

Creating Shared Value and Internationalization

Going Global by Changing Lives

HD (IB) Final Project, 2017

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Executive Summary

Multinational corporations face challenges in expanding to other countries, particularly the developing countries. While, these countries have enormous potential for business growth, they are also the ones facing greatest social, economic and environmental challenges.

Multinational corporations possess resources, knowledge and scale to help solve challenges in these countries, beyond growth for their own businesses. In essence, creating shared value for the business and for the society.

In this report, I have attempted to examine the dynamics of such a win-win strategy; whereby a meticulous shared value creation strategy can be used as a complement to the internationalization of Multinational corporations, to enter new markets or to overcome challenges in existing markets by simultaneously creating benefits for the society and environment.

After reviewing literature, propositions relating shared value creation to the internationalization of multinational corporations are developed. It is proposed that the shared value creation can encourage multinational corporations to engage in internationalization by increasing their firm specific advantages, internalization and investor's willingness to invest. It can also help overcome the challenges of internationalization by reducing liability of foreignness & risk of failure; having a long-term perspective and further legitimizing the business.

These propositions are tested through a multiple case study comprising of two Danish multinational corporations, Novo Nordisk and Mærsk investigating their shared value-internationalization ventures into two developing countries India and Myanmar respectively.

Business and social value creation by the Novo Nordisk & Mærsk are examined initially to assess the actual success of their shared value creation. Propositions relating their internationalization growth and challenges are validated afterwards.

Novo Nordisk has been found to help increase awareness, better diagnosis, create jobs, educate healthcare professionals, support local businesses and reduce overall barriers in the diabetes care industry in India, and simultaneously increase its product reach, reduce costs, satisfy employees and improve its brand recognition as a leading pharmaceutical company in India.

Mærsk has also helped enable trade, improve supply chain stability, reduce costs for local businesses and reduce overall trade barriers in Myanmar and simultaneously benefited from the improved business environment by expanding its business, reducing risks and increasing its global blue print.

Both Novo Nordisk and Mærsk have also successfully increased their firm specific advantages, gradually internalized their operations and improved investor's willingness to invest. They have also been able to overcome the challenges of internationalization by further legitimizing their businesses, pursuing a long-term perspective and reducing their liability of foreignness & risks of failure.

The report thus concludes with findings which support the use of shared value creation strategy to complement internationalization of multinational corporations, for sustainable business growth and a thriving society.

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1. Introduction

Businesses are fundamentally for-profit entities, and their ultimate goal has been and would always remain to maximize their shareholder's equity. However, businesses operate in a complicated world facing diverse social and environmental challenges. Businesses too have gradually evolved to understand and tackle these challenges. To the least, by conducting businesses responsibly and adhering to regulations, and to the best by deeply contributing help solve broader social and environmental issues.

Business would usually concentrate on their core value creation activities, and contribute to the society through corporate philanthropy. However, the role that businesses can play to combat social problems while simultaneously generating value from the business, has attracted great attention from both the business and the academic world. Business researchers like Michael porter have also recognized the potential, and have suggested how commercial success and social value can be created simultaneously (Porter & Kramer, 2011).

Multinational corporations are global businesses, engaged in activities beyond their own local markets. Expanding to new markets is exciting, rewarding and yet often challenging. Multinational corporations would conduct due diligence to assess market potential for their products, risks involved and employ an optimal internationalization strategy offering best return to risk. These commercial strategies, executed prudently do help multinational corporations gain considerable market share.

Moreover, while operating in other countries, Multinational corporations would also engage in activities benefitting the societies they operate in. In particular, developing countries possessing enormous potential for business growth are also the most prominent destinations seeking the social impact.

Various Danish multinational corporations have also embarked upon creating social and environmental impact in their host countries. Many have further sought to overcome internationalization challenges and to find sizable value for the business in such societal engagements.

Learning from empirical cases and thereby examining the dynamics of this business- social impact association, further research can be contributed for multinational corporations to engage in business value-social impact to overcome the challenges of internationalization, and to achieve sustainable international growth.

1.1 Problem formulation

Various motives such as market, natural resources, efficiency or strategic asset seeking may constantly encourage Multinational corporations to expand to other markets (Dunning, 2000). However, such an expansion is associated with risks and challenges both before and during internationalization.

Porter & Kramer's Creating shared value has been recognized and adopted by multinational corporations, in an attempt to create business and social value simultaneously (2011). Corporate social responsibility on the other hand, is about appearing good, complying the rules and regulations and minimizing overall risks of doing business, all at a cost. In its best form Strategic Corporate social responsibility, the responsible activities are performed closer to the core strategy and activities of the firm (Porter & Kramer, 2006).

Creating shared value is a comprehensive attempt to gain trust, create social impact and to achieve sustainable business growth. Hence it has a relevance in the international business context, where it can help businesses overcome the challenges of internationalization.

1.1.1 Research questions

The objective of this thesis is to evaluate how creating shared value can help multinational corporations internationalize successfully. A success that not only can create a positive social impact in the host country, but can also result in an increase in Multinational corporation's business value, through growth and superior returns.

- How can shared value creation strategy help a Multinational corporation to initiate and succeed in internationalization?

Sub questions:

- How can shared value creation strategy help encourage Multinational corporations to engage in internationalization
- How can shared value creation strategy help Multinational corporations to overcome the challenges during internationalization.

To determine the relationship of creating shared value with internationalization of a multinational, it is also imperative to measure and assess the actual business and social value created.

1.2 Structure of the project

First of all, background and problem formulation of the project is introduced. Appropriate methodology to optimally find an answer to the research question is presented next. From a critical realism approach, qualitative research design to test deductive inferences using multiple case studies is introduced here. Quality of research i.e. Validity and Reliability is also discussed in this chapter. Criteria and selection of case studies and relevant models to be used in the study are also briefly introduced to conclude this chapter.

Literature on Internationalization and Creating Shared value is studies in the theory chapter. Relevant internationalization theories are gone through to identify factors influencing their success. Existing research on shared value in a global perspective is also gone through, to get an overview of its concept, measurement and evolution. Propositions and hypotheses connecting shared value creation strategy to internationalization of a multinational are developed and explained to conclude this chapter.

Cases chosen to work with are introduced and analyzed next. The analysis discusses the actual business and social value created by the firms, before determining its relationship to their internationalization journey. The report concludes with summing-up the results gathered from analysis.

1.3 Delimitation

The focus of this study will be on Danish multinational firms having an internationalization experience and a shared value approach in developing countries. Specific choice of internationalization theories for hypothesis building and case studies for analysis will be further explained in their respective sections. To improve the validity of research, primary interviews were also aimed to be conducted with relevant industry veterans only.

2 Methodology

In this section I will introduce, how I aim to find answers to my research questions. To get to the actual methods used, the underlying research philosophy, approach and design will also be covered.

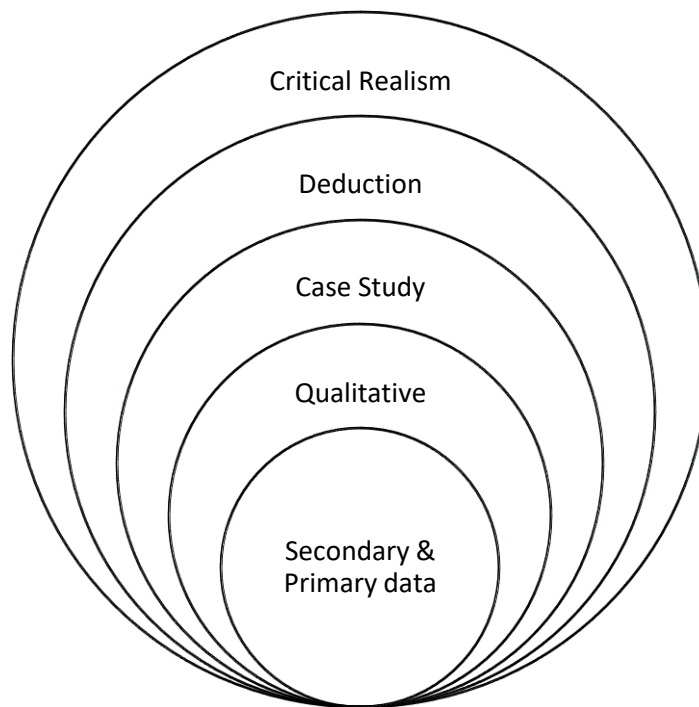


Figure 1 - Research methodology

(Adapted from Saunders et al., 2016)

To assist in the step-by-step research design, I will use help from Saunders, Lewis & Thornhill's research onion (2016). It comprehensively connects and displays the different stages during research process to reach to a research goal.

It is imperative that all stages of research onion are coherent, and reflect the most suitable strategy to achieve the research goals.

Purpose

As a first step, it is vital to clearly define the goals of research. A suitable research strategy can thus be devised to reach such goals.

Purpose of my research is to examine how shared value can help multinational corporations internationalize.

I intent to study the existing literature on creating shared value, and challenges faced by multinational corporations while internationalization. I would then attempt to establish propositions supporting premises that shared value strategy can help develop firm related advantages and overcome internationalization challenges such as liability of foreignness. The developed propositions are finally to be tested with two empirical case studies.

Philosophy

When doing research one's aim is to develop knowledge in a particular area, and research philosophy reflects the beliefs and assumptions that shape the knowledge development process. Such assumptions can basically be of three types, namely epistemological, ontological and axiological assumptions (Saunders et al., 2016). Epistemological assumptions refer to the human knowledge, ontological to the realities one encounters, and axiological refer to the influence of one's own values (Ibid.).

My research is underpinned by the Critical realism philosophy, which is based on following assumptions.

Epistemology is that the human knowledge is relative and situated historically and is brief. Considers both the social constructions and facts. Ontology is that the reality is stratified (the empirical or observable, the actual and the real) and axiology is that the researcher acknowledges and minimizes bias and tries be as objective as possible (Ibid.).

In critical realism, it is not only what one actually sees and experiences, but instead there could be other real underlying causes and events that explain a phenomenon. This reality could even be hidden. Therefore, one must look for the bigger picture and be as objective as possible, since observations and experiences can be biased (Ibid.).

For my research, I also need to look objectively at the real underlying causes of challenges faced by the multinational corporations during internationalization.

Approach to theory development

My approach to theory development is deductive, as the aim of my research strategy is to test existing developed theories through propositions (Saunders et al., 2016). I would be testing existing internationalization and shared value theories to determine a relationship among them.

Blaikie (as cited in Saunders et al, 2016) provides six steps of a deductive approach (2010):

Start with an idea, a premise or a hypothesis; deduce testable propositions from existing literature; compare to see if it offers an advancement in understanding; collect data, test premises and analyze; if results are inconsistent; test fails and theory is rejected or modified; and if results are consistent, theory is accepted (Ibid.).

- *” Logic: In a deductive inference, when the premises are true, the conclusion must also be true*
- *Generalizability: Generalizing from the general to the specific*
- *Use of data: Data collection is used to evaluate propositions or hypothesis related to existing theory”*

(Source: Saunders et al, 2016)

In deductive research, the researcher may aim to test, refine, improve or extend concepts and patterns known from theory using new empirical data. “Deductive (theory-testing) research is more productive when there are many competing theories of the same phenomenon and researchers are interested in knowing which theory works best and under what circumstances. In deduction, the conclusions must be true if the initial premises and reasons are correct” (Bhattacharjee, 2012).

Methodological choice

It will be determined at this step, as how I intend to conduct the actual research. I have chosen to follow a Qualitative research design. Saunders et. al has emphasized that qualitative data differs from quantitative data in three distinct ways (2016);

That it is based on words & texts possibly having multiple unclear meanings, it is collected in non-numerical and non-standardized format and there is conceptual analysis and not through diagrams or statistics (Ibid.).

Yin (as cited in Saunders et al, 2016) has suggested that qualitative research can also be used in a deductive research approach where the deductive inferences are to be tested iteratively (2014). Yin further suggests a Deductive Explanation Building approach and proposes following steps (Ibid.):

To devise a theoretical proposition to be tested; data collection through a “purposive case study”; If needed, amend the theoretical proposition; undertake another case study; and iterate until a satisfactory explanation is derived (Ibid.).

2.1 Research Design

My approach for solving the research question will be explanatory. Explanatory research seeks to study a situation or a problem in order to explain the relationships between variables (Saunders et al, 2016). Explanatory research seeks to answer why and how types of questions. It attempts to “connect the dots in research, by identifying causal factors and outcomes of the target phenomenon” (Bhattacharjee, 2012).

The aim of this research is also to determine and explain a relationship between shared value creation and internationalization of multinational corporations.

2.1.1 Strategy

Considering the research question, I aim to have been answered and to achieve “literal replication”; multiple case study approach comprising of two cases, seems appropriate. In essence, I aim to test my propositions in real life setting.

Case research is a unique research design in that it can be used both to build and test theories (Bhattacharjee, 2012).

Yin suggests that case studies are preferred when answering “how or why” questions, when researcher has little control over events, and the focus is to test within a real-life setting (2009).

In an Explanatory case study using deductive approach, “theoretical propositions are tested for their applicability in the case study; to build and verify an explanation” (Saunders et al, 2016).

