As presented in chapter 2, the four actions framework and the ERRC grid help the firm break out of the old pattern and create new opportunities. Thus, both of these tools must be used to create sustainable value innovation and a new value curve. However, the firms must ask the questions somewhat differently from the original framework, in order to include the element of sustainability and responsibility. The four actions framework will help the firm ask these questions, while the ERRC grid will make the firm act.

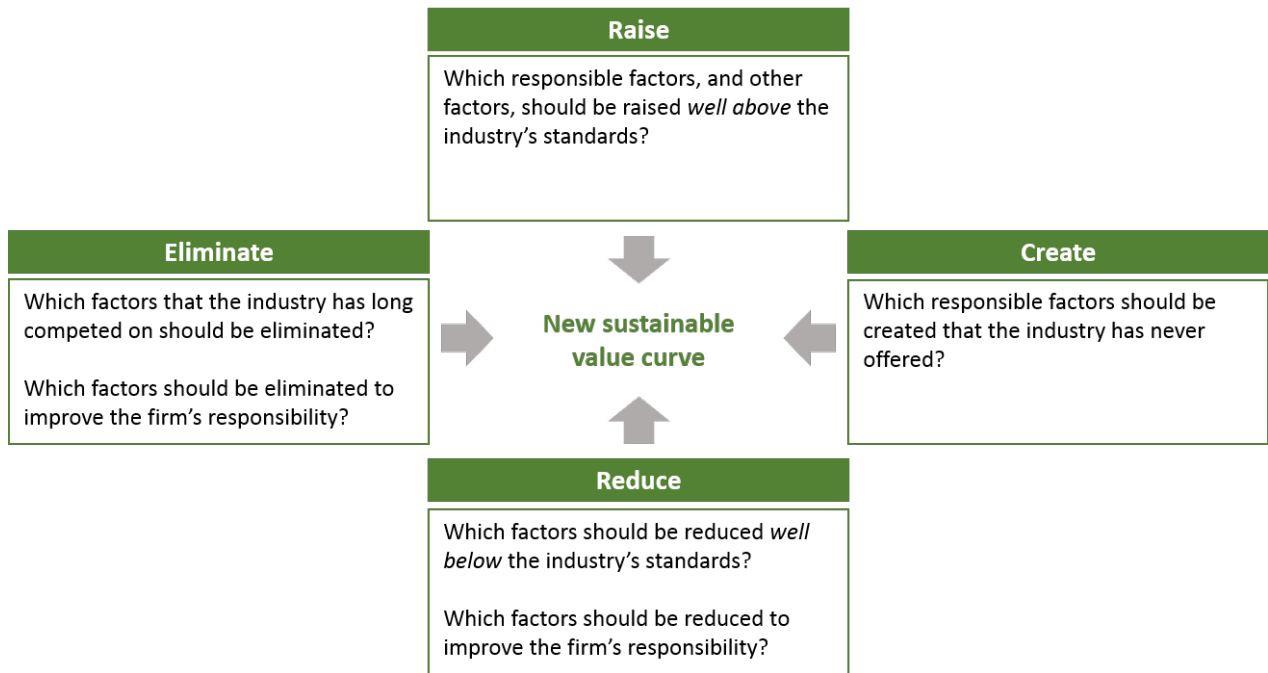


Figure 13: The Four Actions Framework for sustainable value innovation.

The questions of *creating* and *raising* competitive factors are intended to increase the value offering to the customers and to reduce risk, as presented in figure 9, so that a sustainable value innovation can be created. The firm should ask themselves, which responsible factors that should be *created* that the industry has never offered before. By doing this, the firm are able to investigate the opportunities that lie in the measure of introducing responsibility as a competitive factor to the industry. This question is meant to uncover new sources of value for the customers, and create new demand that challenges the traditional pricing. Stormberg created responsibility as a competitive factor, and offered products that were of great value for the customers. Consequently, the firm created new demand outside of the original sports and outdoor clothing industry. Marine Harvest, on the other hand, created a competitive factor related to the food safety of the product, which was also of high value to the customers. Even though the level of pollutants in farmed Atlantic salmon had been an issue in the industry for several years, neither of the actors had previously used it as a competitive factor.

The firm should also ask themselves which existing industry factors that should be *raised* well above the industry's standard. This includes both responsible factors, if such exist, as well as regular competitive factors. These are often factors that the actors in the industry have taken for granted, and that they did not believe significantly affected the buyer value of their products. These factors should be raised in order to create additional value for the customers. As mentioned in the previous paragraph, common for

both the raise and create questions is that they are intended to increase the offering level to customers, and to create new demand. Consequently, it is important the MNCs raise and create competitive factors that actually bring value to the customers, and that they do not overly serve on factors that the customers do not care about. Additionally, creating and raising responsible activities will in fact contribute to reduce risk both for the firm and the society. Consequently, the firm will reinforce the sustainable value innovation.

The questions of *reducing* and *eliminating* competitive factors intend to make the firm find ways to reduce their costs. By identifying which factors that are not providing significant value to the customers, these can be either eliminated or severely reduced. For example, Stormberg decided to reduce the quality of their garments, as well as advanced technical features, to below the standards of the high-end brands. Stormberg acknowledged that their target group had no need for the extremely high quality their competitors delivered. By reducing or eliminating such factors, the firm will not only reduce costs, but also have more funds to invest in responsible actions. Additionally, the firm should eliminate or reduce factors that are not aligned with the responsible profile of the firm, or that make it more difficult for the firm to take responsible actions. As Stormberg reduced their quality, they made it easier to choose environmentally friendly garments and treatments of their clothing. For other firms, it could be necessary to eliminate some of their business activities, as they are not aligned with their responsible actions and profile. Stakeholders will easily react if they find a firm that proclaims their responsible actions, while at the same time operating highly irresponsible in certain parts of their value chain.

