Mapping the Sustainable Territory
- Swedish CSR initiatives in the Chinese market
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Abstract

The aim of the thesis is to provide a deeper understanding regarding how the phenomenon Corporate Social Responsibility (CSR) affects Swedish multinational corporations (MNCs), in relation to competitive advantage in the Chinese market. The research demonstrates the relevance of investigating the topic, as the aspects of CSR are interchanging. The reviewed literature highlights aspects incorporated in the phenomenon, as well as internationalization, strategy and competitive advantage. In addition, the three dimensions of CSR: economic, environmental and social, are considered fundamental pillars in the analysis of sustainable business behavior. The research is conducted through an explanatory nature, in order to comprehensively describe the included variables and their correlation, the connection is further shown in the conceptual framework, established with the literature review as a basis.

The implementation of a qualitative research method ensures an in-depth perspective of the participants’ perceptions and experiences. For the empirical findings, four Swedish MNCs active in the Chinese market are interviewed regarding their CSR initiatives, in order to provide a meaningful insight for the analysis. The analysis of the thesis involves a discussion of the similarities, and also the differences, between the literature review and empirical findings, in accordance to the conceptual framework. Following, the conclusion will answer the research question and provide implications, as well as suggestions for further research. The purpose of study is to further close the research gap regarding the relation between Swedish CSR initiatives and competitive advantage in the Chinese market.

Keywords
Corporate Social Responsibility, CSR, Internationalization, Competitive advantage, Swedish MNCs, Chinese market, Resource-based view, Triple Bottom Line, International Business
Acknowledgements

We would like to express our deepest gratitude towards the people who contributed to the making of this thesis. Firstly, the respondents who were willing to sacrifice their valuable time and contribute with their knowledge and insight; Hector Voicu from Norden Machinery, Anders Pihl and Douglas Smith from CPAC, Nate Zhang from Sigma Technology and the anonymous “Participant 1” from Company X. We would also like to thank Michael Råberg and Hubert Fromlet for sharing their networks, which made it possible to come in contact with potential respondents. Additional input for the research was acquired from Johan Wahlfors at Business Sweden and Peter Raimer from CPAC, which we are grateful for.

Furthermore, we would like express our greatest appreciation towards our supervisor Rosalina Torres, who provided valuable feedback and guidance throughout the process of writing the thesis. We would also like to take the opportunity to thank Susanne Sandberg, our examiner, for your input and feedback. Lastly, we would like to express our gratitude towards our opponents for providing us with constructive criticism and a different point of view, which has enabled our thesis to flourish.

Kalmar, May 23rd, 2018

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1 Introduction

The upcoming chapter includes an introduction and background of the phenomenon and topics that are investigated in the thesis. A problem discussion is provided to explain the relevance of the topics and, thereafter, the research question and purpose of the research are introduced. The research question is formulated to emphasize the aim of the study. To conclude, the delimitations and outline of the study are presented.

1.1 Background

1.1.1 Corporate Social Responsibility

The global phenomenon Corporate Social Responsibility (henceforth, CSR) is identified as a regulatory framework concerning business ethics (Carroll, 2004; Sahlin-Andersson, 2006). In 1953, through the publishing of his book, Howard Bowen was the first to comprehensively discuss business ethics and social responsibility. In his work Social Responsibilities of the Businessman, Bowen (2013) claims the actions and decisions of a businessman affect, not only himself, but the fortunes and lives of all. The trend has advanced recently as a consequence of factors, such as the ubiquity of international communications technology, globalization of markets and the establishment of knowledge economy (McIntosh, Thomas, Leipziger and Coleman, 2003).

The complexity of defining CSR has generated various interpretations, nevertheless the fundamental objective remains equivalent and focuses on the positive relation between businesses and society. The thesis adopts the globally accepted definition of the phenomenon as follows:

“Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development” (Worldbank.org, 2003:1).

CSR is an instrument for corporations to adopt in order to support local and global structures, however, it cannot alone solve issues of environmental exploitation, lack of work opportunities or poverty (Urip, 2010). According to Porter and Kramer (2006), CSR has transpired as a required priority for businesses in every country, notwithstanding whether the corporations initially perceived the issues as their responsibility or not. Corporations should avoid temporary behavior that is environmentally wasteful or socially detrimental, and instead try to procure ethical and legal long-term economic performance. Carroll (2004) maintains that the main dynamics of CSR regard the economic-, legal, ethical- and philanthropic responsibilities an organization has to society.
CSR-related marketing, product line changes and an improved image produces CSR-induced revenue increases or CSR grants and subsidies (Hollensen, 2017). However, when evaluating CSR benefits, a longer time period should be considered as the profits are often noticeable after certain delay. Additionally, various CSR costs exists. Donations and investment costs can be one-time CSR costs if they are connected to current CSR activities. Regular donations, license fees and material costs for cause-related campaigns are defined as continuous CSR costs. As CSR should be integrated in a corporation's value chain, assessing which costs are CSR costs and which are not can be difficult (ibid).

1.1.2 Corporate Social Responsibility in Developing Countries

According to the United Nations, countries are classified in three ways: developed, in transition, and developing, based on indicators, such as gross national income, location, and trade balances (Un.org, 2018). Although CSR has become a widely implemented strategy in the Western world, developing countries are still behind (Gugler and Shi, 2008). As a result, the West has become standard-setters while developing countries are trying to implement CSR initiatives to favor their competitive position in global trade (ibid). According to Urip (2010) the awareness of business responsibility and CSR has grown due to the accelerated globalization the world is experiencing. The phenomenon has become an important factor in businesses that aims to increase the trust and confidence of stakeholders. However, as socially related engagement often depends on the economic, social, and cultural views of the country in which the business is operating, the importance and implementation of CSR varies in different countries (ibid).

Urip (2010) further maintains that there is a significant difference on emphasis in developing countries and advanced ones, although the principles of CSR are the same globally. Companies operating in an international context who seek to optimize the opportunities of the global market, by establishment of its international supply chain or by entering a developing country, have to adapt and implement CSR initiatives in accordance with the rules and norms within that specific market (ibid). This aspect is of importance in order to ensure a successful entry, profitability, and sustainable growth. Furthermore, as commonly known, European countries, the US, and Australia are at the forefront in many social aspects, while most developing countries are still behind. Therefore, advanced countries are often focusing their CSR initiatives on missions that serve a more widespread purpose, for instance environmental sustainability. Urip (2010) claims the most important aspect of CSR in developing countries to be the social aspect; firstly in terms of community building, which refers to change the mindset and values characterized in the community, and secondly in terms of community investment to secure education, infrastructure development, and wealth creation. Moreover, implementation of CSR in emerging markets may be challenging if the country has weak law enforcement, occasional financial and political instability, low education level, and a high poverty rate (ibid).
1.1.3 Corporate Social Responsibility in China

Although China is the second largest economy in the world, it is still defined as a developing country, as its per capita income remains low in comparison to developed countries, and its market reforms are incomplete (World Bank, 2017). Over the past years, China has experienced a rapid economic and social development with an average GDP growth of approximately 10 percent a year, which is the fastest sustained expansion in history. Thus, the rapid growth has brought on major challenges as well, such as high inequality, rapid urbanization, negative effects on environmental sustainability, and external imbalances. Although the growth has lifted more than 800 million people out of poverty, there are still around 55 million poor people in rural areas (ibid). China is the largest producer of carbon dioxide in the world (Economist, 2018). Nevertheless, in recent years the country has become the world leader of clean and renewable energy (UN.org, 2018). Through a combination of subsides, policy targets, and manufacturing incentives, the country has put more effort and money into cleaning up its energy system than the United States and the European Union combined (ibid).

The concept and demand of CSR was introduced in China during the late 1990s as a result of a growing number of foreign buyers and multinational companies on the market (Yin and Zhang, 2012). Due to the demand for better quality, labor rights protection, and greener products Chinese suppliers were thrown into the tension between profit maximization and promoting social standards, Western values, ethical practices, and morality. Moreover, since 2006, the central government in China has been promoting CSR as an initiative to create social legitimacy. Additionally, the government advocates for a transition to greener GDP growth by prioritizing labor rights protection, energy saving, and emission reduction as national strategies (ibid). As a result, Chinese companies are starting to learn the process of CSR initiatives. However, the implementation of CSR and the effectiveness of the strategies is still a major challenge for firms in China (Graafland and Zhang, 2013). One particular reason for the challenges firms are facing include the high costs CSR entails and the lack of resources to properly educate employees. In 2006, the Chinese government introduced a new company law, modeled after Western concepts, which includes expectations of firms to comply with business and social morality (Graafland and Zhang, 2013; Lau, Lu and Liang, 2014).

Furthermore, the government has stressed issues regarding labor rights, including; health, education, working hours, and minimum wages, which are major problems in the country. Employees are often working far more hours than permitted, have lower wages than the minimum and are rarely compensated for working overtime (Graafland and Zhang, 2013). Unfortunately, the existing labor laws in China are often not enforced, and businesses have found that the disputes resolved by the country’s legal system are few (Pan, 2002).

Although the number of Chinese companies involved in CSR has grown considerably from 1 to 703 between the years 1999 to 2010 (Syntao 2010, cited in Yin and Zhang,
Nevertheless, firms seem mostly interested in the profit perspective, rather than being concerned with the social and environmental aspects (Graafland and Zhang, 2013; Yin and Zhang, 2012). Furthermore, firms’ motivation to practice CSR activities generally originate from its external environment, in terms of local and global institutional factors. Therefore, in China, which is a cultural bounded and governmentally dominated country, firms may implement CSR strategies defined by tradition and regulation (Yin and Zhang, 2012).

According to research conducted by GoldenBee, an organization that embraces social responsibility and sustainable development in China, a stepwise improvement of CSR was reported in the country between the years 2009 and 2017 (Goldenbeechina.com, 2017). In 2017, enterprises disclosing CSR awareness incorporated in the business strategy increased by approximately 14 percent. The raise suggests that more firms have started to consider the strategic significance of CSR. The research further shows that state-owned enterprises (SOEs) have been holding the lead in CSR development, as well as foreign-invested firms, while private-owned enterprises are somewhat behind. Additionally, efforts from the Chinese government and international organizations, such as United Nations Global Compact, the World Trade Organization (WTO) and International Organization for Standardization (ISO), have played a significant role in the development of CSR. However, out of 20 million Chinese enterprises, there are still only about 2000 reports, which is a considerably low ratio (ibid).

1.1.4 Swedish Companies in China

In 2017, Swedish export to China amounted to SEK 58 billion, which is approximately 30 percent higher from the year before, while the import remained constant at SEK 59 billion (Business-sweden.se, 2017). The high export and import ratings makes China to one of Sweden’s largest trading partners. Thus, the trade relation is mutually beneficial, as Swedish companies have a significant role on the Chinese market offering innovative and high-tech solutions, as well as long-term commitment and creating job opportunities (Lindstedt, Hallgren and Vercouter, 2017). Furthermore, according to Wahlfors (2018) there are currently about 1000 Swedish companies established in China, including sub-branches for Swedish multinational corporations (henceforth, MNCs).

As a result of Swedish companies’ increasing reliance on the Chinese market, firms have become more dependent on changes in China’s business climate, while the impact of governmental changes, regulations, competitive environment, and macro-economic development have become more significant (Lindstedt et al., 2017). Furthermore, Swedish enterprises are operating in a broad spectrum of industries in China, with a range from automotive and engineering to retail and consumer goods. According to Lindstedt et al., (2017) the most substantial key elements contributing to short-term opportunities for Swedish enterprises in China, are the macro economical factors, in terms of the country’s GDP growth and the large-scale market, as well as the development and growth.
1.2 Problem Discussion

The definition, and actions, of CSR vary depending on the business, country and society (Hollensen, 2017). The concept mostly refers to businesses’ responsibilities beyond generating profits, and although the focus tends to be on larger corporations it applies to organizations of various sizes. CSR is occasionally defined, by businesspeople, as a firm’s obligations to society at large (Savitz and Weber, 2014). To implement an effective CSR strategy, firms are required to focus on long-term objectives rather than short-term opportunities (Hollensen, 2017). In recent years, the phenomenon CSR has received increased attention globally. However, a noticeable research gap still exists in certain areas regarding the subject.

Firms’ increased implementation of CSR is a result of pressure from governments and civil society due to environmental pollution, exploitation of labor in supply chains, and human rights abuses (UNIDO, n.d.). Research on the subject is highly relevant as governments and global organizations have begun to issue regulations and frameworks regarding CSR. It is therefore important to accentuate the phenomenon in research and create further awareness. Although CSR is a debated trend, particularly in the Western part of the world, numerous aspects concerning the phenomenon in developing countries remain unexplored (Frynas, 2006; Yin and Zhang, 2012). Therefore, there is a need for further research regarding CSR in emerging markets.

As China has grown to become an important global market, the demand for CSR has emerged from international stakeholders, as the country has previously been characterized by unethical behaviour (Moon and Shen, 2010; Yin and Zhang, 2012). Although the growing importance of CSR amongst Chinese firms, and demand from stakeholders has increased, there is still little research on the subject (ibid). CSR in China has developed through norms and practices prompted by regulators in the country through new company and labor laws (Moon and Shen, 2010). The company law establishes requirements for Chinese firms to increase their social responsibilities while maximizing shareholder profits. Furthermore, the labor law focuses on labor rights in order to achieve better working conditions, as it has been a major problem in the country for a long time (Yin and Zhang, 2012).