Case research aiming at hypotheses testing, has following challenges: (Bhattacharjee, 2012)

- Lack in controlled observations (planned experimental/statistical control): “Natural controls” (spontaneous behavior) can be an alternate solution.
- Controlled deductions (mostly qualitative evidence): Can be solved through testing theoretical considerations over time using e.g. logical propositions.
- Replicability: Case site or context may not be replicable, but Inferences of case research can be replicated.
- Generalizability: More case studies in different contexts can increase the generalizability of findings.

Multiple case study

Multiple case studies are chosen if findings can be replicated across cases to produce more convincing evidence (Saunders et al, 2016 & Yin, 2009).

Yin (as cited in Saunders et al., 2016) also proposes a term “literal replication”, whereby even a small number of cases expected to produce similar findings; can be chosen to test and validate theoretical propositions (2014).

Hence, I am using two case studies in my research.

2.1.2 Cases

Cases for the case study analysis have to be chosen for their plausible match to the research question aimed to be answered. My selection of cases has been based on following criteria;

- Danish Multinational firms
- Having established sustainability programs
- Endeavored Shared value initiatives in developing markets

Considering these criteria, Mærsk in Myanmar and Novo Nordisk in India have been identified as most appropriate. The two Multinational corporations are Danish global leaders in two different

industries, have established sustainability/CSR programs and have sizeable presence in developing countries.

- Mærsk in Myanmar: How Mærsk used shared value creation strategy to overcome the market entry challenges.
- Novo Nordisk in India: How Novo Nordisk used shared value creation to sustainably grow their market share in India.

2.2 Models

During the theoretical propositions building process, different theories and models on creating shared value and internationalization are studied to develop relevant propositions to address my research questions.

For an in-depth analysis, following models of shared value creation and its measurement have been used in the analysis chapter:

- Three levels of Creating shared value, namely reconceiving products and markets, redefining productivity in value chain and enabling local cluster (Porter & Kramer, 2011).
- Measuring social and business value creation on impact and innovation dimensions for healthcare companies (Peterson, Pfitzer, Mazzuri, Wendel & Hooson, 2014).

2.3 Data

I will be using two sources to gather data for analysis, namely interviewing and document secondary data.

Lee has argued (as cited in Saunders et al., 2016) that the document secondary data is a physical source of evidence that can be used for reanalysis for a different purpose than actual (2012)

For document secondary data, I have gathered information and text from various secondary sources such as, Books, Journals, Reports, web information and previous case studies. Yin highlights that such data may be readily accessible and useful yet could be biased, written with a specific objective & for a specific audience, and not even completely accurate (2009). Hence such data is used with care, considering the context it may have been written in.

In an attempt to collect primary data, experts from relevant industries in the countries of case companies are also contacted for interview, and to obtain their neutral perspective on the research topic.

Primarily qualitative but some quantitative data is also used where available and relevant.

Among others, potential sources to gather literature and information:

- CBS library (For review of the available literature on Internationalization and Shared value creation)
- Harvard business review (Literature on Shared value creation)
- FSG (A consulting firm providing up-to date research on shared value creation)
- UN Sustainable development goals (UN guidelines for social impact)
- Official internet home pages of case companies (For information related to cases)

2.3.1 Primary data

Interviews are useful to get valid and reliable data relevant to the research question (Saunders et al., 2016). Semi-structured interviews are useful for qualitative research, where a list of key probing questions or themes are followed (Ibid.). Semi-structured interviews can also be used for explanatory purpose and in a deductive approach to understand and explain relationship between variables, as is in my research (Ibid.).

I have thus embarked upon collecting primary data through semi-structured interviews to further improve the quality of my research.

To gather perspective of experts in the relevant industries of case companies, I have extended my request for interview to relevant industry veterans in India and Myanmar. Interview requests have been extended to experts:

- In India: Diabetes association of India and Diabetes foundation India.
- In Myanmar: Myanmar Port authority and Consult Myanmar

Request was only accepted by and interview has thus been conducted with a shipping veteran in Myanmar, referred by Consult Myanmar.

- Mr. Qaumruddin Ahmed, Managing Director, Bay Line Shipping Pte Ltd, Yangon, Myanmar

Considering the research objective, following open ended questions were aimed to be asked in a semi-structured interview:

- What are the typical challenges faced by the shipping industry in Myanmar?
- How are the global shipping firms contributing to overcome such challenges, such as decrease the barriers of trade?
- How can these multinational corporations contribute to create broader social value, such as reducing corruption or better working conditions in Myanmar?
- How are the efforts made by such firms perceived by the businesses, people and authorities?
- Are such efforts helping the Multinational firms succeed commercially in Myanmar, such as risk minimization or increased business?

2.4 Quality of the research design

It is imperative for a researcher to be able to design a high quality, credible and verifiable research (Saunders et al, 2016).

Yin has emphasized following four tests for assessing quality of a case study research (2009):

Construct validity: It demonstrates how well a test measures what it aims to have measured, and is addressed by defining specific concepts and identifying sufficient and correct operational measures to match them (Ibid.).

Internal validity: Applies in explanatory studies and demonstrates if there is a “causal relationship” between the studied variables (Saunders et al, 2016). In a case study, it further determines if the drawn inferences are correct considering all other possibilities (Yin, 2009).

External validity: It demonstrates that if findings of the study are generalizable to other relevant situations (Saunders et al, 2016). Yin argues that “analytic” and not statistical generalization is used in case studies, and hence even a single or few case studies can be used to generalize results (Yin, 2009).

Yin has also proposed several tactics to deal with these tests throughout the case study, which have been applied in the case studies to improve the quality of research (Ibid.).

Tests	Case Study Tactic	Phase of research in which tactic occurs	Actions taken
Construct validity	Use multiple sources of evidence	Data collection	Articles, reports, formal studies, Interview
	Establish chain of evidence	Data collection	Citation of references
	Have key informants review draft case study report	Composition	N/A
Internal validity	Do pattern matching	Data analysis	Across cases and with predicted propositions
	Do explanation building	Data analysis	Presumed set of casual links
	Address rival explanations	Data analysis	Contrasting perspectives, threats to validity
	Use logic models	Data analysis	N/A
External Validity	Use replication logic in multiple-case studies	Data Design	Literal replication -Cases predict similar results
Reliability	Use case study protocol	Data collection	Data collection procedure
	Develop case study database	Data collection	Case study documents

Table 1 - Quality of research

(Source: Yin, 2009)

Reliability: It assures that if same findings can be found by another researcher, given the same case study is conducted following same procedures as followed by the earlier researcher. Thorough documentation of the procedures followed, increases the reliability of a case study (Yin, 2009).

2.5 Conclusion: Methodology

Following a critical realism philosophy, explanatory case study using deductive approach, is adopted for the research. Through literature review, relevant propositions explaining relationship between creating shared value and internationalization of a multinational corporation are developed, and tested through multiple case studies. Both primary and secondary data are collected to improve the validity and reliability of the research.

3 Theory: Creating shared value and Internationalization

Aim of this thesis is to find a possible relation of a Multinational's shared value strategy to its internationalization engagements. It is thus imperative to study existing literature on internationalization theories and shared value, to comprehend related research and to formulate propositions.

Following literature has been reviewed in the process of developing propositions:

- Resource based view: Firm's possession of valuable tangible and intangible resources for competitive advantage (Barney, 2001)
- Liability of foreignness: While entering another country, the multinational firms face disadvantages, relative to the local firms (Hymer 1960, Zaheer 1995, Petersen & Pedersen 2001).
- Motives for internationalization - Dunning's OLI Framework: A firm's decision to internationalize is determined by its possession of three advantages, namely Ownership, Location and Internalization advantages (Dunning's, 1988)
- Creating shared value: Businesses to create economic value, along with helping solve social problems (Porter & Kramer, 2011).
- Institutional theory – Legitimacy

3.1 Internationalization

Firstly, I would examine existing theories of internationalization to establish motives, dynamics and challenges for a Multinational. There are various trade and internationalization theories. However, I may have to relate to only a few, relevant to the research objectives aimed in this study.

3.1.1 Resource based view

Academic literature suggests that for a firm to attain competitive advantage, it must possess certain resources that rivals do not possess (Wernerfelt, 1984)

Firm resources which are valuable, rare, inimitable and non-substitutable have a potential to generate sustained competitive advantage for the firm (Barney 1991).

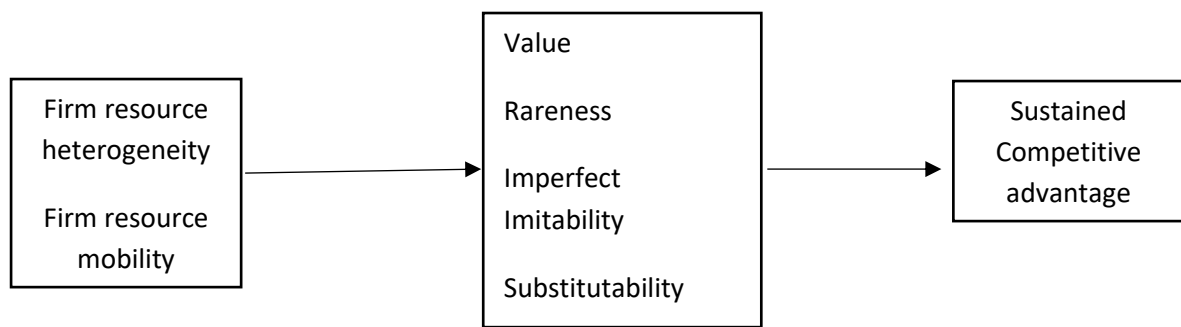


Figure 2 - Resource based view
(Source: Barney, 1991)

It also contends that, the firms by exploiting these resource advantages efficiently will also maximize the social welfare (Ibid.)

3.1.2 Dynamics of a multinational's internationalization

Multiple factors such as technological advancements have resulted in that, more and more businesses engage in international business now. A multinational's decision to engage in another country lies in finding answers to why, how and when to internationalize.

According to Dunning's, a firm's decision to internationalize is determined by its possession of three advantages, namely Ownership, Location and Internalization advantages (Dunning's, 1988).

Why (Ownership advantages)?

First of all, a multinational possesses certain firm related competitive advantages which may be able to offset its cost of foreign operations (Ibid.). Such benefits can be both tangible and intangible. Examples can be possession of physical assets or non-physical assets, such as patents, brand, technology or exclusive knowledge. Moreover, the research also shows the greater these ownership advantages are, the greater are also the chances that the Multinational would be encouraged to internationalize (Ibid.).

Where (Location advantages)?

Which countries would a multinational choose to expand to? The choice can depend upon the nature and size of market or likelihood of success. Multinational corporations can also choose to expand to a

country with lowest geographic, cultural, administrative and economic distance (Johanson & Vahlne, 1977).

How (Internalization advantages)?

Depending upon a business's strategy, willingness, ability and net benefits, it can choose among multiple entry modes, such as export, licensing, joint venture or a green field. If the net benefits of internalizing are attractive to the firm, it may engage in cross border operations by itself (Dunning's, 1988).

When?

Dunning connects the resource based view and suggests that motives for FDI can basically take any of the following forms (2000):

Type of FDI	Motive
"Market seeking or demand oriented FDI	To satisfy a particular foreign market.
Natural resource seeking or supply oriented FDI	To gain access to natural resources, e.g. minerals, agricultural products, unskilled labor.
Efficiency seeking	To promote a more efficient division of labor or specialization of an existing portfolio of foreign and domestic assets by Multinational corporations. Reduce production costs, overcome trade barriers & exploit economies of scale.
Strategic asset seeking	To protect or augment the existing ownership specific advantages of the investing firms and/or to reduce those of their competitors."

Table 2 - Types and motives of FDI

(Source: Dunning, 2000)

Multinational has to determine the timing of entry. Considering risk-return characteristics, it can be best for a Multinational to be a First mover or a follower.

3.1.3 Liability of foreignness

International business literature argues that while entering another country, the multinational firms face disadvantages, relative to the local firms (Hymer 1960, Zaheer 1995, Petersen & Pedersen 2001). These liabilities can include among others, overall less knowledge of the local business environment, and differences in cultures, norms, politics, or economics (Zaheer 1995). Multinational corporations may devise strategies to overcome these obstacles, and would only enter another country if net benefits less costs could be expected to realize from the internationalization.

To overcome the liability of foreignness, the multinational would either rely on exploiting its firm specific advantages or “mimic” the local successful firms (Ibid.). Zaheer, 1995 argues that firms specific advantages are still a better choice. However, with time, firms are able to reduce these disadvantages as they learn and adapt to the local conditions (Ibid.)

3.1.4 Conclusion: Internationalization

Based on the above literature review, various factors encouraging firms to internationalize, and the ways to overcome challenges during internationalization are identified.

Possession of strong firm specific competitive advantages are vital to encourage multinationals corporations to expand to other markets. Hence multinational corporation may strive to further enhance their firm specific advantages. Proper projection of such firm specific advantages by the multinational corporation will also help overcome the liability of foreignness during internationalization.

A multinational corporation would also gradually internalize its international operations as it may minimize the risks and find better market opportunities.

3.2 Shared Value

Businesses have a main responsibility towards its stakeholders and business value is primarily improved through core business excellence and profit maximization. Impact on the other hand is usually associated with government policy, targeted initiatives by non-government organizations or corporate philanthropy.