After the firm has answered the questions in the four actions framework, the *ERRC grid* should be used to make the firm take their thoughts and ideas into action. The goal is to make the firm able to create a strong sustainable value innovation by reducing costs and firm risk, while increasing the value offering to customers. By filling their actions into the grid, it will be obvious if the firm exclude any of the aforementioned elements in their real actions. The grid forces the firm to think of ways they can increase the value for the customer in a sustainable way, while simultaneously reducing costs and firm risks.

The ERRC grids of Stromberg and Marine Harvest clearly show the measures that have contributed to their sustainable value innovation. Both Marine Harvest and Stormberg

have made use of three out of four questions, namely reducing, raising, and creating. Marine Harvest, however, has a stronger focus on raising and creating competitive factors compared to Stormberg, which indicates that they focus more on increasing buyer value, and thus differentiation and reduction of risk, as opposed to reducing costs. Stormberg's stronger focus on reducing factors is a clear strategy in order to reduce costs. By doing this they strategically position themselves to be able to offer reasonable priced garments. However, to differentiate themselves from other low-cost actors, some factors are also raised and created, in order to ensure that they offer greater buyer value. Neither of the case firms have eliminated any competitive factors, however, it is important to emphasise that it is not necessary to make use of all four actions when creating shared value. Nevertheless, the better the firm is to adjust factors within all four grids, the greater the sustainable value innovation will be. The MNCs that pursue shared value must therefore find their own optimal collection of measures, in order to create the rightful sustainable value innovation

Eliminate	Reduce
	Price Quality Technical features Design
Raise	Create
Accessibility Brand Reputation Customer relations	Responsible operations: - Environmental friendly - Fair trade - Inclusive working environment - 1 percent donation of turnover

Figure 14: The EERC grid of Stormberg.

Eliminate	Reduce
	Dependence of fish feed suppliers
Raise	Create
Price Quality Customisation Brand Reputation Customer relations Food safety	Farmed Atlantic salmon free of pollutants

Figure 15: The ERRC grid of Marine Harvest.

Three characteristics of a strong Green Planet Strategy

Three characteristics of a strong Green Planet Strategy are identified. It is important that MNCs have these in mind when developing their strategy, and later test their strategy to see whether it fulfils these three characteristics. These characteristics ensure that the strategy provides the desired effects. The three characteristics of a strong Green Planet Strategy are presented in figure 16 below.

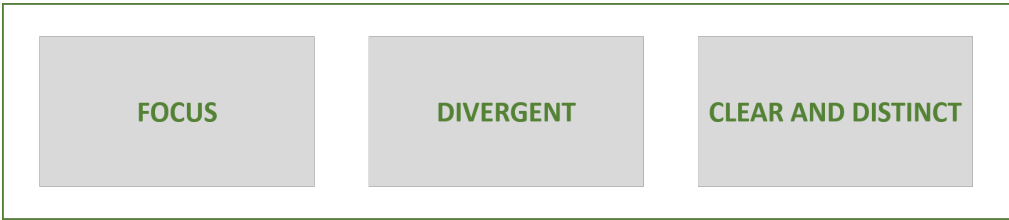


Figure 16: Three characteristics of a strong Green Planet Strategy.

First of all, a good strategy must have *focus*. This also includes the value curve of the firm. Focus is needed because the firm cannot be all things to all people, serving all needs evident in the market. That would result in a weak cost structure, and an undefined strategy. MNCs must therefore choose which competitive factors to prioritise. Stormberg does not invest heavily in all of their competitive factors, however, they have chosen a few that occupy their attention. For example, as mentioned before, Stormberg has sacrificed both quality and advanced technical features. On the other hand, they have a clear focus on an appealing design, family friendly prices, and corporate responsibility. This focus enables the firm to strategically price their product compared to both high-end and low-cost brands. Thus, Stormberg communicates a focused and understandable business profile. Other high-end brands, for example, most often focus on all competitive factors, which result in a very costly business model.

Furthermore, the value curve of the MNC should be *divergent*, meaning that it should be differentiated from the value curves of the other actors in the industry. The firm should not benchmark themselves with competitors, but rather look across the alternatives. Stormberg turned their back on the competitors and created the new competitive factor of responsibility, as well as adjusted other competitive factors in the industry by reducing and raising some elements. This has resulted in a value curve that is unique and differs severely from their competitors. Stormberg clearly stands out of the crowd.

A strong Green Planet Strategy also needs to be *clear and distinct*. The firm must have a clear message and be truthful, and responsibility must be integrated throughout the firm's operations. For example, the firm cannot act responsible in one part of their value chain while acting irresponsibly concerning a different matter. Furthermore, the firm's responsible strategy cannot be just empty words; they must act trustworthy and be credible. Too often CSR is communicated by firms, but without meaning or content. Stormberg has responsibility incorporated in their entire value chain, and take this element very seriously. It permeates every operation in the value chain and all decisions made by the management. The trustworthiness of Stormberg is one of the elements that in a great extent have contributed to their success.