According to Porter and Kramer (2006) the integration of society and business requires that corporations regulate their entire value chain for effective results, which is equivalent to shared value. Included are adjustments concerning transportation, business relations, job training and utilization of natural resources. A corporation's alteration from a defensive, fragmented position to an affirmative, integrated approach will be profitable in all aspects (ibid). A successful CSR strategy emerges from educated choices regarding which issues to focus on. The creation of shared value is a long-term investment for a firm, which requires knowledge and continuous research. Although, the value proposition may generate competitive advantage, and many global
corporations have achieved benefits by being environmentally and socially responsible, a majority of firms still do not understand the importance of this (ibid).

According to Porter and Kramer (2006), identifying CSR as building shared value, as opposed to public relations campaigns or damage control, may lead to further success. Moreover, corporations usually have a greater positive impact on society by generating jobs, trading goods or services, investing capital and in general contributing to a growing economy. However, corporations do not possess the resources to resolve all of the issues in the world, neither are they responsible for them (ibid). Furthermore, according to Alsop (2004), corporate reputation has never been as valuable and vulnerable as it is in the business environment today, as the public is slow on forgiving business scandals.

Although previous research suggests a relation between CSR and competitiveness (Gugler and Shi, 2008; Marin, Rubio and de Maya, 2012; Porter and Kramer, 2006), profound information is challenging to acquire. In previous research, the relation between CSR and competitiveness, specifically on how firms can gain international competitiveness through the use of CSR strategies, is not directly explored (Aspelund, Fjell and Rødland, 2017). Several authors have reached the conclusion that international competitiveness may be built with CSR initiatives, however not how firms can, by actively implementing CSR into the company’s value chain, generate competitive advantage. In addition, Gugler and Shi (2008) recognized a research gap between developed and developing countries regarding CSR and competitiveness in the global market. The research conducted in the thesis will therefore aspire to further close the existing research gap. Moreover, China is Sweden’s largest trading partner (Business-sweden.se, 2017). Thus, Swedish companies’ growing reliance on the Chinese market entails an increasing dependence on the changes occurring in China’s business climate. Furthermore, Swedish firms are known to be advanced in development of sustainable solutions and ethical behavior, which can be a source of opportunity and legitimacy against competitors (Lindstedt et al., 2017). Investigating Swedish CSR policies and their relation to competitive advantage in China are therefore of high interest and relevance, and will be beneficial for Swedish firms operating in the Chinese market.

1.3 Research Question

*How can Swedish MNCs gain competitive advantage in the Chinese market by adopting CSR initiatives?*

1.4 Purpose

The purpose of the thesis is to acquire a deeper understanding of how the phenomenon CSR affects Swedish MNCs in relation to competitive advantage in the Chinese market. The research aims to analyze firms’ perspective of CSR, and to investigate how CSR initiatives are implemented into their corporate strategy. By researching the trend of CSR and describing the related elements, the authors of the thesis seek to attain
knowledge in order to fill existing research gaps. Furthermore, the thesis is conducted through an explanatory approach as it aspires to describe the relation between CSR initiatives and competitive advantage in the Chinese market. Additionally, the thesis intends to provide recommendations for Swedish MNCs operating in China.

1.5 Delimitations

The thesis is limited to investigate the relation between Swedish firms’ CSR strategies and the generated competitive advantage on the Chinese market. Therefore the thesis is constrained to Swedish companies active in China. Furthermore, due to the size sampling, companies that are not clearly defined as MNCs were disregarded. Additionally, companies solely focused on export and/or import were excluded, as the researchers wanted to obtain a deeper insight into how CSR affects business in China.
1.6 Outline

- **Introduction**: The introduction includes the background of the relevant subjects, as well as a problem discussion, which is followed by the research question and purpose. Furthermore, the chapter presents the delimitations and outline of the study.

- **Literature Review**: The literature review contains the foundation for this thesis, which consists of theories and concepts regarding competitive advantage, CSR, CSR in the Chinese market and strategies. The chapter is finalized with a conceptual framework that aims to provide an understanding of how the diverse topics relate to each other.

- **Methodology**: In the methodology chapter the adopted research approach, method and design are presented, along with a discussion regarding quality of the study and method criticism.

- **Empirical Findings**: The empirical findings present the data collected from participants during the conducted five semi-structured interviews. The objectified knowledge regards the firms’ experiences of CSR and competitive advantage in the Chinese market.

- **Analysis**: The analysis chapter connects the empirical findings and the literature review in order to present a valuable analysis in accordance to the purpose of the thesis.

- **Conclusion**: The conclusion will summarize the findings the main arguments by answering the research question. Furthermore, the chapter will present the implications of the thesis as well as suggestions for future research.

*Figure 1, Outline of Thesis, designed by the researchers, 2018.*
2 Literature Review

The following chapter configures the foundation of the thesis, and reviews the theories and concepts relevant to the introduction, which are later implemented in the analysis to gain an understanding regarding the topics. Theories and literature regarding competitive advantage, CSR and strategies are included to thoroughly present important facts and aspects. Different perspectives are presented in the theoretical framework, which formulate an applicable and unbiased interview guide. The conceptual framework presented, constructed as a result of the literature review, explain the relation between the subjects within the thesis.

2.1 Internationalization

Since the world has become highly globalized, firms rarely stay solely on the domestic market, but internationalize to other countries and markets. However, globalization is not the sole reason for why firms engage in cross-border activities. Therefore, questions such as why, where, and how internationalization takes place will be answered differently depending on the company (Benito, 2015). The author further claims that the motives and answers to why, define the essential nature of the internationalization process, as those define what it involves, how it unfolds, and how it is managed and organized (ibid.)

Benito (2015) outlines the four classical motives for internationalization of firms that are still widely accepted: 1) Market seeking: firms expand abroad to seek new customers; 2) Efficiency seeking: firms expand abroad to lower costs associated with performance and economic activities; 3) Resource seeking: firms expand abroad to gain access of resources, which are not available in the domestic market and/or can be obtained at a lower price abroad; 4) Strategic asset seeking: firms expand abroad to obtain assets, tangible or intangible, which may be important to their long-term strategy but are unavailable at the domestic market.

According to Cavusgil, Ghauri, & Akcal (2013) there are three different groups of entry strategies to foreign markets. The first strategy, trade-based entry, primarily focuses on export of products to foreign markets, or purchasing resources internationally. The firm may maintain its operations in the domestic market while engaging in international trade through global sourcing, which involves buying products or services from foreign suppliers. The second strategy, contractual entry mode, involves franchising and licensing. The firm establishes agreements with international partners, enabling the partner to use the firm’s intellectual property in exchange for fees. The third strategy, investment entry mode, involves foreign direct investment and may result in wholly owned subsidiaries, joint ventures, mergers, and acquisitions. As the investment entry approach is associated with ownership of equity and investment of capital it requires a high degree of commitment towards the market (ibid).
2.2 Triple Bottom Line

Sustainability regards the actions taken presently that do not limit future economic, social and environmental options and can be identified as the art of conducting business in an interdependent world (Elkington, 1999; Savitz and Weber, 2014). According to Savitz and Weber (2014), the term CSR is used by business actors to interpret businesses obligations to society and the planet. The connection between corporations and their responsibilities can be understood by studying the framework constructed by John Elkington, the Triple Bottom Line (henceforth, TBL). The author maintains that a firm’s success should be measured in ways additional to financial performance by stating; “Bottom lines are the product of the institutions and societies in which they have evolved” (Elkington, 1999:76). Although the suggestion that “bottom lines” beyond the economic dimension exists may be counterintuitive, the two remaining elements are perceived as critical to the sustainability of a company (Schulz and Flanigan, 2016). The aim of the TBL is to encourage businesses to become long-term socially and environmentally responsible, in addition to sustainable. However, there is a general lack of indicators when measuring these elements, which contributes to the problematic of the somewhat already unclear components (Elkington, 1999).

The three bottom lines included in the TBL framework are economic, environmental and social (Elkington, 1999). Firstly, analyzed accounting figures and numerical data forms a profit figure, which defines the corporation’s economic bottom line. Important factors for the firm to consider include; the competitiveness of costs, whether or not a sustainable demand from consumers exists and if the rate of innovation is likely to be competitive in the future. Normally, it is obligatory to provide financial reports from the company, as occasionally directors are accountable to shareholders (ibid). Secondly, the environmental bottom line refers to aspects such as the firm’s impact on the balance of nature through current activities. Companies are often controlled by regulators, in accordance to agreed targets, regarding their ecological impact. Additionally, environmentalist campaigns unrelated to agreed targets hold businesses accountable for their actions. Lastly, the social bottom line concerns the impact on all people in contact with the organization. Regulations and control regarding social aspects can emerge from both within governments and outside (ibid).

2.2.1 Economic Dimension

Carroll (1991) acknowledged five major economic responsibilities a firm should strive to achieve. Firstly, perform in a profit-maximizing manner; secondly, be committed to be as profitable as possible; thirdly, sustain a strong competitive position; fourthly, maintain a high level of operating efficiency; and lastly, be defined by being consistently profitable. Carroll (1991) also claims the economic responsibilities to be the foundation upon the other dimension of CSR rests, where the main goal is to be profitable. In a more recent paper conducted by Porter and Kramer (2011), the authors emphasize the principle of shared value. The principle involves creating economic value in a manner that at the same time addresses societal needs and challenges, and thereby
creates value for society. Instead of focusing on social responsibility, philanthropy and sustainability like Carroll (1991) suggests, Porter and Kramer (2011) claim the principle of shared value to be the new way of achieving economic success. The authors further emphasize that the purpose of corporations must be to create shared value rather than profit maximizing, as it will create a new wave of innovation and productivity growth (ibid).

It is debated whether CSR and environmental policies benefits corporations economic performance or not, and previous studies on the subject highly differs. Porter and van der Linde (1995) claim that too many focuses on the static cost impacts, and disregards important factors such as, productivity benefits from innovation. The authors further argue that pollution equals inefficiency, as pollution is a form of economic waste. Furthermore, Porter and Kramer (2006) claim the opportunities, innovation, and competitive advantage thriving from CSR strategies are greater than any possible costs. The main idea behind CSR is not to gain short-term success in any of its dimensions, but to achieve long-term economic success, while simultaneously remain socially and environmentally responsible (ibid).

Measuring whether CSR benefits the actual economic performance of the firm is difficult, as many factors come into play. However, firms often deploy CSR initiatives to improve the company’s image and reputation, as well as strengthen its brand (Kim, Hur and Yeo, 2015; Malik, 2014; Porter and Kramer, 2006). Not only can a good reputation in relation to CSR result in benefits, such as employee productivity and operating efficiency. Nevertheless, it can also improve relations with stakeholders, which ultimately leads to increased revenues and profitability, and an overall higher value of the firm (Malik, 2014; McWilliams and Siegel, 2000; Porter and Kramer, 2006).

2.2.2 Environmental Dimension

According to Pedersen (2009), respect for the environment is often emphasized by managers when discussing the environmental dimension of CSR. The respect is translated into reducing environmental harm by minimizing the company’s ecological footprint and preserve natural resources, as well as to be on the forefront of sustainable innovation. Furthermore, as a result of climate change and other environmental issues, most governments around the globe have taken a step to conservation of the environment, in terms of harder policies and regulations (Rogelj et al., 2016). For instance, in 2016, 174 countries and the European Union signed the so-called Paris Agreement. The central aim with the agreement is to increase the global effort to combat climate change and adapt operations to its effect. As the agreement entered into force, all parties set up policies and frameworks to reach the goal of becoming environmental sustainable (ibid).

Due to these new policies and regulations regarding environmental issues, and the increased attention it constantly gets in media; organizations aim to become more
sustainable. According to Montiel (2008) environmental responsibility includes the pollution abatement programs, involvement in environmental restoration, conservation of natural resources, eco-design practices, and reduction of waste and emissions from operations. Some authors claim, “it pays to be green”, as research shows that environmental responsibility can trigger innovations that lower the total cost of a product, or improve its value (McWilliams and Siegel 2001; Porter and Linde, 1995; Russo and Fouts, 1997). According to Porter and Linde (1995) such innovations allow firms to use inputs more productively, in terms of raw material, energy, and labor. Furthermore, the enhanced resource productivity makes companies more competitive, which makes the environmental dimension a high priority (ibid).

2.2.3 Social Dimension

Based on previous research, Dahlsrud (2008) defines the social dimension of CSR as the relationship between business and society. The dimension focuses on how firms can; contribute to a better society, integrate social concerns into their business, as well as consider what impact their business has on communities. McWilliams, Siegel and Wright (2006) further describe that companies should not solely focus on profit maximizing but also engage in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (2006:1). Furthermore, according to Savitz and Weber (2014) social sustainability is about finding ways of doing good, and is achieved by a company when the business benefits all stakeholders, including customers, employees, business partners, shareholders, and the communities it operates within.

Over the last decades, social responsibility has often been linked with business ethics (Epstein, 1987; Meehan, Meehan and Richards, 2006). Research on ethics and ethical behavior goes far back in the history and one of the most commonly accepted theories on the subject is the utilitarian view (Crane and Matten, 2016). The basic foundation of the theory is the “greatest happiness principle” which means that one should seek to make the greatest good for the greatest number. The utilitarian analysis can be a helpful tool to adopt in businesses as well, especially when evaluating positive and negative impacts of projects, initiatives and decision-making. Business ethics also concerns the rightness and wrongness, the goodness and the badness of business behavior (ibid). Epstein (1987) further explains how notions of ethical and responsible actions vary with time, place and circumstance. Therefore, the definitions and norms around the subject differ significantly in different parts of the world (ibid).

