Sustain for the future

How to gain competitive advantage from sustainability on the Chinese market

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Abstract

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Problem definition: What are the opportunities for Swedish companies to gain competitive advantage on the Chinese market by working with sustainability?

Purpose: This study intends to explore what opportunities there are for Swedish companies in China to gain competitive advantage on the Chinese market by working with sustainability.

Methodology: This study is based on a deductive approach, which means that the chosen theories are being tested in reality on the case companies. A qualitative study has been done with six Swedish companies and in total seven interviewees have been conducted.

Conclusions: Working actively with sustainability can give opportunities for Swedish companies to gain competitive advantage on the Chinese market. Even if sustainability still is a fairly new phenomenon in China, the demand is there, which provides opportunities to exploit, which in turn generate benefits that lead to competitive advantages.

Keywords: Sustainability; Triple Bottom Line; Stakeholders; Competitive advantage; China; Swedish companies.
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IV
1. Introduction

The first chapter begins with describing the background to sustainability and it focuses on the importance of adopting sustainability into every organization and how companies can benefit from working more sustainable. Second, a discussion is held on the topic, which leads to a problem definition, which in turn leads to the research question and three sub-questions. Finally, the purpose of the study is explained.

1.1 Background

Global warming, death because of diseases and poverty are just few of the consequences if sustainability is ignored (Elkington, 1997). Although sustainability is a rather new phenomenon, the ideas to its origin developed over a long period of time. Brinkmann (2016) and Caradonna (2014) argue that sustainability has always been a difficult term to define and they claim that it is important to know the history of sustainability in order to fully understand its meaning. According to Caradonna (2014) many writers seem to assume that sustainability was introduced the first time in 1987, when Gro Harlem Brundtland and the UN’s World Commission on Environment and Development released “Our Common Future”, and defined sustainability as follows:

“The development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987:15)

However, Brinkmann (2016) and Caradonna (2014) state that sustainability has its roots from the late seventeenth century and that it derived from the forestry industry. By then sustainability was a reaction of the unsustainable forestry and this showed that people had developed an awareness of the world’s limited natural resources. In other words, the world had its ecological problems even before the Industrial Revolution, even though those problems are not comparable with the crisis the world is facing today (Brinkmann, 2016). However, both Brinkmann (2016) and Caradonna (2014) argue that the history of sustainability refers to an
ecological point of view, but since the 1980’s the definition of sustainability has developed and more modern definitions have been introduced.

The modern definitions of sustainability include new aspects apart from the environmental aspect. Two additional aspects are; economic development and social development (United Nations, 2005). According to Elkington (1997) environment protection means that a company must take into consideration both critical natural capital (capital which is essential to maintaining life on earth) and renewable natural capital (capital which can be renewed, repaired or replaced). By economic development it means that a company should be sustainable in long-term orientation, both physical and financial capital should be counted. Regarding social development, social capital is considered to embrace social, ethical and cultural issues. The reason for introducing renewed definitions of sustainability is mainly because of the fact that the world is changing and so must old definitions. All three aspects must be seen together as sustainability, without one aspect it is not a sustainable development (United Nations, 2005). This study will therefore refer to the three aspects; environmental protection, economic development and social development when it refers to the term “sustainability”.

Over the past decades, the focus has mainly been on how companies damage the environment and thus, should work more sustainable in order to contribute to a better world. It is known that China has been facing serious environmental challenges caused by the rapid economic growth that the country went through in the past years as a result of industrialization. One of the biggest environmental challenges is the pollution that has aggravated lately and represents now a daily concern for everybody in China. One reason for the aggravation of this matter is the massive amount of production facilities opening in China lately in order to support the economic development of the country (The Guardian, 2012). The biggest sources of pollution are identified to be: the industrial production accounted for 25%, followed by coal burning 18% and soil dust 15% (China Daily, 2013). It has been argued from two different perspectives about whom to blame for these concerns. Many blame the invasion of Western’s production in China to be one of the reasons behind the environmental damage. Others consider the Western companies to come with better examples of how to work more sustainable and
damage the environment less through their operations, which in the end has a positive effect on the market. In the same time, most agree that the Chinese way of manufacturing contributes a great deal to the environmental problems since they lack protection mechanism and thus, they could use some significant improvements in order to decrease these problems (Beijing Review, 2008).

The pressure from stakeholders and market demand has increased dramatically when it comes to companies’ work with sustainability. Freeman et al. (2010) define stakeholders as: individuals and groups that have interests or concerns in a company, such as: owners, shareholders, employees and the government. As a result of this, there has been a shift in the corporate goal of strategy. Today, companies’ goal is to maximize the creation of value for stakeholders, which is significantly different from the twentieth-century’s goal of maximizing the value for shareholders (Fry and Nisiewicz, 2013; Lowitt, 2013; Margolis and Walsh, 2003).

Berns et al. (2009) talk more about how to look at the other side of the coin, how companies can benefit from working with sustainability and not perceive it as a requirement from the external environment but as a benefit for the company as well. The authors further argue that a greater question now is not how businesses affect sustainability but how sustainability affects businesses. According to Bansal and Roth (2000) and Menguc and Ozanne (2005) companies can profit and gain competitive advantage from working with sustainability if the subject is well understood and well embedded within the organization. Some benefits that emerge from working with sustainability that have been identified by both Bansal and Roth (2000) and Berns et al. (2009) are the following: improved brand image, cost savings, the firm becomes more resilient to the changes in prices, pressure from stakeholders decreases, the firm becomes less vulnerable to regulatory changes and it can attract investments. All of these factors are in turn contributing to competitive advantage.

Competitive advantage is a concept that is essential for every organization that plans to grow economically and that wants a good market presence, but most importantly it is a matter of survival for each individual company (Barney, 2002). The author defines competitive advantage as the action that a company takes in
order to create a greater economic value than its competitors. Further, this action should be an outcome of the combination of the core competencies of the firm and the opportunities on the market (Barney, 2002; Reed and DeFillippi, 1990). Reed and DeFillippi (1990) also state that if a company does not manage to create competitive advantage, there is an undeniably small chance that it will survive over a longer period of time. Furthermore, a highly competitive rival will make it extremely difficult for a company to achieve and maintain high levels of performance. In order to gain competitive advantage from sustainability, sustainable actions must be incorporated within the company’s core strategies and in the way of doing business. It has to be an active operation, not just an idea (Bansal and Roth, 2000; Berns et al., 2009; Menguc and Ozanne, 2005).

Sweden has been ranked as the most sustainable country in the world out of 59 countries according to RobecoSam (2015), with high scores on almost all criteria: environmental factors, social dimension and economic dimension. Some of the Swedish companies who have the best performance regarding sustainability are: Atlas Copco, Scania, Ericsson, Electrolux and H&M. The Swedish Government is investing a lot in promoting sustainability and place demands for companies in order to set a good example and inspire others as well (Sweden, 2016). An example of this is the unique collaboration that Sweden and China started in 2007 in order to strengthen the work with sustainability. A result of this collaboration is the Sustainability Center that was established in 2010 in Beijing with the purpose of exchanging knowledge and experiences that can lead to better strategies that implement sustainable solutions (Swedenabroad, 2016). When referring to “Swedish companies”, this study will concern companies founded in Sweden who market themselves as Swedish brands.

In contrast to Sweden, China is in the bottom 10 of sustainable countries according to RobecoSam (2015). In the past years, developed countries have however introduced regulatory requirements that have forced Chinese companies to start working with sustainability (Liu et al., 2012). Since 2012, China has decided to implement sustainable development as a national strategy moving towards a more responsible economy (Zhang, 2012).
1.2 Problem discussion

Elkington (1997) and Lowitt (2013) state that the world is demanding a sustainable economy where companies’ performances have a crucial role. They argue that companies that do not adopt sustainability as a natural part of their organizations will most likely face extremely tough challenges. By that they mean that these companies will not just fail to contribute to a sustainable world but they will also put themselves in a position where it is a matter of survival. Berns et al. (2009) state that most companies work actively with sustainability nowadays, but few of them exploit or know how to fully exploit the opportunities that sustainability can bring. A reason for this is the lack of awareness and knowledge about the company’s benefits, opportunities and finally, competitive advantage that can result from working sustainable.

Swedish companies have proven themselves to be good examples of how to generate benefits by working with sustainability. Chen (2015), RobecoSam (2015) and Short et al. (2012) suggest that Swedish companies can be seen as role models when it comes to exploiting the concept of sustainability to the fullest. Cusumano & Leiming (2006) and Guoqiang et al. (2009) argue that Chinese companies are struggling to exploit the benefits with sustainability. For instance, Cusumano & Leiming (2006) state that Chinese companies’ largest competitive advantage, the low cost advantage, has started to change as a result of the country’s economic growth. This forces Chinese companies to identify new competitive advantages that are either focused on core competencies within the firm or at sustainable solutions. Furthermore, they claim that if Chinese companies do not exploit the benefits that sustainability can bring, there is a risk that Chinese companies lose competitive advantages that may be crucial for survival.

Guoqiang et al. (2009) argue that sustainability is a newly introduced concept in China and therefore many Chinese companies lack experience and knowledge of how to deal with the sustainability aspects. Thus, the increasing pressure from stakeholders can make Chinese companies unfamiliar and uncomfortable with the fact that they have to account to sustainability. In contrast to China, sustainability has been present a long time in Sweden, which has lead to that most Swedish
companies are familiar with the concept. Hence, they have developed knowledge of how to take advantage of the sustainability aspects (Chen, 2015).

Many arguments for developing a sustainable business can be found in different literatures (Brinkmann, 2016; Caradonna, 2014; Cusmano & Leiming, 2005). There are also several studies that suggest that sustainability improves the financial performance for the individual business, which may be seen as a consequence of competitive advantage (Margolis and Walsh, 2003; Menguc and Ozanne, 2005; Reimers-Hild, 2010). Shea and Hutchin’s (2015) research examines if sustainability can be used as a competitive advantage in the insurance industry. One of the findings that the authors reach is that the financial performance would improve if sustainable actions are integrated into the companies’ underwriting models, and so, sustainability can be considered as a competitive advantage. However, Shea and Hutchin’s (2015) study focuses on the US insurance industry and not on any industries in China. Therefore, their results may not necessarily be the same for the companies this study intends to study, which leaves a gap for this study to fill.

Moreover, Wagner and Blom (2011) state that for successful firms, sustainability can increase the profit margins but for less successful firms, sustainability programs should not be the main focus. The authors define less successful firms as those who perform under the industry median while successful firms perform above the industry median. However, the study is based on firms from Germany and the United Kingdom who are operating within the manufacturing industry and Wagner and Blom’s (2011) research may therefore be difficult to implement on companies that operate in other countries or in other industries. Another finding is that the study tends to only focus on the environmental aspect when it refers to sustainability and thus, the results from the study can not act as a basis for this study since this study will concentrate on all three aspects of sustainability.

Furthermore, previous researches have shown that Swedish companies in general have a much broader experience of gaining competitive advantages from sustainable activities than what Chinese companies have (RobecoSam, 2015; Thulesius and Viner, 2011). Thulesius and Viner’s (2011) research is concentrated towards four Swedish companies and they conclude that more and more Swedish
companies, both small and large, are considering all three sustainability aspects in their daily work. The authors also state that the companies’ performance are improved when they adopt these aspects. There is, as shown some researchers that focus on Swedish companies’ work on sustainability but these researchers are focusing on Swedish companies’ performance in Sweden and not how they gain competitive advantage from sustainability overseas, not least in China. Therefore, this study intends to fill this gap as well and it will concentrate on companies that have several years of experience in working with sustainability in China and have a good understanding of the concept in order to make the results of this study solid and trustworthy.

1.3 Problem definition

As discussed above, sustainability has been studied in general and in China before. Most research indicates that Swedish companies are adopting sustainable activities within their organizations but they do not concentrate on how Swedish companies may affect other companies to become sustainable when they establish abroad. As pointed out in the problem discussion, Chinese companies find it difficult to see the benefits of working with sustainability and in order for them to exploit the benefits that sustainability can bring they may need to see some proof of how sustainability can contribute to competitive advantages. In order to examine the above definition the main research question has been divided into three sub-questions with the purpose to give a better understanding of Swedish companies’ sustainability work in China, but most importantly the sub-questions aim to answer the main research question in a broader sense.
Main research question

What are the opportunities for Swedish companies to gain competitive advantage on the Chinese market by working with sustainability?

Sub-question 1

How are Swedish companies working with sustainability in China?

Sub-question 2

How do stakeholders influence the work with sustainability among Swedish companies in China?

Sub-question 3

What benefits do Swedish companies in China gain by working with sustainability?

1.4 Purpose

The purpose of this study is to explore what opportunities there are for Swedish companies in China to gain competitive advantage on the Chinese market by working with sustainability. Furthermore, this study intends to examine if Swedish companies’ work with sustainability can serve as a basis for how other companies in China can gain competitive advantage by working with sustainability on the Chinese market.
2. Theoretical framework

This part will explain the chosen theories for this study. First, the triple bottom line theory will be explained and it will present how a company can use the three aspects of sustainability but also how a company can benefit from adopting the three aspects. Second, the stakeholder theory will be presented in order to provide the reader with an understanding of why sustainability has become an important part for every individual business. Thereafter, the concept of competitive advantage will be explained. Finally, a theoretical synthesis will be displayed that aims to show how the theories are integrated.

2.1 The Triple Bottom Line

Recently sustainability has become a key issue within every business, industry and institution. Nowadays it is hard not to come across the term sustainability, it is commonly used in company reports and presentations, it is a part of the United Nation’s millennium development goals and it is vividly discussed at state level (Chowdury, 2014). The emergence of sustainability is a result of the unsustainable situation that the man has put itself in and according to Chowdury (2014) and Elkington (1997) it is everyone’s responsibility to provide for a sustainable future.

Moreover, the demand for developing a sustainable business that contributes to a positive development of the economy, the environment and the society comes mainly from stakeholders. Stakeholders have recently developed a keen interest in how companies operate their businesses and their high demands on companies to ensure a sustainable future have turned out stronger. Since stakeholders have an important role in each company, companies can not ignore their demands and expectations, which is why it is of high importance that companies know how to satisfy their needs in order to be considered as an attractive company (Chowdury, 2014; Elkington, 1997; Fry and Nisiewicz, 2013).

As long as one can remember the main focus for companies has been the bottom line: making money. Then the second bottom line was introduced, making profits while showing concern for the environment. In 1994, John Elkington coined the
term, the triple bottom line, which involves showing concern for economics, the environment and the society. The triple bottom line aims to measure the financial, social and environmental performance of a firm. The purpose with the triple bottom line is to make companies prepare the three sustainable measures in order to contribute to a sustainable world (Elkington, 1997).

The three aspects can also be divided into two categories: “instrumental” (economic) and “enlightened” (environmental and social) factors. The two categories refer to concern-for-the-company-itself, meaning the corporate group, and concern-for-others, meaning all stakeholders (Ralston et al., 2013). The authors also argue that the concern for the corporate group has always been a key focus within every organization but the concern for others has recently been recognized as an important part for companies. According to Elkington (1997) the three aspects are interdependent and it is only when a firm adopts all three aspects that it can fully account itself as a sustainable organization.

Additionally, the triple bottom line has the potential to deal with some of the largest challenges that are present across nations, which is why companies must understand the importance of adopting the three aspects into their organizations (Ralston et al., 2013). Several authors argue that everyone will profit when adopting the triple bottom line; the business itself, its shareholders, the stakeholders, the society and the environment (Brinkmann, 2016; Elkington, 1997; Hussain et al., 2016). More specifically, Hussain et al. (2016) state that the triple bottom line performance is voluntary but those companies who choose to adopt the three aspects will achieve benefits in the form of competitive advantage. Savitz (2013) claims that a positive triple bottom line performance is related to an increase in profitability and stakeholder value, but it also increases the economic, environmental and social capital. Also, companies have furthermore learned that there is a need to combine the self-interest with interests for others and future generations in order to become profitable and effective in today’s world. That means that the three aspects of sustainability are vital for every organization that seeks to become competitive (Hussain et al., 2016; Li et al., 2010; Savitz, 2013). The three aspects are explained in more detail in the following part in order to give the reader a deeper understanding of their meaning.
2.1.1 The economical aspect

The economical aspect is about the long-term financial performance of a firm and according to Willard (2012) this is the aspect that most companies easily understand and adopt. The core idea of developing a sustainable financial performance is not to concentrate on quarterly earnings for the company’s shareholders, as have been the case for a long time, but to direct the focus towards long-term investments that generate profit over a longer period of time (Elkington, 1997). This requires that the company itself and its shareholders develop an understanding of long-term investments and what they may give. This is however a great challenge for companies since the shareholders often lack patience when it comes to wait for their return on investments (ROI), even though the returns often are higher in the longer run (Hussain et al., 2016). Despite this challenge, Elkington (1997), Fry and Nisiewicz (2013) and Savitz (2013) claim that a long-term financial performance of a firm is the only way to go if a company aims to reduce the uncertainty of the future and thus, become sustainable, profitable and competitive.