5.3.5 Final comments

We have expressed that the society's engagement in global social, economic, and environmental issues is continuously increasing. The increased attention from customers and consumers, as well as NGOs and governments, forces firms to take corporate responsibility into account. We have also expressed the need for MNCs to take action in order to solve some of the most pressing issues in the society. Likewise, we have shown how MNCs can create shared value by pursuing blue oceans, resulting in a win-win situation for all parts. However, what happens if in fact most firms incorporate responsible actions to their business strategy? Other firms will enter the blue oceans that the first-movers created for themselves as well, seeking to achieve the same results as the first-mover. Slowly, the blue ocean will start to be coloured red. Again, it will be more difficult to differentiate between the various actors in the industries. So why do Stormberg and Marine Harvest encourage their competitors to follow them? Simply because they have a heartfelt wish to help societies and people that need it, they want to take care of the earth that we live on, they want to slowly erase the big differences that exist in the world today, and they long for a sustainable development because they know there will be generations that come after us. Additionally, they know that if other actors in the industry act irresponsible this can ruin the whole industry, and then there is no market to compete in. This is especially the case for Marine Harvest, and their industry's biological challenges. Stormberg and Marine Harvest emphasise that they will both seek to be in the forefront of sustainable innovations and development. If other actors follow, that would be great, but they will still strive to be best. They will seek to find new blue oceans based on CSR, when the competition becomes too fierce. The firms emphasise that the limits set on responsibility need to be challenged, and the business society must acknowledge that they need to be as many as possible to achieve the best results. But for now, it do not seem that the blue oceans that Stormberg and Marine Harvest have created are particularly challenged.

However, there can be other factors creating a need for the firm to rethink its activities, and investigate and consider new possible sustainable value innovations. As global challenges continuously change and develop, MNCs must be prepared to develop new sustainable value innovations that are aligned and adjusted to the new challenges, affecting both the firm and customers. Additionally, in some areas new regulations can result in the responsible actions to no longer be unique, thus the firm needs to move forward to investigate which new challenges the firm can address.

5.4 Implications

This study provides several implications for both theory, managers, as well as policy-makers. Implications for theory have been discussed throughout this chapter, however, implications for management and policy-makers will be discussed below.

5.4.1 Implications for management

This study proves to managers of MNCs that it is in fact possible to create a competitive advantage by engaging in CSR. The study has also proved that CSR can contribute to create a blue ocean, if they strategically manage CSR the right way. More importantly, both these concepts related to CSR result in shared value for both the firm itself, its stakeholders, as well as the society in general. This information is completely new to managers of MNCs, as no empirical research has previously been performed within this particular field of CSR. As mentioned in chapter 2, the international business literature on CSR shows that most managers initiated responsible actions primarily in order to satisfy stakeholders or obtain a better reputation, or simply to be able to compete in the market. Common for all reasons is that the managers did not consider CSR as a profitable investment, but rather as charity, which represents a cost factor only to the firm. Thus, manager's interpretation of the concept of CSR stands out as the reason why firms have not invested more in CSR. Consequently, this study provides valuable information to managers, and can be the proof and motivation they need to dare to invest in CSR.

This study shows managers how they can strategically use responsible activities as part of their business strategy in order to create a unique position in the market, and simultaneously doing something good for the society. It could namely be believed that many firms actually want to take responsibility and address some of the pressing issues in the society in which they operate, but that they do not know how they best can do it. By providing specific guidelines of how MNCs can create either a competitive advantage or a blue ocean by engaging in CSR, or develop a Green Planet Strategy, this problem is solved. This study significantly shed light on the major financial opportunities that lie within the concept of CSR, but the results also show how managers can reduce the risk the firm is exposed to, by engaging in CSR. Responsible actions may namely function as insurance for firms, avoiding future costs. Thus, this study provides a new strategic mindset for firms, which have implications of how they choose to interpret and handle

CSR. Several aspects are identified that are important for the managers of MNCs to understand and take into account if they seek to achieve shared value.

This study provides several implications for how firms should develop strategies when aiming to achieve shared value. First of all, findings reveal that managers should either take a structuralist or reconstructionist view, or both, to be able to create shared value. These views are essential for how the firm considers the marketplace they operate in. The structuralist view is crucial to make managers able to identify the most attractive market segments to approach with their responsible strategy. This view must be taken in order to create a competitive advantage by engaging in CSR. However, a reconstructionist view is needed to be able to reconstruct the marketplace and create a blue ocean, while both views are needed to be able to develop a Green Planet Strategy. Additionally, managers must abandon the strategic thinking that they either must consider external factors or internal resources and capabilities when developing their business strategy. Both an inside-out and outside-in approach is needed. Only then can the business strategy truly benefit both the firm and the society, in other words, doing good and doing well. Furthermore, it is of essence that the firm develops such a strategy because they believe in it, and not only because this is the only way out of their problems, or because they seek to copy someone else's strategy. A clear strategic choice must therefore be made. The responsible engagement by the MNC must also have certain relevance for both the firm itself, its business operations and market position, as well as for the customers.

Perhaps the most menacing aspect, is that the management team must be truly committed to being a responsible actor. If this commitment is not present, it will shine through in the firm's operations and the firm will not achieve success. This condition is difficult to fulfil, as it is connected to the personal values of the persons constituting the management team, as well as to the firm's values. To be able to acknowledge the opportunities that lie in being a responsible actor, the management teams must believe in the strategy, and understand how doing good for the society can actually positively affect the firm. Consequently, the attitude towards CSR, that is, that it represents a cost factor only, must be abandoned.

This study is not only highly relevant for those firms that seek to create shared value. It is also highly relevant for all MNCs operating within red oceans, taking part in a fierce

competition where everyday is a struggle. This study shows how MNCs can break out of such a tough market, and create a blue ocean. The Green Planet Strategy presented in section 5.3 is a very helpful framework that aims to guide MNCs through the process. The strategy explains the strategic mindset in detail, and provides a set of guidelines and tools that the management can use in the development process of a new and responsible business strategy. Additionally, preconditions that must be fulfilled are also presented. Thus, the management can identify which opportunities to exploit, and which responsible factors to introduce to the market, in order to create a sustainable value innovation.

The Green Planet Strategy highlights the importance of a strong marketing campaign, in order to create or increase awareness to the targeted issues, and to make customers aware of their responsible actions so that they can value them. It is through such a campaign that the responsible measures taken develop into an innovation that is actually valued by the customers. It is important that managers understand this, and allocate enough resources to a marketing campaign, which will ensure the desired effect in the market.