According to Bénabou and Tirole (2010) companies should strive by the concept of “doing well by doing good”, which means that their operations should aim to involve corporate citizenship while being profitable. Nevertheless, the authors claim the concept frequently fails, as managers tend to make decisions that increase short-term profit, but disregard the reduction of shareholder value and negative effects for workers. As a result, it becomes more difficult to attract motivated employees and may harm the relations with suppliers and investors. Instead, companies should engage in social
responsibility to accomplish long-term benefits, particularly in terms of loyal stakeholders (ibid).

2.3 Strategy Approaches

According to Baron (2001), a socially responsible strategy deliberately implemented by a corporation to maximize profits is strategic CSR. The strategy is defined as any accountable activity that, regardless of motive, allows a corporation to achieve competitive advantage (McWilliams and Siegel, 2011). It is considered to be a main factor in attaining economic goals and can furthermore be linked to companies seeking competitive advantage in their industry (Bagnoli and Watts, 2003; Garriga and Melé, 2004). Furthermore, Porter (2008) maintains that to achieve an effective CSR strategy, corporations should focus on the interdependence of business and society, rather than the tension between, as an uncoordinated strategy will neither strengthen the long-term competitiveness nor significantly impact society. Moreover, guidelines and regulations are issued by internationally established organizations to ensure that corporations implement CSR (Sahlin-Andersson, 2006).

Porter and Kramer (2006) maintain that CSR can be strategic and thereby become a source of social progress. The authors emphasize the importance of CSR strategies and philanthropic activities in achieving long-term competitiveness in a market. However, they also highlight the significance of connecting CSR to the firm’s strategy, thus uncoordinated CSR activities disconnected from the firm’s strategy, can neither create any meaningful impact on the society or environment, nor strengthen its competitiveness (ibid). Additionally, internal and external stakeholders, combined with the firms’ perception, influence the implemented CSR strategies (Jiang, Zalan, Tse and Shen, 2015). By adopting CSR initiatives, the company’s market share, as well as sales revenue, may increase (Govindan, Shankar and Kannan, 2016). Furthermore, the practices can noticeably improve corporate reputation and how customers perceive the firm.

2.4 Resource-based View

The resource-based view (henceforth, RBV) focuses on the firm’s strategic resources, which Barney (1991) defines as all assets, capabilities, organizational processes, attributes, information and knowledge (1991:101). The resources are then classified into three categories: 1) Physical capital resources, such as technology, equipment, geographic location, and access to raw material, 2) Human capital resources, in terms of e.g. experience, relationships, and insight of managers and workers within the firm, 3) organizational resources, including reporting structure, planning, controlling, and informal relations between groups within the firm or its environment. Although Barney (1991) claims that not all strategic resources are equally relevant, he emphasizes the importance of resource heterogeneity and immobility in order to gain competitive advantage over competitors.
Barney (1991) further point out that according to the RBV firms can achieve competitive advantage by implementing a value creating strategy, which is not simultaneously being implemented by any competitors. The value creating strategy should exploit the firm’s internal strengths and respond to environmental opportunities, as well as being imperfect imitable. Furthermore, Barney (1991) outlines two scenarios where firms can obtain competitive advantage by implementing a unique strategy. Firstly, through “first mover advantages”, which indicates that the first firm in an industry to implement a strategy can obtain advantage over other firms, by gaining access to distribution channels and developing a good reputation. Secondly, by mobility barriers, which refers to barriers of movement between one strategic group within an industry to another. However, according to the RBV these barriers only become sources of competitive advantage when firm resources are heterogeneous (ibid).

Russo and Fouts (1997) describe the resource-based view of the firm as a tool for CSR researchers to refine the analysis of how corporate social policy influences the economic bottom line. The authors outline two major arguments: firstly, the RBV has a significant focus on performance as a key outcome variable; secondly, previous research and literature on social responsibility and RBV particularly recognizes the significance of intangible concepts, such as know-how, reputation, and corporate culture (ibid). Branco and Rodrigues (2006) further argue that CSR from a resource-based view provides internal and external benefits. The reason behind the argument is that activities engaging social responsibility may have internal benefits by develop new firm resources and capabilities, in terms of know-how and corporate culture. The authors describe the external benefits of CSR to be related to its effect on corporate reputation, which can improve relations with external actors, increase employee motivation and loyalty towards the firm (ibid).

Furthermore, Russo and Fouts (1997) emphasize reputation to be one of the key advantages when implementing CSR, as the firm’s reputation is a source of market advantage. The authors claim a strong reputation to be a valuable inimitable resource. McWilliams et al. (2006) further emphasize the importance of the relation between CSR and a firm’s reputation in order to gain competitive advantage. The demand for environmental friendly products keeps increasing, and people become more aware of the social aspect of products. The authors therefore underline how CSR policies could increase a firm’s reputation, as well as differentiate it from other firms within the industry, which may generate competitive advantage (ibid). The RBV further suggests that a firm can obtain competitive advantage by eg. strengthening its relations with stakeholders, investing in human capital, and achieving technological progress, while simultaneously seeking to create new valuable resources that are rare and difficult to imitate (Nikolaou, Tasopoulou and Tsagarakis, 2018).
2.5 Conceptual Framework

The literature review has provided an insight regarding the importance of the phenomenon CSR. The following conceptual framework was constructed to further clarify the relation between the topics investigated in the thesis. The underlying foundation of the research regards the criteria of the MNCs originating from Sweden. Furthermore, the relation between the three dimensions of CSR and competitive advantage is demonstrated. It is suggested that competitive advantage is achieved by adopting CSR initiatives, which differentiate the firm’s value proposition in accordance to the RBV. Additionally, the elements of internationalization and the Chinese market are included to deepen the perspective and narrowing the focus of the study. The framework will provide an understanding of how Swedish MNCs can, by implementing CSR initiatives, gain competitive advantages in the Chinese market, which correlates with the aim of the research.

Figure 2, Conceptual Framework, designed by the researchers, 2018.
3 Methodology

The following chapter explains the methodology adopted in order to conduct the research. The implemented approaches, methods and designs are presented, as well as how they are considered suitable for the thesis. The techniques used to collect the data, operationalization and method of data analysis are presented. Furthermore, the chapter is concluded with a discussion of quality and method criticism.

3.1 Abductive Approach

Researchers observe and record what is seen without being subjective, the choice of research approach is therefore an important factor when establishing what is true or false and conclusions are being drawn. There are two major approaches which are commonly applied: induction, which is based on empirical evidence, and deduction, which is based on logic (Ghauri and Grønhaug, 2010). The inductive approach is most common to apply when conducting qualitative research, as researchers gather data to build hypotheses, concepts, or theories (Boeije, 2014; Merriam and Tisdell, 2016). Brinkmann and Kvale (2015) further argue the inductive approach to be frequently used in qualitative research as researchers often investigates a phenomenon without having preconceived ideas, instead empirical work will decide which questions are worth seeking answers to. On the contrary, deductive approach is most commonly applied in quantitative research as it is a knowledge-producing process that involves testing hypotheses from already existing theories, and then seeks to falsify these (ibid). Saunders, Lewis and Thornhill (2009) describe the inductive approach as a more flexible structure allowing research to change during the process, while the deductive approach is more structured.

Although induction and deduction are usually regarded as the exclusive alternatives, there are other possible approaches. Alvesson and Sköldberg (2009) claim one of these to be the abductive approach, which starts from an empirical basis, in the same way as inductive approach. However, it does not dismiss theoretical preconceptions and is therefore closer to deduction in that manner. When conducting an analysis through the abductive approach empirical facts may be combined with, or guided by, previous studies of theories as a source of inspiration for the discovery of patterns and understanding. Research conducted by abductive approach therefore alternates and combines existing theories and new empirical facts (ibid). Furthermore, Brinkmann and Kvale (2015) further describe the abductive approach as a form of reasoning employed in situations of uncertainty, where there is a need for understanding or explanation. Boeije (2014) further emphasizes the significance of which approach to adopt as it influences how the research is carried out, it is a choice of weather the study will test a theory or build a new one.

In the thesis the abductive approach will be adopted. The abductive approach is chosen, as the research will combine empirical facts with previous studies and existing theories.
Furthermore, CSR is a broad and growing phenomenon, however the relation between subject and competitive advantage, particularly in China, has not been studied in previous research. Therefore a new theoretical framework is needed to base this research on. By using previous studies of theories as a source of inspiration, combined with empirical data, the thesis aims to discover patterns and further understanding for the relation between CSR and competitive advantage for Swedish MNCs conducting business in China.

3.2 Qualitative Method

According to Silverman (2013) methodology is a general approach to research strategies that shapes which methods are used and how. The usual way to distinct between the two common research methods is by characterizing qualitative research data as words, which are collected and analyzed, while the data from quantitative research concern numbers to be analyzed through statistical techniques (Braun and Clarke, cited in Merriam and Tisdell, 2016). Precisely defining qualitative research is complex as the meaning is simply the foundation for understanding its entirety (Merriam and Tisdell, 2016). The research is based on the principle that people continuously construct knowledge. The techniques are designed to make the researcher aware of the process and meaning of occurrences (Cooper and Schindler, 2011). Thus, researchers using qualitative methods are interested in people’s experiences and the meaning they have constructed of the world (Merriam and Tisdell, 2016).

The aim of qualitative research is to achieve an understanding in accordance to the participant’s perspective rather than the outsider’s perspective. Furthermore, it is characteristic that the researcher performs all data collection and analysis, which requires an awareness of the researcher’s own potential influences. The thesis implements a qualitative research method as to gain a deeper understanding of the experiences and generated knowledge from participants. The main advantage includes obtaining in-depth information about the topics and relation between them. Furthermore, previous research regarding companies CSR initiatives mostly adopts qualitative approaches as to obtain the information needed (Lau, Lu and Liang, 2014).

3.3 Case Study Design

A considerable variety of qualitative research designs exist, the six most commonly implemented, according to Merriam and Tisdell (2016) will be presented in the thesis. Although the designs are all characterized as qualitative, they have different focus, which contributes to their diversity. However, this does not signify that the designs cannot overlap. An overlap can occur, for instance, if the researcher combines two or more of the research designs. Firstly, a basic qualitative study aims to understand people’s opinions and experiences. The main purpose is to uncover and interpret participants’ perceptions, and is implied when researchers do not specify which design is used. The second type of qualitative research design described is phenomenology. Phenomenology focuses on the experience itself, and often intense human experiences.
Previous beliefs and knowledge are disregarded to allow consciousness itself to be studied. Occasionally, when implementing a phenomenological design, the researchers initially explore their own personal experiences (ibid).

Furthermore, *ethnography* regards the research process, in which researchers often conduct their studies in the “field”, and the final work, ethnography. The focus on culture and society is the defining link between all types of ethnography. *Grounded theory*, the fourth design, is a specific research methodology, which results in a theory established from the empirical data. The developed theory is ordinarily substantive and more specific than formal, global theories. Furthermore, *narrative inquiry* has become a widely implemented research design where first-person accounts are told in story form (Merriam and Tisdell, 2016). The narrative can be either the method used in the study or the phenomenon studied (Creswell, 2013). Lastly, *case studies* are in-depth descriptions or investigations about a contemporary phenomenon in a factual context (Merriam and Tisdell, 2016). To investigate a single phenomenon, case studies are often used to obtain a comprehensive knowledge, and are characterized by the unit of analysis used rather than the subject that will be studied (Collis and Hussey, 2014). If the data collection is not restricted to a certain time or number of participants, the study cannot qualify as a case study as the phenomenon is not bounded enough (Merriam and Tisdell, 2016).

The thesis will be conducted as a case study design to thoroughly understand the participants experiences about the phenomenon CSR and, furthermore, interpret their perspectives. As case studies are used to investigate a phenomena, adopting the design on the thesis is highly relevant to gain an understanding regarding CSR and competitive advantage. Furthermore, the thesis is of explanatory nature. The aim of explanatory research is to, through studying a problem, establish causal relationships between the given variables (Saunders et al, 2016). The researcher aspires to analyze the phenomenon rather than explaining its characteristics (Collis and Hussey, 2014).

### 3.4 Data Collection

Research data generated from the original source, for instance experiments and interviews conducted by the researchers, are classified as *primary data* (Collis and Hussey, 2014). Further, *secondary data* are collected from an already existing source, and can be available as internal records or publications.

#### 3.4.1 Primary Data

According to Ghauri and Grønhaug (2010) *primary data* is collected to obtain information regarding the research questions, as a complement to the secondary data. This type of data varies depending on the research problem and research design. There are several ways of gathering primary data; most commonly it includes observations, surveys, experiments, and interviews. Ghauri and Grønhaug (2010) further explain, “*The main advantage of primary data is that they are collected for the particular*
What the authors indicate is that this type of data is more consistent with the specific research questions and objectives. Interviews and questions can provide information on past events and experiences, and it opens up for a communication and deeper understanding. Alternatively, with surveys it is possible to cover a large geographic area and collect more data in a shorter amount of time.

Although primary data often is crucial in research, there are some disadvantages to consider. Firstly, the collection of data can take a long time and be costly; secondly, it may be difficult to access, in terms of finding companies, consumers, and other target groups that are willing to cooperate and participate. The latter is specifically difficult if the research is dealing with a sensitive issue. A particularly disadvantage of primary data is that researchers have less control when collecting data; therefore, unexpected factors may interfere and influence the collection. Furthermore, the researcher must conduct the research carefully, as using the wrong tools, procedures and methods of analysis can risk the reliability and applicability of the study. Another major weakness is the quality and scope of gathering information through primary sources, as the researcher is dependent on the ability and willingness of respondents. The potential respondents may lack both ability and willingness to cooperate due to lack of time, perceive that it is a waste of their valuable time, or they might fear possible negative consequences of the outcome, etc.