3.2.1 Impact

Impact can be defined as a “change brought about by some sort of action and with some exceptions, the effect or change is generally presumed to be positive” (Wallman-Stokes, Hovde, McLaughlin, & Rosqueta, 2013). Governments, Organizations and Individuals engage in activities to effect, change or benefit the economy, society, and the environment. Businesses and in particular Multinational corporations have enormous potential in creating a sustainable impact in the surroundings they operate.

Impact can be created in both the developed and the developing parts of the world. However, being already underserved, the developing countries can have more substantial impact. Despite inherent challenges, the developing countries have attracted increased attention from the Multinational corporations.

It is useful to discuss the United Nations(UN) sustainable development goals as more and more multinational corporations use these goals to relate, measure and align their sustainability and social initiatives.

A discussion of impact investing also provides a useful insight into the potential of achieving active social impact alongside financial returns.

3.2.1.1 UN Sustainable development goals

The United Nations’ (UN) ‘Transforming our World: The 2030 Agenda for Sustainable Development’ was adopted in 2015.

17 Sustainable Development Goals (SDGs) and 169 targets seek to direct global efforts to end poverty, protect the planet, and ensure prosperity for all by 2030 (UN, 2015).

For these goals to be achieved, complementary efforts are required from both the private and public sector. In particular, private sector job creation, growth and investment are expected to play a crucial role (EDFI, 2016). For instance, foreign direct investment has become not only a source of capital for supporting development and growth, but it also drives transfer of knowledge and technology (Ibid.)

THE GLOBAL GOALS For Sustainable Development



Figure 3 - UN Sustainable development goals

(Source: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>, 2017)

3.2.1.2 Impact Investing

Businesses and investors have been focusing on investments and business models doing less harm to the society and environment, to impact investing where actual intention of an investment is to generate and actively measure positive social and/or environmental impact alongside a financial return (GIIN, 2016).

Committed capital of around USD.36 billion is reported in the year 2013, whereas a market potential of USD.1 trillion for impact investing is estimated by year 2020 (WEF, 2014).

Capital can be provided to either the unfunded societal projects, or the potential ones in need for capital to scale their businesses (WEF, 2013). The key is that the investments are actively managed to pursue measurable social returns, alongside financial returns. The financial returns objectives can be to preserve the capital or achieve market-competitive returns, stipulated in the fund's mandate. In some instances, accomplishment of social returns may even result into long-term sustainable financial returns (Ibid.).

In a survey conducted by Deloitte in 2012 (as cited in WEF, 2013) among 5,000 Millennials (born after 1982 and survey included Millennials with a degree and full-time employment), the highest 36% ranked improve society as the primary purpose of business. 35% ranked, to generate profit as the primary purpose. Hence people and investors also increasingly demand firms/funds to engage/invest in business activities that also benefit the society. Such firms/funds having their commitment to the society may also attract more investment from willing investors.

There may be investments which create impact unintentionally, e.g. a pharmaceutical firm producing life-saving drugs but solely for profit; however, they may not be called as an “impact investment” (Ibid.). Hence for an investment to be called as an impact investment, actual impact creation intention is critical.

Financial performance of an investment/firm can be quantitatively measured and compared through globally accepted standards such as GAAP (Generally Accepted Accounting Principles). Similar standards have been lacking to quantify and compare social and environmental impact for investments as well as firms. IRIS (Impact Reporting and Investment Standards) is such an effort to provide generally accepted performance metrics for measuring social, environmental and financial success (IRIS, 2017).

The measurement of social impact can be complex, costly and may require a long-term commitment involving various partners (WEF, 2013). However challenging, effective measurement and reporting of social performance is vital for justifying existing and attracting other related investments.

3.2.2 Creating Shared Value

Businesses develop products addressing a problem or serving a customer's need. These products are then sold at a profit thereby sustaining the business growth and increasing its shareholders value. Social value on the other hand, is value created for the society, economy or environment.

The primary objective of a business is profit or in other words shareholder's value maximization. However, businesses have to also abide and comply with the international, country and industry standards, laws, rules and regulations. This compliance is often referred to as the Corporate Social Responsibility. The actual impact of this compliance on society has remained very little, when compared to the potential impact it can create. The Corporate Social Responsibility in most businesses

is not a part of their core business, considered a cost, and hence has not been very effective for the society or the company itself.

In 2006, Porter and Kramer introduced a strategic approach to Corporate Social Responsibility (CSR), by incorporating social responsibility into business's strategy and its activities. By doing so effectively; businesses can find opportunities for the mutual benefit of society and the businesses (Porter & Kramer, 2006).

- The responsive CSR focuses on good citizenship, and does activities in its value chain only to mitigate harm
- Whereas, the strategic CSR attempts to transform value-chain activities to benefit society

Porter and Kramer argued further that besides a declining trust in businesses, often focus has remained on short term financial goals and not the long-term value creation (2011).

Porter and Kramer thus argued in 2011 that it is possible and in fact desirable for global businesses to grow and regain the declining legitimacy by creating shared value i.e. economic value, along with and from helping solve social problems. The societal needs are in fact the actual market drivers; hence businesses should be truly encouraged to create value for the society, as there is value for the business as well (Porter & Kramer, 2011). Meanwhile, the social harm may become an internal cost and not an external cost as assumed and hence not so regarded for business earlier (Ibid.).

According to Porter and Kramer, companies can create shared value opportunities by:

- "Reconceiving products and markets
- Redefining productivity in the value chain
- Enabling local cluster development"

Reconceiving products and markets

The essence here is to develop products needed and beneficial for the society and environment e.g. healthier foods and environmentally friendly products (Ibid.). Firms can gain sizable business value by serving the underserved in overlooked markets. However, firms may need to alter their products and pricings to match the needs and ability of its target customers. Increasingly successful social enterprises have validated the potential for pure "for profit-beneficial for the society" products and

firms. Similarly, multinational corporations may also redefine their products and offerings to reach and benefit larger underserved populations.

Redefining productivity in the value chain

Throughout its value chain, a multinational may face societal or environmental interactions; Preserving natural resources and employee well-being, to name a few. By reducing harm or increasing well-being in such interactions, multinational corporations may also increase their own productivity and overall value for the business (Ibid.).

Porter & Kramer have also mentioned numerous ways, where addressing societal issues can bring productivity benefits for the firm as well, such as “Environmental impact, Supplier access and viability, employee skills, worker safety, employee health, water use and energy use” (2011).

Enabling local cluster development

Porter and Kramer argue that development of related or supporting firms and infrastructure can benefit the overall society, as well as the business itself (2011). Clusters may include businesses, government and non-government organizations, academic institutions & programs, trade associations and standard organizations (Ibid.).

Multinational corporations can benefit from their scale and knowledge to partner with other government/non-government organizations, to facilitate open and transparent markets in developing markets and help improve other areas of its own expertise, such as “logistics, suppliers, distribution channels, training, market organization and educational institutions”. The multinational corporation may also benefit from the resulting overall positive impact (Ibid.).

3.2.2.1 Corporate Social Responsibility and Creating Shared Value

Porter and Kramer have argued that Corporate Social Responsibility has to be superseded by the Creating Shared value concept (2011). As the former has a limited connection to the core business and hence is not maintainable over long-run (Ibid.).

Differences between Corporate Social responsibility and Creating Shared value are summarized in the table below:

Corporate Social Responsibility	Creating Shared Value
<ul style="list-style-type: none"> • “Corporate values and corporate citizenship • Corporate philanthropy • Sharing the company’s products, expertise, talent and time • Corporate sustainability • Cause related marketing • Compliance with community, national and international standards • Reputation management • Employee recruitment & retention • Risk management; changing business practices in response to external pressure • Typically led by CSR, Marketing, Corporate Communications, External/Public/Government Affairs, Community Relations, Sustainability and Foundation departments 	<ul style="list-style-type: none"> • Design new products and services that meet social and environmental needs while simultaneously delivering a financial return • Access new markets • Reconfigure and secure the value chain by tapping new or better resources and partners to improve productivity • Improve the capabilities (skills, knowledge, productivity) of suppliers • Create local clusters to strengthen and capture economic and social benefits at the community level • Deploy corporate assets to achieve scale and spur investment • Typically led by CEO, senior executive team and individual champions across the company in close collaboration with corporate affairs and sustainability departments”

Table 3 - Differences between CSR and Creating Shared Value

(Source: Moore, 2014)

Based on the literature review above on creating shared value and earlier review on internationalization literature, I may thus develop first three propositions.

By creating social and business value simultaneously, multinational corporations can gather important market knowledge and influence demand. They can establish stronger relationships with government and private organizations.

1) Internationalization with creating shared value will increase firm specific advantages

Creating shared value may also boost multinational corporation's confidence and commitment to the host country, and hence they will be encouraged to internalize their multinational corporation's operations.

2) Internationalization with creating shared value will increase Internalization
--

Successful shared value creation will also increase the investor's and shareholder's confidence in the multinational and hence they will be encouraged to support its future investments.

3) Internationalization with creating shared value will increase investor's willingness to invest

3.2.2.2 Creating Shared Value and Legitimacy

Multinational corporations face challenges of being trusted in the countries and societies they operate.

“Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995)

Suchman suggests three types of legitimacy: pragmatic, moral and cognitive (1995).

- Pragmatic legitimacy is about aligning with the interests of the organization's stakeholders.
- Moral legitimacy is about getting results according to the given social system.
- Cognitive legitimacy is about the organization being, most efficient and effective technically.

Porter & Kramer (2011) argue that Creating Shared value framework can in fact help businesses to regain their legitimacy in the society.

“Creating shared value can be considered as a new way to legitimate business and reshape capitalism and its relation to society as it is presented as a transformational response to the crisis of capitalism” (Rendtorff, 2017).

In a criticism though Beschorner & Hajduk (2017) argue that in Creating Shared value framework, businesses “only caters to the relevant (i.e. influential and powerful) stakeholders, but not to other

ethically justified claims of “claimholders”. It therefore fails to achieve true legitimacy”. Moreover businesses may engage in various social or political activities which are not necessarily of any economic value, not perceived properly by Porter and Kramer (Ibid.).

Firms may instead need to define their fundamental values and contribution to the society before any economic ambitions. This foundation may legitimize their profits and help recover the public’s trust (Ibid.)

Rendtorff has proposed a combination of stakeholder theory, institutional theory and Creating shared value concept to the organizational integrity, facilitating democratic legitimacy or sustainable place for a business in a society (2017).

- Creating Shared Value – Pragmatic Legitimacy
- Institutional or stakeholder’s theory - Cognitive Legitimacy
- Organizational integrity – Normative Legitimacy

Creating shared value can help multinational corporations gain trust in the host societies. As people and other stakeholders will recognize multinational’s deeper engagement to the society. Hence another proposition can be developed.

4) Internationalization with creating shared value will increase legitimacy of the firm

3.2.3 Measuring shared value

It is imperative and yet challenging for companies to be able to measure the shared value they create. Proper measurement and tracking of such initiatives may enable firms to affirm or provide opportunities to further optimize their shared value strategy.

“LEVELS OF SHARED VALUE	BUSINESS RESULTS	SOCIAL RESULTS
Reconceiving product and markets: How targeting unmet needs drives incremental revenue and profits	<ul style="list-style-type: none"> • Increased revenue • Increased market share • Increased market growth • Improved profitability 	<ul style="list-style-type: none"> • Improved patient care • Reduced carbon footprint • Improved nutrition • Improved education
Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risks	<ul style="list-style-type: none"> • Improved productivity • Reduced logistical and operating costs • Secured supply • Improved quality • Improved profitability 	<ul style="list-style-type: none"> • Reduced energy use • Reduced water use • Reduced raw materials • Improved job skills • Improved employee incomes
Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains	<ul style="list-style-type: none"> • Reduced costs • Secured supply • Improved distribution infrastructure • Improved workforce access • Improved profitability 	<ul style="list-style-type: none"> • Improved education • Increased job creation • Improved health • Improved incomes”

Table 4 - Illustrative Business and Social Results by Level of Shared Value

(Source: Porter et al. 2011)

“Measuring shared value aims to track the progress and results of shared value strategies. For each shared value opportunity, companies identify and track both social and business results; their parallel goals are to address a social problem and improve business performance” (Porter, Hills, Pfizer, Patscheke, & Hawkins, 2011).

At first, firms develop a focused shared value strategy. At this stage, firms may identify the actual social issues to focus, and related business model and activities including expected benefits relative to the costs. In the measurement stage, results and progress of the shared value initiatives is assessed to acknowledge or refine the shared value strategy (Porter et al. 2011).