2.1.2 The environmental aspect

According to Willard (2012) the environmental aspect does not only include that companies should not do harm to the environment with their products and organizations but they should also improve the existing environmental situation. This involves reducing the environmental impact, such as reducing the amount of water, energy and materials used in the manufacturing. Companies should also care for recycling of waste, ensure that contaminated sites are remediated and reduce the carbon footprint. Ralston et al. (2013) claim that there is an increasingly demand from stakeholders that companies have a global awareness of environmental issues, and that they are active in nurturing ecological sustainability. Further, a fully sustainable business goes beyond the compliance with existing environmental regulations. The benefits of taking the environmental aspect into consideration within a business is that a company’s processes become efficient and thus, the company can use the same processes when producing products and services, which in turn leads to additional savings (Elkington, 1997; Willard, 2012).
2.1.3 The social aspect

The social aspect refers to how a company treats its employees, the working conditions and the relations to its own customers, suppliers and business ethics. Moreover, the social aspect covers how the company is contributing to the society, e.g. the investments and commitment to social activities (Willard, 2012). Elkington (1997) argues that companies have to account to the welfare of the society and contribute to a sustainable development of the human life. If companies do not take into consideration the social and the human values in their organizations, there is a great chance that the society will eventually collapse as a result. Moreover, a social commitment does not just benefit the society as such, but the individual company as well. For instance, companies that care for their employees, offer fair working conditions and invest in social activities are often considered as attractive companies for customers and consumers, which in turn leads to better sales and profitability. Furthermore, by investing in the employees, e.g. offering internal training, a company may also gain higher competence, which can lead to a better use of resources, better technologies and better products and services (Hussain et al., 2016).

2.2 Stakeholders theory

One of the first definitions of stakeholders came out in 1963 by Stanford Research Institute and it defines stakeholders as: a group that supports an organization and without this support the organization would not survive (Freeman et al., 2010; Friedman and Miles, 2006). This definition has further developed and the most famous and most frequently cited framework theory for stakeholders today comes from Freeman’s first book (Strategic Management: A Stakeholder Approach 1984) about the stakeholder theory (Philips, 2011). The newest edition of Freeman’s book defines stakeholders as: groups and individuals that have a stake in a business, whether it will succeed or fail (Freeman et al., 2010). Regardless which definition that is being used all of them argue that stakeholders have an impact on the business (Freeman et al., 2010; Friedman and Miles, 2006).
Stakeholders can be both internal and external individuals and groups. The internal are: employees, managers and owners. The external are: suppliers, the society, the government, creditors, shareholders and customers. Furthermore, the business world has changed tremendously during the twenty-first century, which is something good, but it has also brought problems, such as: problems with value creation and trade, problem of the ethics of capitalism and problems with the managerial mindset. In order to solve or re-conceptualize these problems, the stakeholders theory was developed (Freeman et al., 2010). Stakeholders have a huge impact on a business. For instance, they influence what decisions that are being made, what focus the company should have and what is being prioritized (Fry and Nisiewicz, 2013; Lowitt, 2013; Margolis and Walsh, 2003). Therefore, Kotler et al. (2016) and Yu and Choi (2014) state that a stakeholder also has an impact on how a company is working with sustainability. Business and sustainability should be seen as inseparable according to Freeman (2010), although some see it as something ‘nice to have if you can afford it’, which is a mistake since it goes hand in hand. It is not possible to just look at one aspect without taking all of them into consideration, for example: it is not possible to look at economic issues without affecting the social aspect.

Although it might differ in some countries depending on how the country stands regarding the sustainability dilemma it is clear that stakeholders influence the company (Kotler et al., 2016). Even though it does not mean that every stakeholder will get its wishes met or be a part of every decision but it gives a second thought to it and it should be acknowledged and considered by the company. Also, a company should maximize the creation of value for the stakeholders, otherwise the stakeholders might turn to another company. By developing a good integration between the stakeholders, this value can be created (Elkington, 1997; Freeman et al., 2010; Fry and Nisiewicz, 2013). According to Philips (2011) companies would probably not survive nor have a competitive advantage without the support from stakeholders, which is why it is important for companies to understand the expectations from the stakeholders in order to formulate strategies that will obtain the support.
2.3 Competitive advantage

Competitive advantage has been defined by Barney (2002) as the performance of a firm that creates more economic value than its competitors. Further, the size of a competitive advantage is the difference between the value that the firm is able to create and the value the competitors are able to create. Competitive advantage can be temporary (last a short time) or sustained (last longer). There are different factors that influence the longevity of the competitive advantage in some industries: the industries should be informational complex, customers should know a great deal in order to buy the products, it requires a great deal of research and development and the industries should have significant economies of scale (Barney, 2002).

Porter (1985) presents two ways to gain competitive advantage: creating the same value as competitors but more efficiently (low cost) or create superior value than the competitors at a higher price (differentiation). The author further argues that the source of competitive advantage is in the value chain of the firm, which represents the activities the firm has that are interlinked to each other. Further, the scope of these activities is a powerful tool in the creation of competitive advantage.

“Competitive advantage is at the heart of a firm’s performance in competitive markets” – Porter (1985, p XV)

2.4 Theoretical synthesis

The theoretical synthesis of this study aims to provide an understanding of how the theories are integrated. As figure 1 shows, stakeholders play the main role within sustainability since they are the ones who require companies to start working with sustainability. The stakeholder theory indicates that companies want to maximize the creation of value for stakeholders, which is why they must consider demands from stakeholders. Moreover, stakeholders require that companies include all three aspects of sustainability; economical, environmental and social. The emergence of the triple bottom line is thus rooted in stakeholders. Further, when companies adopt the triple bottom line and work actively with all three aspects, benefits may arise that can lead to competitive advantages.
Figure 1. Theoretical synthesis
3. Methodology

This chapter intends to create an understanding for the reader in how the method has been implemented in order to answer the research question and the sub-questions. The method contains in its entirety a clear structure about the approach from the beginning to the end. Moreover, the validity and reliability of this study is explained. Finally, the chapter ends with method criticism and ethical considerations for this study.

3.1 Deductive approach

This study will be based on a deductive approach, which means that it will be derived from the theoretical framework rather than from the empirical findings. This approach was chosen because it is more appropriate for this study’s research area to start with a theoretical anchoring rather than starting with empirical studies. A reason for this is that is not possible to make any assumptions about the research field as it has not been studied before. Furthermore, this study aims to investigate if there are connections between the detected research gap with the theoretical framework. There has not been a various focus from theory to empiric since this study has started by looking at the theoretical framework and due to this an operationalization has been created, which has been the basis for the interviews. The interview-questions have been answered empirically and interpreted by theory and thereby the theoretical framework has been tested. In a deductive approach the researcher looks at the correlation between the results and the theory. By using a deductive approach the results can either be accepted or rejected depending if there is a correlation between the theory and the results (Gauri and Gronhaug, 2010).

Other approaches that can be used as well are inductive approach and abductive approach. By inductive approach the researcher identifies patterns and forms explanations that will be concluded into theory improvements, this by utilizing observations and experiences (Gauri and Gronhaug, 2010). According to Alvesson and Sköldberg (2009) an abductive approach is a mix of both inductive and deductive approach and not completely embracing either one of them. It is based on empirical findings just like an inductive approach, however it is also based on
deductive notions of the theoretical concept. These approaches were excluded for this study because this study is based on testing already existing theories and to see if it is possible to apply them on an unexplored research area.

### 3.2 Qualitative method

In order to answer the research question of this study, the qualitative method has been chosen as the most appropriate. The reasoning for this choice is that it offers a more profound understanding of the subject. Furthermore, the qualitative approach is considered to be the most suitable to answer questions like “how”, “what” and “why” which tend to give a more elaborated answer, where again this study’s goal is to get a more profound understanding of how the chosen companies work with sustainability (Descombe, 2010). Kvale (2007) describes the qualitative research as a research that helps analyzing “from the inside”, what is “out there”, constructing through human-interaction a more meaningful and rich insight. Another reason for choosing this method is the hermeneutics of it, which means that it focuses on the interpretation of the interviewees and how they perceive certain situations, which was considered relevant for this study (Bryman and Bell, 2013).

The central activities of a qualitative research according to Merriam (2009) are the interviewing, observing and analyzing which are the perfect tasks for humans. An advantage with the qualitative method that Bryman and Bell (2013) brings up is that it gives more reliability and flexibility in the way that there can be supplementary questions that were not planned. Further, these supplementary questions can provide new perspectives and thoughts that can contribute to a better study. Finally, the reason the quantitative method was excluded is that it was considered inappropriate and irrelevant for this study as it is mostly based on collection of data where the focus lies in statistical generalization, which was not the goal for this study (Bryman and Bell, 2013).
3.3 Research design

A qualitative method can be built on different research strategies to collect empirical data, for example: observations, analyze of documents and case studies. Depending on different methods, approaches and problem areas, different strategies can be suitable (Ghauri and Gronhaug, 2010). This study will be based on a case study design. Because the research area is rather unexplored, which means that there is a research gap and it also intends to give new aspects to the cases that might be useful for them, which means that it is therefore more appropriate to use a case study design since it is suitable for “how” and “why” questions (Yin, 2014). Since the purpose for this study is to explore “how” companies can gain competitive advantage it is therefore relevant to use a case study design. Also, by choosing a case study it will enable to get a deeper understanding and insight in the chosen cases (Merriam, 2009). Furthermore, the case study design can be divided into single-case or multi-case studies depending on how many companies that will be examined in the study (Yin, 2014). This study will be based on a multi-case study design.

3.3.1 Multi-case study design

This study will concentrate on a multiple-case design since it was considered to provide this study with a stronger ground. In order for the research question to be accessible to answer, a multiple-case study was chosen since it presents several different views on the topic and thus, the outcome becomes more trustworthy. Depending on the subject and factors, such as research problem and purpose, it will affect how the case study is going to be designed and also the number of interviewees; therefore case studies can be designed in various ways (Ghauri and Gronhaug, 2010). Yin (2014) argues that the researcher should decide in an early stage if a single- or multiple-case study design is the most appropriate. The choice might be influenced by whether general or specific explanations are coveted (Ghauri and Gronhaug, 2010). Merriam (2009) explains that a multiple-case study exists of different cases that are being studied, while a single-case study only studies one case. Furthermore, by studying two cases or more the analytical conclusions are more valuable since it is then supported by several cases. When
using a single-case study it is mostly preferred that the research is unique for a single case (Yin, 2014). By only doing a single-case study this study would have been limited to only get one view of the subject and therefore it is not appropriate in this study.

3.3.2 Purposive sampling

Purposive sampling is a sampling technique where the units that are being investigated are based on the judgment of the researcher. The researcher must find and select the units of the analysis in order to be able to gather the appropriate data for the research question of the study (Merriam, 2009). In order to find appropriate companies for this study some criteria have been conducted that must be obtained in order to be able to choose a company. These criteria have been settled because it helped to identify appropriate companies for this study that will also reflect the purpose of this research. Furthermore, according to Merriam (2009) it is not possible to interview everyone and observe everything at one company. That is why this study is based on interviews with people from the chosen companies that have a rich background of its company’s sustainability work and have the knowledge to answer the questions that will lead to valuable answers on the research question.

It is possible to divide the samplings into: probability and non-probability samplings. In this study non-probability samplings, where purposive samplings is the most common form, will be used since the aim for this study is to find appropriate cases for this study (Merriam, 2009).

The chosen criteria are as followed:

1. The company must be a multinational company (MNC).
2. Must be a Swedish industrial company.
3. Has been active in China for at least 10 years.
4. Work actively with sustainability.
5. The interviewee must have knowledge about the company’s work with sustainability.
6. The companies selected must perform above the industry median.
3.3.3 Choice of companies

Based on the criteria that have been presented in the previous section, six Swedish companies were chosen that are active in China and the empirical data will be collected from these companies. A brief description of each chosen company is presented below in figure 2, a deeper description will be given in the empirical chapter later on. The contact with Atlas Copco, Nolato and Tetra Pak were established through email after receiving the contact details from Business Sweden. The contact with Elanders was established at a job fair in Beijing held by the Swedish Chamber of Commerce where different Swedish companies working actively with CSR were present. Contact with Scania was established through email after receiving the contact details from Professor Hubert Fromlet from Linnaeus University, Kalmar. Lastly, the contact with Volvo Group was established through Edward Dong from Tetra Pak who introduced us.

<table>
<thead>
<tr>
<th>Company</th>
<th>Atlas Copco AB</th>
<th>Elanders AB</th>
<th>Nolato AB</th>
<th>Scania AB</th>
<th>Tetra Pak AB</th>
<th>Tetra Pak AB</th>
<th>Volvo Group AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewees</td>
<td>Peter Schuerman</td>
<td>Kevin Rogers</td>
<td>Jörgen Karlsson</td>
<td>Mats Harborn</td>
<td>Rendy Ren</td>
<td>Edward Dong</td>
<td>Huang Zheng</td>
</tr>
<tr>
<td>Place</td>
<td>Tianjin, Office at the factory</td>
<td>Beijing, Head office in China</td>
<td>Beijing, Head office in China</td>
<td>Beijing, Head office in China</td>
<td>Beijing, telephone</td>
<td>Beijing, Café in Beijing</td>
<td>Beijing, Head office in China</td>
</tr>
</tbody>
</table>

Figure 2. Choice of companies

3.4 Data collection

Data collection is an important part of a research and should be carefully considered as it can determine the quality of the study. Merriam (2009) states that the researcher is the main instrument for data collection and should be responsive and adaptive as the main purpose with a qualitative approach is to get a better understating of the subject. Merriam (2009) argues though that the subjectivity of the researcher might have a negative impact on the study if it is not correlated in relation with the theoretical framework. This aspect has been carefully considered
when collecting the data for the study. Finally, in order to establish a well-endowed study, both primary and secondary data were collected.

### 3.4.1 Primary data

In this study the primary data is mainly represented by the qualitative data inquired through face-to-face interviews with managers of the chosen companies who are in charge of the sustainability work within each company. Additionally, the primary data contains a phone interview as well, due to the unavailability of one of the interviewees. Bryman and Bell (2013) describes the primary data as the data that has been collected by the researcher himself. The most common way to gather primary data is through interviews as it gives a more homogenous and consistent view in correlation with the research questions. Ghauri and Grønhaug (2010) support the fact that primary data is the most relevant when aiming to analyze a specific research problem as it is the case for this study. The authors also present different ways to conduct an interview: email, phone or face-to-face. Finally, taking into consideration all these facts, it was decided that most of the empirical findings in this study should be based on primary data because of the precise and elaborated data offered by a primary source.

### 3.4.2 Structure of interview

As mentioned before, the goal with this study is to get a broader understanding of the sustainability work and perceptions within the chosen companies and the ambition is not to limit the responses from the questions. For this reason, semi-structured interviews were chosen as the most appropriate type for this study. According to Bryman and Bell (2013) a semi-structured interview is an interview that gives the interviewee more flexibility and space to answer questions and it does not restrain the responses. Furthermore, a semi-structured interview allows the forming of new questions along the interview that can offer an even deeper understanding (Merriam, 2009).

The structured and unstructured type of interviews were excluded on the ground that it would not be suitable for this study. According to Merriam (2009) a structured interview is an under-controlled interview where the questions tend to provide limited answers, which as mentioned before contradicts the aim for this
study. An unstructured-interview, on the other hand, is a very spontaneous interview where questions are formed on the spot of the moment, which could not be applicable in this study either, as most of the questions are grounded in theories and they aim to present a very clear correlation between the two.

Prior to the interviews, the interviewees were informed about the different aspects that the subject of the interview was going to have, giving this study, as well as the companies the chance to get in contact with the right person and receive the right information. During the interview, an interview guide was used where questions based on the theoretical framework were formed in advance. The questions were written both in English and Swedish as there were both English and Swedish speaking interviewees.