In order to exploit the opportunity of shared value to the fullest, the management should continuously strive to make governments impose new regulations in the market concerning the issues they have sought to address. As the firm already complies with these regulations, they will reinforce the benefits gained of their CSR investments. Competitors that do not comply with these regulations may suffer from several consequences, such as reduced access to the market, fines, they may be forced to change their operations, which often is a time consuming process, and so on. Thus, by pushing policy-makers to impose more and stricter regulations, the responsible MNC will obtain an advantage, namely because they already comply with the regulations.

Even though shared value appears as a win-win strategy applicable for all MNCs, we are afraid it is not. Not all markets are ready to welcome such a strategy based on responsible actions. Both Stormberg and Marine Harvest highlighted that responsibility is primarily valued by customers and consumers in developed markets, such as Europe, the US, and Canada. They also pointed out that all these developed markets are concerned about different aspects of irresponsibility in the society, which indicates that every responsible strategy will not achieve the same success in the same market. Consequently, managers must understand and evaluate the concerns of their customers,

as well as the pressing issues in the markets in which they operate, to be able to introduce a responsible factor that can be valued by the customers. These differences also indicate that perhaps different types of responsible strategies, as opposed to one global strategy, are needed across the different markets. On the other hand, Marine Harvest actually seeks to implement their responsible action to all their markets, eliminating unwanted pollutants from all their farmed Atlantic salmon within a couple of years. Despite this, they are only promoting this product to customers that value this decision. However, these markets are the most developed and the most important, consequently having the greatest impact on the firm.

5.4.2 Implication for policy-makers

Both Stormberg and Marine Harvest pointed out that there is a great need for more and stricter regulations from governments regarding taking responsibility for their actions, fostering sustainable operations, and taking care of the environment. However, both firms were crystal clear when they said that the policy-makers are extremely slow when it comes to developing and imposing regulations that are intended to ensure that MNCs operate in a responsible way throughout their value chains. For some reason, it is not the policy-makers themselves that drive this work forward, it is rather motivated and pushed by the consumers, NGOs, responsible firms, and the society in general. If the aforementioned do not demand responsibility, it seems that no regulations will be imposed, or at least not much.

Neither Stormberg nor Marine Harvest considers this slow movement of the policy-makers a threat. In fact, they consider it as an opportunity to push themselves further and improve their respective industries. However, both firms highlight that there are geographical differences in the strictness of the regulations, depending on the customers' awareness of irresponsible actions evident in an industry. Additionally, this also depends on the customers' and the society's position to demand change from the government. Consequently, it is obvious that policy-makers must step up and accelerate their work, so that more regulations can control the operations of MNCs. This applies to both national governments and other policy-makers, but also to international organisations. Policy-makers must corroborate and work across borders in order to develop global standards for all MNCs to follow, so that new countries are pushed to improve their regulations, and so that it becomes easier to punish those MNCs that in fact act irresponsibly.

As mentioned previously, currently it seems that it is the consumer of products, the NGOs, and the responsible firms, that take responsibility for driving regulations forward. Thus, these groups can in fact be categorised as indirect policy-makers, as they are actually the ones to shed light on irresponsible actions, and to put new subjects on the agenda. This implies that the original policy-makers should cooperate more with these groups, in order to learn from their concerns, their experiences, as well as their knowledge about the irresponsibility taken in industries around the world. Additionally, they can have valuable insight to how regulations should be formulated in order to have a best possible effect on the irresponsible operations of MNCs. Especially, responsible firms like Stormberg and Marine Harvest should be identified, as they want their entire industry to become more responsible. Such firms may have important knowledge about the irresponsible actions going on in the industry, and may have valuable proposals to which areas that should be regulated, in order to force the actors to act more responsible.

On the other hand, as consumers, NGOs and responsible firms indirectly work as policy-makers, they should also acknowledge their contribution and important role in the society. They must strive to create awareness among the society, so that stricter regulations are demanded from the original policy-makers. MNCs should for example set certain requirements to their suppliers, their manufacturers, and to the firms and countries that they trade with. If collaborators cannot fulfil these requirements, it will have major influences on their business, which often can force them to take CSR into account. Consumers, on the other hand, can for example make significant contributions by shedding light on issues in social media. The measures these groups can take is numerous. This work of the society on demanding more is considered crucial in the work to get more MNCs engaged in CSR.

Furthermore, policy-makers should to a great extent take the Green Planet Strategy into consideration, and evaluate whether there are elements in the strategy that can help to create better regulations. The Green Planet Strategy is all about finding the right issues to address, and to ensure that responsible measures have the best possible effect on both the firm and society. To a great extent this is also a major part of the policy-makers' work. They need to identify the most important elements in an industry to regulate, and evaluate and understand how these regulations will affect both firms and the society. By applying the elements of the Green Planet Strategy, policy-makers are able to identify

and regulate MNCs' operations in a way that will efficiently solve the most pressing social and environmental issues.

5.5 Limitations

In addition to the methodological limitations discussed in chapter 3, there is one limitation concerning the analytical generalizability of the study that needs to be discussed, questioning whether the Green Planet Strategy is applicable for all MNCs.

The findings of this study have to be seen in relations to the nationality of the case firms, as they are both Norwegian. Consequently, their way of doing business is based on a Norwegian fundament and mindset. This Norwegian fundament may be an important contributing factor to the firms' commitment to being a responsible actor. It is well known that Norway, and Scandinavia in general, are considered to be in the forefront of the CSR movement (e.g. Ethical Corporation, 2004). Not only do the Scandinavian countries have some of the strictest regulations in the world, they also have populations with high awareness of, and engagement in, irresponsible and unsustainable actions. The consumers in these countries expect that firms take responsibility for their actions and contribute to a better society. Consequently, they have high demands for firms. In other words, the consumers thus value the responsible actions of firms.