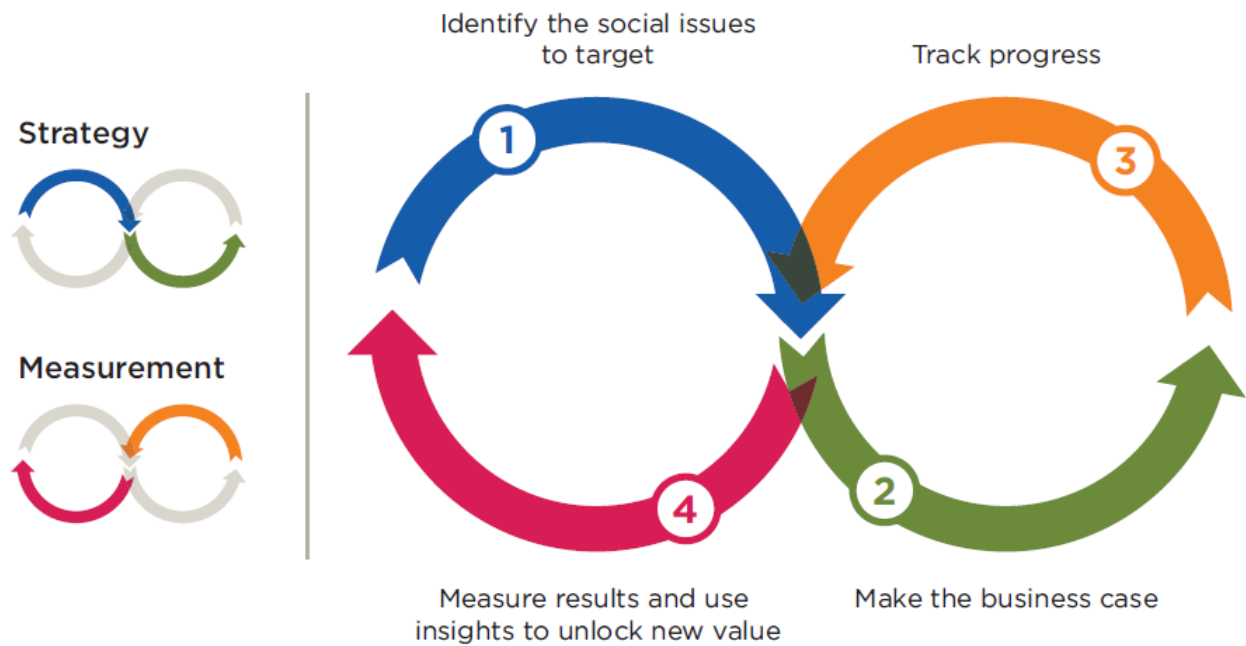


Figure 4 - Integrating Shared Value Strategy and Measurement

(Source: Porter et al., 2011)

Results gathered from measuring shared value may also be used to communicate with the stakeholders and investors. Enhanced business value whereby value is also created for the society, may help remove any doubts investors may have and encourage them to support further initiatives.

Porter et al. have also suggested an iterative feedback process of measuring shared value, integrated with the business strategy (2011). The strategy guides the initial focus and scope of the shared value measurement, whereas the actual measurement is used to inform and refine the shared value strategy (Ibid).

The four steps of shared value strategy and measurement are as follows:

Identify the social issues to target

At this step, unmet social needs and gaps are screened to find and prioritize opportunities for business value. They may have potential for better revenues or reduced costs (Ibid.).

Make the business case

At this step, actual business case is developed and its feasibility is assessed. Whether to go or not to go decision is made upon benefit-cost assessment of social and business activities (Ibid.)

Track progress

Monitoring the actual performance on targeted activities relative to the projected goals is assessed at this stage (Ibid.).

Measure results and use insights to unlock new value

Using the feedback from previous step on actual performance, firms may refine their shared value creation strategy (Ibid.).

Benefiting from earlier experiences and successes, firms may be further encouraged to engage in new shared value creation initiatives (Ibid.).

Following propositions can be further developed:

Creating shared value can also help overcome the challenges of liability of foreignness by effectively projecting firm specific advantages.

5) Internationalization with creating shared value will decrease the liability of foreignness

Creating shared value may require diligent planning, executing and refining projects for social and business value creation. Firms may gradually learn and adapt to the market dynamics and hence may decrease the pace of their internationalization.

6) Internationalization with creating shared value will decrease the pace of internationalization

The business value created while creating value for the society may be more sustainable, hence creating shared value may decrease the risk of failure.

7) Internationalization with creating shared value will decrease the risk of failure
--

Multinational corporations engaged in creating shared value initiatives may target to help solve the core and broader problems of the society, requiring firm resources and time investment before generating economic returns, and hence signal firm's long-term perspective.

8) Internationalization with creating shared value will have a long-term perspective
--

3.2.3.1 Constructive criticism on Porter & Kramer's Creating Shared Value framework

Among others, Crane, Palazzo, Spence & Matten's criticism of Porter & Kramer's Creating Shared value summarized in the table below, is particularly insightful (2014). While they acknowledged its contributions, they also gave some constructive criticism to the concept, which was later responded by Porter & Kramer.

Strengths	Weaknesses
"It successfully appeals to practitioners and scholars	It is unoriginal
It elevates social goals to a strategic level	It ignores the tensions between social and economic goals
It articulates a clear role for governments in responsible behavior	It is naive about the challenges of business compliance
It adds rigor to ideas of "conscious capitalism" and provides an umbrella construct for loosely connected concepts	It is based on a shallow conception of the corporation's role in society"

Table 5 - Strengths & weaknesses of Creating shared value

(Source: Crane et al., 2014)

Upon receiving responses from Porter & Kramer on their actual criticism, Crane et al. gave further insightful comments on their concept (2014).

- That similarities of Creating Shared Value concept with other concepts, such as of “strategic CSR”, “social innovation” and “instrumental stakeholder theory” is not properly acknowledged.
- That Creating Shared value assumes the tough challenging legal and ethical obligations to be the prerequisites, and thereby avoids the complex trade-offs between economic and social value.
- That it may be insufficient and under limitations, to address the world’s major social issues through perspective of corporate self-interest.

3.3 Propositions

A review of literature and theories related to internationalization and creating shared value is used to derive propositions explaining a relationship between them.

The internationalization literature has helped derive motives, challenges and dynamics contributing to the success of a multinational’s internationalization.

In creating shared value literature review, creation and measurement of business and social value is explained.

Following relationships between creating shared value and internationalization can thus be derived:

- a) How can shared value creation strategy help encourage Multinational corporations to engage in internationalization

- | |
|--|
| <ol style="list-style-type: none"> 1) Internationalization with creating shared value will increase firm specific advantages 2) Internationalization with creating shared value will increase Internalization 3) Internationalization with creating shared value will increase investor’s willingness to invest |
|--|

Possession of firm specific advantages are an important determinant, encouraging firms to internationalize. Internalization and increased willingness of investors to invest are additional factors contributing to the international engagement by multinational corporations. And creating shared value has the potential to help multinational corporations achieve these objectives and encourage them to internationalize.

- How can shared value creation strategy help Multinational corporations to overcome the challenges during internationalization.

- | |
|---|
| <ul style="list-style-type: none">4) Internationalization with creating shared value will increase legitimacy of the firm5) Internationalization with creating shared value will decrease the liability of foreignness6) Internationalization with creating shared value will decrease the pace of internationalization7) Internationalization with creating shared value will decrease the risk of failure8) Internationalization with creating shared value will have a long-term perspective |
|---|

Multinational corporations aim to overcome the challenges of internationalization by increasing their legitimacy. They may also seek to reduce liability of foreignness and decrease their risk of failure. A long-term perspective in internationalization may also be among multinational's objectives. And creating shared value has the potential to help multinational corporations achieve these objectives and overcome their internationalization challenges.

3.3.1 Alternative explanations

Propositions are derived arguing a relationship of creating shared value to the internationalization of a multinational. However, it is also pertinent to summarize other alternative explanations of determinants of overcoming the challenges and succeeding in internationalization.

An evaluation of objectives and motives of internationalization may be an important determinant to ascertain the success of an internationalization venture. Multinational corporations may be encouraged to internationalize to exploit their ownership, location and internationalization advantages and seek new markets, access natural resources, reduce costs or create synergies (Dunning, 2000).

An assessment of the achieved results with regards to the set objectives may provide evidence for success of internationalization. For instance, a multinational may aim to reduce its production costs or increase its global revenues. Hence it may be assessed as how by effectively overcoming any challenges, the multinational may have been able to successfully achieve its internationalization goals.

Multinational corporations may focus on exploiting its core competencies and strengths, and contemplate any challenges as risks to the business to eventually mitigate them. Multinational corporations may be risk averse and may engage only into economically feasible projects, requiring minimum time and resources. Multinational corporations may also lack a notable relationship with the society and other stakeholders.

However, shared value creation may benefit the society, and transform the business challenges into opportunities for more sustainable business growth.

4 Cases: Novo Nordisk & Mærsk

4.1 Novo Nordisk

Novo Nordisk, headquartered in Denmark is a global healthcare company. With offices in 77 countries, employing around 42,000 people; its products reach to people in more than 165 countries (Novo Nordisk, 2016). Historically and yet today its prime focus is to offer products for diabetes care, but it has also been providing products for “obesity care, hemophilia care, growth hormone therapy and hormone replacement therapy” (Ibid.). For the year ended 2016, it recorded a net profit of DKK37.9 billion from total sales of DKK111 billion (Novo Nordisk financials, 2016). More than half of its revenues (DKK57 billion) came from the USA (Ibid.). Novo Nordisk commands 46% of global insulin market share (Ibid.).

4.1.1 Responsibility at Novo Nordisk

At the core of its business strategy, Novo Nordisk calls its business to follow a Triple Bottom Line (Novo Nordisk, 2016).

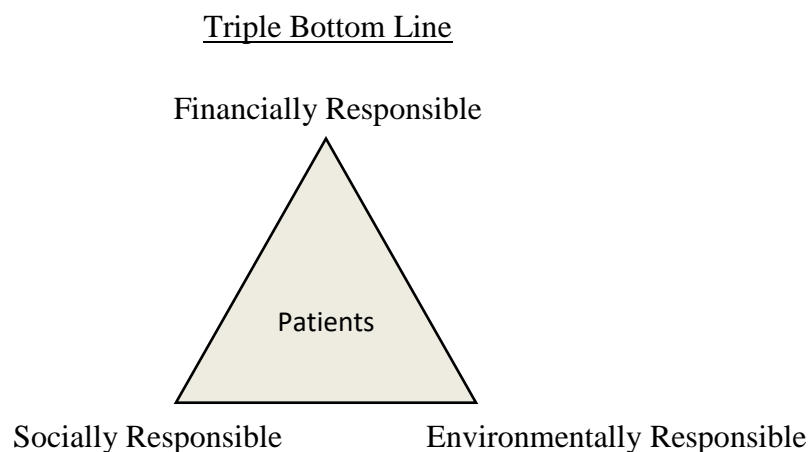


Figure 5 - Triple bottom line at Novo Nordisk

(Source: Novo Nordisk, 2013)

Novo Nordisk asserts that the Triple Bottom Line approach drives its global strategy, whereby it strives to pursue initiatives that maximize value for the society, environment and the business (Novo Nordisk, 2013).

It further aims to measure and track the value created on each dimension and to transparently report them as part of its annual reports. However, only the global aggregate results having direct influence are reported. To capture value of indirect influences, a number of business case studies are prepared and published as part of its “the blueprint for change” program. These case studies demonstrate how actual business and social value created successfully, can influence others and validate future investments in related initiatives (Ibid.).

Socially Responsible

Novo Nordisk asserts that it creates value for the society by discovering, developing and providing medicine for treating diabetes and other chronic diseases (Ibid.). It also works in public/private partnerships to improve awareness, prevention, early diagnosis and access to care (Ibid.). 28 million patients used Novo Nordisk’s diabetes care products in 2016, and it targets to reach 40 million people by 2020 (Novo N. Annual Report, 2016). It has also adopted a “differential pricing policy”, whereby 6.5 million patients from 22 low-income, least developed countries were able to receive insulin at below the ceiling price as defined by UN for these countries in 2016 (Ibid.).

Other activities in 2016 aiming to improve access and quality of diabetes care globally include (Ibid.):

- Free insulin treatment for 14,000 children in nine countries
- 108 clinics setup
- 7,000 healthcare professionals trained
- 48,000 women screened and 4,800 diagnosed and treated with “gestational” diabetes
- “Base of pyramid program” (focusing on awareness, diagnosis, quality for care, affordable and stable supply of medicine) in Nigeria, Kenya, Ghana and India
- To tackle type 2 diabetes in 8 developed urban cities
- Donations through world diabetes foundation (WDF: working in 115 countries)

Moreover, in its internal employee satisfaction survey, it scores above its target indicating employee’s trust and engagement to its value (Ibid.). Furthermore, it also enjoys good “consolidated reputation

score” (among patients, practitioners, specialists and employees) indicating its good reputation among its stakeholders (Ibid.).

Environmentally Responsible

Novo Nordisk creates value for the environment by attempting to reduce any adverse impact on environment (Novo Nordisk, 2016). Novo Nordisk used 78% of its power needs for production from renewable sources in 2016 and reduced its CO2 emissions by 14% in relation to the previous year (Novo N. Annual Report, 2016).

It further aims for its entire production to use power from alternative sources by 2020 and optimally utilize its resources, in particular water (Ibid.).

Financially Responsible

Novo Nordisk attempts to create value for its shareholders by delivering sound and transparent financial results (Novo Nordisk, 2016). Novo Nordisk’s net profit grew 9% in 2016 in relation to the previous year (Novo N. Annual Report, 2016).

4.1.2 Shared value at Novo Nordisk

More and more healthcare companies are attempting to find business opportunities while addressing the prevalent global healthcare needs (Peterson, Pfitzer, Mazzuri, Wendel & Hooson, 2014). Developed markets being saturated and under growing price scrutiny, are also among the reasons that health care companies are looking for ways to expand to potential underserved markets (Ibid.).