### 3.4.3 Secondary data

The secondary data used in this study is taken from company websites and company reports. Also, the case companies have provided this study with Power points consisting of information about the company and the company’s sustainability reports. It has been used for complementing the information to the empirical data. Furthermore, it has also been used to gather background information about the case companies that have participated in this study. The secondary data is represented by the data that already exists and has been collected and analyzed by other researchers (Ghauri and Gronhaug, 2010). It is beneficial to use to get a broader understanding of and to identify the research area that is being studied (Merriam, 2009).

### 3.5 Operationalization

Prior to the interviews an operationalization of the theoretical framework has been conducted in order to help formulate the questions in an effective way and create a clear association between the questions and the theories. According to Patel and Davidson (2011) operationalization is the process of defining the variables into measurable factors.
### Figure 3: Operationalization

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>About the company</strong></td>
<td>1-8</td>
<td>To get a better understanding of the company and its operations.</td>
</tr>
<tr>
<td><strong>Triple bottom line</strong></td>
<td>9-17</td>
<td>To get a more deeper understanding of how the company work with sustainability on different levels; motives, benefits, challenges etc.</td>
</tr>
<tr>
<td><strong>Stakeholders</strong></td>
<td>18-22</td>
<td>We asked questions to understand the relation with the stakeholders and how much influence they have on the decision-making about sustainability.</td>
</tr>
<tr>
<td><strong>Competitive advantage</strong></td>
<td>23-26</td>
<td>To find out what the company focuses on to be competitive, what strategies they use and if they use sustainability as a competitive advantage at the moment.</td>
</tr>
</tbody>
</table>

**3.6 Data analysis**

The data analysis of this report started already during the data collection with the interviewees and the reason for doing this goes in line with Snyder’s (2012) suggestion of using a “cumulative analysis” of primary data. The author states that this kind of analysis is preferable since it gives the researcher an opportunity to identify new approaches already during the data collection stage. Once the interviews were completed they were first analyzed as a whole and then organized into different categories based on the theoretical framework. At this stage, a comparison of the interviewees’ responses and their correspondence with the theory was also held in order to identify different themes and patterns.

Kvale and Brickman (2009) define this type of analysis as a “qualitative content analysis”, which is related to Fejes and Thornberg’s (2009) view of organizing the
data into different categories, which in turn enables to examine how often specific themes or patterns are raised in the text. Moreover, this type of analysis makes room for a comparison between the different themes and it is also possible to relate them to others (Kvale and Brickman, 2009). Furthermore, this study used the interpretation mentioned by Fangen (2005), which means that the researcher interprets the interviewees’ answers while at the same time trying to question these by analyzing the factors behind the answers. In addition to the prepared questions, the interviewees were asked follow-up questions but also open questions in order to obtain richer responses, which gave this study a deeper understanding of the interviewees answers. By using these levels of data analysis, this study has developed an accurate analysis with a clear relation to the theoretical framework.

3.7 Quality of research

3.7.1 Validity

In order to designate a study to be valid it has to measure what is being intended to measure (Ghauri and Gronhaug, 2010). Furthermore, validity indicates that the data that is being presented is accurate and appropriate. Therefore, it might be relevant for the researchers to ask themselves if the right data has been collected to be able to study the research area of the study and if it has been measured correctly (Denscombe, 2010). According to Starrin and Svensson (1994) the most common way to confirm validity in qualitative studies is through triangulation and feedback from interviewees, which both have been used in this study. This is highly important when case studies are being used, because the data that is being collected has to be controlled and validated (Ghauri and Gronhaug, 2010). Although, it is less conducting to concern validation of the data when a qualitative research is used because of the closeness to the subject and also the control of the interviewees’ contributions (Denscombe, 2010).

To increase the validity of this study, data triangulation has been used since the interviews were combined with different people, in different companies and at different occasions. Also, research triangulation has been used since two of the research team have been present at each interview. The research team has analyzed
and interpreted the data by themselves and then compared and compiled the data in
order to get the most accurate picture. This has also been done in order to gain more
perspectives of the information that was given during the interviews and to
minimize any misunderstandings. Furthermore, the theory of triangulation has been
used which gives different perspectives of the collected data and therefore a more
appropriate answer for the research question can be given. Finally, after the
interviews were taking place the researchers also used interviewee validation by
asking the interviewee if the interpretation was made correctly of the information
that was given. According to Silverman (2001) collecting feedback from the
interviewees also gives more validity to the study. Also, the researchers found this
important since the research area is rather unexplored and it might be sensitive to
use information that the interviewees do not stand for.

3.7.2 Reliability

Reliability refers to the stability of the used instruments and variables in the
research and it aims to measure the outcome of the instruments when used under
similar conditions (Kumar, 2014). Ghauri and Gronhaug (2010) also refer to
reliability as measuring the stability of the used instruments and they claim that
reliability is related to the design of the research, that is, the used methodology. Due
to the operationalization that this study used as a basis for the formulation of the
interview questions, the interviewees were given the same questions but also the
same conditions to answer the questions in terms of time and space. Thus, it is fair
to argue that the outcome of this study would be the same if the interviews were
carried out again. However, as Merriam (2009) states, the human behaviour is not
constant and therefore reliability is more difficult to maintain within a qualitative
research.

There are several factors that can differ between interviewees; behaviour,
experience and the circumstances and hence, the context is more likely to change,
which may affect the results of the research (Merriam, 2009). While conducting the
interviews these factors were considered and therefore the reliability in this study
has been strengthened in other ways. For example, the used method has been
explained throughout the work, there is a clear link between the theoretical
framework, empirical data and findings. Both Merriam (2009) and Silvermann
(2001) state that these elements strengthen the reliability within a qualitative research. Moreover, the interviews were recorded, compiled and transcribed and Silvermann (2001) argues that these activities also strengthen the reliability within a research. Finally, quotations from interviewees have been presented in the empirical part and according to Oliver (2011), this is yet another way of enhancing the reliability.

3.8 Method Criticism

Each research method has both advantages and disadvantages. Bryman and Bell (2013) argue that one of the biggest disadvantages regarding the qualitative research is that it can be considered to be too subjective as it is constructed only on the interviewee’s opinions and perceptions. Kvale (2007) also questions the level of objectivity that the qualitative research can offer but from the other angle. The author argues that the interviewer’s opinions and reflections can influence the interpretation of the answers and that can also be considered subjective as most people perceive things differently. These disadvantages have been taken into consideration in this study and some measures have been applied. Since there were three interviewers involved in this study and in order to avoid the subjectivity from the interviewer’s side, every interview was analyzed and interpreted by each one of the interviewers. Afterwards, the three interpretations have been interconnected in order to get a more coherent text but also to raise the reliability and objectivity of the research.

It has also been argued that qualitative researches are not as representative as it concerns only a few cases and the results cannot be generalized (Denscombe, 2010). However, there are two kinds of generalizations according to Yin (2014): analytical and statistical. The analytical generalization is favored for a qualitative approach when the researcher’s goal is to get a deeper understanding for a specific topic regarding a limited amount of cases and not to get a universal truth (Yin, 2014). In this study, the analytical generalization can be argued to be suitable in line with the purpose that the study has. Lastly, some of the interviews were conducted in Swedish where translation in English was required. In this case, it can be argued
that information can be misinterpreted, but with the interviewee’s validation, this study has made sure not to get the information lost in translation.

3.8.1 Ethical considerations

When conducting a qualitative research there are some ethical matters that arise (Merriam, 2009). It is argued that the interviewer is responsible to be honest, accurate and transparent with how the interview is constructed. Denscombe (2010) presents some ethical standards that should be considered when conducting an interview:

1. “Participants will remain anonymous”
2. “Data will be treated as confidential”
3. “Participants understand the nature of the research and their involvement”
4. “Participants voluntarily consent to being involved”

This study has made sure that the interviewers comply with the ethical standards presented above. All interviewees have been asked prior to the interview if they wish to be anonymous, but none required anonymity. Furthermore, the empirical data received from the companies has been treated confidentially and the interviewees were informed about the nature of the research subject when they were contacted before the interview, which gave them the opportunity to choose the right person who wishes to be involved in the study.
4. Empirical findings

In this chapter the empirical findings will be presented that has been gathered for this study. The chapter presents one company at a time and starts with a presentation of the company. Followed by looking how the company is working with sustainability today and how the stakeholders for the company affect its work. Lastly, the sustainability work will be connected with the company's competitive advantages. The structure of the chapter is disposed in the same way as the conceptual framework to make it easier for the reader to follow.

4.1 Atlas Copco AB

4.1.1 About the company

Atlas Copco is a market leading company within manufacturing having a large range of products, from gas- and air compressors to construction- and mining equipment, and also industrial tools and mounting systems. The largest business area is Compressor Technique, which is also the biggest business in China for Atlas Copco. The company is well known and has a good reputation worldwide. Furthermore, Asia is the biggest growing market, which is now covering 28% of the total sales for the company. About 75% of the production that is made in China is for the Chinese market. The key concepts of Atlas Copco worldwide are: Interaction, Commitment and Innovation.

Atlas Copco entered the Chinese market in 1994 and it now covers the whole China, having offices in almost every province. The company has most facilities in Shanghai and Beijing. One of the goals is to do business centrally by sharing business offices with different areas within the Atlas Copco group (Atlas Copco, 2016). The factory in Tianjin (China) where the interview took place was founded in 2001 when Atlas Copco acquired DynaPac and the factory works within the construction technique business area. The reason why Atlas Copco’s entered the Chinese market was due to the transportation costs. The company exported a lot to Asia so it was more effective to start the production in China instead of paying high transportation costs and minimize the effect on the environment. Furthermore, at this time China was a big market with huge potential as well.
Peter Schuerman has been the General Manager for the factory in Tianjin since 2012. His main responsibility is to look after the factory and making it profitable. In total Schuerman has been working at Atlas Copco for 36 years, which means that he has good knowledge about the company. Furthermore, Schuerman possesses high knowledge of the company’s work with sustainability since he has the responsibility to make sure that the factory in Tianjin works with sustainability in the same way as Atlas Copco works with it worldwide.

4.1.2 Triple bottom line

Sustainability is one of the company’s keywords according to Schuerman. Not only the company’s own production should be sustainable; their product should also give their customers sustainability. Schuerman defines sustainability as follows;

“Sustainability is something you have to have in your blood, it has to be in everything that you do.”
- Peter Schuerman, General Manager, Atlas Copco Tianjin

Atlas Copco has employees working to foresee the future and how they can improve their sustainability plans. Schuerman believes that companies who use non-sustainable products will not survive anymore. Atlas Copco has always had a sustainable mindset but it has become central within the last 20 years. Today the company market itself as a sustainable company through slogans and presentations and it is also a role model in China when it comes to sustainability work. Moreover, Atlas Copco wants to show the outside world how to work with sustainability in an efficient way.

According to Schuerman, one of the main reasons why companies in China work with sustainability is because of the dangerous pollution. The problems with pollution have been highlighted in recent years and the Chinese people want to make their country less polluted for the assurance of the future. Moreover, Chinese people demand the same, or even better, sustainable products as Western people, which means that the companies in China have to work sustainable in order to meet
the customers’ needs. Schuerman is convinced that China is not far behind from the Western world when it comes to working sustainable. He also states that Chinese companies are learning fast and will reach the same level as Western companies within sustainability. The biggest difference now is that Western companies are taking the sustainability work more seriously compared with Chinese companies who see it only as a must. Schuerman thinks that China needs one more generation in order for the concept to be seen as something natural.

The economical aspect
Atlas Copco is investing in the future by producing sustainable products that have a long lifecycle due to their high quality, which creates trust and builds long-term relationships with the customers. Moreover, the shareholders who invest in Atlas Copco have all a long-term thinking, which Schuerman believes is because of the company’s good reputation of having a long-term mindset. On the other side of the coin, when a company has long-term investors it is easier for the company itself to think long-term.

The environmental aspect
Due to the fact that Atlas Copco is focusing on making products with long lifecycle, the customer do not need to buy new ones as often. This is a very positive thing for the environment, according to Schuerman because then no unnecessary materials are being used. Also, Atlas Copco is trying to reduce the pollution rates from the factory all the time, which also contributes to a better environment. Further, the company also has goals to reduce the water usage in every factory and decrease the material/electricity usage with at least 20% over the next 20 years in every product and every line. Moreover, 10% of the industry consumption energy can be renewable, which is a remarkable percentage according to Schuerman.

The social aspect
Atlas Copco provides its employees with several benefits like for example a good health insurance. Schuerman describes that every machine and tools has to be used is an ergonomic way for the worker in order to prevent any injuries. They also have a safety day worldwide for Atlas Copco where they educate their workers how they should work “right” in order to prevent injuries by teaching how to lift “right” etc.,
a doctor also comes to check noise levels in the factory. According to Schuerman the government in China also sends people to do firing inspections and Atlas Copco group sends people to make sure that the requirements are being followed. Lastly, Atlas Copco is involved in charity worldwide, for example they have a project called “Water for all” which means that people donate money and with the money the company builds pumps for clean water in villages around the world.

4.1.3 Stakeholders

Schuerman states that he is absolutely convinced that when the stakeholders invest their money/time in a company they do not want to support a company that is polluting the world. The stakeholders usually have a long-term thinking and want to invest in the future. Furthermore, the stakeholders have demands on the company as well, such as: ISO-certificates is being used, sustainable products are made, innovative products on the market. Atlas Copco has a lot of different share/stakeholders and the company tries to please every one of them, which is a challenging thing according to Schuerman. At the meetings with the stakeholders each of them demand different things but Atlas Copco tries to make it the best way for everyone. The best thing for every one of them is also the best thing for the company. According to Schuerman, the demand has changed during the years from the stakeholders, from the will to invest in a profitable company to the will of investing in a green company with a long-term thinking. He also believes that it has changed since customers demand environmentally friendly products. Furthermore, Atlas Copco has a policy that everything has to be transparent within the company because it creates trust and confidence for the stakeholders and they are also interested to know that the company is following the vision and that the company stays true to them. Although, Schuerman believes that the demand for transparency in China is low.

“The best thing for the stakeholders is also the best for the company”
- Peter Schuerman, General Manager, Atlas Copco Tianjin

Another reason for working sustainable is the new regulations that were settled by the government one year ago describes Schuerman; every company needs to register
their products and the pollution rate on the government’s website. This has made a huge change for all companies in China, since only two years ago the company could produce and sell whatever it wanted on the Chinese market, now the rules are similar to the Western rules regarding sustainability. For Atlas Copco it is good that the requirements exist since it forces competitors to level up in their work as well. The biggest challenge with the requirements is though for the Chinese companies and not for Atlas Copco since the Chinese companies lack technology, knowledge and experience. What Atlas Copco is doing in order to exceed the requirements is that they have a safety day each year, which means that the company educates the employees in how to make the workplace safer and how to get to and from the job safe. This is not so common in China yet according to Schuerman, but he believes that it is starting to become more common. Atlas Copco tries very hard to create a working place where the employees feel comfortable and want to stay.

4.1.4 Competitive advantage

According to Schuerman, the most common competitive advantages in China are good products with high quality and several options for the customers to chose from. The reason for this is because customers demand this and this will not change in the future since it is hard to change someone’s mentality. For Atlas Copco it is a combination of these two factors that creates their competitive advantage on the Chinese market. What Atlas Copco is doing to differentiate from the competitors is to always be one step ahead within innovation, which is very important for the company.

Schuerman believes that in the future the Chinese companies will play in their yard. Atlas Copco has decided that it does not want to decrease its quality and prices just to be on the same level as the Chinese competitors, instead the company waits for the competitors to level up to Atlas Copco’s level. The reason for this is because Atlas Copco does not want to risk getting a bad reputation for decreasing the quality; it is not what the company stands for. The question is if Atlas Copco was to seek for 'lower quality' machines, then would the company develop or just go backwards? Schuerman claims that sustainability can also be seen as a competitive
advantage since the Chinese people nowadays are very concerned about the pollution, which means that they do not want to buy from a polluting company.

“If a company is not sustainable it will die”

- Peter Schuerman, General Manager, Atlas Copco Tianjin

Finally, Schuerman says that this mindset has come from complaints from both Western and Chinese companies that are active on the Chinese market, from international media and also from local media. He further argues that if a company in China would not work actively with sustainability it would not attract any customers or stakeholders.