Nonetheless, Saunders, Lewis and Thornhill (2016) claim that primary data in terms of interviews may help the researcher to gather valid and reliable information to use as the basis of the analysis. The authors distinguish three categories of interviews: structured, semi-structured, and unstructured (in-depth interviews). The thesis adopts semi-structured interviews as the source of primary data as it is the best option when conducting an explanatory study (Ghauri and Grønhaug, 2010).

3.4.2 Secondary Data

According to Ghauri and Grønhaug (2010) secondary data is defined as literature and previous studies on the subject, in terms of books, published articles, and online sources. The authors claim that this type of data is essential, not only to find information regarding the research problem, but also to get a better understanding and form an explanation to the research problem. Furthermore, Ghauri and Grønhaug (2010) outline several advantages of collecting secondary data. Firstly, the main advantage is the enormous savings in time and money, as the researcher only needs to locate and utilize sources from books or a computer. It contributes to a broad basis from which scientific conclusions can be drawn more rapidly, while enhancing the reliability of the information. Secondly, secondary sources can provide international research and facilitate the comparison between two or more countries. Lastly, secondary data can suggest suitable methods or information on how to combat a particular research problem (ibid).
Nevertheless, there are also some disadvantages of using secondary data. Saunders et al., (2009) underline the importance of keeping the data’s purpose in mind. All secondary data have been collected for a particular purpose, which differs from the current ongoing research. Therefore, it is highly relevant to combine and compare secondary data with original findings collected by the researcher himself (primary data). Furthermore, another disadvantage of secondary sources is the problem with accuracy (Ghauri and Grønhaug, 2010). For example, companies may publish untruthful information about their competitive position and wellbeing, rather than facts to make them appeal better. Therefore, it is important to support company data with data from trustworthy organizations, regarding e.g. market shares, macroeconomics, and industry information (ibid). In the thesis, secondary data has been used as a complement to primary findings, collected by the researcher to establish a solid foundation of the paper, support research gaps and problems, and to describe the relevant elements and phenomenon. Nevertheless, the importance of trustworthiness has been taken into consideration and characterizes the choice of sources.

3.4.3 Purposive Sampling

When the researcher has formulated research question(s) and a purpose, the next step is to select a suitable setting to conduct the research, in terms of participants, locations, organizations, and places (Boeije, 2010). According to Saunders et al., (2009) there are several different sampling techniques to apply in this stage; however, the two most commonly used are quota sampling and purposive sampling.

Quota sampling is normally applied for interview surveys, and aims to cover a large-scale size of the population. There are several advantages with this technique; in particular, it can be set up quickly to a low price. Nevertheless, the sampling method is best suited for large sample sizes as the sufficient number of responses often is somewhere in the interval of 2000 to 5000, in order for the study to generate a trustworthy result (ibid.). In contrast, purposive sampling is often applied when the study’s sample size is very small. The technique is often used when case study research is conducted, and a few cases are selected that are particularly informative. The purposive sampling enables the researcher to select cases that will generate information regarding the research questions and objectives (ibid).

Boeije (2010) further claim that the choice of sampling approach depends on whether the research is conducted through a qualitative or quantitative design. Since quantitative research is generally represented with statistical facts based on a large population, quota sampling is frequently applied. On the contrary, qualitative research is characterized with a smaller sample, intentionally selected, in accordance to the needs of the study. The cases are specifically selected to help the researcher acquire important information regarding the elements of the research (ibid).

As the thesis is of qualitative nature with a multiple-case study design, the researchers have implemented purposive sampling based on the arguments and statements
previously presented. After taken the research question and purpose into consideration, the selected setting has been restricted to the following criteria:

- The company must originate from Sweden
- The company must have its headquarters in Sweden
- The company must be active in the Chinese market
- The company must be engaged in CSR
- The company must be an MNC

Additionally, the participant must have a profound insight and knowledge of the Chinese market, and the company’s CSR strategies:

- Interviewee must be an owner, manager or consultant

In accordance with the criteria above, respondents from four diverse companies were requested to participate in interviews and contribute with their experiences and knowledge to the research. The essential features include that the MNC must originate from Sweden, and currently have its headquarters in the country. The location of the headquarters is relevant as it shows that, although the firm may be acquired by a foreign company, it still has strong connections to Sweden. The company must have operations in the Chinese market, and also implement CSR initiatives. Furthermore, the interviewee is required to have knowledge about the company, its activities in the Chinese market and any implemented CSR strategies. It is essential that the companies and their representatives are qualified, according to the criteria, to ensure the information is relevant and valid.

3.4.4 Cases

3.4.4.1 Norden Machinery AB
The Swedish company Norden Machinery AB was founded in 1980. The firm’s main focus is advanced tube filling systems and it provides machinery for companies globally (Nordenmachinery.com, n.d. A). Furthermore, Norden’s headquarters is located in Kalmar, Sweden where the company was established. Since 2008, the firm is a part of the Coesia Group, which consists of 18 different firms operating in 32 countries (Nordenmachinery.com, n.d. B). Therefore, Norden follows four principles, inspired by the Coesia Group values: passion, respect, responsibility, and knowledge. Additionally, Norden is committed to monitoring and reducing the significant environmental impacts deriving from the company’s production, while simultaneously making products consume less energy and raw materials (Nordenmachinery.com, n.d. C). Furthermore, all the companies within the Coesia Group have an important social role in the communities where their operations are carried out (Nordenmachinery.com, n.d. D). The synergy between business and society has been developed as a result to the value of responsibility towards the community.
3.4.4.2 CPAC Systems AB

The Swedish firm CPAC Systems AB, included in the multinational Volvo Group, develops and integrates electronic control systems for the vehicle industry, with a focus on industrialized innovations. (Cpacsystems.se, n.d. A). The firm was first to present full electronic integrations in boats larger than thirty feet (Cpacsystems.se, n.d. B). With clients such as Volvo Penta and Yamaha, CPAC has grown in accordance to their philosophy “taking control forward” (Cpacsystems.se, n.d. C). The company went international in 2003, by following their clients (Raimer, 2018). Furthermore, CPAC’s corporate culture is characterized by the following principles: responsibility, openness, entrepreneurship and lack of prestige (Cpacsystems.se, n.d. D).

3.4.4.3 Sigma Technology

The Swedish company Sigma Technology AB is a global supplier of product information, software solutions, information management and offshore development. (Sigma Technology, n.d. A). The firm’s philosophy is defined as: “Local drive – global strength”. Sigma’s management system, which is integrated throughout the company, is qualified in accordance to the following ISO certifications: quality, environment and information security (Sigma Technology, n.d. B). The aim is to, for all operations, achieve the same quality standards. Furthermore, the company strives to contribute to a sustainable future by encouraging education and innovation (Sigma Technology, n.d. C). To achieve this, Sigma Technology collaborates with universities in diverse cities. The Star For Life program, developed by the owners of the Sigma Group, support, for instance, the education of children. Additionally, the firm maintains to put the competence of its employees in focus, and is in Sweden ranked 11th as best employer (Sigma Technology, n.d. D).

3.4.4.4 Company X

Company X is a Swedish vehicle manufacturer, with sales and services in more than 100 countries. Furthermore, the corporation has offices in Latin America, India, Russia and China, while the headquarters is located in Sweden. The company’s success is built on a strong set of core values, which reflects the corporation’s way of conducting business to ensure a sustainable future.
<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Country of Origin</th>
<th>Location of Headquarters</th>
<th>Active in China</th>
<th>Engaged in CSR</th>
<th>Multinational Corporation</th>
<th>Interviewees Role in the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norden Machinery AB</td>
<td>Sweden</td>
<td>Kalmar</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Area Sales and Marketing Manager China and Japan</td>
</tr>
<tr>
<td>CPAC Systems AB (Volvo Group)</td>
<td>Sweden</td>
<td>Mölndal</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1: Trusted Consultant 2: CTO and HR Manager</td>
</tr>
<tr>
<td>Sigma Technology AB</td>
<td>Sweden</td>
<td>Malmö</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Country Operations Manager China</td>
</tr>
<tr>
<td>Company X</td>
<td>Sweden</td>
<td>Sweden</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Executive Director China</td>
</tr>
</tbody>
</table>

*Figure 3, Case Summary, designed by the researchers, 2018.*

### 3.4.5 Interviews

The primary data collection technique in qualitative methodologies is the interview (Cooper and Schindler, 2011). As interviews are contextual, consideration needs to be taken to the context and any existing previous understandings (Brinkmann and Kvale, 2015). Interviews vary depending on factors such as structure, number of participants and duration of the research. Individual interviews, often referred to as individual depth interviews, are conducted to perceive detailed individual experiences (Cooper and Schindler, 2011). In this instance, advance materials may be provided for the interviewee to ensure the highest amount of complexity in the answers during the actual interview. Furthermore, the three common approaches to an interview include unstructured, semistructured and structured interviews. Firstly, unstructured interviews are usually specified to fit each individual participant, with no certain order of topics. Secondly, interviews that are semistructured generally follow an interview guide, which presents opportunity for follow-up questions and leeway for participants in how to answer. Lastly, interviews with a comprehensive questionnaire are defined as structured. In the thesis, semistructured interviews have been conducted to ensure answers that will provide extensive information regarding the topics which are being investigated (ibid).
To obtain developed answers from the interviewees, open questions should preferably be included in the interview guide (Collis and Hussey, 2014). Closed questions, requiring a yes or no answer, should deliberately be avoided, excluding when follow-up questions are subsequent, in order for participants to provide in-depth information. Additionally, it is necessary for the interviewers to recognize their responsibilities, which include providing a comfortable setting for the interviewee, listening carefully and remaining neutral during the course of the interview (Cooper and Schindler, 2011). The interviewer is accountable for generating an interview guide. The questions included in the interview should be guided by the conceptual framework, which is developed from the literature review (Collis and Hussey, 2014). Furthermore, to be able to obtain comprehensive data and gain an advantage when asking complex questions, interviews conducted in person are desired. However, when personal meetings are unfeasible, telephone and online interviews are also suitable options. In the thesis, the interviews were conducted through diverse approaches.

Firstly, from the total of five interviews, two were conducted via Skype. The possibility of conducting the interviews in person was not feasible as the interviewees were located in China, however Skype ensured a straightforward procedure that was comparable to a personal interview. Secondly, one of the interviews was conducted in person, at the interviewee’s office. The interviews, in accordance to the first two approaches, were semistructured to get in-depth answers and provide possibilities for follow-up questions. The attached interview guide (see Appendix A) was followed throughout the interviews, however the order of the questions varied depending on the direction of the answers from previous questions.

Furthermore, the interviews were, with the approval of the interviewees, recorded in order to allow a precise transcription of the interviews. The empirical data is therefore documented through text and audio. The duration of the interviews varied between twenty minutes to forty minutes. After a brief introduction, the questions were asked, followed by any questions the interviewee might have. The interviews were constructed separately and individually, with the exception of the last Skype interview, where two participants from the same company were present. Lastly, two of the interviews were structured via email, as it was considered the most convenient. Therefore, the interviews were conducted in a structured manner, and no follow-up questions were asked as the interviewees received the questions in written format on one occasion. To respect the interviewees, anonymity was offered in relation to each of the interviews. One of the interviewees (henceforth, Participant 1) wanted to remain anonymous in the thesis.

Furthermore, the questions were constructed to be as open as possible, however some questions were closed, and afterwards pursued by follow-up questions. Thus, in the instance that the interviewee answered “no” to the first question, the follow-up questions could be averted. Additionally, as previously mentioned, the interview guide has been attached as to provide a deeper understanding for readers, as well as to ensure transparency. The interview guide was composed with the purpose of ensuring that all
topics were covered. Additionally, the interview guide was implemented as a tool to ensure the discussions did not escalate into irrelevant conversation. The conducted in-depth interviews with semistructured, or structured on occasion, approaches provide a deeper understanding of the relation between the topics that are being investigated. With the help of the answers from all participants, the research gap can be analyzed, and furthermore, the research question answered.

3.5 Operationalization

According to Bryman and Bell (2015) operationalization origins from the physics and aims to define the approach on how to measure a phenomenon, in order to make it clearly distinguishable and understandable. Saunders, Lewis and Thornhill (2009) further define operationalization as “The translation of concepts into tangible indicators of their existence” (2009:597). Operationalization is applied in the thesis to connect the theory and literature presented in the previous chapter to the interview questions, which explore the connection between the dimensions of CSR, internationalization, and competitive advantage. Furthermore, general questions are included to provide information about the firms and their activities.
<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview Questions</th>
<th>Motives for Questions</th>
<th>Connection to Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internationalization</td>
<td>1 - 3</td>
<td>To get further knowledge regarding the firm’s motives for internationalization and its entry mode to the Chinese market</td>
<td>Internationalization</td>
</tr>
<tr>
<td>Strategy Approaches</td>
<td>4 - 6</td>
<td>To gain an understanding of the firm’s operations on the Chinese market and its CSR strategies</td>
<td>Strategy Approaches</td>
</tr>
<tr>
<td>Economic dimension</td>
<td>7 - 10</td>
<td>The questions aim to get an insight into the economic perspective of CSR within the firm</td>
<td>Triple Bottom Line, Economic dimension</td>
</tr>
<tr>
<td>Environmental dimension</td>
<td>11 – 12</td>
<td>To explore how the firm takes the environmental aspect into consideration</td>
<td>Triple Bottom Line, Environmental dimension</td>
</tr>
<tr>
<td>Social dimension</td>
<td>13 – 15</td>
<td>To get a comprehensive view of the firm’s social initiatives</td>
<td>Triple Bottom Line, Social dimension</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>16 - 18</td>
<td>The questions investigate the relation between CSR and competition on the Chinese market</td>
<td>Resource-based view, Strategy Approaches</td>
</tr>
</tbody>
</table>

*Figure 4, Operationalization, designed by the researchers, 2018.*
3.6 Method of Data Analysis

When the researcher has collected data, the next step is to conduct an analysis of the evidence and findings. According to Yin (2014) the strategy for analyzing case study evidence is one of the least developed elements of doing case studies. The outcome of the analysis highly depends on the researcher’s own style of empirical thinking, as well as the sufficiency of presented evidence and consideration of alternative interpretations. Furthermore, Yin (2014) outlines five techniques to apply when conducting the analysis of primary data: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis.