Enabling shared value creation in such markets pose challenges on two levels (Ibid.):

- Customer Level: Low awareness and lack of acceptability
- Health care systems: Affordability and delivery of care

Furthermore, a healthcare company may create shared value at three levels (Ibid.):

Reconceiving products and markets	Redefining productivity in value chains	Enabling local cluster development
<ul style="list-style-type: none"> • Research & Development • Modify existing products to reduce costs and complexity • New products for local market 	<ul style="list-style-type: none"> • Reduce cost and risk • Reduce production costs • Local sales and distribution 	<ul style="list-style-type: none"> • Campaigns to increase demand • Strengthening health system • Policy and regulations

Table 6 - Shared value creation at a healthcare company

(Source: Peterson, et al. 2014)

Novo Nordisk aspires to serve people in countries facing growing diabetes burden, and simultaneously achieve global growth and commercial success (Ibid.).

Novo Nordisk asserts that as a result of its triple bottom line principle, shared value is created for both the society and its business (Novo Nordisk, 2016). However, Identifying, measuring and properly communicating the drivers and realized shared benefits has remained challenging. Hence, through its “The blueprint for change” program, it attempts to analyze, measure, improve and make visible the impact and value created for society and its business in different international markets (Ibid.).

Peterson et al. concurs that evidence of social and business value creation may validate their worth & relevance, signify a company’s commitment to the society, and foster stakeholder’s confidence for other social investments (2014).

It further suggests that measuring shared value success for health companies can be divided into two fundamental components, namely Innovation and Impact (Ibid.);

- Innovation: A company may innovate by introducing new products and helping improve health systems, to essentially increase demand and coverage of its products. Such as training health workers and increasing awareness for diabetes.
- Impact: Impact measures the actual social outcomes achieved also resulting in better business results, such as sales and new markets growth, product differentiation and stakeholder trust.

The following table shows how the social value is created at the Novo Nordisk (Ibid.).

Social value creation		
“Measuring the Innovation	Inputs	<ul style="list-style-type: none"> • Investment • HR • Baseline market research • Resources
	Activities	<ul style="list-style-type: none"> • HR development • Community workers to run health camps • Local production of insulin products • Awareness and behavior change campaigns
	Outputs	<ul style="list-style-type: none"> • No. of health camps held on diabetes • No. of people attended health camps • Decrease in Price • No. of doses sold
	System Outcomes	<ul style="list-style-type: none"> • Improvement in diabetes knowledge • Increase in people seeking treatment • No. of patients newly diagnosed and prescribed • Impact on spending by households
Measuring the Impact	Clinical Outcomes	<ul style="list-style-type: none"> • Change in level of diabetes control in targeted customers
	Health Impact	<ul style="list-style-type: none"> • Change in incidence rates of long-term complication of diabetes
	Wider Socio-Economic Impact	<ul style="list-style-type: none"> • Change in health spending • Impact on national medical education • Impact on worker’s productivity”

Table 7 – Social value measurement at Novo Nordisk

(Source: Peterson et al., 2014)

The following table shows the “components of shared value measurement for Novo Nordisk”, and how the business value is gathered differently but complementarily (Ibid.).

Business value creation		
“Measuring the Innovation	Direct, Short-term Business Benefits	<ul style="list-style-type: none"> • Revenue from sales of insulin • % market share • % recognize brand • Reach to different socio-economic segments
Measuring the Impact	Incremental, Direct and Indirect Business Benefits	<ul style="list-style-type: none"> • Further expansion into other market segments • Willingness to pay premium for brand (product differentiation) • Relationship status with civil society and government”

Table 8 – Business value measurement at Novo Nordisk

(Source: Peterson et al., 2014)

4.1.3 Novo Nordisk in India

Novo Nordisk entered the Indian diabetes market in 1982 through export of insulin. In 1988, it began local production of its products and in 1994 opened its own subsidiary. It now employs over 1500 employees and enjoys more than 60% of insulin market share in India (Novo Nordisk, 2014).

Following table illustrates the business and social value it has been able to create in India.

Value for Society	Value for Novo Nordisk
<ul style="list-style-type: none"> ▪ Awareness: 16 million people reached and 332,000 diagnosed ▪ Accessibility 86,000 healthcare professionals trained ▪ Quality for Patients: 800,000 people with diabetes educated and empowered ▪ 1500 people employed ▪ Local production 	<ul style="list-style-type: none"> ▪ Building Reputation ▪ Employee Satisfaction ▪ Serving more people with diabetes

Table 9 – Value creation at Novo Nordisk India

(Source: Novo Nordisk, 2014)

Novo Nordisk in India aims at strengthening the public healthcare system. It attempts at engaging governments, nongovernmental organizations and private businesses to improve “diabetes prevention, awareness, diagnosis and treatment”. In the process, they expect to be able to “stimulate market growth and create business opportunities” (Ibid.).

4.2 Mærsk

A.P. Møller – Mærsk headquartered in Denmark, is world’s leading transport, logistics and energy Company. It’s around 88,000 employees work in its global operations spread over 130 countries (Mærsk, 2017). Since 2016, it has separated its Energy division from the Transport & Logistics division. With revenue of USD 35.5 billion, it recorded a loss of USD -1.9 billion for year ended 2016 (Mærsk Annual report, 2016).

In my report, I will concentrate only on its Transport & Logistics division.

4.2.1 Sustainability at Mærsk

Mærsk aims at addressing the sustainability challenges while creating shared value for the society and Mærsk. It has identified three key priority areas. Focusing these it expects to further growth, mitigate risks and increase performance levels (Mærsk, 2014).

- Energy efficiency: Cost saving & CO2 Reduction
- Enabling Trade: Volume & Economic Growth
- Investing in education – Skilled workers

For not being deemed viable, its education program has been halted now (Mærsk, 2017).

Furthermore, as part of its sustainability strategy, Mærsk looks at the issues “material” to its business and stakeholders on three broad dimensions, Responsibility, Shared value and Risk (Mærsk Sustainability, 2016).

Responsibility	Shared Value	Risk
Responsibility to prevent negative impact on the society, people and environment	Solutions that may benefit the society and bring positive return for the business.	Significant financial and reputational risks to the business
E.g. Injuries & fatalities, diversity & inclusion and tax practices & transparency	E.g. Enabling trade, Reduction of CO2 emissions and Ship recycling	E.g. Major accident, non-compliance with corruption regulations
Achieved through limiting their negative impacts and process improvements	Achieved through multi-stakeholder alliances and exploring opportunities for change & development in own business	Achieved through mitigation process, reducing risks for the society and business

Table 10 – Sustainability at Mærsk

(Source: Mærsk Sustainability, 2016)

4.2.2 Mærsk & UN Sustainable development goals

Mærsk has attempted to connect and apply its business & sustainability initiatives to all the 17 Sustainable development goals (SDGs) either directly or indirectly (Ibid.).

UN Sustainable Goals where Mærsk has Strong potential for positive impact at scale (Mærsk and the SDGs, 2017):

- SDG nr. 8 (decent work and economic growth) : Mærsk with its capabilities in Transport and energy can contribute in a country's exports and economic development
- SDG nr. 9 (industry, innovation, and infrastructure): Mærsk with its investments in infrastructure and integration of small and medium sized enterprises of developing countries into global value chains.
- SDG nr. 13 (climate action): A leading role in shipping emissions by separating trade and economic growth from CO2 emissions
- SDG nr. 17 (Partnerships for the goals): Mærsk supports trade and multi-stakeholder partnerships to collectively address global challenges

Goals where Mærsk has Potential Direct/Indirect Positive Impact (Ibid.):

- SDG nr. 1 (No poverty): Better trade can indirectly help economy through more jobs and better incomes.
- SDG nr. 2 (Zero hunger): Better storage and supply chain can reduce waste.
- SDG nr. 4 (Quality education): Training and education of its own employees and contribution in community education projects.
- SDG nr. 7 (Affordable and clean energy): By improving its energy efficiency.
- SDG nr. 10 (Reduced Inequalities): By maintaining labor and human rights standards globally.
- SDG nr. 11 (Sustainable cities and communities): Through investments in efficient ports, terminal infrastructures and logistics

Goals where Mærsk has Responsibility to mitigate potential negative impact (Ibid.):

- SDG nr. 3 (Good health and wellbeing): By ensuring health and safety of employees and requiring suppliers and contractors to maintain healthy and safe working environments.
- SDG nr. 5 (Gender equality): By respecting every employee's dignity & diversity and supporting gender equality.
- SDG nr. 6 (Clean water and sanitation): By better water management particularly in oil sector-
- SDG nr. 12 (Responsible consumption and production): Through its technology and solutions to reduce global food waste.
- SDG nr. 14 (Life below water): By reducing its marine environmental impact.
- SDG nr. 15 (Life on land): By reducing its overall environmental impact
- SDG nr. 16 (Peace and justice strong institutions): By demonstrating zero tolerance and active participation in initiatives to fight corruption.

4.2.3 Shared value at Mærsk

Mærsk aspires to collaborate and contribute through its business strength and scale, in solving global sustainability and systematic challenges (Mærsk Sustainability, 2016). It has focused on three areas where it aims at creating shared value (Ibid.):

Ship recycling

A large fraction of global ship recycling is still done at non-certified facilities, where besides environmental pollution; employees are also usually underpaid and work in unsafe conditions. Mærsk made responsible ship recycling a clear part of its policy, and assisted in actual upgrading of practices and facilities in one such significant destination, Alang, India (Ibid.).

With Mærsk's help, all employees on Shree ram yard, India have received proper employment contracts and safety trainings. Mærsk aspires to extend this assistance to other yards in India (Ibid.). Hence these yards would be able to recycle vessels responsibly beyond only Mærsk's.

Reduction of CO2 emissions

Reducing CO2 emissions from transport and logistics is a global challenge. Despite efficiencies and use of renewable energy, fossil fuels are still used in majority (Ibid.).

84% of Mærsk's CO2 emissions come from Mærsk Line. However, through its initiatives, competencies, innovations and partnerships with customers; it aspires to be able to reduce its carbon impact. It has been able to grow the number of transported containers (53%: per 2016 relative to 2007) while at the same time reducing CO2 emissions (21%: per 2016 relative to 2007). Mærsk is also advocating for more regulations in shipping industry (Ibid.).

Enabling trade

Mærsk believes that the greatest potential in its business, for both societal and its own business value is through increased international trade (Ibid.). It has the capabilities, network and scale to influence a developing country's access to connect with world.

Four such projects where Mærsk has attempted to help enable trade (Ibid.):

A digital transport and logistics tool developed to help reduce costs and time to market; a digital information sharing, training platform for Small and medium enterprises; collaboration with government of Indonesia to develop a model port at an economically potential area, Bitung; a simple and transparent digital Business-to-Business platform to connect African sellers with global and other African buyers (Ibid.).

4.2.4 Mærsk in Myanmar

Mærsk entered Burma (Myanmar) through an agency in 1992. It gradually kept assessing the market and business risks and partnered with other stakeholders to develop standards on human rights and to combat corruption. It received a permanent license to operate and opened its own office in 2014 (CSR.dk, 2015).

The following table summarizes how Mærsk was able to create social and business value in Myanmar.

Value for Society	Value for Mærsk
<ul style="list-style-type: none">▪ Enabling Trade▪ Strengthen the global competitiveness of Myanmar on the global market▪ Sustainable development and growth▪ Improved supply chain stability, increase efficiency, reduce costs for local business.	<ul style="list-style-type: none">▪ Increase in Business activities▪ Integration into global blue print▪ Risk mitigation

Table 11 - Value creation at Mærsk Myanmar

(Source: http://csrgov.dk/moeller_maersk, 2015)

5 Analysis: Creating shared value and Internationalization

Using case studies of Novo Nordisk and Mærsk, my aim would be to evaluate success of their shared value creation strategies and explain the relationship with their internationalization activities in India and Myanmar respectively. My strategy for analysis would be based on the theoretical propositions established earlier in the study. Case studies would serve as an evidence to test these theoretical propositions.

My approach for analysis is summarized in the table below:

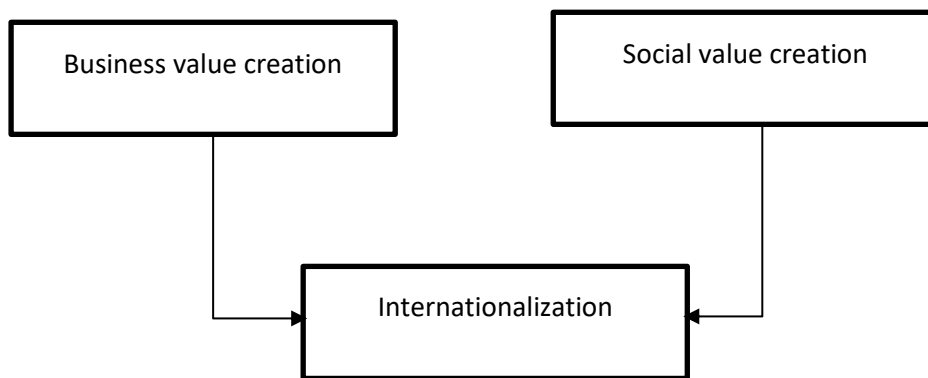


Figure 6 - Creating Shared value & Internationalization

(Own Creation)

- Business value creation: Business growth (e.g. Revenue), Commercial success (e.g. Profitability, Productivity), Intangible assets (e.g. Reputation)
- Social value creation: Economic (e.g. improved incomes), social (e.g. more Jobs), and Environment (e.g. reduced waste)
- Internationalization: Increased ownership/competitive advantages both tangible and intangible, Internationalization and long term perspective, Decreased liability of foreignness.