4.2 Elanders AB

4.2.1 About the company

Elanders is specializing in Premium Packaging, which means luxury boxes with high quality. The company produces packages for jewelry, smartphones, whiskey etc. Elanders has based the whole production in China, which is the biggest market for the company and it ships its products worldwide (Elanders, 2016). The company’s biggest customer is Sony, but it also works with Apple and Volvo trucks. 40% of the total production is being exported and the rest is for the Chinese market. The leading words for Elanders are creativity and customer service. Furthermore, the company supports global business in two ways; the first way is that it can produce packaging locally for international customers and do the distribution. The second way is that it can help Chinese customers to export out of China. The company works with B2B2C (business to business to customers), which means that they can deliver directly to the end customer if that is desirable.

Elanders has been active in China since 2005. The reason for entering the Chinese market was its biggest customer, Sony, who was already on the market and moving to China would have made their collaboration more efficient. Today Elanders has ten facilities spread around in China and the vision for China is to grow even more as the Chinese market is very dynamic for Elanders’ business area. The e-commerce
area is also a big vision to capture since China is very big in e-commerce and it is still a growing market. Furthermore, the company wants to grow to support its international customers and grow with the domestic customers. The greatest opportunity that Elanders sees now is the growing middle classes who want to buy luxury products, which requires packaging and supply chain services.

Kevin Rogers works as a Managing Director for Elanders in Beijing and he is Head of Print & Packaging Solutions in Asia. His main responsibilities are to make sure that the business operates well, is being led effectively and to make sure that the factory makes profit. Rogers has been working in China for one year and he has been a part of Elanders for seventeen years. Rogers has good knowledge of how the company works with sustainability since he has been working there for a long time and also since he has to make sure that the factory in China is working with sustainability.

4.2.2 Triple bottom line

Rogers believes that the reason for companies in China to work with sustainability is because the country is opening up more and more for the international market and thus, companies need to be transparent which makes them care more for the environment otherwise it will not look good for the company. There is a difference in how companies in different countries work with sustainability according to Rogers; MNCs are mostly the same everywhere while SMEs can differ a lot in how they perceive sustainability. Furthermore, Rogers says that he experiences big differences in generations; younger people tend to be more concerned about sustainability.

“Elanders’ way of reducing its impact on the environment is by working with environmentally friendly materials and other resources and make sure they come from sustainable resources.”

- Kevin Rogers, Managing Director, Elanders Beijing

Sustainability has always been a part of Elanders, working actively with different certificates, such as ISO-certificates confirms that Elanders is a sustainable
company. Furthermore, Elanders is always promoting its products as sustainable to their customers, which is something that the customers also can adopt. The company tries to educate its customers into thinking environmental since it is a huge benefit when they are promoting it. Some of the customers that Elanders educate embrace it, so it definitely has a positive effect explains Rogers. Further, the company markets sustainability through its homepage and other channels, all the places where customers can see it. Elanders stands out in its work with sustainability compared to the local competitors. Chinese competitors have a different view on sustainability since they do not yet have the same environmental focus as Elanders. Further, the company has had it in its mindset for at least 20 years and the Chinese companies are still developing this mindset. However, Rogers believes that it might change soon into a similar mindset as Elanders has as the demand for sustainable products and environmental thinking is increasing in China, which is noticeable for the company.

The economical aspect
Elanders is constantly looking for investments that will support the company in the long-term run since it allows them to be more creative and innovative in digital production. When Elanders has to buy a new machine that can make the packages the company will go with a high quality machine that has low affection on the environment and that is meant to be in the company for the long run says Rogers. An example of this is the 3D printing machine that the company uses. This machine is very expensive to buy but it contributes a lot to the company since then they can make a prototype and send to the customer to get it approved before they start the mass production, which saves both time and money.

The environmental aspect
Concerning the environment Elanders is constantly looking for new material resources that decrease the negative effect on the environment. The company has already very good environmentally friendly products compared with some of its competitors but Rogers argues that there is always room for improvement. Furthermore, Elanders is managing its waste in the best way possible since it is trying to recycle as much as possible of the waste.
The social aspect

Elanders works actively with the social aspect in many ways. A few examples that Rogers mentions are: they are not exceeding the working hours for their employees, they encourage and support social activities, they try to interact with other social organizations, they do regular health checks for their employees, regular fire alarm inspections, good environment for the workers in the factory with pauses etc. In many ways Elanders is working with making its employees feel good and safe, which is also something that some customers are asking for in order for them to buy from Elanders.

4.2.3 Stakeholders

Elanders has developed very good relationships with their stakeholders since they have a big influence on the business. The most important stakeholders for Elanders are: the employees- without them it would not be any company, the concern-informing everyone about everything so they know what is going on, the managing team- making sure everyone is working towards the same goal, the shareholders-making profit and lastly the customers-communicate well with them by engaging and relating. Furthermore, the stakeholders also demand the company to work more sustainable. The demand has changed during the years; now the stakeholders are more focused on what the company is doing in order to be sustainable. Rogers underlines the importance of listening to the stakeholders.

“If we do not listen to the stakeholders we are blind”
- Kevin Rogers, Managing Director, Elanders Beijing

The government, which is one of the stakeholders, also has some requirements on how the company should work with sustainability describes Rogers. They are very strict in Beijing on how the company affects the environment because of the pollution. However, Rogers argues that there are no requirements on material usages or reducing of packaging in China yet. Elanders must report the level of pollution to the government and take care of its waste; there are regular inspections on this. According to Rogers, the requirements can be challenging sometimes, considering that the government can change the laws very quickly and sometimes
the laws collide (laws about picking up waste and then the waste company cannot pick it up because they are not allowed to do it due to high pollution rates), then it is hard for the company to keep up. Furthermore, Elanders is not allowed to expand its factory in Beijing because it is in the chemical industry. If they want to expand they have to move the factory outside Beijing even though they have certificates due to new regulations.

According to Rogers, transparency is also an important part for Elanders, trying to be as transparent as possible as it benefits both the company and its stakeholders. In China transparency is important in some cases, yet most of the customers do not care about it, which is unfortunate according to Rogers. Although it might not be important for everyone in China he still believes that being a transparent company gives benefits on the Chinese market as lots of people are suspicious when companies are doing business in China so it is better to be open about it because it creates trust. Customers also want to know if they get what they ask for, which can be tricky if the company is not transparent; which is the case many times when doing business with Chinese companies.

4.2.4 Competitive advantage

According to Rogers, the most common competitive advantage to use in China for companies is high quality products. The reason for this is the high demand from the customers who strive for high quality. Elanders strategy in how to win competitive advantage on the Chinese market is that they have a lot of knowledge and expertise about digital production, have high quality products and high customer service. Furthermore, the company has an in-house production and can also deliver the complete service, which differentiate them from their competitors that do not yet have that. Also, Elanders can provide integrated solutions and this is something that none of the Chinese competitors have and only a few international competitors, which makes Elanders the leading company in this area.

“We can provide integrated solutions, which is something that zero Chinese competitors have”

- Kevin Rogers, Managing Director, Elanders Beijing
Sustainability can also be seen as a competitive advantage because the demand for it is high and it is only increasing with time says Rogers. The packaging world wants sustainable products and big customers for Elanders want to know that the company is going to be there for the long run, which is why it is important to work with sustainability, according to Rogers. The future plans for Elanders are to make a green manufacturing production by reducing the waste in the air inside the store etc., look for more sustainable resources and build a stronger sustainable brand through marketing.

4.3 Nolato AB

4.3.1 About the company

Nolato is a high-tech company founded in Sweden that consists of three main business areas; Nolato Medical, Nolato Telecom and Nolato Industrial and has operations in Europe, Asia and North America (Nolato, 2016). This study will focus on Nolato Telecom and the core business idea of Nolato Telecom is to make mechanics with significant cosmetic content, i.e. color, shape, print and varnish on mobile phones. Some of Nolato’s largest customers are: Sony Mobile, Samsung and Lövepack Converting. In 1984, Nolato was listed on the Nasdaq Stockholm Exchange and it is a Mid Cap company within the Industrials sector. Furthermore, Nolato is a subcontracting company that essentially has no proprietary products, instead it manufactures products according to customer requirements. China is the most important market for Nolato and the largest office and factory is located in Beijing where the number of employees is about 5000 people.

Nolato entered the Chinese market in 2001 and the reason for that was mainly because they felt compelled to follow their biggest customer, Sony Mobile. The low production cost was yet another reason to set up an office and factory in China. Karlsson explains that there has been an incredible development of the business area they are located in. In the beginning, it was mainly the telecom and mobile phone manufacturing companies in the area, such as Sony Ericsson, Nokia and
Motorola, but today it looks completely different. Besides Sony Mobile, Nolato is the only telecom company still active today.

Jörgen Karlsson has been the Managing Director at Nolato Beijing since 2009 and his main responsibility is to minimize risks, which means not having a lot of expensive investments but to have a high cash flow. Karlsson has been working in China for eight years but has been a part of the Nolato Group for twenty-one years, which indicates that he has a profound knowledge of the company and its operations. Karlsson has furthermore developed a keen interest and knowledge of the company’s sustainability work and he is responsible that the operation in Beijing meets the sustainability policy that is the same for the whole Nolato Group worldwide.

4.3.2 Triple bottom line

Sustainability has always been a central part of Nolato. Karlsson states that it is a part of their basic principles that consist of; “we are professional, we are well organized and we are responsible”. When Karlsson is asked to define sustainability he says that Nolato’s definition of sustainability is

“The way we create products and in the way we minimize the environmental impact”

- Jörgen Karlsson, Managing Director, Nolato Beijing

Nolato’s sustainability work became even clearer when the CEO joined the company eight years ago. The CEO has taken it from a natural part of the organization, to use it in marketing as well. He has also invested some of Nolato’s funds in ethical funds in order to highlight how important it is to contribute to a sustainable development of this world. The idea of having a strong sustainable profile is for it to be profitable in a shareholder's perspective too and Karlsson means that sustainability will become an important part of every business. He also mentions that Nolato has participated in several magazines, such as Business Week where they have been ranked as a company with a strong environmental awareness.
According to Karlsson the main reason for Chinese companies to start working with sustainability is that the environmental awareness in China has become much clearer recently, which has more or less forced Chinese companies to develop a sustainability agenda. Karlsson also states that another thing that is typical China is that everything goes very fast so if the company does something that is considered wrong, the consequences may be fatal. Rumors are spread extremely fast and that is why Karlsson believes that the companies that start working with sustainability in China do it mainly because they are afraid of being considered “bad” companies. Karlsson also points out that it is definitely the pressure from the external environment that forces Chinese companies to work more sustainable and due to that, Chinese companies do not really understand the whole concept of sustainability. They know that they need to improve the environment and the pollution but not more than that.

*The economical aspect*

Nolato is a family-owned company and the heirs to the two men that started the company are still the major shareholders. One of the families has been working within the company for several years and because of that there is a more long-term perspective in the decision-makings, which means that they do not have to chase quarterly earnings. Karlsson states that this is a great advantage for him and his colleagues since then they can concentrate on how to achieve the best outcome of their products and projects without having to compromise with the major shareholders. Some projects may take a longer time to develop and some may not generate profit during the first months or years, but they usually generate more profit in a longer perspective and most importantly, they stay profitable much longer. Furthermore, Karlsson adds that he is certain that this way of thinking is one of the keys to their success.

*The environmental aspect*

Nolato works actively with environmental issues. Karlsson mentions one activity that he is very proud of since he was the one who took the initiative of it. Since paint is not very environmentally friendly Nolato bought a chimney for 13 million RMB for the company’s paint-lines a few years ago. It does not contribute anything in money-value but through the chimney Nolato has linked two paint-lines that used
to be linked to carbon fiber before and since the company is a incinerator it is possible to lighten the gases that the coal sucks out. Apart from that Nolato does not have any other activities that affect the environment in a negative way. However, the energy use can of course be a challenge but Karlsson states that it is hard to do something about. Although, he explains that they have invested a great deal of money in changing some materials to more environmentally friendly materials, they have also changed some of their engines to new ones that are less energy demanding.

The environmental thinking is not just present in the factories but also in the office. It can be little things like, setting up notes that tells you to switch off the water correctly, switch off the lights etc. In short, Nolato is doing its very best in minimizing the negative environmental impact in terms of energy use. The company has received some awards from Green Partner, have been on national TV regarding their chimney and have received economic contribution from the environment bureau, Environmental Protection (EPB) since they thought the initiative with the chimney was so good that they wanted to support that investment. Moreover, Nolato invites other companies to view the chimney so Karlsson means that the company is like a role model when it comes to take responsibility of the environment. Also, Nolato offers sustainable solutions for its customers, such as water based paint and products from recycled materials. However, they do not experience a high demand from China when it comes to buying recycled products compared with the Swedish market where the demand is much higher.

The social aspect

Nolato has extremely good working conditions for its employees and that is mainly because it has to. Karlsson means that if a company does not behave well as an employer within their industry in China today, it will not have any employees left. Several years ago, the situation looked totally different according to Karlsson. By then, more people looked for jobs and there were a lot of jobs available as well, and employers took advantage of this by having awful working conditions. Today, there is a stronger employee policy and fewer employees and sometimes Nolato has factories that they cannot fill with people.
Karlsson states that in order to make their employees stay they have introduced something that they call “Employee Care Programme” that for instance includes the activity: Open Communication; every month the managers see a group of employees where they get a chance to express their opinions about the managers and the company. Karlsson means that this has already turned out successful. They have noticed that the employees have become more loyal to the company but also more satisfied. Nolato is also involved in social activities. For example, they are involved in a school in China that they support in terms of giving away laptops, desks and other technical equipment. They also give away warm clothes and blankets since it gets extremely cold there during the winter.

### 4.3.3 Stakeholders

Karlsson argues that the stakeholders have a great impact of their business and he explains that it is important for Nolato to have a good relationship with every stakeholder in order to stay competitive and successful. Nolato’s stakeholders are: the shareholders, the customers, the government, media etc. The company does not make plastic frames for mobile phones to care about the environment but to please their shareholders. However, Nolato does everything it can to minimize the negative impact of the environment and this is something that favors the shareholders too. Karlsson states that when people see that the company has an active sustainability policy, the value of the company gets higher and that is very attractive for the shareholders.

When it comes to the Chinese government’s requirements/regulations concerning sustainability, Karlsson means that the requirements have increased during recent years and he believes that it is mainly because of the increased environmental awareness in China. There are a lot of regulations regarding emissions but the biggest concern is that the electricity used comes from coal power plant, dirty electricity in other words. So far there is no fossil-free electricity in China. Karlsson also adds that there is a lack of water in China but luckily Nolato does not use any water in its production. The regulations are the same for everyone and there are a lot of controls of the factories and if a factory has done something really bad, the
government has the right to shut down the production. There are also some inspections that aim to see how companies treat their employees.

“We believe that it is very important to develop good relationships with these authorities because we believe it can favour us in the future, for example in a PR-purpose if they write well about us”

- Jörgen Karlsson, Managing Director, Nolato Beijing

Karlsson points out that Nolato meets the requirements but he states that when something “bad” has happened in China, e.g. the pollution, everyone is going to do something about it at once. According to him, everything hits extremely hard in China. For example, one scenario could be that the Chinese government suddenly decides to ban paint since it is considered to damage the environment and thus, the simplest solution is to forbid it instead of looking into what limits they should ban. There is a lack of analysis of consequences in China and that is also a sign that they do not really understand the whole concept, Karlsson states.

According to Karlsson, transparency is another activity that is very much related to the stakeholders. Nolato is a very transparent company, mainly due to Global Compact and it reports everything that it does even if it can be considered quite simple since the company does not deal with chemicals. Karlsson argues that the company does not try to make it look better than it actually is. However, the demand concerning transparency is not so high in China today according to him. He says that he does not believe that Chinese companies work as much with transparency as Swedish companies do for instance. Although, Karlsson is certain that transparency can be seen as a competitive advantage and that the worst thing you can do as a subcontracting company is to expose your customer’s brand of trouble. For example, Sony Mobile is not supposed to hear that their supplier Nolato use minors in its production for instance.
4.3.4 Competitive advantage

Karlsson believes that the most common competitive advantage that Chinese companies often seek for is a low price. However, for the consumers the quality is a must today so you should both have a low price and good quality, which is an extremely hard combination to achieve. Additionally, Karlsson means that it is possible that Chinese companies may focus more on sustainable values as competitive advantage in the future but so far, that is not the case.