Consequently, this strong Scandinavian attention to CSR implies that the results of this study must be evaluated in the context of the case firms' origin. The findings may not be applicable for MNCs with operations and customers in countries with underdeveloped CSR practices or little or no regulations, as well as non-existing awareness amongst the consumers. This is in close relation to the aspect that the responsible actions that are implemented must have relevance for the customers and the market. On the other hand, one could believe that major opportunities can be identified in such markets, because of the fact that few or no other actors exploit the opportunity of doing good. Thus, the mindset of using CSR to create shared value can be highly relevant. Because of the high attention to CSR and responsibility in Scandinavia, one could also believe that it can be easier for MNCs in those markets or similar ones, because they have this mindset in the core of their firm and values, and have had it for a time. Returning to the underdeveloped markets, it is not certain that the given guidelines, frameworks, and tools of this study can be used when developing such a responsible strategy in those

markets, as there are very different conditions from the markets our case firms operates in.

5.6 Future research

This thesis provides a solid fundament for future research within the field of CSR and competitiveness. The analyses performed on Stormberg and Marine Harvest regarding CSR, competitive advantage, and blue oceans, as well as the new Green Planet Strategy, shed light on several aspects that need further elaboration.

First of all, the strategic mindset and tools of the Green Planet Strategy should be evaluated and tested empirically in order to provide more sufficient support for the theory. Such tests may identify whether the strategy is applicable for the MNCs it is aimed for, or whether adjustments need to be made. It could also be believed that other aspects are identified that need to be included in the model. The Green Planet Strategy should be tested on both Norwegian and Scandinavian MNCs, as well as MNCs originating from other parts of the world. By testing a diverse selection of firms, one will be able to identify whether the strategy can be applicable for all firms, regardless of country of origin. It is important that the guidelines are followed and that the preconditions are fulfilled. Empirical evidence and support will contribute to lift the model to a higher theoretical level.

Moreover, it is argued in the limitations of this study that the Green Planet Strategy may not be applicable for MNCs operating in developing countries or markets where the awareness of and attention to CSR is low. Thus, future research should investigate how MNCs operating in such markets can create shared value. This is an very important aspect as it is in these markets that the need for CSR often is the highest. It should also be investigated how one can use CSR to create a competitive advantage and a blue ocean, in these markets. These mentioned aspects should also be investigated in other countries and markets, to investigate whether there are country specific factors that need to be taken into consideration, in order to do good and simultaneously doing well.

Further elaborations should be made on the subject of firm characteristics, and how they can they can affect MNCs possibility to create shared value. This includes the age of MNCs, and how having an established brand and reputation can have an impact on the firm's ability to break with previous practices, and be considered as a responsible firm. It

is evident that Stormberg has had a great success by incorporating responsibility in the business strategy from the inception. A clear, stable, and strong message has been communicated to customers throughout the years they have been in the business. Marine Harvest on the other hand, has only recently turned their strategy towards responsibility. However, it is not possible to draw any conclusions on how the customers will react on their cleaned farmed Atlantic salmon, and whether their responsibility will change people's perception of the firm. Thus, it would be interesting to investigate the actual reaction from the market, when Marine Harvest's cleaned salmon hits the market. Additionally, research should be performed on whether there exist differences regarding strategy development, the degree of success, or how fast a responsible strategy becomes accepted by customers, dependent on whether the responsible actions are implemented at the inception of the firm, or in a well-established firm. This research may provide additional and valuable information on the subject of CSR and competitiveness.

The opportunity to create shared value should also be further elaborated. Other ways of creating shared value should be investigated, especially by looking at other concepts or theories from which shared value may occur.

A quantitative study should also be performed on the subject of shared value creation, to either support or reject findings from this study, as well as to reveal aspects that this study was not been able to shed light on. A quantitative study has different strengths compared to a qualitative study. For example, one can make statistical generalisations from a quantitative study, which one cannot from a qualitative study like this one. Thus, such a study may provide additional support for our findings. Additionally, it was mentioned in chapter 3 that some researchers consider a study based on both quantitative and qualitative data as more robust. Consequently, by performing a quantitative study, some of the methodological limitations of this study may be overcome.

Future research should also investigate methods for quantifying the benefits of engaging in responsible actions. As of today, few such tools are developed and available for MNCs around the world. Such a tool that can measure the effects of CSR and the return on the CSR investments may significantly lower the barriers of engaging in CSR. From the previous analysis it became evident that many firms did not engage in CSR, namely because they considered it a cost factor only. By pointing at numbers and results

beforehand, it is easier for the management to justify the strategic decisions and a business strategy based on responsibility, towards the stakeholders of the firm. Additionally, the management can be more secure in their decisions, and it is easier to weigh different strategies up against each other. Thus, it is a greater chance that the management chooses and implements the strategy that is most beneficial for the firm in the long-term.

6 Conclusion

This thesis has sought to explore different opportunities for MNCs to create shared value, namely by incorporating responsible actions within their business strategies.

The results of the first analysis, investigating the first research question, reveal that MNCs can achieve a competitive advantage by investing in CSR. However, several preconditions and guidelines must respectively be fulfilled and followed by the firms in order for it to be possible. Firstly, MNCs pursuing a competitive advantage must have the strategic mindset based on the structuralist view. The firm must also pursue a differentiation or focused differentiation strategy, and the responsible activities must have relevance for both the customer and the firm, so that it can create value for both parts. In order to develop the rightful strategy, the management team must consider both the inside-out and outside-in perspective. Furthermore, when deciding which responsible actions to engage in, a strategic choice has to be made, evaluating various compositions of activities. Additionally, two preconditions must be fulfilled; the MNC must have several options present, and top management commitment to responsibility must be evident.