Business value creation is explained first, followed by the social value creation. Creating shared value is finally explained in relation to the internationalization of case study multinational corporations.

5.1 Novo Nordisk in India

My analysis of Nordisk's shared value activities in India, takes inspiration from Peterson et al. (2014)'s model of measuring shared value for a healthcare company.

Reconceiving products and markets	Redefining productivity in value chains	Enabling local cluster development
<ul style="list-style-type: none">• Research & Development• Modify existing products to reduce costs and complexity• New products for local market	<ul style="list-style-type: none">• Reduce cost and risk• Reduce production costs• Local sales and distribution	<ul style="list-style-type: none">• Campaigns to increase demand• Strengthening health system• Policy and regulations

Table 12 - Shared value creation at Novo Nordisk India

(Adapted from Peterson et al., 2014)

Peterson et al. have identified two fundamental measurement components of shared value (2014):

- Innovation: A firm's efforts which may improve coverage and use of its products, and hence increase demand.
- Impact: A firm's efforts which may result in better health outcomes, hence better business prospects over time.

5.1.1 Business value creation

Novo Nordisk argues to have been serving a considerable, more than 60% of the Indian diabetes market (Novo Nordisk, 2014). Moreover, its focus on increasing further awareness and thus usage of diabetic care, and considering its already big market share, it anticipates benefiting from the increased usage.

Through its shared value creation strategy, Novo Nordisk has been able to create value for its business both in the short and the long term (Ibid.):

Business value creation activities measured on the innovation and impact dimensions is listed below and will be explained afterwards:

Business value creation		
Measuring the <u>Innovation</u> Direct, Short-term Business Benefits	Direct Profit & Loss Impact	<ul style="list-style-type: none"> • More people being treated with diabetes • Lower costs
	Trust of stakeholders	<ul style="list-style-type: none"> • Positive Reputation • Satisfied Employees
Measuring the <u>Impact</u> Incremental, Direct and Indirect Business Benefits	Direct Profit & Loss Impact	<ul style="list-style-type: none"> • Brand recognition
	Trust of stakeholders	<ul style="list-style-type: none"> • Improved relationship status with civil society and government
	New shared value opportunities	<ul style="list-style-type: none"> • Further expansion into other market segments

Table 13 - Business value creation at Novo Nordisk India
(Adapted from Peterson et al., 2014)

More people being treated with diabetes

Its shared value initiatives have resulted in an overall increase in the people being diagnosed and receiving diabetes treatment. With Novo Nordisk's contributions along with other partners, 7% more people are receiving diabetes care every year. Moreover, 14% more people are receiving diabetes care through insulin (Novo Nordisk, 2014). Hence its various initiatives have helped create value for business by increasing demand for its products.

Novo Nordisk has benefitted from the increased coverage of its products, by being able to increase its revenues. Actual sales figures for its Indian operations are not publicly available though. Moreover, while Novo Nordisk does the hard work of expanding the potential market, entire growth may not necessarily benefit the Novo Nordisk alone.

Since this has a direct profit and loss impact, hence it can be considered as among the short-term business benefits.

Lower costs

Local production and effective supply chain help result into lower costs. Novo Nordisk has its production locally in collaboration with a local partner, Torrent Pharmaceuticals Ltd., which not only creates business activity and jobs for the local population but also helps reduce costs for the Novo Nordisk.

Positive Reputation

Through its various shared value initiatives, Novo Nordisk was able to earn considerable respect and positive reputation among healthcare professionals and general public. Its engagement in the activities to increase awareness about diabetes care has helped the society through better health and well-being. Hence, the general public recognizes and respects Novo Nordisk. Engagements among healthcare professionals through trainings and awareness has also helped improve its reputation as a pharmaceutical company keen to create long-term social impact beyond the business value.

Satisfied Employees

When a multinational contributes to help solve societal challenges, its employees would feel motivated and privileged to be a part of the efforts to create greater social impact. By creating shared value, multinational corporations can achieve both commercial excellence and social impact simultaneously. Hence, employees may feel further satisfied that their efforts are helping both the business and society to grow and prosper.

As per an internal survey among employees as cited in Novo Nordisk (2014), the employees support the significance and results of its value creation approach.

In an internal survey conducted by Novo Nordisk, its employees showed their support and satisfaction over their firm's actions on three major areas (Ibid.):

Its patient-centric approach, its triple bottom line approach and its ability to maintain good relationship with stakeholders (Ibid.)

Brand recognition

Novo Nordisk has a strong global brand due to its innovative products and contributions towards advancement in diabetes care. Interbrand health ranks Novo Nordisk at number 8 among the best

pharma brands (2016). It is regarded as among the industry leaders in diabetes care for its dedication to improve lives of patients and impact the healthcare professional's decision making (Ibid.).

Challenge in a developing country such as India is to preserve similar strong local brand recognition.

According to the results of an internal diabetes customer satisfaction survey, patients place Novo Nordisk superior to its competitors, due to its social impact initiatives and history of innovative, high quality products (Novo Nordisk, 2014).

Improved relationship status with civil society and government

Relationship with government and healthcare professionals can also play an important role in business success of Novo Nordisk. Since the challenges faced by diabetes care industry are also immense, hence it was also critical for Novo Nordisk to collaborate with the government, private institutions, and health care professionals to reduce the barriers in diabetes care industry.

It has thus embarked upon numerous initiatives and activities in collaboration with government or other private institutions to improve the diabetes care in India. Successful and impactful collaborations have resulted in the improved relationship of Novo Nordisk with other stakeholders.

According to results from an internal survey among physicians, they trust, respect and acknowledge Novo Nordisk's place as among world's leading diabetes care companies (Ibid.). Benefits for the business may be indirect and incremental over time.

Further expansion into other market segments

The success of shared value initiatives may gradually pave way for further initiatives and growth in other market segments.

Novo Nordisk was also able to expand to other market segments. Its successful partnerships with other government and non-government bodies also opened for various new shared value opportunities.

Establishment of Novo Nordisk Education foundation in 1998, training program for healthcare professionals in 2000, first world diabetes foundation project in 2002, world diabetes day in 2007, partnership with Government of Goa in 2008, free insulin and care for children in 2011, are the examples of how it was able to incrementally continue to engage in shared value activities (Ibid.).

5.1.2 Social value creation

Through its shared value creation strategy, Novo Nordisk was able to create value for the society. Its social value creation activities are listed below:

Social value creation		
Measuring the <u>Innovation</u>	Inputs	<ul style="list-style-type: none"> Investment, HR, Baseline market research, Resources
	Activities	<ul style="list-style-type: none"> HR development, Community workers to run health camps, Local production of insulin products, Awareness and behavior change campaigns
	Outputs	<ul style="list-style-type: none"> No. of health camps held on diabetes, No. of people attended health camps, Decrease in Price, No. of doses sold
	System Outcomes <u>Increased reach</u>	<ul style="list-style-type: none"> Health awareness for millions Thousands diagnosed with diabetes Thousands with diabetes educated
	System Outcomes <u>Improved effectiveness</u>	<ul style="list-style-type: none"> Healthcare professionals educated Creation of jobs Supporting Local businesses
Measuring the <u>Impact</u>	Clinical Outcomes	<ul style="list-style-type: none"> Change in level of diabetes control in targeted customers
	Health Impact	<ul style="list-style-type: none"> Change in incidence rates of long-term complication of diabetes
	Wider Socio-Economic Impact	<ul style="list-style-type: none"> Overall reduced barriers to diabetes care Satisfied and more productive employees

Table 14 - Social value creation at Novo Nordisk, India
(Adapted from Peterson et al., 2014)

Social value creation activities are also measured on the innovation and impact dimensions, and are explained in detail below.

Health awareness for millions

India, the world's second largest population faces Diabetes as a major health care problem with an estimated 66.8 million people suffering diabetes; the largest number for any country in the world and nearly half of people with diabetes remain undiagnosed. Despite such a large number, awareness is low and poses a big challenge (Joshi, 2015). Lack of awareness is prevalent in overall diagnosis, prevention, complications and treatment of diabetes.

Novo Nordisk identified, targeted and took to task this core problem. It aimed to address the issue by two ways: increase general public awareness & improve awareness in local communities (Novo Nordisk, 2014).

Partnering with other stakeholders, Novo Nordisk organized various activities such as educational programs, exhibitions and screening camps which considerably helped increase awareness among the general public. Through its Barometer program, run in collaboration with the state governments, it has been able to reach out to more than 5.5 million people, whereby 11,000 new cases were diagnosed (Ibid.).

Novo Nordisk also provided essential primary diabetes healthcare training to over 37,000 community health workers (Ibid.). These community health workers further disseminated the acquired knowledge among their communities.

Thousands diagnosed with diabetes

Lack of proper diabetes diagnosis is an enormous challenge faced by the diabetes patients in India. Almost 50% of the total 66.8 million people with diabetes remain undiagnosed, and some often develop complications due to late diagnosis (Joshi, 2015). If diabetes is not diagnosed early and treated properly, there is a risk for developing other diseases (Ibid.).

Hence diabetes diagnosis for these almost 33 million diabetic patients, a number which is expected to grow even further, remains the strongest area of creating potential health impact.

With its initiatives and activities such as “Changing Diabetes® Barometer program”, partnership with WDF and other initiatives, such as World Diabetes Day”, Novo Nordisk reached out to over 16

million people, of which over 332,000 were diagnosed and 124,000 having pre-diabetes were informed of the risks and precautions (Novo Nordisk, 2014).

Thousands with diabetes educated

Besides applying the research and developments in diabetes treatment, Diabetes education for patients is also critical to “combat the diabetes epidemic threatening the lives of millions of people in India” (Joshi, 2015). Along with medical care, an emphasis on healthy lifestyle like regular exercise, yoga, proper diet, and stress management are also essential for successful diabetes management (Ibid.).

Novo Nordisk thus helped over 800,000 patients diagnosed with diabetes; learn the optimal medical treatments, their impact and other life style changes to combat diabetes (Novo Nordisk, 2014).

Healthcare professionals educated

Joshi (2015) has also emphasized the importance of health care professional’s training for an effective diabetes management. India has a very low number of doctors and health care professionals per patient (World Health Organization, 2012), and moreover many require training to combat the diabetes epidemic.

Novo Nordisk has helped over 86,000 healthcare professionals to be trained for diabetes care (Novo Nordisk, 2014).

Creation of jobs

Creation of jobs play an important role to stimulate growth and combat poverty in the developing countries.

Novo Nordisk employs more than 1500 people in India (Ibid.). Indirect employment is also supported through local production and other shared value initiatives.

Supporting local businesses

Private businesses play a vital role in developing countries through jobs creation and economic growth.

Novo Nordisk partners with local businesses to carry out various activities. In particular, production is licensed out to a significant local firm Torrent Pharmaceuticals Ltd (Novo Nordisk, 2014).

Overall reduced barriers to diabetes care

A large number of undiagnosed and untreated diabetic patients imply that there are barriers in the Indian diabetes care industry.

Efforts to increase awareness among the general public, training the health care professionals and partnering with public-private organizations have all helped reduce overall barriers to the diabetes care.

Change in incidence rates of long-term complication of diabetes

Diabetes can lead to serious health issues, and is considered a leading cause of cardiovascular disease, blindness, kidney failure, and lower limb amputation. However, proper diagnosis and care can help avoid such complications (IDF, 2017).

Novo Nordisk's efforts to increase diabetes awareness resulted in improved diagnosis and care, and hence associated complications were avoided.

Using the CORE diabetes model (Palmer, Roze, Valentine, Minshall, Foos, Lurati, Lammert & Spinass) to determine the long-term health outcome and consequences of diabetes (as cited in Novo Nordisk, 2014), it was able to conclude the following (2004):

- Its diagnosis of 332,000 people with diabetes may help avoid, 12,400 cases of heart complications, 5,000 cases of kidney failures and 3,400 cases of amputation and vision loss.

Satisfied and more productive employees

While more satisfied and productive employees create value for the business, it also simultaneously creates considerable social value for such employees as individuals. Satisfied employees are expected to be more productive.

As cited in Novo Nordisk (2014), its employees are satisfied with and support company's mission, vision, values, efficiency and social efforts.

Novo Nordisk India & UN Sustainable development goals (SDGs)

Novo Nordisk's efforts to create social impact can also be mapped to the UN Sustainable development goals (SDGs) (UN, 2015):

- SDG nr. 8 (decent work and economic growth): Through creation of jobs, satisfied employees and supporting local businesses.
- SDG nr. 17 (Partnerships for the goals): Collaborations with government and private partners to combat diabetes.
- SDG nr. 4 (Quality education): Training and education of patients and healthcare professionals.
- SDG nr. 3 (Good health and wellbeing): By providing awareness and treatment for diabetes care.
- SDG nr. 9 (industry, innovation, and infrastructure): Through research and development and innovations in diabetes care.

5.1.3 Internationalization

Above discussed shared value initiatives and activities have helped Novo Nordisk throughout their internationalization journey, and have helped increase its overall competitive position in Indian market.

Areas where Novo Nordisk's shared value activities could impact its internationalization are summarized below:

- | |
|---|
| <ol style="list-style-type: none"> 1) Increased Firm specific advantages 2) Increased internalization 3) Increased Investor's willingness to invest 4) Increased Legitimacy 5) Decreased liability of foreignness 6) Decreased pace of internationalization 7) Decreased risk of failure 8) Long-term perspective |
|---|

Increased Firm specific advantages

Novo Nordisk already possesses considerable firm specific advantages in the form of its unique, innovative products, scale and a global reputation. By engaging in shared value creation activities in

India, Novo Nordisk was further able to strengthen its firm specific advantages in relation to its competitors.

Through its society initiatives, it was able to gather and act upon the knowledge about market dynamics, potential consumers and factors influencing their demands.

It was also able to collaborate with government, private organizations and health care community for various successful and impactful activities. Its innovative products were thus positively perceived among the general public and the health care professionals. And despite Indian diabetic market being a challenging one, its competitive position improved considerably.

Moreover, the learning from Indian experience could be used in other international markets. It complements and can help transform overall global shared value/CSR strategy.

Increased internalization

A multinational would expand through internalization, when the benefits of “developing, deploying, exploiting and augmenting firm specific advantages” are higher than both the costs of doing business in the host country, and those associated with other entry modes such as exporting, licensing or joint venture (Rugman & Verbeke, 2008).

Novo Nordisk initially started export of insulin to India, but as it learnt and adapted to the market potential and dynamics, it gradually increased its commitment to the Indian market. It now has its own affiliate office, a global shared service center and a research and development center in India. Their shared value initiatives boosted the society’s trust on Novo Nordisk, and firm’s own confidence that it may be economically beneficial to internalize various activities.

Actual production of the medicine is outsourced to local partner though. Hence in case of production, it considers it more economical not to produce the medicine itself.

Increased Legitimacy

Through its triple bottom approach and by practicing responsible behavior; Novo Nordisk aspires to gain the otherwise low trust in pharmaceutical industry, to become world’s most respected healthcare company (Novo Nordisk, 2013).

A further review of Novo Nordisk's shared value activities in India shows, that the stakeholders have recognized its efforts and contribution. It enjoys due trust and respect among people and healthcare professionals, and Novo Nordisk is perceived as among the world's leading diabetes care companies.

Decreased liability of foreignness

A review of Novo Nordisk's shared value activities shows, that the Novo Nordisk was able to offset the liability of foreignness in relation to the local firms. It had strong firm specific advantages, and it thoroughly capitalized those.

Culture, norms and values in India are significantly different than Denmark. An increasing number of people in India still use alternative therapies such as herbal drugs and plants for diabetes treatment (Pandey, Tripathi, Pandey, Srivatava, & Goswami, 2011).

By engaging in collaborative shared value activities with other local partners, Novo Nordisk was able to learn, develop and act upon the local market knowledge, to successfully exploit its existing strong firm specific advantages. Novo Nordisk's presence in India since 1982 has also helped that it gradually learned and adapted to the local norms and market conditions.

Increased Investor's willingness to invest

More and more Investors now demand their investee firms to engage in socially responsible activities. Moreover, they are also increasingly aware that socially responsible investments can also create sustainable business value.

Novo Nordisk's successful shared value approach in India, whereby created impact was also measured and effectively communicated; have validated to invest more in the firm and its related shared value initiatives.

Decreased pace of internationalization

Shared value creation strategy may involve projects with long time horizons and may require the firm to wait for the results. Hence such strategies may slow the pace of internationalization.

Novo Nordisk's internationalization journey also validates such a pattern. It did increase its resource commitments gradually as it learnt about the market and its dynamics. And its shared value initiatives played a vital role in gaining such knowledge.

Long-term perspective

Multinational corporation's engagement in shared value initiatives may signal their long-term commitment to the host country's society. In case of Novo Nordisk, this proposition is validated, as it resolved to impact the long-term well-being of the society. Its shared value initiatives aimed to stimulate long-term demand of diabetes care and its own products.

Number of people with diabetes and hence demand of diabetes care in India, is also expected to increase considerably in the years to come. Novo Nordisk would aim to be able to serve the growing demand and thereby create economic value for its businesses.

5.2 Mærsk in Myanmar

Mærsk shares its expertise on global trade with the authorities, customers and suppliers in Myanmar. The company works with business partners for improving quality, efficiency, safety and working environment in transport and logistics (CSR.dk, 2015).

Reconceiving products and markets	Redefining productivity in value chains	Enabling local cluster development
<ul style="list-style-type: none">• Modify existing products to reduce costs and complexity	<ul style="list-style-type: none">• Reduce cost and risk• Efficient and timely delivery	<ul style="list-style-type: none">• Initiatives to increase demand• Strengthening infrastructure and supply chain• Policy and regulations

Table 15 - Shared value creation at Mærsk Myanmar

(Adapted from Porter & Kramer, 2011)

5.2.1 Business Value Creation

Through shared value creation, Mærsk was able to further its business activities in Myanmar (csrgov.dk, 2014).

Business value creation activities measured on the innovation and impact dimensions are listed below and will be explained afterwards:

Business value creation		
Measuring the <u>Innovation</u> Direct, Short-term Business Benefits	Direct Profit & Loss Impact	<ul style="list-style-type: none"> • Increased Business activities • Lower costs • Mitigated Risk
	Trust of stakeholders	<ul style="list-style-type: none"> • Positive Reputation • Satisfied Employees
Measuring the <u>Impact</u> Incremental, Direct and Indirect Business Benefits	Direct Profit & Loss Impact	<ul style="list-style-type: none"> • Brand recognition • Increased its global blue print • Presence at a strategically important destination
	Trust of stakeholders	<ul style="list-style-type: none"> • Improved relationship status with the society and government
	New shared value opportunities	<ul style="list-style-type: none"> • Further expansion into other market segments

Table 16 - Business value creation at Mærsk Myanmar
(Adapted from Peterson et al., 2014)

Increased Business activities

Myanmar has remained a difficult country to establish business activities at. Mærsk has been present in Myanmar since 1992. However gradually realizing the market potential, eminent risk mitigations and benefiting from favorable business conditions, it was able to receive a permanent license and hence open its own office in 2014 (CSR.dk, 2015).

The shipping market in Myanmar is regarded as considerably competitive now, as there is no entry barrier to the market and the Government avoids giving preferential access to cargoes and routes to any lines (Dutch Maritime Network, 2016).

Mærsk is present in Myanmar through its three brands namely; Mærsk Line, MCC Transport and Damco. Benefitting from its strong presence, Mærsk Line and MCC Transport now have their own dedicated services at the port of Yangon, and Damco also has a pioneering state-of-the art 4,000 square meters Container Freight Station (Hui, 2015).

MCC transport also has the highest number of vessels (11) for any foreign shipping line in Myanmar, as of 18 Feb 2016 (Dutch Maritime Network, 2016)

Presence at a strategically important destination

Myanmar shares borders with four important developing countries, China, India, Bangladesh and Thailand, and has the potential to become “a prime transportation hub in Asia and to serve as a gateway between South Asia, Southeast Asia, and East Asia” (Florento & Corpuz, 2014).

Myanmar’s 2,800-kilometer coastline has access to the Bay of Bengal and ultimately to the Indian Ocean. It thus offers vital access and an alternative shipping route to the world’s busiest Strait of Malacca (Ibid.).

Myanmar itself is an emerging economy and its trade needs are also increasing gradually. When Mærsk decided to open its office in Myanmar in 2014, its container trade was growing at a promising 17% for five years (CSR.dk, 2015)

Mærsk is serving both the needs of local as well as global clients, and is hoping to benefit from future growth in international trade to and from Myanmar (Hui, 2015)

Increased its global blue print

Mærsk Line is already the world’s largest container shipping company (maerskline.com, 2017). By establishing itself in Myanmar, it has further strengthened its existing extensive global position in the shipping industry.

Mitigated Risk

Mærsk has maintained a focus on sustainability, human rights, safety, knowledge sharing and zero tolerance for corruption in Myanmar (CSR.dk, 2015). All these initiatives have not only helped Mærsk maintain its values and reputation, but have also helped minimize various business risks.

Myanmar ranks 136/176 on the corruptions perceptions index (Transparency Int’l, 2016); hence corruption is a big challenge in Myanmar also for multinational corporations. By not compromising on corruption, it has been able to avoid related business risks.

Mærsk also worked with other European nations to establish "The Myanmar Centre for Responsible Business" in 2013 (CSR.dk, 2015).

By emphasizing on employee's safety, besides ensuring the wellbeing of its employees, it has also been able to avoid the risks of noncompliance.

5.2.2 Social Value Creation

Through shared value creation, Mærsk was also able to further contribute in the Myanmar's social and economic growth (Ibid.).

Social value creation activities measured on the innovation and impact dimensions are listed below:

Social value creation		
Measuring the <u>Innovation</u>	Inputs	<ul style="list-style-type: none"> Investment, HR, Market research, Resources
	Activities	<ul style="list-style-type: none"> HR development, Services expansion, Establishment of a world class container storage facility. Awareness created about health and safety
	Outputs	<ul style="list-style-type: none"> No. of shipments, No. of accidents, Decrease in Price
	System Outcomes <u>Increased reach</u>	<ul style="list-style-type: none"> Improved awareness among workers Reduced no. of accidents
	System Outcomes <u>Improved effectiveness</u>	<ul style="list-style-type: none"> Shipping professionals educated Creation of jobs Supporting Local businesses
Measuring the <u>Impact</u>	Trade Outcomes	<ul style="list-style-type: none"> Change in level of trade
	Trade Impact	<ul style="list-style-type: none"> Improved supply chain stability, increased efficiency, and reduced costs for local business. Strengthened the global competitiveness of Myanmar on the global market
	Wider Socio-Economic Impact	<ul style="list-style-type: none"> Overall reduced barriers to shipping Satisfied and more productive employees Sustainable development and growth

Table 17 - Social value creation at Mærsk Myanmar
(Adapted from Peterson et al., 2014)

Enabled Trade

With an overall LPI (Logistics Performance Index) score of 2.46, Myanmar ranks 113/160 in the world (World Bank, 2016). LPI is a weighted average of a country's score on six dimensions (Ibid.);

- 1) "Efficiency of the clearance customs;

- 2) Quality of trade and transport related infrastructure
- 3) Ease of arranging competitively priced shipments
- 4) Competence and quality of logistics services
- 5) Ability to track and trace consignments
- 6) Timeliness of shipments in reaching destination within the scheduled delivery time”

Myanmar’s low LPI signifies the challenges its trade logistics face and where it needs to improve. Mærsk has thus contributed to boost trade in Myanmar by continuous investments in its services expansion, reducing transportation times and increased reliability for business (Hui, 2015).

Strengthened the global competitiveness of Myanmar on the global market

Through a stronger presence in Myanmar and offering its strong global network of transportation, Maersk has helped businesses in Myanmar effectively connect to almost all the corners of the world (CSR.dk, 2015).

By establishing Damco’s world class container storage facility and MCC transport’s frequent shipping services to important port destinations, it has helped increase the global competitiveness of Myanese exporters (Hui, 2015).

Sustainable development and growth

Mærsk aspires to contribute and benefit in the development and growth of Myanmar. While determining to open an office in Myanmar, Maersk had opted for a “doing-good” approach instead of a “doing-no-harm” approach, in line with the UN Guiding Principles on Human Rights, for a sustainable development in Myanmar (CSR.dk, 2015).

It also plans to explore further opportunities of cooperating with the Myanmar Port Authority to “improve market accessibility, reduce cost of transportation and reduce CO2 emissions” (Ibid.).

Improved supply chain stability, increased efficiency, and reduced costs for local business.

An overall increase in number of service providers and their breadth of services would naturally benefit the Myanese businesses. Reliable and efficient transport and supply chain services of Mærsk may enable the local businesses in Myanmar to be more competitive globally (Hui, 2015). They may be able to deliver their goods to an even vast global clientele, timely and efficiently.

Besides the increased flexibility for Myanese businesses, growing competition in the shipping industry may also make prices more competitive.

5.2.3 Internationalization

Above discussed shared value initiatives and activities have helped Mærsk throughout their internationalization journey, and have helped increase its overall competitive position in Myanese market.

Areas where Mærsk's shared value activities could impact its internationalization are summarized below:

- 1) Increased Firm specific advantages
- 2) Increased internalization
- 3) Increased Investor's willingness to invest
- 4) Increased Legitimacy
- 5) Decreased liability of foreignness
- 6) Decreased pace of internationalization
- 7) Decreased risk of failure
- 8) Long-term perspective

Increased Firm specific advantages

Mærsk already possesses considerable firm specific advantages such as its global network, knowledge, scale and technology. Analysis as above shows that, Mærsk was able to strengthen its tangible and intangible firm specific advantages in relation to its competitors, by engaging in shared value creation activities.

Despite Myanese market in general and shipping in particular being a difficult one, its competitive position improved considerably. It educated its customers & suppliers in effective planning and handling of products and containers. It also helped create awareness about employee health and safety (Ibid.).

By demonstrating a commitment for improving the supply chain, enhancing the trade opportunities and improving the wellbeing of society, It further capitalized on its reputation and track record for being a reliable global service provider for businesses.

Increased internalization

Mærsk is present in Myanmar since 1992 but only after years of due diligence it opened its own representative office in 2014. Myanmar was perceived a risky country and hence it operated only through agents for various years. Its business activities also remained minimal due to sanctions from USA and European Union (CSR.dk, 2015).