"I do not believe that sustainability is very important for the average person in China today. They have just started consuming and drive cars just for fun so that is not the main focus yet"

- Jörgen Karlsson, Managing Director, Nolato Beijing

Nolato’s biggest competitive advantage is that the company has been raised by Sony in Japan, which means that it has always been forced to focus on high quality and high competence. Since the company has been in the business for many years, it posses a lot of competencies and when it brings that to new customers, they get very impressed. Another thing is that since cell phones have changed so much during the years, Nolato has gained a lot of processes and technologies that are major advantages, which means that the company can offer many different solutions to the customers. Karlsson says that many of their competitors offer only one solution but when Nolato tells its customers that they can offer a variety of solutions it is obviously much more attractive,

Nolato uses the sustainability work in the marketing and the reason for that is mainly to attract customers and to show that they have qualities and competencies that will not make it difficult for the customer. Karlsson explains that the customer wants to be sure that its subcontractor is doing good and does not have to close due to stupid actions. Therefore, sustainability is an important part of Nolato’s marketing since it makes the customer see that they will not mess it up.

To some extent, Karlsson believes that Nolato gains competitive advantage by working with sustainability. Their sustainability work helps them get important
customers for instance. Although, Karlsson states that today, it is hard to find a Western company that does not work with sustainability, which makes it more of a hygiene factor. He means that it is something that every company has to consider and not something that a company can ignore and since everyone has to work with it, it may not be seen as a competitive advantage. However, Karlsson means that if they would not have been working with sustainability, they would not have been able to compete. Moreover, he believes that Nolato gains more competitive advantages than its Chinese competitors for instance since its main customers are extremely keen on working with professional subcontracting companies that have developed a solid sustainability agenda.

4.4 Scania AB

4.4.1 About the company

Scania has a long tradition within its industry and the core business idea of the company is to produce busses and trucks that are provided to customers all over the world. Scania has exported to the Chinese market for more than 50 years. The first truck was sold to China in 1960 due to a request from the Chinese Ministry of Forestry and since then Scania has provided China with thousands of trucks and busses. When the Chinese market opened in the 1990s Scania grew even more and in the beginning of the new millennium the company set up a strategic office in Beijing (Scania, 2016). The office is in charge of lobbying and relation-building, aiming to inspire decision-makers and stakeholders to enact rules and regulations that steer the transport market in a healthy direction. Today the operation in Beijing has about 154 employees and apart from Beijing, Scania has operations in Shanghai, Suzhou and Guangzhou. The aim for the Chinese market is for it to be Scania’s largest market globally.

The interview was held with Mats Harborn who is the Executive Director at Scania in China. Harborn’s main responsibilities are to promote long-term business development and strategies. He is also responsible of influencing authorities and other stakeholders in China and he has had his current position for six years. The first time Harborn came to work for Scania in China was in 1985, after a few years
he had a break but came back to Scania in 2003 and has been working and living in China since then. Furthermore, Harborn mentions that he sees himself as Scania’s face in China and he is incredibly active in various activities where the purpose is to promote Scania as being the leading actor within their industry. He also mentions that his responsibility is to promote Scania’s sustainability work in China and this is something that he spends a lot of time and energy on.

4.4.2 Triple bottom line

Today sustainability is a central part of Scania but that has not always been the case. Since the company has 125 years of history it has been a long process. During the last 25 years, sustainability has become very important for Scania and it partly depends on the environmental awareness that has emerged in the public and in the society. Harborn defines sustainability as

“Doing the right things right.”

– Mats Harborn, Executive Director, Scania Beijing

He further argues that every company should work with sustainability. It must be a part of the company’s core values and he says that no matter what you do, you always have to work with sustainability. Harborn believes that the real reasons why companies in China start working with sustainability are; pressure from the authorities and that they are beginning to understand that it is important to have when you are a part of global supply chains. Simply put, it is external pressure. Harborn also explains that sustainability should actually arise from the inside but it always starts with an external pressure.

Furthermore, Harborn states that there are big differences in the work with sustainability between Swedish companies and Chinese companies. He explains that a company must achieve a certain economic stability before starting working with sustainability. For example, if the company is constantly struggling for daily survival, it always has a short term thinking and thus, it is common to compromise on things that are important, which is the situation for many of Scania’s Chinese customers. Moreover, he states that there are customers who are aware of the
importance of sustainable products but they simply cannot afford it. Some do not even have a functional computer for instance.

The economical aspect
For Scania it is very important to have a long-term mind-set when it comes to investments and working with scarce resources. Harborn explains that when the employees of Scania are faced with a problem or a decision, they must think based on; safety, health and environment: 1. what are the consequences of it, 2. what are the consequences for the quality of our products and services, 3. what will be the effect of the delivery time to the customer and 4, what will be the effect of the costs. If you can afford to think like this, the costs will almost always be the lowest, Harborn claims. However, it takes time to build a system that allows the effect to be like this but he is certain that this is an effective way to go if the goal is to achieve high profitability, which of course is the main goal for every company.

The environmental aspect
Harborn explains that the transport sector is facing a paradigm shift due to the economic growth, which is increasing the demand for transports. Thus, the challenge is to reduce the negative environmental impacts and increased emissions. Scania has introduced something that they call CO2ntrol initiative, which takes a holistic view of reducing climate impact by taking improved logistics, transport efficiency and alternative fuels into account when planning for future transport solutions. Moreover, Scania adopts the environmental mindset through its whole value chain; low-emission technologies, sustainable transport systems and life cycle optimisations are just a few of Scania’s core priorities. According to Harborn, Scania aims to contribute to a sustainable development of China and therefore Scania works together with their customers and the customer’s customer to transform the transport system in the way that it becomes profitable for the customer while reducing the carbon footprint.

The social aspect
Offering an inspiring and a safe workplace is one of Scania’s ways to attract talents. The employees are Scania’s strength, which means that employee-well being is a top priority within the company. According to Harborn, social activities have
actually nothing to do with sustainability, it is charity, and that is another question. Sustainability is all about minimizing the negative impact of the core business. He means that sometimes, the choice of supporting a voluntary organization can be a tool in the work with sustainability but it is not the goal. Harborn states that this is also the difference between a mature sustainable company, like Scania, and an immature company. An immature company, such as a coal power plant knows that it is bad to burn coal for the environment and so to compensate for that it donates a lot of money to charity so that it looks good in a different way. For example, it would have been much better to take that money and invest it in a filter instead that reduces the environmental impact. However, Harborn adds that one of Scania’s key values is to make a positive contribution to the local communities where they operate, which means that Scania supports various organizations in China.

4.4.3 Stakeholders

According to Harborn, Scania’s relationship with its stakeholders is unique. He states that classically, companies only serve one stakeholder, the shareholders, but for Scania it is much more than that. The company’s view of the stakeholders are the following; 1. Employees 2. Customers and 3. Shareholders.

“We have realized that it is very important to have a good relationship with all the stakeholders because they affect our business very much”
- Mats Harborn, Executive Director, Scania Beijing

Furthermore, Harborn believes that the role of the stakeholders has changed a lot recently. The management of Scania realized the effect of the stakeholders once they did not want to participate in the media about the environmental work and got some bad reviews because of that, which further resulted in losing orders. This incident made Scania realize the importance of having a good relationship with the stakeholders and what effect the media has on the society.

According to Harborn there are high demands and regulations concerning sustainability in China but they are not the same as in Europe. The requirements in China are higher than in Europe and since Scania works according to the Euro-
targets, the company must go back to lower objectives, which shows the imbalance in how China sets its requirements. However, Scania exceeds the requirements since they are already working with the Euro-targets.

Regarding transparency, Harborn argues that Scania is transparent in its sustainability work, but he does not believe that Chinese customers will check it out so much or read the sustainability reports for example. He means that he has not experienced a high demand from the Chinese market regarding transparency and he is does not believe that transparency can lead to competitive advantage in China today since it is not considered to be important yet. However, Harborn states that it can damage a business if it is not transparent in its approach and it for example comes out later that the business has not been honest from the beginning.

4.4.4 Competitive advantage

According to Harborn, Chinese companies are looking for cheap products and services and Scania’s challenge is to train them so that they understand that the minimum investment cost is often not equated with low operating costs and optimized earnings. Furthermore, the company’s aim is to hold the customers’ hands and lead them into the future, making them more long-term competitive than their own competitors.

Scania’s largest competitive advantages on the Chinese market are; excellent operating economy and the ability to offer tailor-made transport. Additionally, Scania uses its sustainability work in order to gain competitive advantage in China. Harborn argues that Scania is different from its Chinese competitors in the way that it offers the whole concept and long-lasting products, which is quite unique in China. Moreover, Scania’s sustainability work is always present in its marketing and this year they plan to do even more.

“We will tell the world that we have now embarked on the journey from being providers of transport and trucks to become suppliers of sustainable transport and we want to be one of the leaders in this process”

– Mats Harborn, Executive Director, Scania Beijing
Further, the entire transportation industry is moving towards a more sustainable mindset so this year is very important for Scania. When it comes to sustainability, the company might not differ much from its competitors on the surface.

However, when it comes to actions and methods, it has advanced the furthest of them all in the form of continuous improvement, which is the base of all sustainability. Harborn states that Scania will take on the role of becoming the leader in the conversion of equipment in service for total solutions. Furthermore, he argues that the Chinese competitors of Scania and their work with sustainability has been non-existent so far. In China, the legislation is very important in terms of putting external pressure on the Chinese companies to start working more with sustainability. This applies both to the manufacturers of the equipment but also the providers of transport services. Harborn argues that there must be a clearer legislation in order to get more effective results.

4.5 Tetra Pak AB

4.5.1 About the company

Tetra Pak is one of the world’s leading food packaging company of Swedish origin founded in 1951. Tetra Pak is part of Tetra Laval Group together with DeLaval and Sidel. Beside packaging equipment for liquid food products, Tetra Pak is providing packaging technologies and supplies processing, packaging and distribution in order to optimize the use of resources (Tetra Pak, 2016). The main goal with its products is to protect the nutrition value and the taste of the products. Tetra Pak entered China in 1979 and has now over 2000 employees all over the country. The company is active in most of provinces in China, for example Shanghai, Beijing, Hohhot, Kunshan, Foshan, Xiamen, Chengdu, Harbin, Xi’an, just to name a few. The reason for entering the market was the size of the market combined with the company’s goal to “Get safe food everywhere”. As everybody is consuming beverages, especially milk, the demand for Tetra Pak’s products was high from the very beginning, but it escalated after 2000.
Edward Dong is the Public Affairs Director, CSR and Communications of Tetra Pak China. He has worked for Tetra Pak in China for two years and his main responsibilities is the communication and relations with different parts. Rendy Ren is the Environmental Manager for Tetra Pak. He has worked for Tetra Pak in China for ten years and his main responsibilities are the environmental issues with main focus on product support, customer sustainability and waste sorting projects.

4.5.2 Triple bottom line

Sustainability has been the core of the company since the very beginning. The company’s commitment to the environment is represented not only in its products but also within the whole value chain. Moreover, the core value of Tetra Pak is long-term commitment and sustainability is critical for long-term commitment. To combine sustainability with the company’s operations is a policy of Tetra Pak on a global level. Dong presents one of the company’s visions; to grow together with the customers and suppliers and include sustainability through the whole value chain. He argues that this is a strategy that gives many benefits for all parts involved. The reason companies work with sustainability is the environmental protection according to Dong and in China he argues that there are many challenges compared to outside of China because of the regulations and policies.

Ren identifies some of the drivers for working with sustainability within Tetra Pak. First of all are the social, economic and climate changes in the world that has according to him a huge impact on the business itself. Second of all, the customers and suppliers have expectations and targets regarding these issues that Tetra Pak must consider and work with in order to survive in the network and keep a good relation with the stakeholders. Ren further states that the world is changing and even if it is not due to Tetra Pak, it is Tetra Pak’s responsibility to do something about it. Dong presents the company’s definition for sustainability as the following:
“Protect food, protect people and protect the future”. In other words; growing together with China’s dairy industry, love and care for the next generation and be in harmony with the environment.”

- Edward Dong, Director of Corporate Communications, Tetra Pak Shanghai

Tetra Pak’s approach to sustainability is shaped by the brand’s promise: PROTECT WHAT’S GOOD™. Dong explains the importance of balancing the three commitments (protect food, protect people and protect future) and this is achieved through collaborations, innovation, determination and a strong sense of obligation across the entire company.

The economical aspect

Dong explains the meaning of “protecting the food” as the necessity of a healthy industry in order for the company to grow in a sustainable way. For example, in 1985 Tetra Pak established a Sino-Swedish Dairy Center in Beijing that was sponsored by the Swedish Government. This was furthermore established together with Alfa Laval and the purpose is to provide advanced filling and processing equipment and technology, as well as other training resources, which has cultivated the first talents for the Chinese dairy industry in the following years. Another example is in 2003, where Tetra Pak together with MOA and School Milk Program National Office officially launched the Raw Milk Upgrading Program that facilitated 195 ranches to increase their raw milk quality as high as EU standards.

Dong also argues that talent is a must for industry blooming and Tetra Pak is engaging in different activities in order to help their customers to cultivate elites. Since 2001 Tetra Pak offers Dairy Star Executive Training Courses, Training of Senior Management Courses And Technology Talents for Modern Ranches Courses. He believes that knowledge and awareness are the best way to contribute to a growing sustainable industry. An economic challenge that Dong mentions is the pace of the economy that is slowing down. One benefit though is according to him that the milk consumption in China still has space for development and that is a good opportunity for Tetra Pak.
The environmental aspect

Ren states that Tetra Pak has four pillars as core values; environment, innovation, growth and performance where the environmental one is very important for the company and has been since the beginning. He argues that the company’s environmental ambitions have changed since the 1970s when the focus was mainly on energy recovery. In 1990 the focus changed towards recycling, which has become an important target for the company according to Ren. Further in 2000 the company started with environmental reports setting climate goals and starting collaborations with key stakeholders like WWF. From 2010 the ambition changed again towards raw material and water waste and to become 100% transparent within the whole value chain is very important for Tetra Pak. Ren also mentions some of the targets that the company has by 2020; 100% renewable climate material and increase recycling by 40%.

According to Ren, most of the environmental impact comes from the suppliers; from the raw materials and from the logistics. What the company tries to do is to convince both suppliers and customers to use more sustainable products and recycle more in order to decrease the impact. Moreover, the company pursues to convince customers to reduce energy use and wastewater consumption in order to make the process more efficient. Ren argues that this will contribute a lot to Tetra Pak’s own goal as well. The biggest challenge that Tetra Pak faces is that China does not have a waste classification system. This issue is according to Ren very complex and resource craving as it involves good relations with the government, the collectors, different NGOs in order to make a change and build a sustainable value chain. Also, he mentions, that recycling is still at an early stage in China and there is not much awareness about what it involves, so Tetra Pak is engaging a great deal to raise this awareness.

The social aspect

Dong states that for Tetra Pak, the people’s well being is a priority and the company supports all communities in which it operates and provide opportunities for its employees around the world. School Feeding Project milestone is a government-led project that Tetra Pak supported from its start in 2000 and has until today invested 300 Million RMB and has covered more than 60,000 schools benefiting over 22
Million pupils. Maternal and Infant Health project is another example that Dong mentions that helped over 1400 women. Also, in 2014, employees of Tetra Pak China donated 219.018 RMB to Meal with Love project of China Foundation for Poverty Alleviation and provided 85.800 nutritional meals for 4 remote schools. Moreover, in 2011 Tetra Pak joined the EARTH Water Project which sells good quality water by water exchanging and donates all income to provide clean water system for the people in need all around the world. Finally, Dong emphasizes the importance of the motivation and safety of their employees. He states that Tetra Pak aims to achieve zero accidents and work-related illnesses.

4.5.3 Stakeholders

The relationship with the stakeholders is very important for Tetra Pak in order to reach its targets, states Dong. According to him, the stakeholders have a profound influence on the decision-making within Tetra Pak and their demand is always changing and improving in line with the development of the economy. Dong also states that only through collaborations with different stakeholders the sustainability goals can be achieved. Thus, Tetra Pak engages actively and has a good communication with the stakeholders at every level in order to develop common solutions and shared value.

“At the industry level it is very important to build partnerships in order to raise awareness about sustainability, especially in China where the concept is quite new.”