The results of the second analysis, investigating the second research question, reveal that it is in fact possible for MNCs to create blue oceans by engaging in CSR. Similar to the findings of the previous research question, specific guidelines and preconditions were found and must be satisfied. A different strategic mindset is needed to create blue oceans as compared to a competitive advantage, namely the reconstructionist view. A firm pursuing a blue ocean must also introduce responsible activities as a new competitive factor in the market, which is unique for the firm. Additionally, the responsible activities must contribute to reduce potential future costs, by functioning as an insurance against getting caught for acting irresponsibly, or scandals, or unknown social or environmental catastrophes. Furthermore, to reinforce the value innovation also the other competitive factors of the firm must be adjusted. Overall, the price, the utility of the product, and the costs must be aligned. Lastly, the firm must invest in marketing campaigns to create awareness around their responsible actions. This is extremely important. Similar to RQ1, top management commitment to responsible actions is also found as a precondition to create blue ocean.

The strategic framework the *Green Planet Strategy* was developed, in order to answer the third research question. The intention of the strategy is to provide clear guidance for MNCs on how to best achieve shared value. This strategy provides a helpful framework and tools, for the use of MNCs that seek to understand and exploit the possibilities that lies within CSR. The strategy emphasises the importance of creating a sustainable value innovation. This innovation can only occur by increasing buyer value, while reducing firm costs and risks. Additionally, the innovation must be considered relevant, addressing the most pressing social issues in the industry. Similar to RQ2, the price, the utility of the product, and the costs must be perfectly aligned for the sustainable value innovation to be as big as possible. In order to develop a sustainable value innovation, the management team must consider both the inside-out and outside-in perspective. Important is also that a strategic choice is made, regarding whether the innovation is suitable for the firm. A marketing campaign is needed to promote the innovation, and to make the customers value it. Two preconditions must be fulfilled; the firm has to be in a position where they have several options present, and top management commitment to responsible actions must be evident. Several frameworks and tools are presented within the *Green Planet Strategy*, to be used by firms pursuing shared value. The Strategy Canvas, the Four Actions Framework, and the ERRRC grid for sustainable value innovation guide the firms through the development process, so that a best possible value innovation can be created. Lastly, a strong *Green Planet Strategy* must possess three important characteristics, namely focus, divergence, and clarity and distinction.

This study implicates managers' perception of CSR, providing evidence suggesting that CSR does not only represent a cost factor, but also great business opportunities, if handled correctly. Managers should therefore take into account the framework and tools provided, in their pursuit of shared value creation. Additionally, this thesis also implicates policy-makers' work of imposing regulations. Policy-makers must intensify their work in order to impose more and stricter regulations, so that there becomes more control of the operations of MNCs. They can apply the elements of the *Green Planet Strategy*, when deciding on which issues to address.

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Appendix A – Intervjuguide Stormberg

Vi starter med en introduksjon om hva oppgaven vår handler om, hvorfor vi er hos akkurat Stormberg, og hvilket fokus vi vil ha gjennom intervjuet. I tillegg må vi spørre om de ønsker å være anonyme eller ikke, og om det er greit at vi tar opptak av intervjuet.

Introduksjonsspørsmål:

- Hvilken stilling har du i Stormberg?
- Hvilke ansvarsområder har du?

Bakgrunnsinformasjon:

- Hva legger dere i det å ha en ansvarlig strategi?
- Hva er de viktigste aktivitetene som utgjør deres ansvarlige strategi?
- Var ansvarlighet en del av Stormbergs hovedmål fra starten av eller har det vært en gradvis utvikling?
 - Hvilke aktiviteter var med fra starten og hva har blitt utviklet i ettertid?
- På hvilken måte blir strategien formidlet til de ansatte?
- På hvilken måte har denne strategien påvirket eller berørt de ansatte?

- Hvilke markeder opererer dere i? Både internasjonale markeder og ulike segmenter.
- I hvilken grad er den ansvarlige strategien tilpasset hvert enkelt marked?

- Hva er målsetningen med strategien? Hvor skal den ta Stormberg?
 - Hva er deres fremtidige målsetninger for det internasjonale markedet?

Markedskarakteristikker før Stormberg entret markedet:

- Kan du beskrive markedssituasjonen for bransjen før dere kom inn på markedet? Både det nasjonale og det internasjonale markedet.
 - Antall konkurrenter
 - Hvem var markedsleder, hvor stor markedsandel hadde de ulike aktørene
- Hvilke faktorer ble det konkurrert på i bransjen? F.eks. pris, kvalitet, funksjon, brukervennlighet, design, etc.
 - Hvordan ble de ulike faktorene vektlagt? Hvilke ble prioritert?
 - Var det noen aktører som skilte seg ut og tilbydde noe ingen andre gjorde? Hvem og på hvilken måte?
 - Var det noen andre som allerede førte en sosialt ansvarlig strategi? Hvem?
- Hvilke krav hadde kunden? Hva bidro til å skape verdi for kunden?
- Hvordan skilte kundene mellom de ulike aktørene? På hvilket grunnlag?

Strategiutvikling:

- Hva var motivasjonen bak Stormbergs ansvarlige strategi?
 - Hvilke eksterne og/eller interne faktorer skapte initiativet?
- Hvor kom initiativet fra? F.eks. ledelsen, enkeltperson, etc.
- Var det noen alternative strategier som ble vurdert? Evt. hvilke?
- Hva lå til grunn for at denne strategien ble valgt?