Mærsk seriously started to consider expanding its business operation after 2010, when the country opened for international firms and global sanctions were reduced. It than began collaborating with other partners to reduce various perceived risks, such as human rights violations (Ibid.).

After meticulous due diligence and based on experience and knowledge sharing, it could finally perceive greater net benefits in relation to the risks and costs. Hence its representative office was opened in Myanmar in 2014 (Ibid.).

Increased Legitimacy

Mærsk's efforts to facilitate trade logistics, implement safety, human rights and policy of zero corruption may have earned them recognition from society and other stakeholders. It may enjoy due trust and respect among businesses and shipping professionals, and Mærsk may be perceived as among the world's leading shipping companies.

Decreased liability of foreignness

A review of Mærsk's shared value activities reveals, that Mærsk was still able to offset the liability of foreignness in relation to the local firms. It possessed extensive expertise, services and global coverage, that the local competitors didn't possess.

Long-term perspective

Significant investments in shipping and logistics infrastructure signal Mærsk's long-term orientation to Myanmar. It resolves to impact the long-term well-being of the society. Its shared value initiatives aim to stimulate long-term growth and ultimately demand of its services.

Increased trade from and to Myanmar will increase the demand of logistics and shipping services in the years to come. Mærsk would aim to be able to serve the growing demand and thereby create economic value for its businesses.

Decreased pace of internationalization

Mærsk has been doing business in Myanmar since 1992 initially through a third-party agency. It gradually kept learning the market and ultimately opened its office after 22 years in 2014. Hence it can be concluded that the Mærsk's pace of internationalization has remained careful and slow.

Decreased risk of failure

Mærsk's adoption of value creation strategy for the society and surroundings may have helped reduce its overall business risks and increase its prospects to succeed. At the same time, a growth for Myenese businesses and its overall economy would also result in an increased economic value for Mærsk. A value that would offset the costs incurred and may validate its presence in Myanmar.

Increased Investor's willingness to invest

More and more investors support socially responsible investments. Successfully demonstrated investments where both social and business value is created simultaneously would increase investor's trust to invest in the firm and to invest in its future ventures.

After successful mitigation of business risks which also created value for the society, Mærsk was able to further increase its investment in the country.

6 Results: Creating shared value and Internationalization

Both Novo Nordisk and Mærsk were able to use shared value initiatives to create value for society and their own businesses. Owing to the nature and dynamics of their particular businesses and industries, each created more value on different dimensions.

Novo Nordisk has more potential for creating shared value in reconceiving its products, hence it created most value on this dimension. Whereas Mærsk, has more competencies in leveraging value chains, hence it was able to create most value in this dimension. Both firms were equally able to acknowledge the importance of collaborating with government and private partners for value creation.

Reconceiving products and markets	Redefining productivity in value chains	Enabling local cluster development
Novo Nordisk in India		
<ul style="list-style-type: none"> • Research & Development • Modify existing products to reduce costs and complexity • New products for local market 	<ul style="list-style-type: none"> • Reduce cost and risk • Reduce production costs • Local sales and distribution 	<ul style="list-style-type: none"> • Campaigns to increase demand • Strengthening health system • Policy and regulations
Mærsk in Myanmar		
<ul style="list-style-type: none"> • Modify existing products to reduce costs and complexity 	<ul style="list-style-type: none"> • Reduce cost and risk • Efficient and timely delivery 	<ul style="list-style-type: none"> • Initiatives to increase demand • Strengthening infrastructure and supply chain • Policy and regulations

Table 18 – Cross case shared value creation
(Adapted from Porter & Kramer, 2011)

Benefiting from its shared value initiatives, Novo Nordisk was able to grow its business in India, while Mærsk was also able to strengthen its market position in Mærsk.

Business value creation	
<u>Novo Nordisk in India</u>	<u>Mærsk in Myanmar</u>
<ul style="list-style-type: none"> • More people being treated with diabetes • Lower costs • Positive Reputation • Satisfied Employees • Brand recognition • Improved relationship status with civil society and government • Further expansion into other market segments 	<ul style="list-style-type: none"> • Increased Business activities • Presence at a strategically important destination • Increased its global blue print • Mitigated Risk

Table 19 – Cross case Business value creation
(Own creation)

Besides, value created for their businesses, both Novo Nordisk in India and Mærsk in Myanmar contributed considerably to the society.

Social value creation	
<u>Novo Nordisk in India</u>	<u>Mærsk in Myanmar</u>
<ul style="list-style-type: none"> • Health awareness for millions • Thousands diagnosed with diabetes • Thousands with diabetes educated • Healthcare professionals educated • Creation of jobs • Supporting Local businesses • Overall reduced barriers to diabetes care 	<ul style="list-style-type: none"> • Enabled Trade • Strengthened the global competitiveness of Myanmar on the global market • Sustainable development and growth • Improved supply chain stability, increased efficiency, and reduced costs for local business.

Table 20 – Cross case Social value creation
(Own creation)

An assessment of the two cases Novo Nordisk in India and Mærsk in Myanmar demonstrates their success in gaining considerable business value while creating value for the society.

It further reveals that both multinational corporations were also able to overcome the challenges and could successfully penetrate two challenging and distant markets.

Following propositions relating shared value creation with internationalization are thus validated:

Internationalization		
<u>Internationalization with Shared value</u>	<u>Novo Nordisk in India</u>	<u>Mærsk in Myanmar</u>
1) Increased Firm specific advantages	Confirmed	Confirmed
2) Increased internalization	Confirmed	Confirmed
3) Increased Investor's willingness to invest	Confirmed	Confirmed
4) Increased Legitimacy	Confirmed	Confirmed
5) Decreased liability of foreignness	Confirmed	Confirmed
6) Decreased pace of internationalization	Confirmed	Confirmed
7) Decreased risk of failure	Confirmed	Confirmed
8) Long-term perspective	Confirmed	Confirmed

*Table 21 – Cross case Internationalization
(Own creation)*

Based on the above findings, it can thus be concluded that:

- Shared value creation strategy helps encourage Multinational corporations to engage in internationalization

By strengthening their firm specific advantages and through increased legitimacy, both the case study multinational corporations were gradually encouraged to internalize their operations in the host markets. Shared value creation helped the multinational corporations to gain desired market knowledge and trust of stakeholders valuable to open their own subsidiaries.

- Shared value creation strategy helps Multinational corporations to overcome the challenges during internationalization.

By decreasing their liability of foreignness and risk of failure, not only challenges of internationalization were overcome, but investors became more willing to invest in the case study multinational corporations. While the pace of internationalization may have become slow, but the overall investment perspective is long and achieved growth is likely to be sustainable.

6.1 Quality of the results

6.1.1 Validity

Multiple sources of data and literature, chain of evidence, pattern matching and literal replication, are performed to enhance the validity of research.

Construct validity: Using multiple sources of evidence such as Articles, Interview, official and credible reports, formal studies; correct operational measures for the shared value and internationalization concepts are identified. Chain of evidence is maintained carefully and without bias, through proper referencing, and hence traceable from research question to conclusion or backwards.

Internal validity: Results within and across cases are matched, and found to coincide with the predicted propositions. Strong causal links among predicted propositions and resulting hypothesis reflect theoretically significant propositions and correct inferences. Possible threats to validity, such as rival perspectives are also addressed.

External validity: To demonstrate that the findings of the study are generalizable to other relevant situations, replication logic used among the two case studies. The aim of the study is to validate that two cases may produce similar results; hence literal replication is adopted.

6.1.2 Reliability

Thorough documentation of the procedures is followed, which may enhance the report's reliability. The results are replicable with further case studies. Reliable and trustworthy sources are used for data collection. Clearly defined objectives, questions and procedures are followed and documents and bibliography are maintained.

7 Conclusion

Using a multiple case study approach and benefiting from different models and theories from international business and creating shared value literature, a meaningful insight is obtained on Shared value creation as a complementary strategy to encourage internationalization and to overcome the internationalization challenges.

Propositions reflecting challenges and success determinants of internationalization of a multinational are identified and developed from internationalization and creating shared value literature. Propositions are further tested using the case studies of Novo Nordisk in India and Mærsk in Myanmar.

Both secondary and primary qualitative data is collected and used for the analysis.

During the case study analysis, business and social value creation are examined first. Propositions related to the internationalization are validated later.

Both case study multinational corporations are found to have successfully created business and social value, and simultaneously enhanced the success of their internationalization activities in their host country markets.

Creating shared value is thus found to help encourage multinational corporations by enhancing its firm specific advantages, increase internationalization and increase investor's willingness to invest. Creating shared value is also found to help overcome the challenges of internationalization by reducing the liability of foreignness, decrease risk of failure and a long-term perspective. However, the pace of internationalization may be slow.

It is pertinent to mention that the businesses, their strategic decisions and investments are still highly influenced by the short term financial performance goals. Hence the shared value creation which may need an investment of resources often involving a long-term perspective; is averted.

7.1 Limitations & Future research

Both Novo Nordisk and Mærsk consolidate the financial and other performance data for subsidiaries when reporting. Hence latest updated data for specific countries of analysis can be used for enhancing the reliability and validity of analysis.

Further research, in particular the primary and quantitative research, can be done to further investigate and validate relationship between creating shared value and internationalization of a firm. Determinants preventing multinational corporations from adopting a shared value creation strategy such as risk aversion may also be investigated further. Further case studies of firms having different sizes, scales, industries, and creating shared value even in the developed countries may also provide a valuable perspective.

An effective strategy framework connecting creating shared value and internationalization can also be finally developed.

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9 Interview Transcript

Semi-structured, telephonic Interview with Mr. Qaumruddin Ahmed, Managing Director, Bay Line Shipping Pte Ltd, Yangon, Myanmar dated 10.04.2017.

Typical challenges faced by the shipping industry in Myanmar

The main challenge here is that the charges of port department are very high, compared to the other neighboring countries in the region; even higher than Singapore and Hong Kong. And there is draft restriction that they do not allow ships more than 9 meters draft.

But it is located on a strategically important location. It has borders with Bangladesh, India, China, and Thailand.

Contribution of global shipping firms overcome such challenges

Shipping companies are losing money. They have their own concerns. They cannot berth the vessel in time. But they are not involved in building the infrastructure. They are trying to talk to the authorities time to time. It is private port operators and government, who are involved in such things. But this is lacking actually. A lot of investors, import and project cargo is coming in. Few days back, port was very congested. Therefore, getting the equipment from the port was very difficult. Ships were getting delayed. The concept of ICD - Inland Container Depot is not very popular here. The problem is that the government is facing of the private port operators. So, they are trying to solve the problems. Not the shipping lines. But the private port operators and the government. Shipping line, especially container line are doing is that congestion. They are losing money and to compensate their loss they are charging the congestion surcharge. Big shipping companies like Mærsk Line are charging and other companies are following.

Contribution to create broader social value, such as reducing corruption or better working conditions in Myanmar

So far, I did not see any initiative from them. They are certainly talking to the government and port operators to be more efficient. But what they are doing to solve those problems, I am not quite sure. But I am sure that they are charging congestion surcharge. When they are losing, they try to impose that on their customer. They are trying to recover that thing from their customer.

But they can advise the concerned authorities here, the port operators here. Certainly, they can play good advisory role. They can also slowly build the ICDs and all with the permission of the government.

International trade

Shipping line directly affects the international trade. Without shipping lines, the traders cannot do business, regardless if they are big or small. They will have to have space on the ship to export or import their cargo. Shipping lines have a big role to play. If the trade is going smoothly, certainly that will help in the development of the country. Consequently, general masses and business will benefit.

Corruption, Workers and health safety

Government is trying to reduce the corruption. It is taking few initiatives. During different festivals, it is a customary thing to give gifts to other people. But the amount and type of gift were slowly increasing. And the businesses were playing their own game and making it officially corrupt. The present government made a regulation that the government officials cannot accept gifts worth more than 25,000 Kyat which is around 20 USD. Salary of the government officials is also very low. But the government is trying to reduce the corruption.

Workers do not have proper gears. They should be wearing proper gears to work on the ship. Otherwise, it is a dangerous job.

But the port workers are not from the shipping line, they are by the port operators. And these things should be taken care of by the port operators. I am not sure whether they particularly MIT and MITT, that only for the Mærsk line vessels they have got the protective gears. I did not notice any change. But yes, they have to improve a lot.

Perception of Mærsk by the businesses

Undoubtedly, Mærsk is the number one container shipping line company in the world. Last two years for shipping have not been good. They merged with the second biggest one in the history. I am not aware of the social activities they are doing here. But they are business people with business mind. But they have to survive. Whenever there is congestion, immediately they will put congestion surcharge. Whenever the bunker price goes up, they will immediately impose a bunker surcharge. So, this is a business minded thing.

Rules and regulations for shipping for everyone are the same. But Mærsk is a big company. They have network all over the world. If they want, they can easily dominate the market.

Mærsk market position in Myanmar

Their charges and freight rates are bit higher as compared to other companies. Because they feel that they are the number one company, their services are better so they have the right to do that.

It depends and varies from customer to customer. It is a competitive market and customers will go if they get hundred dollars less or more. Some customers might not mind paying little bit extra for a reputed company such as Mærsk. In my experience, most customers prefer little cheaper freight. They don't mind loading with other companies if the freight is lower.