-Edward Dong, Director of Corporate Communications, Tetra Pak Shanghai

Regarding the government’s requirements on sustainability, Dong does not identify any challenges and considers Tetra Pak to be a pioneer at sustainability who always exceeds the expectations. The company is also very transparent in everything it does. An example that Dong gives is the network of UBC recyclers that Tetra Pak has established where it shares the platform with other carbon producers. Another example regarding transparency is the collaboration with GoldenBee for the proposal of 2020 package recycling goals where they share the cases together with other MNCs. Dong also believes that being a transparent company brings many
benefits and a strong competitive advantage. Especially nowadays where more and more customers want to see how companies work and how much they damage the environment as that is the main focus now in China. However, Dong admits that the mentality of being transparent in China is still under development for Chinese companies, but there have been significant improvements lately, mostly because of the demands from stakeholders.

Ren also mentions the major importance the relationship with stakeholders has in order to promote FSI (Forest Management Standards) in China to secure that the value chain is sustainable. He argues that it is not enough to just promote FSI, which is easy according to him, more important is to make people aware.

4.5.4 Competitive advantage

According to Dong, the most common competitive advantage that companies aim for in China now is to get high growth rates. However, he believes that this will change towards a more long-term advantage concentrating on environmental solutions instead. Dong states that;

“Tetra Pak aims for a long-term perspective and more sustainable advantages than high growth rate, which is one of the biggest competitive advantages of Tetra Pak.”

-Edward Dong, Director of Corporate Communications, Tetra Pak Shanghai

He also argues that is important to constantly set up goals according to the market demand in order to be more competitive, which Tetra Pak is doing every 10 years. Moreover, Tetra Pak’s work with FSC for the selection of paper that guarantees that the paper is from sustainable managed forest, is considered by Dong to be a differentiation factor towards the competitors on the Chinese market. This furthermore leads to competitive advantage for the company.

Dong also believes that transparency gives opportunity to gain competitive advantage and Tetra Pak is considered to be a very transparent company, working together with the stakeholders to promote sustainability. Finally, the best benefit of
working with sustainability, according to Dong is the sustainable development for the company, followed by profitability in the long run.

4.6 Volvo Group AB

4.6.1 About the company

Volvo Group is one of the world’s leading manufacturers of trucks, busses, construction equipment and marine and industrial engines, but also solutions in financing and services (Volvo Group, 2016). Volvo brand is known and respected worldwide and is associated with the core values: quality, safety and environmental care. The vision of Volvo Group is to be the most desired and successful transport solution provider in the world.

Volvo Group’s brand portfolio includes: Volvo, Volvo Penta, UD, Terex Trucks, Renault Trucks, Prevost, Nova bus and Mack. Volvo Group has been in China for over 20 years, setting up the first branch office in 1992. All the business areas have presence in China through either wholly owned foreign investment, joint ventures or alliances: Sunwin (leading Chinese bus producer), SDLG (leading brand in Chinese construction machinery industry), Eicher and Dongfeng brands (one of China’s leading trucks brands). China is considered to be Volvo Group’s second home market with over 6,000 employees. Most public transportation in Shanghai for example is covered by Volvo Group’s brands.

Huang Zheng is the Vice President of Public Affairs, CSR and Communication for Volvo Group China and has worked for the company for 4 years. His main responsibilities are; the relation with the external stakeholders in China, except for the investors, daily contact with government agencies, opinion leaders and media relations.

4.6.2 Triple bottom line

Zheng argues that Volvo Group perceives sustainability not just as a function or a stand-alone activity, but as a strategy which is incorporated in the daily practices of the company. He defines sustainability for Volvo Group as followed
“The way of doing business in a responsible way”
- Huang Zheng, Vice President of Public Affairs, Volvo Group Beijing

Furthermore, Zheng believes that sustainability work should come from top-down and by that he means that it should start from the Head Quarters and go down to countries and adapt to the local market.

The driving forces for the sustainability work for Volvo Group are presented by Zheng as the following; demographic growth, environmental pressures and social challenges and the goal for the company is to help the society build a more sustainable city. According to Zheng, Volvo Group uses three approaches in its sustainability work. First of all, there is the responsible behavior where the company uses the code of conduct in order to earn trust from different stakeholders and make the company and all the parts involved obey the laws. Secondly, the company focuses on creating shared values. Zheng states that they are not a company who lives in a small world, but within a community, so they need to engage and create shared values. The third approach that Zheng presents is being a top leader in terms of sustainable transportation. On this issue, he argues that in order to reach that goal, Volvo Group needs to help the industry to reshape its future and pioneer the sustainable transportation through innovation and research.

Zheng states that the awareness in China regarding environmental challenges has been growing steadily and sustainable development is on the top agenda for both the government and the public. Until a couple years ago, the environmental issues were still kind of a joke for most in China, but now it has become a serious discussion, and people want to get engaged in doing something about it. Because of this, the demand for sustainable products has also been growing which is an advantage for Volvo Group in China. Although, Zheng explains, sustainable products for China mean mainly fuel-efficient and safe products and there is not much focus on the social and economic part of sustainability. Zheng also mentions that there are though many challenges when working with sustainability in China; infrastructure challenges, traffic safety issues, drivers behavior, people do not follow the laws, the slowing-down of the economy and the acceptance and awareness still need
development. Finally, Volvo Group considers sustainability work through three aspects: social, economic and environmental. Zheng argues that these three aspects need to be combined and find the balance in order to get sustainable transportation.

**The economical aspect**

Through economic sustainability, Volvo Group perceives high productivity in the transport system. As Zheng states, the company needs to make the vehicle make money, otherwise there is no business. Moreover, the investors and shareholders want high productivity and the company is responsible to satisfy their demands, according to Zheng. He also states that only by creating value to the customers, the company can create value for shareholders and for the society.

Another aspect of the economic sustainability that Zheng brings up is that companies nowadays are not only judged by the financial contribution and job creation, but mostly about the value they bring into society by creating solutions to different challenges the world faces today and how they help the community, which the company operates within. These statements are valid for both shareholders’ and stakeholders’ demands toward the company, says Zheng. So, in order to achieve economic sustainability, Volvo Group focuses on developing innovative solutions that will contribute to a sustainable development of the transport sector. Also, Zheng mentions that the demand for efficient technologies and smarter logistics is growing and Volvo Group aims to meet those demands. He argues that only by meeting the demands; the business can achieve success and sustainable development.

**The environmental aspect**

The environmental care has always been at the core of Volvo Group’s business. For Volvo Group, environmental sustainable means energy efficiency and low emissions. Zheng states that Volvo Group’s vehicles eat fuel and exhaust waste, so the company needs to engage in reducing the negative impact that their products produce and the company does that by developing sustainable transportation and rethink the future. By rethinking the future, Zheng means that Volvo Group needs to develop smarter, safer and cleaner products. An example that he gives is remote
controls and autonomous driving that will help improving the working conditions for people because some of the construction equipment is used in harsh conditions.

Besides, the environmental impact from the products, there is also the impact from production, which needs to be taken into consideration according to Zheng. Volvo Group invests a great deal in making the best use of the resources, recycling and remanufacturing. In China, as well as the rest of the world Volvo Group’s facilities must comply with the minimum requirements for environmental performance and the long-term ambition is to make the plants carbon dioxide neutral, explains Zheng. In China, Volvo Group has cooperation with different universities to establish “Green Economy and Sustainable Research Center” by participating in research for climate change and climate protection. Zheng also mentions the important collaboration the company has with WWF for different environmental projects.

*The social aspect*
According to Zheng, being socially responsible means having safe and secure vehicles, not violate laws or human rights, convince customers to obey laws, having engaged and satisfied employees and engage in the society issues. In 2014, Volvo Group initiated a program called “Moving the Society forward” with the purpose of suggesting and giving directives in sustainability development in China. This program concentrates on three pillars: environmental care, traffic safety and education and skill development.

Firstly, Zheng focuses on the importance of traffic safety, which is formed by three aspects: the road, the vehicle and the people (drivers, pedestrians, cyclists etc.). Zheng states that Volvo Group concentrates on having a more holistic view and takes into consideration all these three aspects when they do things. Volvo Group works with different ministries to establish a traffic research center, but also with traffic authorities and ministry of transport and infrastructure in order to improve the traffic laws, safety situations and efficiency. Zheng mentions that trucks and busses mainly cause the high rate of traffic accidents in China and this is one of the reasons why Volvo Group wants to intervene and contribute to a safer traffic conditions. Another matter that Zheng brings up is the lack of skilled and safe
drivers in China, which is why Volvo Group has opened Volvo Green Driving Academy, which is free of charge where any driver can attend the courses for free. Moreover Volvo Group has had a campaign “Stop, look and wave” to give safety education for kids.

Further, regarding the education and skill development, Volvo Group has an academic partnership program where it works with different universities and helps them with innovation activities and internships for students both in Sweden and in China. Moreover, Zheng mentions the “Hope Schools” that Volvo Group is collaborating with in order to help kids who cannot afford to go to school to get an education. Also, Volvo Group helps primary schools to establish more libraries. Finally, Zheng underlines the importance of the code of conduct within Volvo Group. The company has no tolerance for money laundry and activities related to corruption. Further, the products should be presented in an accurate way and avoid conflict of interests. The human rights are also something that is very important for the company, according to Zheng. From Volvo Group’s perspective, to violate human rights is not only a disadvantage but the death of the business. Volvo Group even has a whistle blower procedure where anybody who finds anything that violates the code of conduct can whistle blow.

**4.6.3 Stakeholders**

In order to succeed in working with sustainability, Zheng states that Volvo Group must get involved with different stakeholders and engage them in the work; otherwise the whole concept is worthless as it depends on many external factors. As mentioned earlier, Volvo Group has collaborations with different stakeholders at different levels. Further, Zheng divides the stakeholders into; internal (employees and investors) and external (media, universities, government, companies).

“For Volvo Group it is important to help the customers and social stakeholders to understand the company’s sustainability approach and get them engaged.”

- Huang Zheng, Vice President of Public Affairs, Volvo Group Beijing
For this, the communication with the stakeholder is a priority for the company, states Zheng. He argues that it is important to focus on the total solution and game changing in order to reach sustainable development and that is only possible with the involvement of the stakeholders. Moreover, the demands from both stakeholders and shareholders have changed lately, according to Zheng. Before, it was more about the financial value and now it is more about the value the company contributes to the society. Sustainable development is on the top agenda at the moment for the government in China and all stakeholders are taking the pollution problems very seriously. Zheng mentions that only a few years ago, talking about pollution in China was mostly as a joke. He further argues that the requirements from the government that have been introduced in the last years, have contributed to a fast development within sustainability work and companies have become more long-term focused. In Zheng’s opinion, the requirements are an effective method in China and should be there. Also, because the demand for sustainable products has increased, the demand for transparency has also increased, according to Zheng. He further argues that being a transparent company can lead to many benefits in China compared to the rest of the world where transparency has become more of a hygiene factor. Volvo Group has no challenges to keep up with the government's’ requirements as it is considered a pioneer of sustainability.

4.6.4 Competitive advantage

According to Zheng, Volvo Group’s biggest competitive advantage is the value of the brand Volvo, which is represented by; safety, environment and quality. Being a Swedish brand is also considered to be a competitive advantage in China according to Zheng. Swedish brands are known in China to be of good quality and be environmentally friendly.

“Sustainable brand means business”
- Huang Zheng, Vice President of Public Affairs, Volvo Group Beijing

Zheng means that nowadays, even in China, to be a sustainable brand, a brand that offers fuel efficient and safe products, is attractive and people will buy the products. In China though, it should still be cheap in order to have a greater competitive
advantage. The Chinese people have started demanding qualitative and environmental friendly products but the price still influences the decision-making. According to Zheng, Volvo Group does not consider lowering the price in order to get more competitive on the market, but focus more on making people aware about the long-term perspective of sustainable products even if they cost a bit more.
5. Analysis

In the following chapter the analysis will be presented. By connecting the empirical data and theoretical framework the data will be analyzed. Here the similarities that have been presented will be compared and also the differences that occurred during the study. The chapter starts with an analysis of the Triple Bottom Line, followed by a comparison of the case companies stakeholders. Finally, the companies’ competitive advantages will be analyzed.

5.1 Triple Bottom Line

Chowdury (2014) and Elkington (1997) state that it is everyone’s responsibility to provide for a sustainable future and thus, it is vital that every company works with sustainability. Moreover, Elkington (1997) claims that a firm is only sustainable when it adopts all three aspects of sustainability and Hussain et al. (2016) and Ralston et al. (2014) argue that everyone will profit when adopting the triple bottom line; the business itself, its shareholder, the stakeholders, the society and the environment. Based on the empirical data that has been gathered it is apparent that all companies claim that sustainability is something that is highly important for every individual business no matter what industry the business is operating within. Atlas Copco states for instance that non-sustainable companies will eventually die if they do not adopt a sustainability agenda. Many of the interviewees’ definitions of sustainability also have a clear link with each other. Elanders’ and Nolato’s definitions are mostly considering the environmental impact whilst Atlas Copco, Scania, Tetra Pak and Volvo Group have a broader view of sustainability, their definitions include additional aspects. Although, it can be argued that the interviewees’ definitions of sustainability are not transparent with the companies’ sustainability actions, which we have been able to identify.

5.1.1 The economical aspect

Willard (2012) argues that the economical aspect concerns the long-term performance of a firm, which means focusing on long-term investments that generate profit over a longer period of time. Elkington (1997), Fry and Nisiewicz
(2013) and Savitz (2013) claim that a long-term financial performance is the only way to go if a company wants to reduce the uncertainty of its future. The empirical data indicates that all companies refer to a long-term mind-set when it comes to financial investments. Atlas Copco and Elanders are specifically talking about the importance of finding long-term investors and that their current shareholders understand the advantages that economical sustainability can bring. Nolato mentions that it can work towards long-term investments due to the fact that it is family-owned and thus, there is an understanding of what a long-term commitment can give. However, Tetra Pak mentions that knowledge and awareness are the best ways to contribute to a growing sustainable industry. This view may differ a bit from the other companies within this aspect since the other companies highlight the importance of investing in high quality machines and equipment that last longer, which in turn lower the costs and generate more profit.

The interpretation that can be made out of this is that the companies adopt the economical aspect according to the theories that have been presented for this part. It is also obvious that all companies believe that long-term investments lead to a higher degree of profitability, even though it may be achieved over a long period of time. Another interpretation is that Nolato has a great advantage in being family-owned as the owners usually have a longer-term perspective in their decision-makings since they want to promote a healthy development of the business to their heirs, and then long-term investments gets a more important role.

Although, as Hussain et al. (2016) mention, it can be hard for companies to make their shareholders’ understand the benefits that long-term investments may give. The empirical findings demonstrate that the companies do not find it difficult to make their shareholders support long term investments, which goes against Hussain et al. (2016) argument. One reason for that could be that all of the companies are considered as professional sustainability companies and thus, they attract shareholders that have a great interest for sustainability issues and then it becomes much easier for these companies to adopt economical sustainability. In contrast, it can be argued that a company that is not considered a professional sustainability company finds it much more difficult to promote long-term investments to its
shareholders since it does not attract shareholders that have developed an interest for these issues.

5.1.2 The environmental aspect

According to Willard (2012), the environmental aspect includes reducing the environmental impact, which means reducing the amount of water, energy and materials used in the manufacturing. Furthermore, Willard (2012) explains that a company should also care for recycling of waste and reduce the carbon footprint in order to contribute to improvements of the environment. The company’s processes also become more efficient when it adopts the environmental aspect, which can lead to cost savings (Elkington, 1997; Willard, 2012). The empirical findings demonstrate that all case companies work actively with the environmental aspect and they are especially talking about reducing the negative impact on the environment. Elanders, Tetra Pak and Volvo Group argue that they are considering the recycling part within their organizations and that they are doing everything to manage their waste in the best way possible.

It can also be argued that the case companies achieve the benefits that Elkington (1997) and Willard (2012) talk about. For instance, all case companies argue that they develop products with high quality and long lifecycles, which in turn results in that they gain long-term customers. Moreover, high quality products and solutions may also lower the costs in terms of service costs, but most importantly, long-lasting products do less harm to the environment, which is the key focus within the environmental aspect according to Elkington (1997) and Willard (2012).

Willard (2012) furthermore mentions that a fully sustainable business goes beyond the existing environmental regulations. We are able to implement this on all case companies but the empirical data shows that Elanders, Scania and Tetra Pak stand out the most regarding this. The three case companies believe that it is their responsibility to educate their customers to become environmental sustainable as well. That is said, they are not just taking responsibility for their own operations by following the regulations in China, but they are also trying to influence their customers to adopt environmental sustainability.
Our interpretation of this is that the case companies do this because they have developed a mindset that includes taking the next generations into account, which means that they want to contribute as much as they can to make the world a better place. Further, it can be argued that this kind of mindset has been developed through the Swedish mentality, which we have understood from the case companies means that you should care for others and not just yourself.