Merriam and Tisdell (2016) emphasize the importance of preparing the primary data collected to the research by transcribing the interviews. The transcription aims to provide the researchers with a clear understanding for what each respondent answered to the specific questions, which makes it easier to write the empirical findings, as well as ensures the validity of the primary data (Merriam and Tisdell, 2016; Saunders et al., 2009).

When the primary data had been collected, the researchers organized it by transcribing the interviews, in order to get all the information correctly and not jeopardize the validity. With help of the transcriptions, the findings were summarized in accordance with the operationalization. Lastly, after developing the empirical findings, the next step was to apply a proper technique to analyze the data. Since the thesis is conducted by an explanatory approach, the researchers selected to explain patterns discovered in the findings, which generated a conclusion and enabled an answer to the research question. Additionally, the empirical findings are divided into the following six segments; (1) Internationalization, (2) Strategy Approaches, (3) Economic Dimension, (4) Environmental Dimension, (5) Social Dimension and (6) Competitive Advantage.

3.7 Quality of Research Design

An imperative element of the assessment of the research design concerns the quality of the research design and its findings (Saunders et al., 2016). The quality regards the evidence found in the research, and whether it corresponds with the definitive conclusions. The quality of the conducted research design is required to be evaluated in accordance to logical criteria, and the researcher should take strategic action to guarantee the validity and reliability of the research process (Corbin and Strauss, 2015; Yin, 2014). If a measure is not reliable it cannot be valid (Cooper and Schindler, 2011). In qualitative research, the measures dependability and validation are mainly related to the judgement of quality of research.

3.7.1 Reliability

Reliability concerns the execution of the study and the replicability of the initial results throughout a reproduction of the original investigation (Cooper and Schindler, 2011;
Collis and Hussey, 2014). Thereby, reliability is ensured to the degree in which consistent results are obtained (Cooper and Schindler, 2011). The measurement is concerned with consistency, precision and accuracy. Data is reliable once consistent results are produced, and the degree of unstable errors is miniscule. Reliability is implemented in the empirical data collection phase of the research process and the aim of reliability in a study is to minimize errors and biases (Yin, 2014).

While reliability is commonly associated with quantitative research methods, the term *dependability* is used in relation to qualitative research (Bryman and Bell, 2015). As qualitative research aims to describe experiences from others perspective, different interpretations influence reality (Merriam and Tisdell, 2016). Moreover, to enable other authors to repeat the study, it is essential that the researchers document the process (Yin, 2014) Making the research as operational as possible, as well as adopting an “auditing” approach ensures high reliability (Bryman and Bell, 2015; Yin, 2014). According to Bryman and Bell (2015), this approach entails the importance of documenting the complete research process, as closely as possible. The process of keeping precise records may be too demanding for the researchers, however it is sufficient to aim for the highest level of documentation as possible.

Dependability is a substantial factor in the thesis which is actualized throughout the empirical data collection phase. As previously mentioned, the aim is to provide an unbiased analysis of the participants perspectives, which is the intention of the thesis. The elements of the data collection were documented comprehensively to ensure the feasibility of replicating the study. For instance, the conducted interviews were recorded, with permission from the interviewees. However, as perspectives and markets continuously change, temporary circumstances that may alter the results from the data collection, for other researchers, exists. Furthermore, to ensure dependability and transparency, the interview guide used during the interviews is attached. Lastly, the methodological process is thoroughly described as to give the reader a comprehensive understanding.

### 3.7.2 Validity

*Validity* concerns the integrity and quality of the conclusions made from the empirical data collected in the research (Bryman and Bell, 2015; Saunders et al., 2016). It further aims to examine the outcome of the analysis and whether the results reflect the purpose of the research. Saunders et al., (2016) outlines two main terms for validity: internal and external. However, these two types of validity are often adopted in quantitative research, while qualitative research often applies the terms *credibility* and *transferability* instead when discussing validation (ibid). According to the authors, credibility is equivalent to internal validity, and concerns whether the representation of research corresponds to what the participants intended. Transferability is equivalent to external validity, and concerns to which degree the research can be applied and generalized in another context (ibid). Yin (2014) further explains that internal validity is mainly related to explanatory case studies, in which the researcher tries to explain how
and why one event leads to another, while the logic is inapplicable to descriptive and exploratory studies.

According to Ghauri and Grønhaug (2010) there are three additional types of validity emphasized in qualitative research: descriptive, interpretative, and theoretical. Firstly, descriptive validity refers to the accuracy and objectivity of the actual description, and information gathered. Secondly, interpretative validity measures the interpretation of participants, and matches the explained meaning to participants with their actual perspective. Thirdly, theoretical validity refers to the ability of explaining the phenomena studied and the adequacy of theory, as well as the relationships between them.

When data was collected for the thesis, the researchers used multiple sources of evidence to create a solid base, as Yin (2014) emphasizes the importance of establishing a chain of evidence to strengthen the validity. Furthermore, in order to increase the external validity, Yin (2014) claims that researchers should apply theory or replication logic. The theory logic is correlated with single-case studies, while the replication logic is applied in multiple-case studies (ibid). Thus, the replication logic is implemented in the thesis in order to enable a generalization of the primary findings (Saunders et al., 2016; Yin, 2014).

3.8 Method Criticism

The methodology adopted in the thesis is considered the most suitable for obtaining the answer to the research question. As the aim is to deeply understand and interpret the interviewees’ perspectives about the phenomenon and relation between the diverse topics, while simultaneously relating it to the theoretical framework, other types of methodology would not result in an adequate analysis. However, if other approaches, methods or designs were implemented, the thesis may discover answers to further questions that could perhaps arise. Additionally, by being well prepared, the intention of the researchers concern limiting any possible hindrances that may emerge during the entirety of the research process.

As CSR is an extensive phenomenon, and the general awareness in the Chinese market is relatively narrow, it is highly important to contact, and also interview, potential participants with relevant knowledge. Semistructured interviews are preferred in order to gain information about a topic, nevertheless the approach can be, for instance, too controlled or not controlled enough. Thus, when conducting the interviews, the researchers aim to remain unbiased and neutral in order to obtain objectified knowledge, and also in order to ask relevant follow-up questions. Furthermore, as the purpose of the thesis is to solely investigate Swedish firms, the validity of the research is compromised when applying the findings to alternate cases.
3.8.1 Ethical Considerations

Ethics concern behavior standards and norms that guide moral choices in research behavior and relations (Cooper and Schindler, 2011). The aim is to ensure that no one suffers or is harmed as a consequence from the research. Disclosing only positive results in research is considered academically dishonest (Cassel and Symon, 2005). Authors are required to present all findings, whether the results are compliant or conflicting to the themes. Furthermore, using conclusions to selectively portray participants positively is unethical as the aim is to ensure full transparency throughout the thesis (ibid).

Additionally, it is important to offer anonymity and confidentiality to the participants (Collis and Hussey, 2014). In the thesis, the interviewees were all offered full anonymity, however only one participant preferred to be anonymous, which ensures that the collected data cannot be traced to the interviewee. In regards to informed consent, participants were informed, previous to the interview, about the purpose of the research. This ensures trust and understanding between the researchers and participants.

3.9 Summary

To conclude the methodology chapter, the following table presents the methodology adopted in the thesis.

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*Figure 5, Methodology Summary, designed by the researchers, 2018.*
4 Empirical Findings

The upcoming chapter presents the empirical data that has been gathered during the course of the study. An introduction of the case companies and the chosen respondents is presented, followed by their knowledge and experiences regarding the topics. The empirical findings are divided into the perspectives of: Internationalization, Economic dimension, Environmental dimension, Social dimension and Competitive advantage.

4.1 Introduction of the MNCs and Representatives

4.1.1 Norden

The manufacturing company, Norden Machinery AB, has been international since the beginning, year 1934. Currently, the firm exports approximately 97 percent of its machinery. Norden has about 330 employees. Mr. Hector Voicu, the interviewee, is the Sales and Marketing Manager for China and Japan.

4.1.2 CPAC

CPAC Systems AB manufactures control-systems for the vehicle industry and currently has an export percent of approximately 80 percent. CPAC employs around 135 people. The company has been international since 2003, and CPAC’s involvement on the Chinese market mostly concerns import. However, production through an Electronics Manufacturing Service and sales are also a part of the firm’s operations. The participants interviewed are Mr. Anders Pihl, CTO and HR manager, and Mr. Douglas Smith, Trusted Consultant.

4.1.3 Sigma

Sigma Technology AB is a global supplier of technology solutions. The firm has approximately 650 employees globally, and around 50 in China. Furthermore, Sigma has been international since 2006, when the company expanded to China. The firm’s activities in the Chinese market are mainly focused on product information development. The respondent interviewed is Mr. Nate Zhang, who has been the Country Operations Manager of Sigma Technology China for more than eight years.

4.1.4 Company X

Company X is a Swedish vehicle manufacturer, with approximately 50 000 employees globally, and about 180 in China. The company has an export percentage of 95 percent, and has been international since the early 1900s. Furthermore, Company X has several different kinds of operations in China, such as import, production, sales and services. The interviewed respondent is an Executive Director in the Chinese market.
4.2 Internationalization

4.2.1 Norden

According to Voicu, Norden expanded to the Chinese market as a result of the demand recognized by the firm. Other MNCs, that the company already collaborated with, were internationalizing to the market by moving their production, and for Norden it was natural to follow them abroad to China to further maintain the relation and reach the demand. The firm identified a demand on the market, and made a strategic choice in an attempt to meet it. As the company's main focus has been export from the start, and it was around the same time expanding to the Japanese market, the internationalization to the new market was an obvious choice. Currently, in the Chinese market, Norden targets MNC but also midsize local firms.

4.2.2 CPAC

According to Pihl, CPAC has been international since 2003, and expanded to the Chinese market for two reasons: firstly, the production of the electronic control units was placed in China mainly because of costs, and secondly, the firm started exporting to the Chinese market as a result of Volvo’s expansion, as CPAC’s products are integrated in Volvo vehicles. Additionally, Smith states that the company’s aim of gaining competent partners in the market resulted in production being performed through an Electronics Manufacturing Service (EMS) and, furthermore, that CPAC now has fifteen suppliers in China from which the firm imports components and products. The company was not active in any markets in the area before internationalizing to the Chinese market.

4.2.3 Sigma

Sigma Technology became international in 2006, when the company entered China. Before then, the company’s operations had been solely in the Swedish market. According to Zhang, their main customer, Ericsson, initiated the internationalization by expanding their business on the Chinese market and other Asian regions. As Sigma had been providing Ericsson with services for many years before, they were requested to follow Ericsson into the new market and area. Therefore, Sigma made a strategic choice to follow their customer, in order to maintain the relation and to broaden its own market.

4.2.4 Company X

Company X became international in the early 1900, however, the major export business started after the Second World War. Furthermore, Company X entered the Chinese market by passive activity. The Chinese authorities approached the Swedish company in 1965, and after 10 years they got their first order to supply products used in the forestry industry, which was the start of the business in China. At that time, everything in China was ruled by the government and was characterized by communism, as well as a
planned economy. As of today, the company has import, production, as well as sales and service in China.

4.3 Strategy Approaches

4.3.1 Norden

According to Voicu, CSR is an important part of Norden’s strategies, and implemented throughout the core values. Although the core values are constant in all markets the company is active on, certain cultural traits need to be taken into consideration depending on the country. Voicu maintains

“The company needs to be aware of culture and values, and need to request collaborators in China to implement the values, with some adaptation”.

The firm adopts CSR in the Chinese market as a natural decision, in correlation to the core values. However, there is a difference in awareness amongst Chinese customers in comparison to Swedish customers.

4.3.2 CPAC

As CPAC is a value-based company, CSR is an important part of the firm’s strategies. In accordance to the importance of CSR, Pihl states that;

“CPAC wants to give something back to the society. To be able to give the individual the possibility of a challenging work combined with good health and good possibilities to build a family”.

Furthermore, Smith claims that when the company is choosing suppliers and partners, one of the first factors that CPAC looks into is how the potential supplier governs their company, values and corporate responsibility. He maintains that;

“CPAC realises that companies and cultures look at social responsibilities in very different manners and suppliers in different regions do the same”.

The firm aims to set long-term goals for its collaborations, together with potential suppliers and partners, which includes CSR initiatives. The long-term strategies are divided into several shorter-term targets that are continuously followed up on. CPAC implements CSR on the Chinese market as a natural way of conducting business and because it is the right thing to do.
4.3.3 Sigma

According to Zhang, CSR is of high importance for Sigma, and the initiatives are implemented into the corporate core values and strategy. Nevertheless, Zhang further emphasizes that different people within the organization would probably give different answers to how CSR is implemented, as the view of it differs depending on the individual. In regards to the question regarding if, and how the company’s CSR differs in Sweden and China, the respondent claim that it is overall very similar, thus, he further explains:

“The difference is how people in different countries understand CSR”

Sigma is managed by an international team, where the employees have different perceptions of CSR. For instance, as Zhang is from China, he has a great local knowledge and understanding as he grew up there. Therefore, he further claims that the different international perspectives generate a benefit. Furthermore, when Sigma expanded to China, Zhang believes it was natural to implement CSR, as it has been a part of their strategy in other countries of operations. Zhang proudly explains that he is more active in the CSR area than average, and that he is responsible for some of the company’s initiatives in China; for instance he teaches a tech-learning program, provided by Sigma.

4.3.4 Company X

According to Participant 1, Company X does not talk about CSR as a unique concept. Instead, it is deeply embedded into their daily operations and core values. The respondent explained it as:

“It is a result of us, following our normal values”

The respondent further explains that the company’s CSR strategies are communicated to stakeholders as “doing the right things right” by implementing it everywhere in their daily operations. Furthermore, as the sustainability values are of high importance for Company X, they seek suppliers to follow their standards, which involved all aspects of sustainability: social, environmental, and social. Nevertheless, as the company cannot control the supply chain it is hard to tell if the same values and standards are emphasized throughout the whole value-chain. As Company X seeks suppliers to establish a long-term relation with, the suppliers’ values and standards are therefore of even higher importance. Moreover, when asking whether the adoption of CSR in the Chinese market is a result of requirements from the government or a strategic choice the respondent answered that it is a result of the company following their values. Therefore, the strategic choice is more underlined, rather than the involvement of the government.
4.4 Economic Dimension

4.4.1 Norden

As the costs of CSR are hard to measure, Voicu cannot express if the company’s initiatives are costly for the company, however he maintains that the benefits are profitable and it pays to be *green*. Presently, more and more customers are gaining an interest in CSR values, especially the MNCs, but the local Chinese firms are also starting to develop an awareness regarding CSR and aim to work towards the values and social responsibility. Voicu claims that although it may be easier to implement the values in Europe, the Chinese are doing their best to work towards CSR. As it is a newer concept in China, it is important that they learn to work with, adapt and implement CSR strategies in the market. Furthermore, it is clear that Nordens CSR strategies help improve the firm’s reputation amongst customers, which further increases the company’s sales as there is a clear relation between the factors of CSR, reputation and sales.

Additionally, Norden’s CSR policies are implemented throughout the company’s value chain in diverse ways. They are introduced and actualized from the beginning, by the designers constructing the machines and their components on the drawing table. For instance, there is a function on Nordens machines called *energy safe mode*, which puts the machine in standby mode while the operators are on break, thus saving time, energy and money. The firm is strongly trying to promote this, and similar, functions. The consciousness is therefore seen throughout the entirety of Nordens operations.

4.4.2 CPAC

Pihl and Smith both claim that while CSR is a definite cost for CPAC, the benefits are much greater. Smith states:

> “With most activities, resources need to be allocated in order for the activities to progress. The same is for this initiative, but in this case the team members and employees that CPAC employ have a social responsible mind-set from the start, leading to perhaps lower costs over time”.

These initiatives and the mind-set lead to benefits that get incorporated in the entirety of the firm’s activities. Furthermore, both interviewees agree that CPAC profits from the applied CSR strategies. Pihl maintains that if the motivation for implementing CSR is good, the firm will especially profit from the initiatives. According to Smith, CPAC encourages both employees and partners to think *green* and take business, as well as private, decisions based on what is best for society and the environment.

In regard to CSR affecting CPAC’s reputation, and further increasing sales, the interviewers disclose that since the products are market with the Volvo-brand, the
message of sustainability is clear. Decisions, in the past, regarding the promotion of the firm’s CSR have positively influenced sales and profit margins, as customers clearly perceive the long term dedication. Additionally, concerning the implementation of CSR in the company’s value chain, Smith claims:

“Understanding and matching values and policies of the supply and value chain is of the upmost importance”.

4.4.3 Sigma

According to Zhang, CSR is not an expensive cost, nevertheless, he claim it depends on how the company manage its CSR activities. Sigma has had many activities with minimum costs, for example the usage and communication through social media. Additionally, Sigma is encouraging their employees to become involved in CSR to spread the significance of it. However, at this point, CSR is quite new in China, therefore, people are somewhat unaware of it. Therefore, it is important to share information and engage, for example, employees in it, so the knowledge gets more widespread. Sigma is internationally well known for the services the companies provides, and the Chinese customers seem to focus more on the services rather than the company’s CSR activities. However, by including CSR strategies in the company’s promotion, their reputation increases, in all markets. As a result of good reputation and the valuable services the company provides, Sigma is often brought up when talking about international companies, and is often the first choice when looking for services of their kind. Zhang underlines that these positive aspects are the long-term benefits of getting a good reputation and involving CSR strategies, and has made Sigma very confident in their area. Although, CSR is not the main way of getting customers and commissions, it definitely still helps and is, therefore, worth implementing. Furthermore, Zhang believes that the company’s CSR policies are implemented throughout the whole value chain, although he cannot answer how it is implemented. To summarize, Zhang emphasizes that the benefits are definitely greater than the costs, thus it pays to be green.

4.4.4 Company X

According to Participant 1, CSR is definitely not costly for the company to implement or follow. On the contrary, the respondent emphasizes that CSR reduces costs, and describes it as:

“Doing the right things right, means that you are reducing waste, and reduction of waste reduces costs, and improves our sustainability performance”.

Nevertheless, the respondent claim that CSR and sustainability standards can be costly for a brand new company. If the start up can afford to follow it, the strategies become cost effective, but if not, it can really hurt its business. The respondent further explains that start ups does not always have the privilege to live up to the highest standards, and
once you can afford it, those strategies and standards turn into cost efficiency. Moreover, Company X does not use CSR as a marketing strategy to improve branding. Instead, the respondent once again emphasizes that CSR is the outcome of doing the right things right. For instance, Company X can offer low prices and still reduce CO2 emissions, while not increasing operating costs; which attracts customers. Other companies in China, and other parts of the world, have CSR as a company strategy, without actually implementing it. Therefore, the respondent claims that there are different levels of sustainability, which needs to be taken into considerations when talking about CSR strategies and its value.

4.5 Environmental Dimension

4.5.1 Norden

As previously mentioned, Voicu states that Norden takes environmental impact into consideration throughout the entirety of the value chain, and tries to reduce its ecological footprint, starting from the invention of the machines by the designers. The firm encourages complex but simultaneously simple solutions to minimize the social impact. As the company is included in the Coesia Group, Norden follows the core values implemented by the group. Furthermore, in 2016, Coesia Group issued a sustainability report, which verifies that the firm is actively working with CSR. Included in the report is, for instance, an analysis of the materials used by Norden. Additionally, Norden is working with Internet of Things (IOT) to track the machine behavior of their products to prevent, for instance, breakdowns. This contributes to the environment as there are less parts and less travel needed. The company is renown for upgrading the machines instead of selling brand new machines to the customer. When inventing a component, it is in Norden’s philosophy that the new part can be implemented in the older machines, thus reducing the ecological footprint.

4.5.2 CPAC

According to Pihl and Smith, CPAC undoubtedly takes environmental impact into consideration, both when producing products and by frequently reflecting over the eventual impact that the firm’s products can have on the environment, as well as how the company can be part of the recycling process. CPAC strives to produce in a more sustainable manner and by that reduce the company’s ecological footprint.

4.5.3 Sigma

Since Sigma is a consulting company and develops solutions, rather than products, the environmental aspect is very limited. Nevertheless, according to Zhang, they take environmental issues into consideration when developing and formulating solutions. Furthermore, the company is certificated with ISO 14000, which is a series of international standards that provides tools for organizations to manage their environmental responsibilities. Zhang also explains that when they conduct business
and develops solutions, the firm definitely cares about the possible impact it will have on the environment.

4.5.4 Company X

Company X takes environmental impacts into consideration by reducing their ecological footprint and CO2 emissions, which is evaluated and implemented when developing products. The main goal is to reduce cargo footprint, which is a huge problem globally. Therefore, the company takes the cargo footprint into consideration in sourcing, producing, the entirety of the product life cycle, and when it comes to recycling. The respondent further adds that their vehicles are designed with the highest quality, and can last for more than 3 million kilometers, while a vehicle of less quality lasts for about 1 million kilometers. Thus, a vehicle made by Company X uses fewer resources, and is therefore more environmental friendly. The respondent explains that the length of the product life cycle is highly relevant regarding the sustainability aspect, since each production puts a lot of pressure on the environment. Therefore, it is an indirect way of showing that the corporation is using CSR. Nevertheless, Company X does not implement sustainability to get a golden star; instead it is driven by economical sense, as the respondent earlier established a relation between reducing waste and costs. As a result of the relation between reduction of waste and costs, the respondent claim the economical aspect of CSR to be the most important aspect, and that the other parts naturally follows with it. According to Participant 1, working by a good corporate strategy that takes sustainability into consideration, with a good working environment, translated into CSR; rather than the other way around.

4.6 Social Dimension

4.6.1 Norden

Norden considers the social aspect to be particularly important, and the company’s initiatives are, also regarding this aspect, connected to the core values presented by Coesia Group. For Norden, it is important to invest in people, and as the firm has over 6,000 employees in thirty-two countries, including China, one main driving force is empowering the employees. Evidently, there is a lot of diversity within the company and it has put a lot of effort into initiatives for the employees. For instance, “Best Global Talent” is an initiative implemented by Coesia Group in order to promote people. Furthermore, according to Voicu, it is important to implement CSR in the market in order to make Chinese customers aware of the values. He claims that it is the company’s responsibility to educate them.

4.6.2 CPAC

Regarding social initiatives, Pihl maintains that CPAC is engaged in different programs to support, for instance, homeless or single moms. Furthermore, the firm is involved in math-groups for teenagers to promote education. In accordance to the firm’s own workforce, Smith tells that CPAC only has one employee in China, which evidently has
received the same guidelines as the rest of the workforce. Additionally, Pihl claims that the production-companies chosen in China are conformant to Volvo’s CSR, and general, requirements.

4.6.3 Sigma

Since 2011, Sigma is involved in educating courses at a university in China, to provide tech-learning programs for students. The interview respondent, Zhang, is teaching the course and he believes it generates a mutual benefit for both the students and the company, although the company did not expect benefitting from it when the idea was born. The aim was to provide the society with the profound knowledge that the managers and workers within Sigma posses; to make a larger amount of the population generate higher technology knowledge and skills. As technology has become such an important part of today’s society, the management team behind Sigma believes that they can be a part of helping the Chinese population to become more adapted and prepared for high-tech solutions and a future of technology. Zhang emphasizes the importance of the project as a benefit for the society, and underlines that the target has never been to make money of it. The fact that it generated a mutual benefit was just a bonus, and nothing the company expected when it first started. Furthermore, the education courses are only one of many things Sigma does towards the Chinese society, but it is one major thing Zhang is very proud of.

Moreover, Sigma in China is trying to utilize the capabilities of its workforce by providing online and offline training to advance the tech-knowledge. Furthermore, Sigma is also educating people from outside the company, by gathering and educating people active in the tech-sector. The education programs are always free and take place in several cities, which has increased Sigma’s reputation in China. Although Zhang has previously mentioned that CSR is a quite new phenomenon in China, it is still an upcoming trend that Chinese customers have started to care more about and values.

4.6.4 Company X

According to Participant 1, the most significant responsibility of the social dimension is to ensure that their employees are healthy and safe. The well being of the company’s employees is their biggest contribution to society, in terms of zero accidents at work and having a good work-life balance. The company is also engaged in recreational training of the Chinese population, and in some markets they engage even more deeply in the local society. The respondent once again claim that CSR always starts by doing the right things right in the company’s core activities, which some companies misunderstand; by engaging socially, they are compensating for not operating by the highest standard internally. The respondent further explains that CSR then becomes false, because it is always about reducing then negative impacts of the company’s own core activities, rather than starting by helping the outside world. When it comes to utilize capabilities of the company’s workforce in China, Company X believes it is important to have a strong foundation of good values; to respect individuals, delegate power and empower
employees, so they make their best contribution and feel good about it. Participant 1 claims that these values are the company’s biggest contribution to the Chinese society, and in other parts of the world where they have a workforce.

4.7 Competitive Advantage

4.7.1 Norden

Voicu maintains that Norden’s CSR practices give the company a competitive advantage against other firms in the Chinese market. It is important to continuously work with the values and improve them, as everyone is working with CSR strategies presently. The work is not finished once it is put on paper, the strategies need to be properly implemented throughout the company and treated as an ongoing process. Norden has employees who continuously work with developments regarding CSR within the company as improvement can always be made. In Voicu’s opinion, the social aspect has a greater impact against competitors in Norden’s case. The company’s CSR policies attract potential employees as a larger amount of people care about social responsibilities. In order to attract the right talent, the company needs to have strong CSR values.

In regards to using CSR strategies to differentiate against competitors, Voicu claims that as all MNCs have CSR programs in place, it does not specifically differentiate Norden. However, as some companies are in the initial stages of implementing CSR, while some are more advanced, Norden is certainly more progressive with the company’s strong core values. Lately, the company has seen demands from customers regarding CSR, so it is important that the firm takes that demand into consideration and try to meet it.