- Hvilke alternative ansvarlige aktiviteter ble evt. vurdert?
 - Hva lå til grunn for at akkurat disse ansvarlige aktivitetene ble valgt?
 - Hvordan ble alternativene vurdert opp mot hverandre?
 - Hvordan ble investerings- og driftskostnader vurdert i beslutningsgrunnlaget?
- Hvilke målsetninger og forventninger ble satt for strategien?

- Hvilke faktorer ble ansett som kritiske til strategiens suksess?

Oppstart og gjennomføring av strategi:

- Hvilke utfordringer har dere støtt på relatert til gjennomføringen av denne strategien, både ved oppstarten av selskapet og senere?
 - Hvilke er overkommet og hvilke utfordringer jobber dere med i dag?
- Hvilke interne reaksjoner har denne ansvarlige strategien skapt?
 - Styret, ledere, mellomledere, ansatte
 - I hvilken grad opplevde/opplever dere motstand internt i bedriften ved gjennomføringen av strategien?
- I hvilken grad har det gitt fordeler og/eller ulemper at dere har hatt denne strategien fra oppstarten?
- I hvilken grad har dere måttet tilegnet dere kompetanse for å innføre de ansvarlige aktivitetene?
- I hvilken grad var det behov for teknologisk innovasjon? F.eks. i forhold til miljøvennlige materialer.
- På hvilken måte har den ansvarlige strategien påvirket kostnadsnivået og investeringer?
- I hvor stor grad har Stormberg markedsført sin ansvarlige strategi til kunder? Forskjeller mellom ulike markeder og kundesegmenter?

Effekt på konkurransebildet:

- Hvordan har Stormberg med sin ansvarlige strategi påvirket konkurransebildet?
- Hvordan anser dere Stormbergs posisjon i markedet, både nasjonalt og internasjonalt?
- Hvilke faktorer konkurrerer bedriften på?
 - Hvordan blir de ulike konkurransefaktorene vektlagt?
 - Har dere kvantitative data på hvordan etterspørselen påvirkes av de ulike konkurransefaktorene?
- Hva var/er konkurrentenes reaksjon på Stormbergs ansvarlige strategi, nasjonalt og internasjonalt?
 - Har noen kopiert strategien eller fulgt etter i samme retning?
- Hva var kundemassen i bransjen sin reaksjon på Stormbergs ansvarlige strategi?
 - Variasjon mellom ulike kundesegmenter? Hvordan?
 - I hvilken grad kjøper kunden Stormbergs produkter pga. deres ansvarlige strategi, nasjonalt og internasjonalt? (Kontra det å bare selge sports- og turtøy?)
 - I hvilken grad opplever dere endringer i etterspørsel under og etter avsløringer av konkurrenters uansvarlighet og dårlige arbeidsforhold for ansatte? Eks. H&M og Bangladesh. (finnes det noen tall på dette?)
- I hvilken grad har Stormberg fått kunder som tidligere ikke var kunder i sports- og turtøymarkedet pga. deres ansvarlige aktiviteter i verdikjeden?

Internasjonal markedsposisjon:

- På hvilken måte har Stormbergs ansvarlige strategi en effekt på deres internasjonaliseringsprosess?
- Hvordan påvirker strategien deres tilgang og forhold til internasjonale
 - markeder, kunder, partnere, myndigheter?

Resultater:

- I hvilken grad har strategiens målsetninger blitt nådd?
 - Hvilke faktorer har vært viktige for at målsetningene har blitt nådd?
 - Hvilke målsetninger har evt. ikke blitt nådd?
 - Hvilke faktorer førte til at noen av målsetningene ikke ble nådd?

- Hvilke resultater har strategien skapt som ikke var forventet eller planlagt for? Både positive og negative?
- I hvor stor grad har den ansvarlige strategien vært lønnsom?
- Hvordan har kostnadsbildet og marginene til selskapet blitt påvirket av den ansvarlige strategien? Har det vært som forventet?

Veien videre:

- Hvordan anser dere fremtiden for Stormberg og denne ansvarlige strategien? Hva tenker dere videre?
 - Hva er neste steg? Nå nye internasjonale markeder?
 - Hvilke endringer vil dere evt. gjøre i strategien?
 - Noen aktiviteter som burde fjernes eller legges til? Hvilke?
 - Hvordan jobber dere for å videreutvikle strategien?
 - Hvilke interne og/eller eksterne faktorer påvirker videreutviklingen?
 - Hvordan anser dere det fremtidige trusselbildet i markedet, nasjonalt og internasjonalt?
 - Nye konkurrenter?
 - I hvilken grad er det forventet at strategien vil gi konkurransefordeler på lengre sikt (når eksterne faktorer endrer seg)?
 - Hvordan tror dere oppmerksomheten vil være rundt bærekraft i fremtiden?

Appendix B – Intervjuguide Marine Harvest

Vi starter med en introduksjon om hva oppgaven vår handler om, hvorfor vi er hos akkurat Marine Harvest, og hvilket fokus vi vil ha gjennom intervjuet. I tillegg må vi spørre om de ønsker å være anonyme eller ikke, og om det er greit at vi tar opptak av intervjuet.

Introduksjonsspørsmål:

- Hvilke stillinger har dere i Marine Harvest?
- Hvilke ansvarsområder har dere?

Bakgrunnsinformasjon:

- Når ble beslutningen tatt om å rense fiskeolje og utviklingen av denne strategien startet?
- Skjedde det samtidig som dere startet fôrproduksjon eller kom det i etterkant?
- I hvilken grad var det en selvstendig strategi?
- Hvordan forekommer rensing av fiskeolje?

Tilstand før strategiendring:

- Kan du beskrive hvordan markedssituasjonen så ut for bransjen før dere startet å rense fiskeolje?
 - Antall konkurrenter, hvor stor markedsandel hadde de ulike aktørene?
 - I hvilken grad var deres posisjon truet i det internasjonale markedet?
 - Var markedet mettet eller var det fortsatt store vekstpotensialer?
- Hvilke faktorer ble det konkurrert på i bransjen? F.eks. pris, kvalitet, tilgjengelighet, sunnhetsgrad, ulike produkter, merkevare, etc.
 - Hvordan ble de ulike faktorene vektlagt av de ulike konkurrentene (hvilke ble prioritert)?
 - Hvordan vektla dere konkurransefaktorene i forhold til konkurrentene?
 - Var det noen aktører som skilte seg ut og tilbydde noe ingen andre gjorde? Hvem og på hvilken måte?
- Hvilke krav hadde kunden? Hvilke faktorer skapte verdi for kunden?
- Hvordan skilte kundene mellom de ulike aktørene? På hvilket grunnlag?
 - Hvordan forholder myndigheter, distributører og sluttbruker seg til mengden tungmetall og miljøgifter? I hvilken grad er det forskjell i ulike markeder?
 - I hvilken grad følger forbrukerne råd gitt av Helsemyndighetene ang. hvor mye fisk man bør spise i uken?

Strategiutvikling:

- Hva var motivasjonen/driveren(e) bak beslutningen om å rense fiskeoljen?
 - Hvilke eksterne og/eller interne faktorer skapte initiativet?
 - Har andre aktører i bransjen gjort noe lignende? Hvem? Hvordan?
- Hvor kom initiativet fra? F.eks. ledelsen, enkeltperson, etc.
- Hvilke personer var med i beslutningsprosessen?
- Hvilke alternative investeringer ble vurdert? Hvorfor falt valget på rensing av fiskeolje?
- Hvordan ble investerings- og driftskostnader og marginer vurdert i beslutningsgrunnlaget?
- Hvilke målsetninger og forventninger ble satt for strategien?
- Hvilke faktorer ble ansett som kritiske for at dette tiltaket (rensing av fiskeolje) skulle bli suksess?

Implementasjon:

- Hvilke utfordringer har dere støtt på ved å rense fiskeolje i fôrproduksjonen?
 - Hvilke er overkommet og hvilke utfordringer jobber dere med i dag?

- Hvilke interne reaksjoner har dette tiltaket skapt?
 - Styret, ledere, mellomledere, ansatte
 - I hvilken grad opplevde/oplever dere motstand internt i bedriften ved gjennomføringen av strategien?
- I hvilken grad har det gitt fordeler og/eller ulemper at dere har vært et veletablert selskap da dette tiltaket ble igangsatt?
- I hvilken grad har dere måttet tilegne dere kompetanse for å gjennomføre dette tiltaket?
- I hvilken grad var det behov for teknologisk innovasjon?
- I hvor stor grad har dere markedsført dette tiltaket til kunder og forbrukere? Forskjeller mellom ulike markeder og/eller ulike ledd i verdikjeden?

Effekt på konkurransebildet:

- Hvordan har rensing av fiskeolje påvirket konkurransebildet i markedet?
- Hvordan anser dere Marine Harvests posisjon i markedet nå, sammenlignet med tidligere?
- Hvilke faktorer konkurrerer bedriften på nå, sammenlignet med tidligere? Har prioriteringene endret seg?
 - Har dere kvantitative data på hvordan etterspørselen påvirkes av de ulike konkurransefaktorene?
- Hva var konkurrentenes reaksjon på dette tiltaket?
- Har noen kopiert tiltaket eller fulgt etter i samme retning?
- Hvilken reaksjon har dere fått fra kunder, myndigheter og forbrukere etter at dere startet å rense fiskeoljen?
 - Variasjon mellom ulike kundesegmenter? Hvordan?
 - I hvilken grad kjøper deres kunder laks pga. nettopp dette tiltaket, nasjonalt og internasjonalt? Er det endring i salg pga. tiltaket?
 - I hvilken grad etterspør forbrukere laks med mindre miljøgifter- og tungmetallinnhold?
- I hvilken grad har Marine Harvest fått kunder som ikke tidligere var kunder i laksemarkedet pga. dette tiltaket?

Effekt på internasjonal markedsposisjon:

- Hvordan har strategien endret deres tilgang og forhold til:
 - markeder, kunder, partnere, myndigheter?
- I hvilken grad vil strategien gi fordeler ved etablering i nye markeder, på lang sikt?
- I hvilke markeder har deres tiltak størst positiv effekt?
 - Hvilke markeder har det evt. ingen betydning?

Resultater:

- I hvilken grad har tiltakets målsetninger blitt nådd så langt?
 - I hvor stor grad har tiltaket vært lønnsomt?
 - Har investeringskostnadene vært som forventet?
 - Hvor stor del av det totale kostnadsbildet utgjør rensingen?
 - Hvilke målsetninger, som var planlagt for, har ikke blitt nådd så langt?
 - Hvilke faktorer førte til at disse målsetningene ikke ble nådd?
- Hvilke resultater har tiltaket gitt så langt skapt som ikke var forventet eller planlagt for? Både positive og negative?

Veien videre:

- Vil dere fortsette med å rense fiskeolje til fôrproduksjon i fremtiden?
- I hvilken grad er det forventet at strategien vil gi konkurransefordeler på lengre sikt (når eksterne faktorer endrer seg)? (Latente muligheter)
- Hvor stor del av oppdrettsfisken til Marine Harvest vil få rensset fiskefôr?

- Vil dere ta “strategien” videre og innføre flere tiltak? Noe annet dere ønsker å gjøre i fremtiden for å få folk internasjonalt til å spise mer fisk, eller for å ta mer sosialt ansvar?
- I hvilken grad jobber dere for å ta mer sosialt ansvar?
- I hvilken grad sees deres sosialt ansvarlige tiltak i sammenheng med muligheten for å forbedre deres markedsposisjon?