Furthermore, Elanders and Nolato believe that the demand for buying recycled products is low in China. We find this interesting since the case companies are not trying to reduce their work with sustainability in China despite the fact that they are aware of the low demand on the Chinese market. One reason for this could be that the case companies are MNCs and thus, they have a global reputation to protect and if it would appear that the companies would reduce their sustainability work in China due to a low demand for sustainable products, it would probably damage their global brands. It can therefore be fair to argue that it is more important for MNCs to have a solid sustainability profile compared to local companies in China. Moreover, it seems that all case companies want to be seen as role models when it comes to sustainability within their industries and this could also be related to the wish to strengthen their brands. Also, Nolato mentions that it has participated in several magazines due to its environmental work, which in turn generates good PR and marketing for the company. This is yet another benefit that comes out from working with environmental sustainability and it can therefore be argued that environmental sustainability generates more benefits than the benefits that Elkington (1997) and Willard (2012) mention.

5.1.3 The social aspect

The social aspect is argued by Willard (2012) to include fair working conditions for a company’s employees, the relations to a company’s customers, suppliers and business ethics. For instance, companies that are working with the social aspect are often considered as more attractive companies for customers and consumers, which in turn leads to better sales and profitability. Based on the empirical data, all case companies have developed fair working conditions for their employees in China,
which often include various programs aimed at getting the employees to thrive. Nolato mentions for example that they must have good working conditions for their employees because otherwise they may lose them. In Nolato’s case, it is simply about keeping the employees, which can make it seem like they perceive having good working conditions as a must. However, we are certain that both Nolato and the rest of the case companies offer fair working conditions to their employees because they want to be considered as good employers, but also because they know that satisfied employees contribute to higher productivity.

According to Willard (2012) investments and commitments to social activities should also be included in the social aspect. Hussain et al. (2016) state that a social commitment benefits the individual company. The empirical findings demonstrate that all case companies but Scania consider the social aspect to be apart of sustainability. Scania argues that social activities have nothing to do with sustainability; it is charity, which is another question. This view differs a lot from the other case companies as well since the other case companies give several examples of their commitments in social activities and they also claim that social activities are included in sustainability.

Scania claims that involvement in social activities is a way for a company to compensate for its unsustainable performance and thus, make it look better than it actually is. From our point of view, Scania’s view of social activities can be acknowledged to some extent. We agree with the fact that it is important for every company to do its best in reducing its negative impact on the environment before getting involved in social activities. However, we have doubts about whether it is right that companies should not engage in social activities and contribute to the society as a part of their sustainability work. If companies do not contribute to social activities, such as schools, voluntary organizations or projects, then who will? From our point of view it is only the companies that have the resources to invest in these activities and if the organizations do not receive any financial support, there is a risk that the society will suffer. This furthermore goes in line with Elkington (1997) as he argues that companies have to account to the welfare of the society and contribute to a sustainable development of the human life. If companies do not take
into consideration the social and the human values in their organizations, there is a great chance that the society will eventually collapse as a result.

The benefits that Hussain et al. (2016) present are also possible to apply to the case companies that are involved in social activities. For instance, it can be argued that Volvo Group’s social program “Moving the Society forward”, Atlas Copco’s “Water for all” project, Nolato’s involvement in a Chinese school and Tetra Pak’s EARTH Water project gain a lot of of positive attention, which may benefit the companies in they way that they attract new shareholders and customers. However, it can furthermore be argued that the companies develop these projects with the purpose to contribute to a sustainable development of China. Although, as a final point we argue that our case companies have better conditions to get involved in social activities and to invest in their employees in terms of financial resources compared to small and medium sized companies in China.

5.2 Stakeholders

Edward Freeman was the first to coin the concept of stakeholders and its affect on a business (Freeman et al, 2010). Numerous authors, such as Elkington (1997), Friedman and Miles (2006) and Fry and Nisiewicz (2013) state that stakeholders have a great impact on a business, which has been argued for a long time. From the empirical data that has been gathered all the interviewees from the companies argue that the stakeholders build the company, which means that they have a very big impact on the business. Still, there are some differences in how the interviewees see the stakeholders; all of them except Scania say that shareholders are very crucial for the company’s survival. Scania, on the other hand, believes that by constantly working with other stakeholders it will attract the shareholders that the company wants and it will turn out to be profitable for the company and also for the shareholders if the other stakeholders are satisfied. We argue that the way Scania sees stakeholders is a more modern and better strategy for the company to attract the shareholders that the company wants. When the company shows the society how it works towards all the stakeholders it will attract shareholders with similar mindsets, which hopefully is the company’s goal.
Freeman (2010) states that business and sustainability should go hand in hand. Many companies still have the view that sustainability is something nice to have if you can afford it, which is the completely wrong way to look at it according to Freeman (2010) since he believes they are inseparable. All the case companies agree that the stakeholders are demanding the company to work more sustainable which is something positive. Atlas Copco, Elanders, Nolato and Tetra Pak all point out that their stakeholders want to invest long-term and therefore they would not invest in a company that is considered to not be sustainable. Still, all the case companies argue that the Chinese companies have a different view on sustainability and how important the stakeholders are when it comes to sustainability.

We agree with the interviewees that stakeholders nowadays want to invest in the future. Since in today’s fast changing society it is hard to be profitable in the shorter term, that is why it is not only crucial for the company to invest long-term but also for all the stakeholders. Furthermore, people are more aware than ever about the environment and companies’ affection on it. Due to this a lot of people do not want to buy unsustainable products. This is also a benefit for the companies since a whole new targeting market is opening which benefits the company itself, the customers and also the environment: so it is a win-win situation. The empirical data indicates that one of the reasons why Chinese companies do not care too much about sustainability is because the stakeholders that they are in touch with still do not have that mentality, which means that the company does not necessarily need it and that it only costs money to have.

In today’s society the focus lies on value maximizing which was not the case just a few decades ago, then the agenda was to maximize the profitability for the company and its shareholders (Elkington, 1997; Freeman et al., 2010; Fry and Nisiewicz, 2013). Kotler et al. (2016) argue that all the stakeholders in the business should gain value, not just the shareholders. From the empirical findings Atlas Copco, Elanders and Volvo Group all have the same view on how the demand has changed during the years from the stakeholders. For about twenty years ago the high focus was on making money so that the shareholders could get a high return on their investments. The difference now is that today all the stakeholders are in focus and they are more concerned about making long-term investments in the company and what the
company does in order to be sustainable, since the stakeholders believe that through investments and sustainability they will get more sustainable returns on their investments from the company, which is furthermore supported by Kotler et al. (2016). For example, the employees invest their time in the company and hope that they will be able to take part of the return in form of higher salaries.

By changing the focus on making profit directly for the stakeholders to create value instead is a good strategy that is also necessary for today’s society. Since everyone that invests wants to gain something from it and it is impossible to please everyone in a short-term since they all have different goals and reasons for their investments. Thus, a long-term thinking is the best way to go, on the way it is possible to please more stakeholders and to achieve good and stabile results. The empirical findings show that Atlas Copco, Elanders and Volvo have a good understanding for their stakeholders and that they are well versed in how the stakeholders could affect their business.

Elkington (1997), Freeman et al. (2010) and Fry and Nisiewicz (2013) all state that value maximizing can only be created through a good integration with the stakeholders. Furthermore, Kotler (2016) describes that even though all the stakeholders might not get their wishes fulfilled it is important that the company still acknowledge them and take them into consideration. Tetra Pak mentions that through collaboration between the different stakeholders they can achieve value and develop common solutions for the stakeholders. Nolato states that the stakeholders value the company higher when they have a sustainability policy that they work actively with. Scania describes that the demands are very high from their stakeholders concerning that the company should work actively with sustainability. Elanders states that it is not possible to ignore the role of stakeholders today and Volvo Group argues that they must get involved with different stakeholders in order to achieve a successful outcome of their sustainability work.

What can be said from these arguments is that stakeholders have a crucial role for all of the case companies. Their views on stakeholders are similar and our interpretation is that the companies believe that the stakeholders control the companies’ operations. Furthermore, based on the empirical findings we understand that it is very important to understand what intention each stakeholder has with its
commitment to the company or it might arise conflicts if the stakeholder feels like its needs and demands are not being satisfied. The case companies have a lot of experiences and knowledge of the industries that they are active in and therefore we believe that they are well aware of what their stakeholders are expecting from them. Even if we live in a fast changing society, they know well how to handle changes and how to best tackle them. As Tetra Pak mentions, it is possible to collaborate with different stakeholders towards one common goal, by doing this it is also easier for the company to meet the needs from the stakeholders. Our view upon this is that successful collaborations lead to more satisfied parties, which in turn benefits the individual company more than if it would only consider itself.

As Freeman (2010) mentions, the government is one of the stakeholders for a company that affects the company’s decision-making, the focus and priorities of the company. All the case companies are in some way arguing that the government in China has settled requirements that affects their business. Atlas Copco explains that new regulations were introduced about one year ago when China drew high attention to the pollution level in the country. Before these regulations it was possible to sell nearly whatever you wanted on the market and therefore Atlas Copco believes that the new regulations are very good but there is still room for improvements. Atlas Copco continues by saying that it is much easier for global companies to adopt to these laws since in general all global companies have been working with sustainability for a long time, while Chinese companies lack the knowledge and experience.

Elanders, Nolato and Scania are all agreeing on the fact that laws in China can change dramatically which sets their businesses in imbalance. This because when China is discovering a problem they want to solve it right away no matter what the consequences might be. Elanders, Nolato and Scania also mention that the high focus is on decreasing the pollution instead of decreasing any other harmful materials, they believe that the focus from the government in China can be very unrealistic sometimes, since pollution rates needs to be solved in the long-term run. In contrast to the other case companies, Tetra Pak and Volvo Group do not face any challenges with the requirements from the Chinese government as they consider themselves pioneers at sustainability. Further, Volvo Group argues that the
requirements have contributed positively to the sustainable development in China and that requirements are a good method for companies to improve their work.

The interpretation that we can make out of these arguments is that the requirements that the government settled one year ago is one step in the right direction. Still, as many of the case companies state the laws are changing rapidly and if the government keeps doing that it may hit back eventually. It is not possible for companies to keep up with requirements that are changing dramatically; it will only harm the company, which in the long-term will harm the country. The reason why Tetra Pak and Volvo Group believe that the requirements are not challenging might be because the companies have established a strong relationship with the Chinese government through Edward Dong and Huang Zheng, who are the communicators between the government and thus, the companies are well aware of the upcoming changes that might occur. Therefore, it can be argued that it is important to develop a good relationship with the Chinese government in order to better tackle changes. It can also be good in the sense that it gives the company the opportunity to influence the government and other authorities to think in a longer perspective when adopting new regulations.

As mentioned above, the stakeholders have a great impact on a business according to Elkington (1997), Friedman and Miles (2006) and Fry and Nisiewicz (2013). Since the stakeholders are investing in the business they can also demand certain things that they want the company to do. One of these demands and expectations that the stakeholders have is that the companies should be transparent. All case companies agree that the demand from Chinese stakeholders is not that high, or sometimes does not exist at all. Nolato claims for instance that they do not believe that Chinese companies work as much with transparency as companies in Sweden do. However, Elanders, Volvo Group and Tetra Pak state that the demand concerning transparency has increased in China compared to just a few years ago. They mean that it is possible to see the change and that it is still developing, this because customers get suspicious when a company does business in China and wants to know how the company affects the environment. Therefore, it is better to be open about what they do since they have nothing to hide and that it creates trust to their stakeholders. Although these case companies believe that the demand has
increased there is still a low demand for being transparent in China. Nolato and Scania have different views on how transparency can lead to competitive advantages on the Chinese market. Scania states that due to the low demand, transparency cannot be considered as being a source of competitive advantage. In contrast, Nolato states that it can be seen as a competitive advantage since their customers want to know that they work with sustainable subcontractors.

The differences between Nolato’s and Scania’s approaches to transparency may be that they operate within different industries and that they serve different kinds of customers. Since Nolato is a subcontracting company it must adapt to its customers’ requirements and since they demand that Nolato shall be transparent, Nolato has no choice but to satisfy those demands. In Scania’s case, we believe that it is more about the fact that its Chinese customers do not demand Scania to be transparent and thus, Scania does not gain any advantages of being transparent. However, as the findings show, Scania is not reducing its transparency work in China because of this and neither does any other case company. Our interpretation of this is that since all case companies are global they have the same level of transparency worldwide even though the demand might not exist everywhere, which means that all of them find it important to be transparent even in China. Further, as Elanders, Volvo Group and Tetra Pak mention, there are benefits from working with transparency in China, which goes against Scania’s way of looking at it. Since Elanders, Volvo group and Tetra Pak also experience an increased demand for transparency it can be argued that transparency can give the companies benefits in the form of competitive advantages in China. Furthermore, it might also help the companies to win market shares in China since it is still not that common.

5.3 Competitive advantage

According to Porter (1985) there are two ways to gain competitive advantage: create the same value as the competitors more efficiently (low cost) or create superior value than competitors at a higher price (differentiation). From our empirical findings it is noticeable that the most common competitive advantage that Chinese companies in China strive for is low price, according to our interviewees, which is one of the ways that Porter (1985) is presenting (low cost). All of our case
companies state though that the demand for quality has increased significantly in the last years in China along with the economic growth of the country, which made it more affordable for people to pay for the quality. Still, our interviewees stress the demand for a low price from the Chinese customers. We can argue that the economic changes that China went through in the past years has had a huge impact on the demand on the Chinese market and further influences what companies aspire for and how they operate. In order to survive, companies have to take into consideration the changes on the market while choosing the competitive advantage to aim for, which is a vital strategy implied by Reed and DeFillippi (1990) as well. Further, this demand of high quality at a lower cost, can be seen as a combination of the two ways to gain competitive advantages presented by Porter (1985), which we believe is a hard combination to reach and can be very challenging for companies in China.

From the empirical data that we gathered, we have found that our case companies have a different mentality when it comes to which competitive advantage they aim for, compared with the Chinese companies in China and it includes the other way that Porter (1985) has presented (differentiation). All our case companies focus on quality and differentiation rather than on low price. Beside quality, Atlas Copco’s biggest competitive advantage is the several options that the company offers for their products and they always try to be a step forward at innovation than their competitors. Elanders focuses on the knowledge and expertise and to offer better, integrated solutions than its competitors. Nolato’s biggest competitive advantage is the knowledge, high competence and variety of options. Scania, Tetra Pak and Volvo Group also focus on quality and long-term solutions. Our findings show that the Swedish companies in China have the same values as they have in the rest of the world and they do not lower their prices or quality in order to compete with the local majority, but the opposite, they intend to make the local companies come up to their level and see the competitive advantages from another angle than a short–term high growth rate. The reason for this might be that sustainability for Swedish companies is a core value, a part of the brand, which they do not want to change just because the market is not mature enough on that matter.
Bansal and Roth (2000), Berns et al. (2009) and Menguc and Ozanne (2005) argue that in order to gain competitive advantage from sustainability, the company has to incorporate the actions within the core strategies and throughout the whole organization and not use it as an independent operation. Our findings support this reasoning as it has been stressed by all of our interviewees. From the data that we gathered we can see that all of the case companies have successfully integrated sustainability through their entire organizations at all levels, they have it as a core value and have worked with it for a long time. All of our case companies use sustainability as a core strategy that is active through all the companies’ activities. Our interviewees agree that in China, sustainability is not yet seen as a value that has to be incorporated within the whole organization, but mostly as an independent matter that is mostly focused on the pollution damage. Tetra Pak, Scania and Volvo Group underline the importance of collaboration in order to fully reach sustainable goals at every level and increase the awareness among people. We can argue that there is still need for more knowledge and awareness about what sustainability actually means in China and what value it has for the company if it is well integrated through the whole value chain in China.