4.7.2 CPAC

According to Pihl, the CSR dimension that has the greatest impact against competitors is the social dimension. CPAC is an attractive employer, which appeals to the right talent and potential employees. This, in turn, differentiates the firm from competitors. Smith states that the firm’s employees find it essential to work with passionate people, which warrants that CPAC employ people who share similar values. Additionally, he argues for the importance about doing right towards the greater good, in order to reap the benefits from the greater good, and that includes empowering the company’s employees. Smith maintains that this mind-set is similar towards customers, partners and suppliers alike.

Moreover, Pihl maintains that CPAC’s competitive culture and creativity originates from their motivation to make a difference for society. The company is well recognized in their industry, and particularly because of the firm’s efficient way of developing state-of-the-art systems. Smith states that CSR is of the upmost importance, which CPAC base their business, as well as sourcing decisions, on.
### 4.7.3 Sigma

According to Zhang, there is no doubt regarding the relation between CSR and competitive advantage. He answers the question with “Yes, of course”, and further explains that he met with a competitor when Sigma had begun the university courses in 2011. The competitor did not understand, nor agreed, with providing the courses as “it did not give them anything”. What the competitor meant was that the courses did not generate any benefits for the company, nevertheless, Zhang and Sigma have proven the competitor wrong. The social responsibility generated a mutual beneficial relation between the company and the society. Additionally, Sigma’s goal is to get long-term benefits and relations, which has generated a greater reputation and a great success.

According to Zhang, the social dimension has the greatest impact against competitors and constitutes about 80-90 percent of the three dimensions. The major impact is the education, which Zhang has emphasized throughout the questions regarding CSR. He explains that it, beyond new knowledge, generates a great network; where people can meet new people and expand their contacts. In addition, Zhang emphasizes that the social aspect is very important for the company’s competitive edge, and differentiates them from competitors.

The respondent was asked whether CSR attracts potential employees, and the answer was exactly as clear as with the questions regarding CSR and competition. Zhang could say, without a doubt, that CSR attracts employees in a large extent in China. In recent years, the people who have applied to Sigma have brought up CSR initiatives during their interviews. Zhang explains it as:

> “People want to develop within the company, which is possible within Sigma”.

Zhang further explains that the area Sigma is operating within is quite new for Chinese people, and a little percentage of the population has a university degree in it. Therefore people are seeking to develop within a company instead, to gain experiences and become professionals. Potential employees also bring up the social aspects in terms of the good things the company does for the society, students, etc. Being a part of Sigma does not only generate new knowledge, it is also generating a good image of doing a greater good for more people. Furthermore, according to Zhang, being green is absolutely a source of legitimacy and good reputation, which attracts people on the market; both potential customers and employees. As of today, Zhang believes that many Chinese companies write about CSR on their website, rather than actually spending time and effort on it, as some kind of window dressing to look good. He emphasizes the importance of actually implementing CSR initiatives in the value chain, instead of only having it for show.
4.7.4 Company X

According to Participant 1, there is definitely a connection between CSR and competitive advantage as it attracts the best workforce and generates loyal employees. The respondent emphasizes the importance of human resources in a corporation, as no parts of the operations would be possible without them. Furthermore, by being green and implementing CSR, Company X believe they have achieved a competitive edge. Nevertheless, the respondent explains that it has more to do with the company’s corporate strategy, their way of always providing the highest quality, and their belief in “doing the right things right” that has generated the competitive advantage, and not CSR solely. The respondent further explains that it is particularly important for companies conducting Business to Consumer (B2C) to strengthen their brand with the green aspect, in order to generate a competitive advantage. Company X has a close relation to many B2B-companies, and are often chosen as suppliers as they has such a strong reputation of being sustainable.
5 Analysis

The chapter includes a thorough discussion of the perspectives from the diverse respondents. The empirical findings are compared with, and moreover discussed how they interconnect with, the concepts from the literature review in order to present an analysis in accordance with the purpose of the research. The chapter will be structured similarly to the previous chapter, to clarify for the reader.

5.1 Internationalization

In regards to internationalization, although it concerns the same market, the companies had different motives for expanding. The firms’ diverse internationalization processes are defined by the elements as to why and how they expanded to the Chinese market. Two of the companies expanded to the market through the request of another company. CPAC internationalized as a result of Volvo’s expansion to the market, and Sigma expanded to the Chinese market by following Ericsson, the firm’s main customer. This motive is characterized as strategic asset seeking, whereas the firms expand to obtain and retain assets important to the companies’ long-term strategies. Furthermore, CPAC’s expansion is also classified as efficiency seeking, due to their main reason for internationalizing to the market being production costs, which is included in the motive’s fundamental definition.

Norden internationalized to China by identifying and aiming to meet the demand that existed amongst the consumers on the market, thus internationalizing by market seeking. Moreover, the firm also expanded by following other businesses that Norden had established previous association with. Contrarily to the preceding firms, Company X was approached by the Chinese authorities and received an order ten years later. The four companies all expanded to the Chinese markets by pursuing various motives. Either the expansions depended on production costs, following partners, the aim to fulfill a demand or getting approached by the authorities.

Additionally, as the firms were not active in markets in the region previous to their expansion to China, the businesses adopted two different types of entry strategies. Firstly, Norden and CPAC implemented a trade-based entry strategy when internationalizing. As the firms’ main focus in China includes export and production, the companies can maintain their operations mainly in the domestic market while engaging in international business. Secondly, Company X and Sigma internationalized through an investment entry mode, which involves foreign investment. Both companies adopted the entry strategy to have further involvement in the Chinese market, such as strongly established relationships with international partners and service and sales departments.
5.2 Strategy Approaches

According to all respondents, CSR is an important part of the corporate’ strategies, as well as a natural aspect deeply implemented throughout the core values of the companies. Moreover, Porter and Kramer (2006), the importance of connecting CSR to the firm’s overall strategy and values is significantly high as it generates long-term competitiveness in a market and ensures that the social responsibilities are fulfilled. According to the participant from Norden is attentive regarding cultural traits, and although the firm’s values stay the same, they may be adapted to fit the target market. Furthermore, the respondent establishes that there is a difference in awareness amongst Swedish and Chinese customers, which may influence the CSR practices.

The participants from CPAC maintain that it is of importance for the firm how potential suppliers manage their company in regard to values and corporate responsibility. The company recognizes that social responsibility differs depending on companies and markets, and the aim is to establish long-term strategies with its collaborators, which include CSR initiatives. Furthermore, the respondent representing Company X, claims that the firm seeks potential suppliers who follow their sustainability standards, in order to create secure long-term relations with the suppliers. Additionally, the participant from Sigma maintains that different employees within Sigma would probably give diverse answers regarding on how CSR is implemented within the organization, as the perspective and definition of CSR can vary. Therefore, while the firm’s values concerning CSR may be very similar in Sweden and China, the practices may be perceived differently as a result of cultural factors and perspectives. Jiang et al. (2015) maintain that both internal and external stakeholders influence the firm’s CSR strategies, which is especially relevant in Sigma’s case.

To conclude, the choice of adopting CSR initiatives in the Chinese market is a strategic decision from all four firms, which has naturally emerged from the core values implemented on the Swedish market. Furthermore, the principles are deeply integrated throughout the companies and it is important that any suppliers and partners share the same values in order to establish long-term business relations. Therefore, by adopting CSR initiatives, the firm’s reputation, market share, relations and sales may improve (Govindan et al., 2016).

5.3 Economic Dimension

In regard to CSR initiatives being costly for the companies, the respondents had particularly diverse answers. While Voicu was not aware if Norden’s CSR strategies were costly for the company, as the costs of such an extensive phenomenon is hard to measure without general indicators, the respondents from CPAC maintain that CSR is undoubtedly a cost for the company. Although the initiatives may be costly, the benefits are perceived as much greater and the companies profit from their CSR initiatives. Porter and Kramer (2006) maintain that opportunities and competitive advantage gained from CSR strategies are greater than potential costs.
For the remaining two firms, Sigma and Company X, CSR is not considered an expensive cost because of the way the companies manage their CSR activities. Sigma executes a number of CSR activities with minimum costs, which then benefits the business. Contrarily to the other respondents, the participant from Company X clearly states that by implementing CSR strategies the company is reducing costs, by for instance, reducing waste. According to the participant, CSR strategies implemented in a business that can afford it becomes cost effective. However, the respondent recognizes that CSR initiatives can be costly for, for example, newly established companies, as the application of CSR throughout a whole new value chain is difficult to accomplish when the start up does not have the privilege to reach the highest standards. While the main objective of all firms should be to strive towards the major economic responsibilities and be as profitable as possible, incorporating CSR into the company, and the economic bottom line, can contribute to the profitability of the firm.

The respondents from Norden, CPAC and Sigma claim that the firm’s CSR values are implemented throughout the value chain, and thereby creating shared value. Norden, for instance, strongly promotes socially responsible thinking from the start, by endorsing functions that follow their CSR guidelines. Moreover, CPAC and Sigma encourage their employees to engage in CSR activities and spread knowledge about the initiatives. According to the respondents from CPAC, the mind-set of the firms and its employees ensures that CSR and its benefits are incorporated throughout the entirety of the value chain, as it correlates with all the company’s values, which in turn generates long-term economic success. Furthermore, the firm encourages employees and partners alike to think green, which benefits everyone involved.

Although Company X does not use CSR to improve the firm’s reputation through a marketing strategy, the company attracts customers with their CSR values by offering low prices and still reducing CO2 emissions and waste. As Porter and van der Linde (1995) argue, pollution and waste equals inefficiency and thereby economic waste. In CPAC’s case, the products are marked with the Volvo-brand, which is what the end-customers perceive. However the respondents perceived that the firm’s own CSR initiatives improve the reputation towards their customers.

According to the respondent from Norden, the corporate reputation amongst customers is improved by implementing CSR strategies, which increases profitability. For Norden it is clear that local Chinese firms are starting to develop an awareness regarding CSR and are now aiming to work towards socially responsible values, which benefits Norden as their customers will notice their implementation of CSR in their value chain. Furthermore, the participant from Sigma claims that Sigma’s reputation increases in all markets by including CSR strategies in the company’s promotion. The positive aspects and benefits ensure that customers perceive Sigma as the best regarding their services and policies. The participant claims that although CSR is not the main way of getting customers, the initiatives still have an impact, and are therefore worth implementing.
5.4 Environmental Dimension

According to the respondents answers it is clear that the four companies take environmental impact into consideration when developing their products and conducting business. Furthermore, all of the respondents emphasize their work in trying to reduce the ecological footprint, to not harm the environment and societies. The respondents from Norden, CPAC, and Company X further explain that the environmental responsibility is emphasized throughout the products whole life cycle: from the design, the production itself, the operating years, and then by recycling. Furthermore, the reduction of the companies’ ecological footprint entails that fewer resources are being used in their operations, and that the CO2 emissions are being reduced to lower the contribution to the global warming. These presented aspects of the environmental dimension complies with Montiel (2008), who claim that environmental responsibility includes reduction of pollution, eco-design practices, conservation of natural resources, as well as reducing waste and emissions from operations.

Additionally, for instance, Norden upgrades their machines instead of selling brand new ones to the customer. Thereby, fewer machines need to be produced and the life cycle becomes longer. A similar concept is being used by Company X, as they produce vehicles that have three times as long life cycle than vehicles from other brands. The respondent from Company X underlines how each production puts a lot of pressure on the environment; therefore, the length of the product is highly relevant regarding the sustainability aspect. Although Norden, CPAC, and Company X are producing products in a sustainable way by reducing their ecological footprint and lower the CO2 emissions, the impact on the environment can never be completely sustainable. Therefore, the respondents focus on deliver high quality products with a long lifetime. Although the environmental aspect is limited for Sigma, as the company provides services rather than producing products, the firm still considers their solutions’ impact on the environment and is developed in a sustainable matter. The respondents way of conducting business with respect for the environment complies with Pedersen’s (2009) view of reducing environmental harm by minimizing the company’s ecological footprint and preserve natural resource, as well as being on the forefront of sustainable innovation.

5.5 Social Dimension

All the respondents explain the importance of the social dimension in a similar way and define the correlation between business and society similarly to Dahlsrud (2006), who emphasizes the focus on contributing to a better society as well as integrating social concerns into the business. Furthermore, the four companies believe one crucial aspect is to invest in people, in terms of their employees. The respondents from Norden and Company X emphasize the significance of empowering the employees. The participant from Company X further explains that the well being of the company’s employees is their biggest contribution to society, and that it is important to have a strong foundation of good values, in terms of respecting individuals, delegate power and empower
employees, to they make their best contribution and feel good about it. All the respondents from also believe that these aspects regarding social responsibility attract the best and most loyal employees.

Furthermore, the respondents from Sigma and Company X explain that they contribute to the Chinese society by educating the population in different areas, by providing courses and recreational training, in order to increase the education and skills among the local population. The respondent from Sigma underlines that the different courses has generated a mutual beneficial outcome for both the population and the company. These aspects of doing good for all stakeholders complies with the view of social sustainability provided by Savitz and Weber (2014), who claims that it is achieved by a company who benefits all stakeholders, including customers, employees, business partners, shareholders, and the communities it operates within. Additionally, the companies’ common view of the social dimension in terms of engaging and promoting education further complies with McWilliams et al., (2006), who defines the social responsibility as doing social good, beyond the firm’s interest and what is required by law.

The respondent from Company X further explains that some companies understand the social aspect of CSR; by engaging socially, they are compensating for not operating by the highest standard internally. The respondent further explains that CSR then becomes false; because companies should concern reducing then negative impacts of the companies own core activities, rather than starting by helping the outside world. Furthermore, the respondent from Company X maintain that CSR always starts by doing the right things right, and reducing the negative aspects of the company’s core activities, which agrees with the utilitarian theory of doing the greatest good for the greatest number. All four companies seek to follow good business ethics, and have more positive influence of society than negative.

5.6 Competitive Advantage

According to all the respondents, there is clearly a strong connection between CSR and competitive advantage. The respondent from Norden Machinery emphasizes the importance of continuously working with the company’s values to improve them in order to become differentiated, as many companies are presently working with CSR strategies. The respondent further explains that the work with CSR is not finished once it is put on paper, thus the strategies need to be properly implemented throughout the whole company and be seen as an ongoing process. The respondent from Company X previously explained the reasoning similar by stating that many companies only put their CSR strategies on paper, without actually implementing them, which becomes false. Furthermore, the respondent from Sigma further agrees with the other two respondents, explaining that many companies, in particularly Chinese ones, write about CSR on their websites, rather than actually spending time and effort on it, which results in some kind of window dressing. Therefore, the respondents from Norden and Sigma
emphasize the importance of actually implementing the CSR initiatives in the value chain and core business, instead of only having it for show.

The respondents from Company X and Norden further emphasize that CSR is constituted by their companies’ corporate strategy and core values. Company X operations and strategies are based on the belief of “doing the right things right”, which the respondent claims is the foundation of their corporation and from which their CSR strategies have developed from. The respondent’s view of corporate strategy and core values complies with the RBV of firms, and Barney’s (1991) explanation that firms can achieve competitive advantage by implementing a value creating strategy, which is not simultaneously being implemented by any competitors. The respondents from Norden, Sigma, and Company X claim that CSR itself is not a source of competitive advantage, thus, what differentiates the companies from competitors is how the CSR initiatives are implementing them into their core values and corporate strategy. This perspective of correlating CSR with corporate values, complies with Baron’s (2001) theory regarding deliberately implementing socially responsible strategies in a strategic way in order to maximize outcomes.

All the respondents highlight the importance of CSR in term of attracting loyal employees and the right talents, which differentiates the firms from competitors. Therefore, the respondents from CPAC, Norden and Sigma, emphasize that the social dimension of CSR has the greatest impact against competitors. According to the respondent from Sigma, the social aspect constitutes about 80-90 percent of the company’s three dimensions, and is therefore crucial for Sigma in regards to competitive advantage. The great impact is explained as a crucial element in establishing long-term relations and benefits, which Sigma always strive towards. Furthermore, the respondent from Sigma further claim that the social responsibility has generated a stronger company reputation, which in return has created a competitive edge and a great success. The other respondents strongly agree regarding the effects of CSR in relation to corporate reputation.

The statements regarding the benefits of CSR comply with Branco and Rodrigues (2006), who argue that CSR from the RBV provides internal and external benefits. The internal benefits are explained as development of new firm resources and capabilities, in terms of know-how and corporate culture. While the external benefits of CSR are related to its effect on corporate reputation, which can improve relations with external actors, increase employee motivation and loyalty towards the firm. Additionally, the respondents underline the relation between CSR and human capital resources, in terms of attracting loyal employees who possess valuable knowledge and/or experience. Barney (1991) emphasizes the importance of resource heterogeneity and immobility in order to gain competitive advantage over competitors, which the respondents all agree on, especially in terms of human resources and organizational resources.
6 Conclusion

The upcoming chapter addresses the answer of the research question, which is a result of the analysis conducted in the previous chapter. The reader will be provided with the theoretical and practical implications of the thesis, as well as limitations and suggestions for future research.

6.1 Answering the Research Question

The global phenomenon CSR is strongly connected to ethical business behavior, in terms of economic, environmental and social aspects. Furthermore, in recent years it has emerged in China, a country that has been previously known for its unethical way of conducting business. The increased awareness depends mainly on regulations from the government and international organizations, as well as heightened internationalization of Western standard-setters in the market, including approximately 1000 Swedish firms. By identifying key aspects, the authors of the thesis were enabled to detect patterns, which generated the following research question:

How can Swedish MNCs gain competitive advantage in the Chinese market by adopting CSR initiatives?

By interviewing Swedish MNCs regarding their CSR initiatives in the Chinese market, the relation between strategy approaches, the CSR dimensions and competitive advantage is evident. In accordance to the research’s findings, the case companies had different motives for internationalization, which resulted in two major entry strategies: trade-based entry strategy and investment entry mode. The findings show that CSR initiatives can be generalized in different cultural settings, with some adaptation. Nevertheless, an important factor to consider is the difference in awareness on the Swedish and Chinese markets, which may influence consumers perception of the CSR practices. Although Chinese companies usually emphasize their implementation of CSR towards the public, it is not necessarily integrated into the corporate strategies and values. However, evidence from the research reveals that Swedish MNCs naturally implement CSR initiatives throughout the core values, which is evident in their way of conducting business. The core values and the corporate strategy of Swedish firms translate into CSR initiatives, which genuinely differentiates them from competitors who solely employ it to be perceived positively by stakeholders. Furthermore, findings shows the significance of continuously working to improve the corporate values, as CSR activities should be considered an ongoing process with new concepts emerging due to constant global changes.

The choice of adopting CSR initiatives in the Chinese market is a strategic decision as observed in the findings. Although the practices can be costly, the benefits are proven to be greater, which presents the conclusion that it pays to be green. A highly valued benefit generated from CSR regards the social aspect, in terms of human capital resources. Evidence highlights that by engaging in social responsibility firms attracts
potential employees with the right talents, as well as empowering current employees. A firm’s CSR initiatives can generate loyalty towards the firm, which ensures long-term commitment of employees, rather than abdicating for a competitor. The social dimension was perceived, by a majority, as the most important aspect for obtaining competitive advantage. In addition to the perspective of human capital resources, engaging in the local society, particularly by promoting education, was considered incredible important. The aim of these initiatives is to give back to society and doing good for a great amount of people. Moreover, while the social aspect had the highest value in the findings, the environmental dimension was emphasized throughout the whole product life cycle, starting during the research and design phase. In accordance to this, environmental impact was shown to be taken into consideration when conducting business, especially in terms of Swedish MNCs trying to reduce their ecological footprint.

Reviewing CSR from the RBV of the firm provides internal benefits, in terms of corporate culture and external benefits, such as corporate reputation and improved relations with stakeholders. The secured relations can lead to long-term collaborations, and thereby long-term benefits. An important aspect, strongly requested, is that the shareholders share the same values regarding CSR and sustainability as the firms. Customers with the same perception of CSR as the MNCs will choose the Swedish firms over competitors. Furthermore, a positive corporate reputation, attained from CSR initiatives, can evidently differentiate a company from competitors. The findings from the research shows a compelling relation between CSR initiatives and competitive advantage. As most Swedish MNCs implement CSR practices, the CSR itself is not necessarily a source of competitive advantage, however creating an unique value proposition by adopting CSR initiatives in the Chinese market will undoubtedly, in accordance with findings, generate competitive advantage.

6.2 Theoretical Implications

Research regarding CSR in relation to competitive advantage in the Chinese market is currently limited; thus, a research gap was identified. Therefore, the purpose of the thesis was to further close this gap by investigating how Swedish MNCs’ CSR initiatives can be a source of competitive advantage. The choice of focusing the research on the Chinese market emerged due to recent awareness of CSR in the country, as well as its considerable importance for Swedish businesses. The outcome of the study regards the significance of developing CSR strategies in accordance with the firm’s core values, and implement them in the corporate strategy. Moreover, the revelation of the connection between CSR and competitive advantage could benefit Swedish MNCs active on the Chinese market.

Furthermore, the findings of the thesis contribute to the development of theory by demonstrating the relation of the different elements, which correlate to the theoretical synthesis. The included elements are Swedish MNCs, the three dimensions of CSR, competitive advantage, the RBV, strategy, internationalization, and the Chinese market.
The authors of the thesis aspire to raise interest for further research regarding the relation, by increasing the understanding of the mentioned components. In order to comprehend the phenomenon profoundly, a further theoretical foundation is needed, as CSR is a broad but foremost relevant topic.

6.3 Practical Implications

After concluding the analysis, it is evident that CSR strategies can generate a competitive advantage for Swedish MNCs in the Chinese market. The conducted research indicates that it is crucial that the firm’s CSR initiatives are deeply embedded in the company values and strategies, in order to become differentiated from competitors. Furthermore, as the findings show a lack of knowledge regarding CSR in China, Chinese firms are influenced by the Swedish firms in the market and are starting to learn the process of thoroughly implementing CSR initiatives. By continuously implementing visible CSR practices, and demanding external stakeholders to conduct business similarly, Swedish and Chinese firms alike are forced to take social responsibility in order to remain competitive. Therefore, the authors of the thesis suggest that Swedish companies should require stakeholders in the Chinese market to strive in the same direction.

Furthermore, the research aspires to highlight the significance of adopting CSR strategies to achieve competitive advantage. Swedish companies are frequently characterized by responsible business practices and ethical behavior, however the findings underline the importance of thoroughly implementing CSR into the core values and corporate strategy. Solely using it as a marketing campaign will only generate short-term benefits, which eliminates the fundamental advantages in the long term, such as a good reputation and attracting loyal employees and customers. Additionally, the insight generated from the thesis intends to provide valuable knowledge for Swedish firms aiming to successfully gain market shares in China.

6.4 Limitations

During the entirety of the research process, several limitations were encountered. Firstly, the main limitation regarded finding the right respondents to interview, as companies do not usually have an employee working specifically with CSR. Therefore, the participants had a deep knowledge regarding the Chinese market, and also an insight into the company’s CSR strategies. The second limitation emerged from exclusively including Swedish MNCs in the research, which restricted the findings to companies that were already implementing strong CSR initiatives. Including companies without a profound knowledge regarding CSR could have generated another aspect, and thereby different findings, for instance by incorporating Chinese firms. Thirdly, by selecting the Chinese market, where the phenomenon is receiving increasing attention due to new government regulations and social standards, the findings may not be applicable to other markets. The fourth hindrance is the limited existing theoretical foundation regarding the relation between the elements researched in the thesis. Additionally, the available
frameworks do not completely comply with one another. Lastly, as the phenomenon is extensive and complex to define, the understanding of CSR may vary depending on factors such as economic, social, and cultural views of the country.

6.5 Suggestions for Future Research

The research conducted in the thesis has closed the research gap regarding how Swedish MNCs can gain competitive advantage by adopting CSR strategies in the Chinese market. In addition to the contribution, further research is needed in the following areas:

1) To investigate the phenomenon from the perspective of Chinese firms. By researching how Chinese companies interpret and perceive CSR in relation to competitive advantage another dimension would be encountered.

2) To investigate how business-to-consumer firms are working with CSR in China and furthermore, how the consumers perceive it. By researching through quantitative methods, the perspectives of the consumer could be included, and thereby analyzed to the firms’ advantage.

3) To investigate the negative aspects of CSR. By researching the negative aspects of CSR and addressing concepts such as window dressing and greenwashing, the research would get a completely different angle. Nevertheless, due to ethical implications, a study of such kind may be difficult to gather empirical findings from.
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Appendices

Appendix A: Interview Guide

Interview Guide

Company name:
Name of interviewee and role in the company:
Industry:
Number of employees:
Export percent:
Since which year is the company international:
What kind of operations does the company have in China? (Export? FDI? Import? Production?)

**Internationalization**

1. Do you know how the company expanded to the Chinese market?

2. Why did the company expand to the Chinese market?

3. Was the company active in markets in the area before the expansion?

**Strategy approaches**

4. Why is CSR an important part of the company’s values/strategies?

5. Is there a difference in the company’s CSR in Sweden and China? If yes, how do you manage the differences?

6. Why does the company adopt CSR in the Chinese market? Is it a strategic choice or a requirement from the government?

**Economic dimension**

7. Is CSR costly for the company? If yes, are the benefits greater than the costs?

8. On the contrary - is CSR profitable for the company? Does it pay to be green?

9. Do you know how consumers perceive your CSR policies? Does it help to improve your reputation? And thereby also increase your sales?
10. Are your CSR policies implemented throughout the whole value chain? For example: when choosing suppliers, do you take their CSR policies into consideration?

**Environmental dimension**

11. Do you take environmental impact into consideration when producing/selecting your products?

12. From an environmental point of view, does the company try to produce its product in a more sustainable manner, to reduce your ecological footprint?

**Social dimension**

13. What kind of social initiatives is the company engaged in?

14. An important aspect of CSR is human resources, how does your company utilize the capabilities of your workforce (in China)?

15. It is well known that CSR is important to Western consumers; does the company implement CSR as an answer to Chinese consumers’ need?

**Competitive advantage**

16. Do you perceive that your CSR practices give the company a competitive advantage against other firms?

   a. If yes, do you know which dimension has the greatest impact against competitors?

17. Do you perceive that the company’s CSR attracts potential employees and differentiates you from competitors?

18. Being *green* can become a source of legitimacy and good reputation, has this helped your company against competitors? If yes, how?

*Thanks for taking your time to answer our questions!*  
*Best regards,*  
*Sanna Moresjö & Febe Raimer*
# Appendix B Interview Chart

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<th>Interviewee</th>
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