Porter (1985) states that competitive advantage can be temporary or sustained and that depends if the industry is informational complex, if the customers have the knowledge of the products, if there is enough Research & Development in the country or if the industry has significant economies of scale. From our empirical findings we can determine that in China there is still lack of information and awareness about sustainability and there is still place for many improvements and developments in order for sustainability to be used to gain competitive advantage, according to our case companies. All of our interviewees agree though that most of the companies in China have started working with sustainability, mainly because of the pollution concerns among the people and because of the new requirements from the government that puts pressure on the companies towards sustainable solutions and not because they believe it is something valuable to work with that can benefit both the company and the external environment. Atlas Copco, Elanders, Tetra Pak, Scania and Volvo state that the mentality has already changed in China towards a more sustainable mindset while Nolato argues that there is still a long way to go. From the findings, we can see that Swedish companies do serious contributions to
increase knowledge and Research & Development within the country about sustainability and aim for the sustained competitive advantage. We argue that the need for better Research & Development, higher awareness and information in China can also be supported by the significant economy of scale existent in China, if the resources are used effectively. Also, the lack of knowledge and awareness influences the chances for Chinese companies to see the opportunities of gaining competitive advantage from sustainability.

Barney (2002) and Reed and DeFillippi (1990) state that competitive advantage is the action that a company takes in order to create superior value and the action should be an outcome of the core competencies of the company and the opportunity on the market. Our empirical findings show that our case companies have a strong competency of working with sustainability, which lies at the core of the company. This is still not the case for the Chinese companies according to our interviewees. Moreover, all case companies but Elanders and Nolato state that there is a high demand on the Chinese market for sustainable products and sustainability in general. They mean that if a company does not work with sustainability, it is not attractive. Even though Elanders and Nolato experience a low demand concerning sustainable products they still argue that they would not been able to compete if they would not have a sustainable profile. Thus, it can be argued that sustainability is a vital factor within every organization that seeks to become competitive.

Furthermore, Atlas Copco, Tetra Pak and Volvo Group all believe that there are good chances to gain competitive advantage from sustainability in China as the amount of customers who do not want to buy from a polluted company has increased. Scania also agrees that they can gain competitive advantage on the Chinese market by working with sustainability because the Chinese competitors’ work with sustainability is yet non-existent. Nolato also states that having a solid sustainability agenda gives opportunities to gain competitive advantage on the Chinese market at the moment as not many have that agenda yet. Nolato argues in the same time that if everybody would have a strong sustainability agenda then there would be no chance for a competitive advantage. Then, sustainability will become more of a hygiene factor than a source of competitive advantage since everybody is forced to take it seriously now and implement sustainability solutions.
Further, Nolato means that if everybody does it, then there is no advantage. This statement supports partly the theory of competitive advantage, which says that you must create superior value than the competitors in order to gain advantage otherwise there is no competitive advantage to gain if everybody creates the same value. We agree to some extent with Nolato’s statement. We argue though that there is always something extra one can do to improve, create more value and differentiate in order to gain competitive advantage even when it comes to sustainability work. Moreover, our empirical findings demonstrate that there are opportunities on the Chinese market for companies to gain competitive advantages from sustainability.
6. Conclusions

In this chapter the answer to the research question will be presented, which will originate from the analysis in the previous chapter. Thereafter, a discussion about theoretical and practical implications that this study has resulted in will be held. Finally, limitations and suggestions for future research will be displayed.

6.1 Answering the research questions

Sustainability has become a hot topic recently and not least within the international business arena. In order to provide for a sustainable future, literature and previous research indicate that firms have to consider sustainability as a part of their organizations. Sustainability also provides benefits in the form of competitive advantage and therefore, it is important to develop an understanding of how companies can take advantage of these benefits in order to gain competitive advantages. The purpose of this study has been to answer the main research question (RQ): What are the opportunities for Swedish companies to gain competitive advantage on the Chinese market by working with sustainability?. In order to answer this question in a broader sense, the following sub-questions will first be answered: (1) How are Swedish companies working with sustainability in China?, (2) How do stakeholders influence the work with sustainability among Swedish companies in China? and (3) What benefits do Swedish companies in China gain by working with sustainability?.

(1) Our first sub-question concerns how Swedish companies work with sustainability in China. Previous research has demonstrated that Swedish companies in general have a solid sustainability agenda and that sustainability is an important part of their operations. This study has shown that although the triple-bottom-line-concept was not known, Swedish companies do work actively with sustainability and they adopt all three aspects of the triple bottom line in accordance with the theories. Considering the environmental issues, the Swedish companies focus a great amount of resources in order to reduce as much as possible the environmental impact through recycling, waste management and innovation for products that do not harm the environment. Economic sustainability and long-term plans and
perspectives are also aspects well integrated within the Swedish companies and seem a natural way of thinking. However, as the empirical data and the analysis have indicated, some companies do not consider social activities to be a part of sustainability even if they are involved in social activities. Some have argued that it is more of a charity activity than a sustainability work.

Another conclusion is that Swedish companies tend to relate to the environmental aspect when they talk about sustainability and they spend most time explaining their environmental efforts. However, the economical and the social aspects are still taken into consideration if their work is further analyzed. Moreover, it is confirmed that some of the Swedish companies’ sustainability actions in China go beyond the theories. For instance, some companies believe that it is their responsibility to influence their customers to become sustainable. Finally, Swedish companies’ sustainability work in China do not differ from their sustainability work on other international markets where they operate. Hence, Swedish companies are working with sustainability in a similar way in China, and the common view of sustainability is that it is essential for a business’ survival.

(2) The second sub-question concerns how stakeholders influence the Swedish companies in China to work with sustainability. The literature review has argued that stakeholders have a great impact in a company’s decision-making. Stakeholders have different wishes and demands, which the company must listen to and take into consideration otherwise the company, will not attract the stakeholders. Further, stakeholders influence a company’s work with sustainability. Derived from this study it is demonstrated that stakeholders are highly important for Swedish companies as they affect the business to a high extent. Some of the companies mention the government in China, one of the stakeholders for their business, who is changing the requirements dramatically concerning sustainability in order to solve problems in short-term. This shows that the stakeholders indeed have a great impact on the business, which will harm the business if the wrong decisions are being made. For example, the fast changing laws from the government are a hinder for some companies to adapt to. Also Swedish companies’ stakeholders have high demands concerning sustainability work and can affect the business. However,
globally the stakeholders have higher demands compared to China where the demand on sustainability is much lower.

(3) Our third sub-question concerns the benefits that Swedish companies in China gain by working with sustainability. The theories have demonstrated that by working with sustainability, the company can benefit in different ways and gain advantages on the market. The importance of perceiving sustainability as the three aspects interconnected has also been highlighted within the theories presented. The empirical findings have confirmed the theories and shown clear benefits from integrating the three aspects within their work. Regarding the economical aspect, Swedish companies have identified a higher degree of profitability by having a long-term perspective grounded in sustainability work. The environmental aspect has also been stressed as being one of the most important aspects that should not be ignored, especially with the environmental concerns that China presents nowadays. Swedish companies are not only investing in developing high quality and sustainable products, but they also get involved in environmental work helping the society to have a more sustainable future. Doing this, the brand has become much stronger and appreciated on the Chinese market. Derived from the empirical findings, the social aspect is well integrated within the companies’ strategies and their contribution has attracted new shareholders and customers. Finally, we could see that Swedish companies are very transparent when it comes to their work with sustainability, which has given them more trust, stronger relationships with all the stakeholders and has attracted new customers.

(RQ) The main research question aims to explore what opportunities Swedish companies have to gain competitive advantage on the Chinese market by working with sustainability. The theories have demonstrated that competitive advantage is an outcome of core competences and the opportunity on the market. Deriving from our empirical findings, Swedish companies are pioneers within sustainability work, working actively with the three aspects of sustainability as three interconnected aspects and they perceive sustainability as a core value of the company. As a result of this, sustainability is considered a strong core competence for Swedish companies. Further, our empirical data has shown that the demand for sustainable companies have increased significantly because of the environmental concerns
present in China lately. The demand and requirements from the stakeholders have also changed, focusing more on the value that the companies bring to the society than on the short-term profit. Moreover, the empirical data confirms that even if Chinese companies in China have started working more sustainable, the knowledge of the concept of sustainability is still scarce and it only includes the environmental aspect. This give Swedish companies extra advantages as they have a more holistic view and work with all three aspects of sustainability. China is moving towards a more sustainable future, which is a great opportunity for Swedish companies to gain competitive advantage because of their strong competence and demand on the market for sustainable companies. Finally, the contribution of the Swedish companies to raise the awareness of sustainability in China through their collaborations, can give them a strong reputation and good relationships with the stakeholders, which could present an additional opportunity for them to gain competitive advantage.

6.2 Theoretical implications

So far, research on how to gain competitive advantage through sustainability in China has been scarce, which gave us a research gap to fill. Since the main aim for this study was to fill this gap, we have conducted a study that concentrates on what opportunities there are for Swedish companies in China to gain competitive advantage. First, we are able to conclude that our interviewees confirm the structure of our theoretical synthesis. Our empirical evidence demonstrates that it is the stakeholders that set requirements for companies to start working with sustainability. Although one of the case companies believes that sustainability should arise from the inside, we can conclude that it first begins with an external pressure. This is furthermore confirmed by the stakeholder theory.

Although, the existing stakeholder theories have an ancient origin and they mostly focus on the external impact but our study highlights the importance of considering the inner part of stakeholders, such as employees. All case companies claim that their employees have a crucial role, if not the most important role within their organizations and that they will determine how successful the company can be. Thus, we can argue that it is important to further develop theories that concentrate
on what impact employees have on firms in the context of stakeholders. Also, we argue that our study contributes to a modernization of the existing stakeholder theories in the sense that our findings show that stakeholders are more concerned about companies’ sustainability work and their social commitments than what they have been before.

Second, the empirical findings show that the triple bottom line generates benefits that can be used as competitive advantages, which is also supported by the triple bottom line theory. However, our study confirms that there are more benefits to gain from sustainability than those that the existing theories present. Hence, it can be argued that there is a room for theories that focus on the actual benefits that the triple bottom line may give.

Finally, since sustainability is not a well developed concept on the Chinese market it provides several opportunities for our case companies to gain competitive advantages. This study has therefore contributed to theory regarding sustainability in the context of international business, and more specifically, in the context of gaining competitive advantage on the Chinese market. Thus, this study can be used as a basis for Swedish firms that want to establish on the Chinese market but also for Chinese companies that want to identify competitive advantages.

6.3 Practical implications and recommendations

Our empirical findings suggest that by working actively with sustainability a company can gain competitive advantage on the Chinese market. Even if it still is not that common in China to consider sustainability as a part of the company we see the need for it since the demand for sustainability is increasing in China and Swedish companies win market shares and competitive advantage on the Chinese market by working with sustainability. However, there are other ways for companies to win competitive advantage on the Chinese market as well, which can be by: high quality products, several offers for the customers, high knowledge and experience. We do believe that by focusing on sustainability in China the Swedish companies are in the leading position by gaining competitive advantage from it.
Our recommendations for Swedish companies that are active on the Chinese market are that they should all implement a good sustainability work within the company since it is proven that the company gains competitive advantage from it in China. Furthermore, it is not just good for gaining competitive advantage; it is also a good contribution to the world since then the company’s work will not destroy the world. By a good sustainability work we mean that companies should work actively within the three aspects of sustainability (economical, environmental and social) and through that the companies are able to gain competitive advantage in China.

We also recommend that Chinese companies can learn how to work with sustainability in a good way from Swedish companies. If all companies in China would implement a good sustainability work it would definitely help China a lot by decreasing the pollution problems and everything that comes with it. We do believe that a lot of the initiative has to come from the government by changing their requirements and have a long-term thinking in order for Chinese companies to implement sustainability. Therefore we suggest that a good start could be that the companies develop a good relation with the government in China, for example by having a communicator in the company that understands the language and have good knowledge about the company. A good relationship will prevent any misunderstandings and uncertainties that might occur. Furthermore, the Chinese companies could have collaborations with Swedish companies where people with knowledge about sustainability within the Swedish company educate the Chinese company.

6.4 Limitations

Along this study we have been able to identify some limitations that could have influenced the quality of our findings. One of the limitations can be that the companies involved are active within different industries and therefore their possibilities to gain competitive advantage through sustainability can differ. By focusing on companies from the same industry, on the other hand, the outcomes could have been more generalizable. Another limitation is that this study, by analyzing how Swedish companies work with sustainability and how they can gain competitive advantage on the Chinese market, had as a purpose to serve as basis for
other companies in China. This study presents though the work and possibilities through a Swedish perspective, whilst adding a Chinese perspective would have served as a more solid ground for other companies in China.

6.5 Suggestions for future research

Because the environmental concerns in China have increased significantly lately along with the awareness of the need of sustainability and long-term thinking and because the knowledge within this area among local companies in China is still scarce, we believe this subject is important to research further. Some gaps that we have found that we are certain will provide this subject with deeper and more reliable information are the following:

(1) How can Swedish companies within the same industry gain competitive advantage through working with sustainability? By analyzing companies that are active within the same industry, the research will provide a more reliable and generalizable outcome.

(2) How can Chinese companies gain competitive advantage on the Chinese market by working with sustainability? By analyzing Chinese companies’ work with sustainability and their possibilities to gain competitive advantage on the Chinese market, we believe that the research will give an even stronger ground for other companies in China, having another perspective on it.

(3) How are Swedish companies influencing Chinese companies to become more sustainable through a Chinese perspective? By analyzing the influence of Swedish companies on Chinese companies regarding sustainability work, the research can provide a positive image which can influence the Chinese companies towards improvements.
7. References

7.1 Interview Participants

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2. Rogers, Kevin, Managing Director at Elanders, China, face-to-face interview, 2016-05-05
3. Karlsson, Jörgen, Managing Director at Nolato, China, face-to-face interview, 2016-04-22
4. Harborn, Mats, Executive Director of Scania, China, face-to-face interview, 2016-05-06
5. Ren, Rendy, Environmental Manager at Tetra Pak, China, telephone interview, 2016-04-26
6. Dong, Edward, Director of Corporate Communications at Tetra Pak, China, face-to-face interview, 2016-04-27
7. Zheng, Huang, Director of Public Affairs and CSR at Volvo Group, China, face-to-face interview, 2016-05-06

7.2 Literature


Liu, X., Yang, J., Qu, S., Wang, L., Shishime, T., & Bao, C (2012). ‘Sustainable production: Practices and determinant factors of green supply chain


7.3 Electronic sources


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7.4 Figures

Figure 1: Theoretical synthesis
Figure 2: Choice of companies
Figure 3: Operationalization
8. Appendix

8.1 Interview Guide

**Background information**

Name: 
Position: 
Responsibilities: 
Work assignments: 
Years in the position: 
Total years at the company: 
Do you wish to be anonymous: 

**About the company**

1. Presentation of the company: 
2. How come the company chose to expand to the Chinese market: 
3. How long have the company been on the Chinese market: 
4. How many employees does the company has in China: 
5. Where in China is the company active: 
6. What is the company’s vision/goal for the Chinese market: 
7. How has the development been during the years: 
8. Is there a high customer demand on the Chinese market for the company’s products: 

**Triple bottom line**

9. Which are the reasons you believe companies in China start working with sustainability: 
10. Do you believe there is a difference between working with sustainability in China compared to outside China: If yes, which are the differences: 
11. What is the company’s definition of sustainability: 
12. How long have the company been working with sustainability: 
13. Which were the motives and triggers for starting working with sustainability: 
14. What is the company’s policy regarding sustainability: 
15. Does the company market itself as a sustainable company: Why: Which do you consider to be the benefits of it: 
16. How does the company differentiate itself from other sustainable companies: 

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17. How many aspects of sustainability you consider within the company and how does the company work with them:
   • Economic: challenges, benefits, improvements
   • Environmental: challenges, benefits, improvements
   • Social: challenges, benefits, improvements

 **Stakeholders**

18. What relation does the company has with the share/stakeholders: How much influence do they have on the decision-making?

19. Do you think their demand has changed over the past years: If yes, why do you think:

20. What are the government’s requirements for working with sustainability:
   a. Does the company faces any challenges in keeping up with the requirements:
   b. If any, what challenges:
   c. Is the company exceeding the requirements:

21. How transparent is the company considered to be, regarding sustainability issues: Can you give us examples of how the company works with transparency and why:

22. How do you experience transparency demand in China: Do you think it gives any benefits:

 **Competitive advantage**

23. Do you think transparency regarding sustainability can be considered an opportunity for competitive advantage according to you: If yes, why:

24. Which do you think is the most common competitive advantage that companies in China usually strive after:
   • Why do you think companies are focusing on this factor:
   • Do you think it will change, in what direction:

25. What is the company’s strategy in China to differentiate itself from competitors and gain competitive advantage and which is the company’s biggest competitive advantages on the Chinese market:

26. Do you think the company gains competitive advantage by working with sustainability on the Chinese market: If yes, why: How: