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What is value?

A study of the concept of value and its meanings from a corporate perspective

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Abstract

Title:	**What is value? – A study of the concept of value and its meanings from a corporate perspective**
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Key words:	Value, value creation, shared value, integrated reporting, IR Framework
Purpose:	The purpose was to gain insight in how companies within the IIRC Pilot Programme describe value and value creation.
Methodology:	The study was conducted by adopting a qualitative, inductive and interpretative approach. The study was an empirical observation of five companies participating in the IIRC Pilot Programme
Theoretical perspective:	A literature review was conducted, where classical economic theories as well as contemporary theories and literature related to value and value creation were considered.
Empirical foundation:	The collected empirical data consisted of information from corporate reports from five companies participating in the IIRC Pilot Programme, as well as information from four interviews with respondents from the examined companies.
Conclusions:	The study showed that companies do not provide a precise definition of the term value. However, some concepts stood out as more important than others when companies described value, such as the concept of shared value. Further, it was concluded that the incentives behind value creation influenced in which contexts the companies stated that value creation took place. Furthermore, a distinction between shared value engagements of which the economic value was measurable and the ones that were meant to help the company maintaining its social license to operate were made. Finally, it was concluded that the many different contexts in which value creation is described, leads to that the final conclusion of that what value actually is and what value that is communicated still lies in the hands of the companies.

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1 INTRODUCTION

In this chapter a description of the current situation of non-financial reporting is given. The reader is introduced to the recognised issues related to the concept of value as well as the implications related to the introduction of the IR Framework. Thereafter, the purpose and the research questions are presented.

1.1 Background

The landscape of corporate reporting is facing considerable change (Busco et al., 2013a). In the aftermath of financial crisis and corporate scandals, business is increasingly seen as one of the major causes of social, environmental and economic issues. Unemployment, growing disparity across societies, unethical behaviour, and an increasing concern for the environment has created a society frustrated with the existing social and economic order, where the logic, principles and practices currently in place are being questioned (Eccles & Krzus, 2010). It has become clear that businesses cannot succeed in a world that is failing, and that there is a need for rethinking and refining many of the businesses' principles and behaviours.

In parallel with stakeholders' engagement of a deeper understanding of the companies they have an interest in, the demands on corporate reports are growing rapidly (Busco et al., 2013a). The concepts, principles and elements that characterise organisations' way of reporting their annual performances are topics for debates throughout the world, where the ultimate purpose of the business and the concept of corporate value creation are being placed under the spotlight (Busco et al., 2013b).

As a result, many companies have chosen to voluntarily produce sustainability reports that include information on environmental, social and governance performance (Eccles & Salzman, 2011). As a response to the growing recognition, sustainability accounting and reporting practices have developed substantially. Accounting practice and processes are now having a key role in supporting organisations to develop sustainable operations, and embed social and environmental considerations into decision-making processes (Hopwood, Unerman & Fries, 2010). Public interest in sustainability has exploded the last decade and as the focus on sustainability has increased, the number of companies reporting on these issues has been growing (Eccles & Krzus, 2010). Although aspects of sustainability activities may also be included in companies' annual reports, the two reports mostly remain separate.

As an answer to the need for bringing together all aspects of sustainability reporting and financial reporting into one single report, a new practice stands ready to take corporate reporting to a new level (Roth, 2014; Adams, 2013b). In December 2013 the Integrated Reporting Framework, henceforth referred to as the IR Framework, was launched by the International Integrated Reporting Council, henceforth referred to as the IIRC.

The IR Framework represents an important step in the evolution of corporate reporting and a move towards a globally accepted reporting framework (IIRC 2013d; Busco et al., 2013a). The framework is the development in corporate reporting on everybody's lips, and marks a paradigm shift in the way organisations think about their business models and value creation (Adams, 2013b). It involves a process of communicating how organisations create value over time and, what impact the organisation has from an economic, social and environmental point of view (Busco et al., 2013a).

1.2 Introduction to the IR Framework

In the IR Framework (2014d), it is stated that an integrated report put the strategy, governance, performance, and prospects of an organisation in the context of its external environment, and describe how these will lead to value creation for the organisation over the short, medium, and long term (1.1). The aim with preparing an integrated report is not to create a summary of the other communications of the organisation, such as financial statements and sustainability reports, but to show the connectivity of information to communicate how value is created (1.13). Further, an integrated report may be prepared in response to other existing compliance requirements (1.14). An integrated report should be prepared in accordance with the IR Framework (1.2), and is principle based in nature (1.9), with its primarily purpose being to explain to providers of financial capital how an organisation creates value over time (1.7). All stakeholders interested in gaining information about the ability of an organisation to create value over time will benefit from the integrated report (1.8). The IR Framework is intended to fit a wide variation of circumstances for different organisations (1.9), and does not prescribe the use of KPIs (1.10). Therefore, preparers of an integrated report have to exercise judgement about which matters being material and how these matters should be disclosed for the specific organisation. On the other hand, quantitative indicators, such as KPIs, can be a very helpful tool to explain how an organisation creates value (1.11).

1.2.1 Fundamental concepts

Value creation

Value is according to the IR Framework (2.2) not created by or within an organisation alone. Rather, it is influenced by the external environment, in which value is created through relationships with different stakeholders, and is dependent of various resources. An integrated report has the intention to display how the external environment affects an organisation, as well as how the organisation interacts with the external environment and the capitals to create value (2.3).

Value is created by an organisation over time and is identified as increases, decreases or transformations of the capitals, caused by the activities and outputs of the organisation (2.4). Value is created either for the organisation itself or for others. Value created for the organisation itself give rise to financial return to the providers of capital, in contrast to value created for others, which are stakeholders or society at large. Providers of capital are interested in the value an organisation creates for itself (2.5), as well as the value created for others when it has an effect on the organisation's ability to create value for itself. In addition to its regular business activities the ability to create value for itself is linked to the value the organisation creates for others, through many different activities, interactions and relationships (2.6). When these activities, interactions and relationships are material, they are included in the integrated report (2.7). Examples on these can be to take into account for externalities, i.e. costs and other effects on capitals not owned by the company. There are both positive and negative externalities, which can cause an increase or decrease in the value embodied in the capitals (2.8). Value is created over different time periods and for different stakeholders through different capitals (2.9). Therefore, value is unlikely to be created through the maximisation of one capital, while at the same time disregarding the other capitals.

The capitals

An organisation depends on different forms of capital, which in the IR Framework (2.10) consist of financial, manufactured, intellectual, human, social and relationship, and natural capital. The capitals are stocks of value that are increased, decreased or transformed through the activities and output of the organisation (2.11). These stocks of capital are not fixed over time, but should be seen as a constant flow between and within the different capitals (2.12). Capitals can diminish in value, resulting in a net decrease in the overall stock of capitals (2.14).

Furthermore, the term value creation can include situations where the total stock of capital is unchanged or decreased, i.e. when value is preserved or diminished.

The IR Framework (2.15) describe the six capitals as follows:

First, financial capital is the funds available to an organisation, for the use of producing goods and services. Financial capital is increased when a company makes a profit. Secondly, manufactured capital is physical objects available to an organisation for the production of goods and services. Thirdly, intellectual capital is an organisation's knowledge-based intangibles, such as patents, but it can also be organisational capital such as tacit knowledge. The fourth capital, human capital, refers to employees' competencies, experiences and capabilities, as well as their motivation to take innovative initiatives. Examples of this are employees' alignment with, and support for, the governance structure and ethical values of an organisation. Fifthly, social and relationship capital are the institutions and relationships within and between groups of stakeholders and other networks, between different communities, and the ability of sharing information in order to grow individual and collective well-being. Examples of social and relationship capital are shared norms, common values and similar behaviours. It can also be relationships to key stakeholders, as well as an organisation's social licence to operate. The sixth capital is natural capital, which are all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. Natural capitals include air, water, land, minerals and forests, as well as biodiversity and ecosystem health.

1.3 Problem formulation

Value has a central position within the IR Framework, and value and value creation are fundamental concepts in today's management and organisational literature (Adams, 2013a; Lepak, Smith & Taylor, 2007). It would be difficult to find a management scholar who would not agree on the concepts importance, yet, the concept of value is not well understood and the meaning of value does come with tensions and contradictions (Lepak, Smith & Taylor, 2007; Bowman & Ambrosini, 2000; Adams, 2013a) The term can be referred to in many different ways, and it has several meanings and uses (Freeman, 2003; Lepak, Smith & Taylor, 2007; Bowman & Ambrosini, 2000). The tendency in the literature to use the term value to refer to many different phenomena enhances the definitional problem even more, and there is a lack of consensus on what value creation actually is and how it can be achieved (Bowman & Ambrosini, 2000; Lepak, Smith & Taylor, 2007).

In the document Basis for Conclusions, IIRC (2013a) provides the major technical issues raised by respondents to the consultation draft of the IR Framework. Here, confusion around the concept of value in the IR Framework is clearly manifested. The questions that emerged were related to what value and value creation is. Considering the above stated confusion and issues around the definition and recognition of value, it is clear that the concept of value and value creation involve ambiguity and abstraction. The lack of clear guidance in the IR Framework give rise to uncertainty in regards to what value and value creation actually is, but has nevertheless great importance for companies adopting the framework.

1.4 Purpose and research questions

The purpose of this master's thesis is to gain insight in how companies within the IIRC Pilot Programme describe value and value creation. By answering the following questions, the purpose will be fulfilled:

1. How do companies define value?
2. In what contexts do companies describe that value is created?
3. What differences and similarities can be found in how companies describe value and value creation?

2 METHODOLOGY

In this chapter the choice of method is presented and discussed. The research strategy is first presented followed by a presentation of the research design. Subsequently, the choice of companies and respondents is introduced, followed by a presentation of the collected data. Further, the process of structuring the empirical data is discussed. Finally, criticism of the study is considered.

2.1 Research strategy

In this master's thesis, the way companies describe value and value creation was examined in order to conceptualise the meaning of the term. The aim was to gain an understanding of the underlying notions that are related to the term value, and discern how the ideas of value were expressed by the companies. The study aimed to clarify the meaning of the concept through answering the above stated research questions. Given this, Wilson's (1999) distinction between questions of fact and questions of concepts provided some guidelines for how to undertake the task. The former can be answered by collecting and putting together relevant facts, while the latter are more complex and require personal experience and observations to answer. In regards to questions of concepts, one does not know what the relevant points are, and these questions rarely have one single answer or a clear-cut solution. As the answer depends on the perspective taken, the intention was to look at possible uses of a word rather than finding one sole meaning of it. The aim was not to give one definition, but to create an understanding for, and contribute with new insights in how companies describe value. As words have different uses and are differently applied, this study aimed to analyse how companies describe value and map out the uses and applications of the term.

The area of interest of this master's thesis concerned grasping the underlying meanings ascribed to the concept of value, why this study from an epistemological perspective adopted interpretative approach (Scapens, 2007). Within interpretative research, emphasis is placed on understanding the subjective meaning of social actions (Bryman & Bell, 2011). The meaning of value cannot be determined by statistical generalisations, as the findings need to be interpreted and considered in its specific context. Thus, interpreted statements from companies were the point of departure for the analysis. It is important to keep in mind that the purpose of this master's thesis was not to provide a general and universal answer to how value is defined. Rather, the objective was to shed light on nuances and provide explanations of the observed phenomena (Scapens, 2007). Thus, by taking an interpretative approach, the intention was to gain an understanding of how companies describe value that could serve to explain the phenomena. Further, this master's thesis was based on the assumption that how companies describe value cannot be seen as objective and tangible objects. The concepts are part of a social reality that is a product of individuals' creation, why this master's thesis adopted a constructivist approach (Bryman & Bell, 2011).

2.1.1 The role of theory

As described above, this master's thesis aimed to find patterns that can provide an explanation and an understanding of how companies describe value and value creation. Rather than departing from a given theory, the findings that emerged from the empirical observations drove and guided the process forward. Further, theories were mainly used to explain the empirical observations. This point of departure was a result of a primarily inductive approach to the relationship between theory and research (Bryman & Bell, 2011). The findings from the empirical observations were used to map and conceptualise how companies describe value, rather than to validate a pre-determined theory. However, some traces of deduction were entailed in the process. In parallel to the empirical observation, the development of a theoretical framework was initiated, which influenced the succeeding empirical observations. Thus, when theory provided new insights in what to look for in the empirical observations, these observations changed direction.

2.1.2 A qualitative research strategy

The adopted approach for conducting this master's thesis could be boiled down to and distinguished as a qualitative research strategy. A qualitative research strategy emphasises words rather than quantification of data, which was appropriate for this study due to its interpretative nature (Bryman & Bell, 2011). Further, as this study has a mainly inductive approach, where empirical observations drove the process, a qualitative approach was suitable as it places an emphasis on generating new insights and theories rather than validating pre-determined theories.

2.2 Research design

In order to gain an understanding of how companies describe value, five companies have been examined. A choice was made between adopting an extensive or an intensive research design, which represents the relation between width and depth (Jacobsen, 2002). The width of the research refers to the number of companies that is examined, whilst the depth of the research refers to how the study intends to approach the chosen subject of study. Here, an intensive research design that enabled an interpretive and qualitative analysis was more appropriate. Examining a larger number of companies on a more superficial level would have required quantifying variables of how companies describe value, which would not have been suitable for the interpretive and qualitative approach that was adopted in this study.

The study conducted was based on a smaller number of companies, which made it possible to illustrate the phenomena from different perspectives and still maintaining a reasonable depth (Jacobsen, 2002). This seemed appropriate for this study, as the aim was to capture different aspects of the phenomena rather than to find one single answer. An alternative would have been to conduct a single case study and look at one company solely, which would have given the study more depth (Bryman & Bell, 2011). Such a study is focused on a bounded situation or system, where the case is an object of interest itself that the researcher aims to gain an in-depth illustration of. As the focus of this study was not on the case or the specific context itself, studying several companies seemed more suitable as the aim was to capture and illustrate different nuances of value (Jacobsen, 2002).

2.3 Selection of companies and choice of respondents

After selecting research strategy and research design, the next step was to select companies and relevant respondents. Since the intention of this master's thesis was to examine companies that are part of the IIRC Pilot Programme, this selection was a natural choice. The IIRC Pilot Programme includes 107 companies that are operating worldwide (IIRC). The companies within this network have contributed to the development of the IR Framework and are leading in the emerging field of integrated reporting. Of these 107 participants, five companies were selected. The companies examined in this master's thesis were Novo Nordisk, Volvo Group, Gold Fields, Royal BAM Group and BASF. Since this thesis did not aim to make generalisations of a certain industry or type of company, all companies within the pilot programme were seen as relevant for the purpose.

When contacting companies in order to find relevant respondents for the interviews, telephone contact with several persons within the companies was made before a suitable person was reached. The criterion for the selection of respondents was that the persons had knowledge of integrated reporting and had good insight in the company's financial reporting. These criteria, as well as the purpose of the master's thesis and the intentions of the interviews, were presented when contact was initiated. Thus, respondents were allowed to determine if they were appropriate for participating. The respondents interviewed were Cora

Olsen, ESG Data Manager at Novo Nordisk, Mikael Hagström, Senior Vice President of Corporate Financial Reporting at Volvo Group, Duncan Stevens and Naseem Chohan, Vice Presidents of Group Sustainable Development at Gold Fields, and Barry Oesman, Corporate Controller at Royal BAM Group. The interview with BASF was cancelled with short notice, why the empirical observation of this company is solely based on written documents.

2.3.1 BASF

BASF is the worlds largest chemical company, with its headquarters located in Germany (BASF, 2014b). BASF has subsidiaries and joint ventures in over 80 different countries, and employs more than 112.000 people. BASF is operating within the segments chemicals, performance products, functional materials and solutions, agricultural solutions, and oil and gas.

2.3.2 Gold Fields

Gold Fields is one of the worlds largest gold mining companies, with its headquarters located in South Africa (Gold Fields, 2014). Gold Fields operates gold mines in Australia, Ghana, Peru and South Africa, and has more than 10.000 employees.

2.3.3 Novo Nordisk

Novo Nordisk is a pharmaceutical company, with its headquarters located in Denmark (Novo Nordisk, 2014b). Novo Nordisk has offices in 75 countries, market its products in more than 180 different countries, and employs over 38.000 people. Novo Nordisk's main focus area is within diabetes treatment.

2.3.4 Royal BAM Group

Royal BAM Group is one of Europe's largest house construction companies, with its headquarters located in the Netherlands (Royal BAM Group, 2014a). Royal BAM Group has projects in more than 30 different countries and has more than 23.000 employees.

2.3.5 Volvo Group

Volvo Group is a truck manufacturing company, with its headquarters located in Sweden (Volvo Group, 2014a). Volvo Group has production facilities in 19 countries and sells its products on more than 190 different markets, and employs more than 110.000 people.

2.4 Collection of data

Company reports such as annual reports, integrated reports and sustainability reports, as well as company documents and information on the companies' homepages, were used as primary sources for the empirical observation in this master's thesis. Further, interviews were held in order to capture information that was not included in the organisational documents.

2.4.1 Organisational documents

All of the examined company reports were from the year of 2013. This choice was made due to the novelty of the IR Framework, as the framework would not have influenced earlier reports. Further, examining how the companies' views have changed or might have changed was not within the scope of this master's thesis, why a comparison between different years' reports was not relevant.

2.4.2 Interviews

The interview with Cora Olsen at Novo Nordisk was conducted as a face-to-face interview at the company's headquarters in Bagsværd, Denmark. The interview with Mikael Hagström at Volvo Group was conducted by telephone, which was preferred as the respondent was at a geographical distance and the respondent's availability was limited. A disadvantage with conducting the interview by telephone was that the expressions of the respondent's face when asked a question could not be seen, which decreases the possibility of determining if the question was understood correctly (Bryman & Bell, 2011). As an attempt to avoid misunderstandings, questions were rephrased and explained if there were indications that the respondent did not fully understand the question. Further, the face-to-face interview as well as the telephone interview was recorded. This prevented distortion of respondent's answers that could lead to errors (Bryman & Bell, 2011). Also, this was preferred as there was no need for writing down exact answers during the interview, which made it possible to focus on what the respondents were saying and to come up with appropriate follow-up questions.

An interview guide with a list of specific questions was created with the purpose to provide frames for the face-to face interview and telephone interview (Bryman & Bell, 2011). The questions of the interview guide were based on annual reports, integrated reports and sustainability reports, which were collected and read through before creating the interview guide. Thus, the questions were formulated in order to generate clarifications and examples of what previously had been observed in these documents. The questions were sent in advance to the respondents in order to give them a possibility to prepare themselves. Due to the interpretive and qualitative approach of this study, the interviews were conducted in a semi-structured manner with the purpose to allow the interviewees to express what he or she found most important. Further, this method allowed for transpositioning questions as well as follow-up questions (Bryman & Bell, 2011), which made it possible to ask for clarification if the respondents' answers was not fully understood.

Interviews with Duncan Stevens and Naseem Chohan at Gold Fields, and Barry Oesman at Royal BAM Group were conducted through e-mail correspondence as a result of respondents' limited time. A disadvantage with e-mail correspondence was the difficulties of establishing a relation and engaging with the interviewees (Bryman & Bell, 2011). Further, it was noted that interviewees were less willing to provide clarifications on the given answers. The answers provided less details and explanations, and the possibilities of asking follow-up questions were limited. However, the advantage with conducting interviews by e-mail was that the interviews had the possibility to consider the answers thoroughly. The questions for the online personal interviews were prepared in the same way as for the face-to-face interview and telephone interview. That is, questions were based on each company's annual reports, integrated reports and sustainability reports, which made it possible to achieve clarifications and examples of what previously had been observed.

The fact that different types of interviews were held with each company resulted in irregular richness and depth between the companies. Thus, the companies with whom face-to-face or telephone interviews were held, provided more detailed information. Further, these interviews gave information that was based on personal experiences and opinions. However, this was not seen as problematic as the focus of the empirical observations was on shedding light on different aspects of the phenomena rather than making comparisons between the companies.

2.5 Research ethics

In the process of producing this master's thesis, consideration was given to the companies and the respondents' confidentiality and anonymity, which is an important aspect of ethical principles (Bryman & Bell, 2011). Further, quotations and statements have been presented in their context. When conducting face-to-face interviews as well as phone interviews, respondents have given the permission for the interview to be recorded. The purpose of the interview, as well as what the information would be used for, was explained to the respondents, which is an important component of research ethics (Jacobsen, 2002).

2.6 Structuring the empirical observation

Subsequently to collecting primary and secondary data, the strategy for structuring the data was considered. Since this master's thesis is mainly inductive, the aim with the data analysis was to draw out patterns that could serve for generating new insights on companies' descriptions of value and value creation. As a result of the interpretive approach of this study, the data was interpreted throughout both the gathering of data and the data analysis. It is worth noting that the process of coding the empirical observation entailed traces of analysis, as the presented empirical findings were based on interpretations of what emerged as the most important concepts.

As a first step of analysing the data, interviews were transcribed. Transcription enabled repeated examinations of the respondents' answers and eliminated the risk of missing things that was said (Bryman & Bell, 2011). As a next step, transcripts were read through without taking notes or interpreting, which provided a first oversight of potentially interesting issues. Subsequently, a coding process was initiated where the transcripts as well as written documents were read through a second time and highlighting and marks were made (Bryman & Bell, 2011). Here, recurring concepts and categories were drawn out and discerned, which served for explaining and providing an understanding of how companies describe value.

2.7 Criticism

Although the method for conducting this study was carefully considered throughout the process, it is important to discuss potential limitations of the study. When assessing the quality of research, reliability and validity are two important criteria (Scapens, 2007). However, these criteria are mainly relevant for quantitative research. As this master's thesis was conducted with a qualitative, interpretative approach, the criteria for evaluating the study do not focus on judging whether the study is independent of the person conducting it or whether findings reflect the objective reality and can be generalised. As alternative criteria to reliability and validity, trustworthiness and authenticity are proposed for assessing qualitative studies (Bryman & Bell, 2011). As authenticity has not proved its impact on research, this criterion is not used for this study. Trustworthiness, on the other hand, has been used for evaluating this study and consists of credibility, transferability, dependability and conformability.

Credibility refers to whether the researchers' interpretations of the social world are credible (Bryman & Bell, 2011). In this study, the credibility was enhanced by letting the interviewed respondents to read the empirical material and confirm that their answers were interpreted correctly. Further, the credibility was enhanced by triangulations, as both interviews and organisational documents have been used when conducting the study. Using multiple sources of information is deemed to give more accurate and convincing conclusions (Yin, 2009).

Transferability refers to whether the findings can be useful in other contexts, which can be enhanced by providing a rich explanations and details (Bryman & Bell, 2011). The choice of examining five companies instead of focusing on one single company contributed to a somewhat lower transferability, as the possibility of being very detailed decreases when the number of companies examined increases. Choosing one sole company would have allowed for a deeper and richer empirical material, which would have benefitted the transferability. However, since this master's thesis aimed to capture the different nuances of the phenomena, examining multiple companies seemed more appropriate.

Dependability refers to whether a duplication of the study would give the same results or not (Bryman & Bell, 2011). By keeping record of how this study was conducted, as well as by explaining the phases of the process in this chapter, the dependability was enhanced. However, it is important to keep in mind that the interpretative approach of this study might have decreased the dependability, due to the researchers' interpretations that influenced the analysis.

Confirmability refers to whether the researchers have ensured that the study has been conducted with as little influence of personal values as possible (Bryman & Bell, 2011). As this study has an interpretative approach, there was an evident risk for personal values impacting the result. However, being two persons conducting this research reduced this risk. Further, all interpretations were discussed in order to minimize this issue. Thus, this consciousness has limited the extent of personal values impacting this study.

3 FROM SMITH TO PORTER: LITERATURE REVIEW OF THE CONCEPT OF VALUE

In this chapter, previous literature related to value and value creation is reviewed. First, the historical development of the concept of value is presented, followed by contemporary literature related to the concept of value.

3.1 Early contributions to the discussions of the concept of value

The obscurity and ambiguity characterising the concept of value is not only an issue that concerns contemporary researchers. Already in the 19th century, Smart (1891) emphasised the long and inconstant history of the term value, arguing that there was a great need of an exact definition. Adam Smith was one of the early classical economists exploring the concept of value (Smart, 1891). Smith introduced two different meanings of value, expressed either as 'value in use' or 'value in exchange' (Smith, 1776). Value in use refers to the utility of the particular object, while value in exchange refers to the power of purchasing. Further, Smith argued that the amount of labour put into a good is equal to the value in exchange of the good (Dobb, 1973). Smith argued that the things that have the greatest value in use have little or no value in exchange, and on the contrary, the things that have the greatest value in exchange have little or no value in use. The value paradox presented by Smith, sometimes referred to as the water-diamond paradox, explains the contradiction as follows:

"Nothing is more useful than water: but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it."(Smith, 1776 Book 1, chapter IV)

Smith's approach was developed and refined in the forthcoming years by David Ricardo and Karl Marx and became the foundation within labour theory of value. However, criticism to this view on value led to that the theory subsequently was replaced with the subjective theory of value. The subjective theory of value is one of the core concepts of Austrian School of Economics (Dobb, 1973). Advocates of this theory argued that the value of a good is not determined by how much labour was put into it but by its usefulness in satisfying a want and its scarcity. With this shift, emphasis moved from cost incurred in production towards demand and to final consumption, and focus was placed on what emerged from the production to contribute to the satisfaction of consumers desires, wants and needs.

The subjective theory of value abandons earlier definitions of the term value and suggests a new classification where a distinction is made between subjective value and objective value (Smart, 1891). The subjective value is linked to whether a good is considered to raise a persons well being, while the objective value is characterised by the value of a mechanical or technical result. It was further argued that there is a connection between subjective value and objective exchange value and that value depends entirely on utility. Value does not emerge until a certain scarcity is associated with the utility in question. Further, there must be a felt dependence of some want on the good. For example, all water is useful, but is not turned into value until the quantity is limited and creates a necessary condition of a satisfaction.

As an extension to the concepts of use-value and exchange value, the idea of option value was introduced by Weisbrod (1964) and has ever since been a widely used concept. Option value refers to the monetary value people place on things independently of the utility that might arise. Weisbrod used the example of a national park to explain the idea of option value. Weisbrod argued that an individual who was unsure whether he or she would visit the national park would be willing to pay an extra sum to guarantee that the site would still be available. The total value is then the willingness to pay plus option value. Thus, option value is the extra value that arises when an individual is uncertain about whether he or she would demand a good in the future and simultaneously faces an uncertainty about the availability of the good.

3.2 Value and the notion of utility

The reasoning around utility that was carried out by the classical economists has been developed throughout the years, and when looking at the concept of value today it is often referred to utility theory and to the notion of marginal utility (Bowman & Ambrosini, 2000). Utility theory fundamentally states that people spend their income in a way that maximises the satisfaction they gain from products. Thus, value is based on people's perception of the utility they will get from a product, and is thereby subject to people's beliefs, needs, experiences, wishes and expectations. According to Bowman and Ambrosini (2000), this element of judgment contributes to difficulties in assessing how value is perceived. Further, they mean that there is definitional problem related to value, enhanced by the tendency in the literature to use the term 'value' to refer to many different phenomena.

As an attempt to achieve some clarification of the term value and to understand how value is created, the authors employ the distinction between use value and exchange value as described above (Bowman & Ambrosini, 2000). Use value is here referred to as *"the specific qualities of the product perceived by customers in relation to their needs."* (Bowman & Ambrosini, 2000 p. 2) Use value can be translated into monetary terms, based on how an individual assesses the value of the product in relation to its willingness to pay. This judgement cannot be made without considering needs and economic circumstances of the individual or the consumer's awareness of other competing offerings. Thus, the total monetary value of the perceived use value is the amount the individual is prepared to pay for a product. Exchange value is realised at the time a product is sold, and is the amount paid by the buyer for the perceived use value.

Bowman and Ambrosini (2000) state that an organisation's transformation of resources acquired as input creates use value, which subsequently is turned into exchange value. Thus, inputs need to be worked on before they can contribute to new use value. The argument goes for both tangible and intangible resources. For example, a brand does not add value per se, but must be activated through marketing efforts. However, creating new use value does not necessarily mean that exchange value is created, as exchange value is only realised when the created use value is sold. Further, the authors state that the profit a company makes is the difference between the amount of exchange value realised and the sum of the prices of the resources inputted including cost of labour. That is, labour performed to create new use value is the source of a firm's profit.

3.3 Value distribution and value slippage

Bowman and Ambrosini (2000) precede the article by discussing the distinction between value creation and value appropriation. It has been recognised that organisations that create new value do not always capture this value. Instead, the organisations lose the value or have to share it with other stakeholders. The authors refer to this as value slippage, which occurs when use value is high and exchange value is low. Slippage provides little incentives for a company to create value in the long term, as that would lead to suffering profitability. The authors state that since individuals, organisations and society are most likely not altruistic, there is an anticipated desire from these value creators to capture the value they create. For this reason, there are situations in which parties have the potential for value creation, but may not engage in doing so without some predicted level of capture. Further, the authors highlight that organisations' experiences in trying to create and capture value will influence how they structure the organisation's value-creating efforts in the future. In large, the relationship between value creation and value capture illustrates potential tensions between different actors.

3.4 Value creation and value capture from a multi-level perspective

Lepak, Smith and Taylor (2007) explore what they consider as being the main reasons for the confusion and lack of agreement related to value creation. First, the authors argue that the multidisciplinary nature of the field of management leads to varying views on who value is created for and how it is created, highlighting some differences in targets of value creation among different scholars. Secondly, the authors mean that one explanation to the ambiguity related to value creation is that value creation refers both to the content itself and the process. That is, one side of the question focuses on what value is, who values what and where value can be found, while the other side focuses on the underlying process of how value is generated and what role management might have. A third reason for the disagreement is that value creation often is confused with the process of value capture. Here, the authors argue that these processes must be seen separately. The source that creates the value might not be able to capture the value created in the long run. For instance, the value a company creates through introducing a new process may not be captured by the company itself, but by the society that might benefit more from the value. Thus, value slippage occurs when use value is high and exchange value is low.

Lepak, Smith and Taylor (2007) use Bowman and Ambrosini's (2000) distinction between use-value and exchange value as point of departure when defining value creation. The authors put these definitions together and define value created as the difference between use value and exchange value. The authors state that *"value creation depends on the relative amount of value that is subjectively realized by a target user (or buyer) who is the focus of value creation (...) and that this subjective value realization must at least translate into the user's willingness to exchange a monetary amount for the value received."* (Lepak, Smith & Taylor, 2007 p. 182)

When looking at how value is created, the authors look at the individual, organisational and societal levels of analysis (Lepak, Smith & Taylor, 2007). The authors argue that which value is created, how value is perceived as valuable, and the process through which value is created, vary across different levels of analysis. It is stated that discussions of value creation for this reason must be able to articulate both the target for the value, as well as the party creating the value and is meant to benefit from it. On an individual level, the authors argue that value is created when a person acts creatively and thereby develops tasks, services, jobs or processes in a way that contributes to greater utility or lower cost for the target user. On an organisational level of analysis, value is created when a company invents new methods, technologies or new types of raw material in the value creation process. Just like on the individual level, value creation finally focuses on how the target user will benefit from the new product or service. The authors argue that the value creation process is the activities that increase the benefits for target users that they are willing to pay for. At a societal level, the process of value creation can be realised through programs and incentives that encourage companies to innovate and increase their value to society. However, it is not necessary that value creation must come from governmental incentives and programs. Companies that provide new jobs, tax revenues and other benefits can also create value for society unintentionally, while simultaneously creating value for the company.

The authors further recognise several potential targets for value creation (Lepak, Smith & Taylor, 2007). Different stakeholders have different views on what is valuable, as unique contexts and conditions affect how value is assessed. Moreover, different stakeholders might have competing viewpoints, why it is important for companies to carefully consider the target for value creation. The authors argue that value creation requires more than only understanding what the employer, customer or society is willing to pay for. Instead, companies must recognise the co-existence of multiple targets.

3.5 The principle of shared value

The principle of shared value was first introduced in 2006 as an answer to the disconnection between corporate social responsibility, and business and strategy (Porter & Kramer, 2006). The idea was further discussed in a follow-up article from 2011, in which the concept of corporate value creation is placed under the spotlight (Porter & Kramer, 2011). The authors argue that companies have an out-dated and narrow approach to value creation and that companies still see value creation as optimising short-term financial performance, ignoring the broader influences that affect more long-term success. This approach is stated to be the major reason for business being blamed for social, environmental and economic problems, and according to the authors the solution for bringing business and society back together lies in the principle of shared value.

The concept of shared value is a means of creating value through corporate social responsibility, and is defined as *"policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and societal conditions in the communities in which it operates."* (Porter & Kramer, 2011 p. 6) The concept is based on the premise that both economic and social value must be considered, and that value must be defined as benefits relative to cost and not just benefits alone.

Porter and Kramer (2011) state that shared value can be created in three ways: reconceiving products and markets, redefining productivity in the value chain, and enabling cluster development. Reconceiving products and markets focuses on revenue growth, market share, and profitability that comes from the environmental, social or economic improvements delivered by a company's products and services (Porter et al., 2012). Redefining productivity in the value chain focuses on improvements in cost, input access, quality, and productivity, which can be achieved through environmental improvements, better resource utilisation, investments in employees, and supplier capability. Enabling local cluster development can be achieved by improving the external environment for the company through community investments and supporting local suppliers, local institutions, and local infrastructure in way that also benefit business productivity.

An additional contribution to the shared value research has been made by Pfitzer, Bockstette and Stamp (2013), who identified five reinforcing elements that companies creating shared value are relying on: Embedding a social purpose, defining a social need, measuring shared value, creating the optimal innovation structure, and co-creating with external stakeholders. The first element needed in order to create shared value is a clear social mission that is embedded in the corporate culture of the firm. The purpose has to be communicated both internally and externally, and need to be part of the core processes of the firm. In order to reinforce the social purpose, business threats and opportunities should be quantified. Secondly, companies aiming to create shared value need to define the social need of the firm by gaining a deeper understanding of the underlying social conditions and how to best solve the issue. This can be achieved by developing a comprehensive view of the problem, where the people affected, barriers to progress, parties able to help, and the different options that drive change are taken into account. Thirdly, companies need to monitor the social and business benefits of the progress. The IR Framework is a step towards a common system for integrating financial and non-financial performance, however, the authors suggest the following three steps for developing measures for estimating shared value: Estimating the business and social value, establishing intermediate measures and track progress, and assessing the shared value produced. Fourthly, the riskiness of new projects must be handled, why it is important to find an optimal innovation structure. This can be accomplished by integrating with the current firm unit, creating semiautonomous units for projects, finding support from governments, or funding external entrepreneurs to tackle the challenge. Lastly, the fifth element that can help the firm create shared value is through co-creating the project different with external stakeholders. These may include other companies, universities, foundations, NGOs and governments. By involving a wide range of external stakeholders, additional knowledge and capabilities can be leveraged.

4 THEORETICAL FRAMEWORK

This chapter provides a summarising analysis of the previous literature related to value and value creation. The analysis provides the reader with an understanding on how the different parts of the literature reviewed relate to each other

4.1 Analysis of value and value creation in classical and contemporary literature

There are no complete, pre-determined frameworks that explain what value and value creation actually mean to companies. However, the literature in the previous chapters provides a wide range of perspectives from which the concepts can be looked at. Classical political and economic theory, as well as contemporary management literature, can enhance the understanding of the concepts and help explain how companies describe value and value creation.

Given the different views and theories of value and value creation that were presented in the previous chapter, it is obvious that the term value has a long history that is characterised of ambiguity and disagreement. At the very start, Smith's (1776) distinction between use-value and exchange departed from a view of value as an outcome of labour. Thus, value was at this time seen as rather objective. However, the value paradox showed that there were still some elements that could not be explained by labour theory. The labour theory of value lost its popularity and was subsequently replaced by subjective theory of value and the notion of marginal utility. Here, value is based on individuals' perceptions and beliefs of whether the good is useful for that individual. An additional dimension of utility that appears is the option value. Here, value is not related to the actual use of the good, but on the value that people place on good that they never might use.

The notion of utility seems to be a valid argument also today, however, more dimensions have been added to the concept of value. It is not enough to explain value as something that is solely related to individuals' utility, but there are more aspects to consider. How value is created, targets for value creation, contexts in which value creation takes place, as well as value distribution are issues that emerge in today's literature. Further, a great deal of literature is related to sustainability, where the principle of shared value emerges as an important concept.

The many different applications of the term value that are described above give the impression of loosely connected threads. However, connections and distinctions can be made.

Sustainability and the principle of shared value can be discussed in terms of the different types of value that have emerged from classical value theories. Sustainability is on a lot of companies' agendas and there are many claimed benefits for companies that take environmental and social responsibility. An emerging question here is how to value these types of engagements, as they are difficult to quantify. Here, applications of the terms use value, exchange value, and option value can contribute to some insights. For example, the use value of creating benefits for the society is not easily assessed, as people's utility of a better society is not an easily estimated figure. Further, the notion of option value implies that individuals sometimes place value on things that they will never benefit from, which contributes to the complexity of valuing these types of efforts. Finally, the exchange value, i.e. the amount that the individual finally pays for a better society, will determine the profit of the actor creating the value. If the exchange value that the actor receives for improving society is large enough, this actor will have incentives for continuing with this type of engagement. Here, the principle of shared value enters into the picture. Shared value is deemed to create benefits for the party creating value while simultaneously benefits for society (Porter & Kramer, 2011). An application of the concepts of classical value theory would suggest that a company with incentives for creating shared value must know that the exchange value is higher than the costs for creating this shared value. Further, the arguments of value capture and value slippage can provide some insights to the complexity of shared value. Optimally, the company that creates shared value will capture all the value, while simultaneously creating value for the other party. That is, the company must be able to both assess the exchange value of the value created, as well as being able to determine whether the company will be able to capture the value. Here, it could be argued that there is a lot of uncertainty related to these assessments. Therefore, the questions of how much of the value the company can capture, as well as what the exchange value is, seem to be a determining factor for company's willingness to create shared value. If a company were not able to capture this value, it would not be shared value creation but rather a philanthropic activity. One could argue that this example draws the line between acting in a responsible manner and creating shared value. That is, creating value for someone without being able to capture would not be shared value.

Further, applying Bowman and Ambrosini's (2000) definition of value creation on the principle of shared value, one could argue that shared value is created when the activities increase benefits for the target users that they are willing to pay for. That is, if the target user were not willing to pay for the product, it would not be shared value. However, Lepak, Smith and Taylor's (2007) arguments that value creation requires more than only understanding what the target is willing to pay for neglect this statement. The authors' recognition of the co-existence of targets for value creation, as well as the different levels of where value creation takes place, illustrates the complexity and difficulties in determining what value is.

5 EMPIRICAL FINDINGS

In this chapter, the findings from the empirical observations are presented. The structure follows the categories drawn out from the empirical observation, which facilitates comparison between the different companies. First, empirical findings related to value creation are presented, followed by shared value. Lastly, the companies' view on value creation and stakeholder engagement is presented.

5.1 Value creation

Novo Nordisk defines, measures and improves value creation through the Blueprint for Change Programme and is deemed to help the company understand how they create value (Novo Nordisk, 2013; Novo Nordisk, 2014b). Through case studies, the company identifies the drivers of value creation, measures realised benefits for both society and the company itself, and shares the information with stakeholders. Based on these case studies, the company can optimise value creation (Novo Nordisk, 2014d).

Further, The Blueprint for Change Programme aims to illustrate how Novo Nordisk creates value through its Triple Bottom Line business principle, which ensures that financial, social, and environmental impact is considered in decision making (Novo Nordisk, 2014f). The Triple Bottom Line is illustrated as a triangle, where patients are placed at the centre, and creates value in three ways: First, it makes the company more adaptive to changes, which in turn mitigates risk and builds trust. Further, it strengthens competitiveness, since demonstrating social responsibility and stakeholder engagement is a way to complement market strategies and drive revenue growth, as well as creating shared value. Lastly, the Triple Bottom Line is seen as an engine for innovation in collaboration with partners, which is a way for Novo Nordisk to reach more people with the products. Olsen (2014) at Novo Nordisk states that the Triple Bottom Line is anchored in the Novo Nordisk Way, a value based management system by which the company base its operations from. In the first clause of the Novo Nordisk Way Essentials, it is stated that: *"We create value by having a patient centred business approach."* (Novo Nordisk, 2014c) Olsen emphasises the importance of the Novo Nordisk Way for the company success, by stating that it is *"the whole foundation of what we do, and that is how we do it."* (Olsen, 2014)

Novo Nordisk (2014a) states that short-term as well as long-term value creation is taken into consideration when assessing whether information to include in the report is tied to the company's ability to create value. Olsen (2014) at Novo Nordisk states that shared value is a part of the process to create sustainable value, but highlights that sustainable value is not created until it is a zero-sum situation is achieved. Further, Olsen states that Novo Nordisk is not environmentally sustainable until the company closes the loop and can produce without destroying environmental capital and thereby environmental value. Olsen highlights that creating shared value is hoped to transform into sustainable value over time, stating that *"we see shared value as a way to in the future be able to create sustainable value."* (Olsen, 2014) Further, Olsen (2014) emphasises the importance of the climate issue, as climate changes could have devastating, value destroying effects on the operations of the company. For example, since Novo Nordisk heavily rely on water availability, and heavily rising prices of these commodities could impact the business model of the company. Finally, moving away from the use of fossil fuels, coal and gas, towards the use of renewable sources creates value for the company in the long run as it secures future supply.

According to Stevens and Chohan (2014) at Gold Fields, social license to operate, value distribution, and strong relationships to key stakeholders are important aspects for the company's value creation. It is further emphasised that value creation could be significantly enhanced if governments, communities and trade unions worked together with the mining companies (Gold Fields, 2014). Gold Fields describes that more than half of their mines are located in developing countries, and that mining is a key contributor to community development. Therefore, the companies need to constantly demonstrate that governments and citizens have more to gain than to lose by helping the companies create value. Gold Fields also stresses that it has to be shown that growth translates into additional value created, from which the host communities will get a share.

Gold Fields provides a clear illustration of how the company creates value and how inputs through value-adding activities are turned into outputs (Gold Fields, 2014). The company integrates social and environmental aspects by illustrating how society and environment are affected by the activities in the value creating process. The amount of energy and water used, number of employees, training costs, and stakeholders engaged are included in the inputs used to create output. The illustration shows the amount of waste and CO^2 emissions caused by the creation of outputs, as well as how the output contributes to national value distribution. The national value distribution is defined as socio-economic development spending, as well as payments to government, businesses, employees and contractors, and providers of capital.

Gold Fields states that trust is needed in order to be able to distribute sustainable value to all the stakeholders of the company (Gold Fields, 2014). Stevens and Chohan (2014) at Gold Fields state that projects potential to deliver long-term shared value is a criterion for selecting what projects to invest in. An example of such project is remediation of mining sites not owned by the company that are causing a long-term negative impact on community water supplies. This project generates long-term value for the local communities while simultaneously improving the company's long-term stakeholder relationships. Further, investments in education of children and in developing skills of the individuals in the local community are projects that are seen to create long-term value for the company.

Volvo Group states that value is created through delivering products and services that meet the society's needs while simultaneously considering their long-term social and environmental impacts (Volvo Group, 2014b). Volvo Group provides an illustration of how value is created throughout the value chain (Volvo Group, 2014a). The illustration shows the different phases from product development until re-use of products. For each phase, the company describes the resources used and how value is created for stakeholders as well as the company itself. Within each phase, it is clearly articulated how each activity influence the environment as well as society. In the end of the value chain, it is illustrated how capital is transferred back into investments that ultimately will strengthen competitiveness and create long-term value for stakeholders. Further, the company provides information about how much value that has been distributed to suppliers in terms of purchases, employees, in terms of salaries and remunerations, society in terms of social costs, pension costs, and income taxes, creditors in terms of interest paid, the company itself in terms of investments, as well as shareholders in terms of dividends.

For Volvo Group, sustainable value creation is related to the value creation that takes place in relation with the company's stakeholders (Volvo Group 2014a). According to Hagström (2014) at Volvo Group, sustainable value is created in tune with the societal development, and creating value together with the company's stakeholders builds up a long-term sustainable foundation for the company's existence. Further, Hagström argues that to be a sustainable company over time it is needed to create value for several stakeholders. However, Hagström means that there is no one-to-one relationship between shared value creation and long-term value creation. This is explained by the fact that there always will be a need for adjusting products to the society, and that what is shared value creation in one specific market is not necessarily synonymous with long-term value creation for society in large.

BASF's corporate purpose reads as follows: *"We create chemistry for a sustainable future."* (BASF, 2014b p. 8) The company states that growth is created through developing new solutions for the challenges of the future (BASF, 2014b). In the future, sustainability is stated to serve more than ever as a starting point for new business opportunities, and the company points out that sustainability and innovation therefore are seen as important drivers for profitable growth. Through research and innovation, the company support its customers in meeting the current future need of society. It is further outlined that the company's business success is ensured by employees working in interdisciplinary teams that focuses on innovative processes and products for a sustainable future. Technology and gaining access to emerging market are also aspects that are mentioned as important for the company's future existence, and innovation is stated to be a way of addressing the issue of limited resources. The company emphasises the need for acting in way that is sustainable in a longer perspective, expressing it as follows: *"We advocate long-term supply security, and place great value on the safe, efficient and environmentally friendly production of oil and gas."* (BASF, 2014b p. 10)

"We add value as one company" (BASF, 2014b p. 21), is one of BASF's principles underpinning the company's strategy. BASF states that the company creates value as one unit through its Verbund system (BASF, 2014c). The system enables more efficient resource use by interlinking production plants, energy flows, infrastructure and know-how. In an illustration of the company's value chain, the company explains how activities throughout a product's life cycle impact the environment (BASF, 2014b). The examples provided show how BASF's operations, through being performed in an eco-friendly manner, have contributed to a better environment. Innovations in processes and production are stated to add value for BASF. The company values sustainability and innovation as important drivers for profitable growth. The company states that the use of areas of expertise from different fields, as well as partnerships, is a means of developing value-adding solutions.

Further, BASF encourages all employees to think and act entrepreneurially, in line with the company's value-based management concept (BASF, 2014b). The aim is to create awareness of how each employee can create value through finding value-oriented solutions in the company's operations and implement these which is described through the following statement: "*For us, value-based management means the daily focus placed on value by all of our employees.*" (BASF, 2014b p. 26) The company has identified value drivers that show how each unit within the company creates value (BASF, 2014b).

BASF also provides information of how the company's products create value for the company, as well as for the customers or the environment (BASF, 2014b). Here, value for BASF is explained in terms of economic value, such as expected market growth and increased sales. Value for the customer is expressed in for reduction in production cost and greater yields in cultivation. Value for environment is expressed as biodegradability, elimination of harmful oxides and decreased emissions.

Royal BAM Group describes that superior value creation for its stakeholders can be achieved by the company acting as one unified group (Royal BAM Group, 2014b). Mobilising the potential talent and synergies across the group will enhance the company's competitive position and create value for the customers and other stakeholders. Oesman (2014) at Royal BAM Group states that value creation can be enhanced through engagement, alignment and empowerment in the projects of the company. Engagement is stated to serve helping the company to create value as engaging operating companies to use their own abilities for the group will leverage the company's full potential (Royal BAM Group, 2014b). Further, aligning the use of human capital, equipment, intellectual capital is stated to enhance value creation. Finally, empowerment contributes to value creation through employees making personal contributions in the value creation processes.

Further, the company states that value for customers is created on a project by project basis by employing natural, human and manufactured resources or capitals (Royal BAM Group, 2014b). Design and research create value by providing techniques and structures, which are seen as outputs of the value creation. Further, in the project itself, management creates value by integrating new knowledge and best practice in design and production, which improves human capital and intellectual capital accordingly.

Royal BAM Group emphasise that having a sustainability approach to value creation can improve the efficiency of operations, help develop client and supply chain relationships, attract and retain talent, drive innovation in the whole supply chain, and improve processes (Royal BAM Group, 2014a). Further, focusing on sustainability is deemed to increase the operational performance of the company both in terms of resource consumption as well as it strengthen the license to operate, which are aspects considered essential for the company's long term success. The company points out that increasing sustainability in the company's processes, as well as in products, is an important aspect for creating sustainable and long-term value. Further, integrity, innovation with suppliers and improved efficiencies in material consumption are stated as important.

5.2 Shared value

Shared value is by Volvo Group defined as: *"Enhancing competitiveness while advancing the socio-economic conditions of the communities in which a business operates."* (Volvo Group, 2014b p. 42) Volvo Group has shared value as a part of the company's CSR and sustainability model (Volvo Group, 2014b). This model is stated to demonstrate the need to build a broad, solid foundation of responsible and sustainable behaviour in order to create and share value. Hagström (2014) at Volvo Group states that shared value is a way of handling contradictions between different stakeholders of Volvo Group, such as meeting the customers' needs and simultaneously taking environmental responsibility. Here, Hagström uses the example of trucks that emit tons of CO^2, explaining it as followed: "*This is where the shared value enters into the picture, what are the products used for? They are used for transporting food and garbage into and out from the cities, building new houses and various structures that will benefit the society."* (Hagström, 2014) One example of how the company creates value for the environment is the building of the first CO2-neutral production plant in the world that is entirely powered by renewable energy.

Novo Nordisk states: *"Creating shared value focuses on measurable competitive advantages from building a social value proposition into strategic actions and may be a way to create sustainable value."* (Novo Nordisk, 2013 p. 3) Olsen (2014) at Novo Nordisk explains that shared value is created through its products being present in the market, by educating patients and doctors, and creating new jobs. Simultaneously, these engagements make the company attractive in terms of governments tenders, e.g. when competing for distributional contracts. An example of how Novo Nordisk creates shared value is the human insulin that the company sell to a very low price in less developed countries. Olsen states that Novo Nordisk strongly supports projects with the intention of raising the quality of health care in these countries. The profits from these engagements are small, but a substantial amount of people is being reached. Olsen emphasise that the human value is much more important than making large profits in these projects. However, Novo Nordisk still benefits from the engagement as the company gets access to new markets that might generate greater profits in the long-term. Olsen states that: *"The company gets to sell its products, and people live better lives"* (Olsen, 2014) and that: *"We reach more people and we make money at the same time."* (Olsen, 2014)

Gold Fields states that the adoption of the idea of shared value is a way to support the company's social licence to operate (Gold Fields, 2014). Further, the company states that the mining industry is experiencing increased conflicts with host communities as well as unfavourable governmental regulations. The company describes a situation of resource nationalism, where host governments hinder companies from extracting from natural resources for the gain of its people. Gold Fields describes that the benefits generated by the mining industry go far beyond lucrative returns only for capital providers and shareholders. Instead, value distribution to a much wider range of stakeholders is emphasised where employees, host governments and host communities are included. Past experiences has shown that pure economic contributions does not always generate local economic development, or a strong licence to operate. Therefore, Gold Fields states that by employing community members, investing in education, healthcare and infrastructure, value is created on a community-level. Gold Fields states: *"It is not how much you spend on community social investment that counts, but the impact you have in terms of creating value for host communities."*(Gold Fields, 2014 p. 56)

For short term exploration projects, the company creates shared value by employing local people, using local suppliers, and by making social investments that generate community benefits also after finishing a project (Gold Fields, 2014). An example of projects intended to create shared value can be found in Gold Field's operations in Ghana. At a first stage, value created is by providing jobs to the members of the local community. For example, Gold Fields invests in education for the children in Ghana, and states that it give rise to long-term value creation both on the individual level as well as on a broader community level in which the company operates.

Royal BAM Group focuses on creating shared value at every stage of the company's product life cycle, and provide several examples on how a sustainable business approach can create shared value (Royal BAM Group, 2014b). First, supporting clients' sustainability goals will enhance the company's competitiveness. Secondly, placing sustainability at the centre of the business will drive innovation and fuel creativity. Thirdly, reducing waste, saving energy and streamlining processes will save the company money. Fourthly, using sustainable solutions will help the company expand the market, and lastly, having a company culture that motivates employee will create a virtuous circle.

5.3 Value creation and stakeholder engagement

Olsen (2014) at Novo Nordisk emphasises the importance of engaging with stakeholders at an early stage. This results in a better alignment of interests as stakeholders' interests can influence the actual design of new strategies. If stakeholders are engaged in a later stage of the process, the risk of contradictions and disagreements rises and the room for changes gets much smaller. Further, Novo Nordisk states that: "*Value lies in the eye of the beholder.*" (Novo Nordisk, 2013 p. 8) Olsen confirms this view by stating that what value actually is depends on what type of stakeholder you are: "*What stakeholders perceive as value is extremely individual.*" (Olsen, 2014) For an employee value could be to make a difference for people with diabetes (Olsen, 2014). The government on the other hand, see value in Novo Nordisk because they have an interest in buying the companies' products to ensure that people can get treatment and thereby get a higher quality of life, which enhances the ability of people with diabetes to maintain a job and thereby increases productivity as well as reduces the socio-economic burden in a country. Another example of tensions between different stakeholders is the building of Novo Nordisk's new headquarters. The neighbours in the local surrounding community negatively associated the project with noise, accidents and pollution. The employees of the company on the other hand, placed value on the building of the new headquarters, as it made employees feel proud and happy about going to work.

Olsen (2014) highlights that value is created differently in different markets and that these differences makes it difficult to assess value creation on an overall corporate level. In the US for example, obesity is a huge issue leading to a high prevalence of type 2 diabetes. Thus, improving the lives of people with type 2 diabetes becomes central. In China on the other hand, great emphasis is directed towards education of patients and medical staff. Finally, in Bangladesh and Indonesia, the focus is on getting the products distributed within the country, as well as getting people diagnosed and treated.

An example of a tension between patient and the environment is the development of an oral insulin pill, which would be of great value for patients (Olsen, 2014). While a tablet will increase patient convenience, it will have a negative impact on our environmental performance, as production of a tablet requires more resources than what is used to produce insulin in pens and vials. Olsen states that this is a clear conflict, but that the patient always will be the most important aspect to consider, being in the centre of the Triple Bottom Line triangle. However, after considering the patients, Olsen states that Novo Nordisk will always try to find the least intrusive way for the environment in the production, handling of waste, and energy consumption.

Hagström (2014) at Volvo Group states that the company has an on-going dialogue with all stakeholders as a means to understand what they place value on. Stakeholder engagement is stated to help the company identify and prioritise corporate social responsibility and sustainability issues. Volvo Group states that the company is dependent on their stakeholders for developing the competitiveness, and that the company strives to create mutual values with stakeholders that are sustainable in the long run (Volvo Group, 2014a). Yet, what is seen as the most important issues varies between different stakeholders, and priorities look different between different regions. Hagström (2014) argues that one must consider the subjectivity of different individuals or groups when assessing what value is and for whom value is created. Assessing what value is implies a balancing act that requires a broad understanding of different stakeholders' interests. Further, Hagström states that this subjectivity always stands in relation to comparability. Thus, if a company is to define what value is according to the company itself, this will never be comparable with what another company's definition of value. Due to the lack of clear definitions of what value actually is, Hagström is of the opinion that one must pay attention when drawing conclusions from information that might be subjective.

Gold Fields states that understanding stakeholders' needs and respond to them is required for achieving the vision of global leadership in sustainable gold mining (Gold Fields, 2014). A proactive and open stakeholder engagement is seen as an important role in helping the company to create value, and to identify the most important issues for the company. Further, the outcomes from stakeholder engagement processes are used to inform in the risk management processes. Gold Fields state that stakeholder engagement is utterly important as it is a way of earning and maintaining the company's social licence to operate, which is deemed to be a key determinant of project success. Here, the focus lies on local community members, traditional representatives, local and central government officials, and non-government organisations. For each project that the company is involved in the company determine which the key local stakeholders are. The long-term shared value creation to local stakeholders is communicated at an early stage, and expectations around the likelihood that a project will be fully developed are carefully managed. This is done in order to ensure that local communities have a clear incentive to offer Gold Fields cooperation and support. Gold Fields states that conflicts between the company and the communities are on the increase, why it is important to have an open dialogue with these communities.

Royal BAM Group states that real benefits from sustainability can only be achieved through involving stakeholders (Royal BAM Group, 2014b). The company argues that an active stakeholder dialogue will help the company prioritise what is important. Further, assessing what stakeholders consider as important issues will make it possible to define a clear strategy for delivering sustainable value on each of the company's projects. Yet, it is highlighted that stakeholders' view on what are the main issues for the company may differ in different markets.

BASF states that continuous exchange with the company's stakeholders is a fixed component of the sustainability management (BASF, 2014b). Here, internal and external stakeholders are examined in order to assess what expectations and requirements they have. It is further emphasised that the company has a particular responsibility towards the production sites' neighbours, and that issues that are affecting these stakeholders are frequently discussed. Further, BASF states that keeping a dialog with politics and society is an opportunity to influence change process. The company states that an important political task is to create favourable conditions for businesses, and that it is a key issue to make sure that these conditions enhance competitiveness and innovation, as BASF need to be competitive and innovative to stay successful. Further, the company states that it is important to engage in customers, non-governmental organisations, policy makers, and the public in order to introduce new products that are based on new technology in the market. BASF further emphasises the there are tensions related to different stakeholders interests. Balancing economic success with social and environmental responsibility comes with conflicts, and there is a challenge in weighting varying concerns related.

6 ANALYTICAL FRAMEWORK

In this chapter, the analytical framework that was used for the analysis that follows in chapter 7 is presented. A short description is given of the different areas within the framework and an illustration is presented in order to enhance the reader's understanding.

6.1 Analytical framework

Given the previous research on value and value creation, it is clear that the term value can refer to many different phenomena and comprises many different components. Value can be subjective as well as objective, and can be created in various ways as well as being targeted differently. What companies define as value, by whom and for whom value is created, how value is created, and finally, what incentives companies have for creating certain value, are matters that need to be considered in order to understand what the concept actually means to companies.

As a tool for answering the research questions of this master's thesis and to give the analysis a comprehensive structure, a framework was developed (Figure 1). The framework consists of five areas of analysis drawn out from the literature review that were seen as important aspects to consider when looking at how companies describe value and value creation. The framework covers the following areas of analysis: value to company and value to others, targets for value creation, sources of value creation, shared value creation, and finally, incentives for value creation. These five areas served as a template for the analysis and assured that the different aspects related to the concept of value were considered. Within each area of analysis, previous concepts and research within the field of value and value creations have been considered and served as supporting tools for explaining the empirical findings.

The first area of analysis aims to give insight in what companies describe as being value both for the company as well as other stakeholders. As the value is seldom defined by companies, the analysis serves to provide an understanding of what value means to companies by looking at what they emphasise when talking about value creation. The analysis aims to identify the different capitals, i.e. stocks of value, which are part of the IR Framework. Further, in order to grasp the different dimensions of value, the theoretical concepts of use value, exchange value and option value will be applied. The second area of analysis focuses on whom the companies state that they create value for, i.e. who the targets are. As the companies mostly mention a wide range of different stakeholders, the company's most important and obvious stakeholders were considered as targets for value creation. The third area of analysis focuses on the source of value creation, and aims to understand from where the value creation origins. The analysis is based on Lepak, Smith and Taylor's (2007) distinction between individual, organisations, and society as sources of value creation. The fourth area of analysis focuses on the creation of shared value. Here, Porter and Kramer (2011), Porter et al. (2012) as well as Pfitzer, Bockstette and Stamp's (2013) steps and reinforcing elements for creating shared value serve as a tool for understanding the processes of creating shared value. The fifth area of analysis focuses on companies incentives for value creation, which is an important aspect as it allows for a deeper understanding of what companies see as value. This analysis is related to the first area of analysis where the value to the company is defined, however, this part will go more into depth in order to understand underlying incentives. Here, theories related to value distribution as explained by Bowman and Ambrosini (2000) will serve as a basis for analysis.

Area of analysis	Purpose of analysis	Related concepts and theoretical foundation
Value to company and value to others	The purpose of the analysis is to understand how a company define value for the company as well as value for others.	The IR Framework capitals, use value, exchange value, option value, willingness to pay, shared value.
Targets for value creation	The purpose of the analysis is to understand who a company see as the most important targets for value creation, i.e. who the company creates value for.	Stakeholders, targets for value creation.
Sources of value creation	The purpose of the analysis is to identify the origin of the value that is created by a company.	Sources of value creation (individual/organisation/ society).
Shared value creation	The purpose of the analysis is to understand how the companies create shared value.	Steps and reinforcing elements of creating shared value.
Incentives for value creation	The purpose of the analysis is to understand what incentives a company has for creating value for itself as well as others.	Exchange value, value capture, value slippage.

Figure 1: Analytical Framework

7 ANALYSIS

In this chapter, the analysis of the empirical findings is presented. The chapter follows the structure from the analytical framework presented in chapter 6. In the end of this chapter, the findings from the analysis are presented in a table.

7.1 Value to company and value to others

A clear and concise definition of what value is for the companies as well as for others has not been observed in the empirical observation of the companies, and the different companies describe value in different ways. However, the concept of shared value emerged as an important explanation of what value is for all companies. The idea of incorporating a social purpose into strategic actions seems to be a natural component in companies' descriptions of value and value creation. Here, the value for the company and the value for the other party that is meant to benefit for the shared value, look different between the companies.

BASF expresses value mostly as something that is related to the company's products. The company is the only one among the examined companies that does not use the specific term shared value. Yet, the idea of creating mutual benefits for the company and society is adopted. Value is defined as more efficient and environmentally friendlier products, which are identified as the most material issue for the company. BASF describes and quantify how the value created for the company also create benefits for customers and the environment. The company expresses value both as economical value for the company, as well as benefits for the environment and customers. Value for customers is expressed as increased benefits, such as reduction in production costs and greater yields, and value for environment is described as biodegradability, decreased emissions and elimination of harmful oxides. Value for BASF is described as increased sales or market growth. The value for the customer as well as the value for the environment that BASF adds through improved processes can be referred to as use value, as it comes with benefits and qualities that customers are willing to pay for. The use value is based on the customers' perception, and is reflected in the individual's willingness to pay. For example, by developing a product so that it contributes to a better environment might be perceived as a benefit to a customer, and does thereby increase the customer's use-value and willingness to pay. The economic value the company finally gets from the sales can be referred to as exchange value. The exchange value, which gives rise to profit and thereby contributes to what in the IR Framework is referred to as financial capital, is easily quantified. Thus, any extra amount of money that the company achieve from adding a specific benefit that customers actually do pay for can be referred to as exchange value.

Also Gold Fields adopt the idea of shared value, however, the company also make use of the specific term shared value when they describe value for the company as well as for others. In comparison to BASF, what Gold Fields describes as value is less related to the company's products and the benefits related to these. Instead, Gold Fields place great emphasis on value in terms of benefits for the society, where value is described as an output of socio-economic development spending. Value is defined as infrastructure, new jobs, education for members of the local communities, and healthcare. The IR Framework refers to this as value contributing to increased social and relationship capital for the company. Value for the company is expressed as a social licence to operate deriving from the benefits provided to society. The social licence to operate contributes to what in the IR Framework is referred to as social and relationship capital. Further, access to new environmental resources can be referred to as natural capital.

The use value of these activities depends on how the affected parties perceive the activities and the utility coming from them. It could be argued that this utility is varying to a large extent between individuals, as all members of a community would not benefit from better infrastructure or education. Further, individuals' willingness to pay in this case cannot be identified in monetary terms, but it is rather a question of how much the individual's are willing to offer in terms of giving approval to the company for exploring the area, in exchange for e.g. better infrastructure. It is difficult to assign the monetary value deriving from activities that give rise to social and relationship capital, as the value is not incorporated in the price of a product or service. The value created by Gold Fields in this case does not add any extra value to the products, and it is not possible to estimate how much more a customer would be willing to pay to take part of the value created. What the party receiving the value actually pays in monetary terms, i.e. the exchange value, is therefore not possible to identify.

Novo Nordisk clearly articulates what value means to the company as well as to others. The company adopts the principle of shared value which is mainly expressed as offering products that increase people's health and accordingly improve the society's well being. According to the IR Framework this is an example of social and relationship capital. Value for Novo Nordisk is expressed as the access to new markets that is gained when the company markets and sell its products. Subsequently this give rise to increased sales and profit, which according to the IR Framework contribute to financial capital. Here, value for Novo Nordisk is related to the products of the company and to the benefits of these products. The use value is the benefits that patients are willing to pay for and are based on the patients' view on what is valuable. For example, insulin in form of an oral pill has great use value for a patient that is afraid of needles, but does not increase the use value for a patient who is not. The patient's willingness to pay for a product of this type does therefore differ depending on the perceived utility. The exchange value is the price of the product that Novo Nordisk is paid and is tied to the products perceived utility or benefits. The exchange value will turn into profit and subsequently financial capital, why it is rather easy to identify and relate to a number. Novo Nordisk also emphasises value in terms of taking environmental responsibility. By having energy efficient processes, Novo Nordisk contributes to future cost-savings and a secured future supply, which according to the IR Framework can be referred to as natural capital. Some patients might also place value on using products from a company that takes environmentally responsibility, why activities related to this might also raise the use value and patients willingness to pay. Further, even though the patients might not make use of these benefits themselves, they might nevertheless place value on knowing that such activities are undertaken. This value could be referred to as option value. Also in this case the higher value can contribute to a higher exchange value for the company.

Also Royal BAM Group adopts the principle of shared value. The company mainly expresses value for others in terms of using sustainable and eco-friendly processes and providing sustainable solutions to customers that will contribute to lower costs and a better environment. Value for the company itself is expressed as increased competitiveness, decreased costs, expansion into new markets and motivated employees. Increased competitiveness, decreased costs and access to new markets will give rise to profits that subsequently contributes to financial capital. Motivated employees that bring innovation and creativity to the company is value that according to the IR Framework contributes to human capital. In turn, this leads to financial capital as innovation and improved processes subsequently give rise to profit.

The use value of Royal BAM Group is the perceived benefits that the company creates for customers, environment, and society in large. For example, offering a customer an eco-friendly solution might be value to a customer that cares about the environment. Here, the value for the customer is the knowledge of that the environment will be preserved for future generations. Even though the customer will not benefit from the improved environment in the future, the customer still places value on preserving it, which could be referred to as option value. The exchange value is what Royal BAM Groups gains from the value that the company creates. The exchange value could be seen as monetary value, where the extra value that the company adds to products or services makes it possible to charge a higher price. As an example, the extra amount of money the company can charge a customer by offering energy-saving solutions give rise to a higher exchange value.

Similar to many of the other examined companies, Volvo Group focuses a lot on environment and customers when describing what value is. Customer satisfaction and energy-efficient products are material issues for the company, and these issues are examples of components of shared value. The new production site which runs enterable on renewable energy can be referred to as manufactured capital according to the IR Framework, as it support the company's production. Further, by producing energy-efficient products, Customers get vehicles that contribute to lower costs and cause less emission. In this example, the use value for the customers could be the lower cost for fuel. Similar to the example of Royal BAM Group, the option value could be the value of knowing that choosing an energy-efficient product will contribute to a better environment in the future. The exchange value is the higher price that the customer finally pays for getting these perceived benefits, and is rather easy to estimate as it is reflected in the price of the product.

7.2 Targets for value creation

In line with the importance Lepak, Smith and Taylor (2007) emphasise on the recognition of multiple targets, all examined companies express that creating value requires a balancing act of different views on what value is and what issues that are most important. The companies give varying emphasis to different stakeholders, which indicates that the main targets for value creation look different between the companies. All companies define who their most important stakeholders are as well as what issues being most important to address in order to satisfy the stakeholders. A great deal of effort is made to maintain good relations with key stakeholders. Stakeholder engagement therefore emerges as an important activity, through which the companies seek to understand what the stakeholder place value on. Thus, companies must not only gain knowledge about how different stakeholders perceive value, but they must also know which targets to prioritise in order to address an issue correctly.

For BASF, customers and the environment are identified as main targets for value creation. The company addresses customers as well as the environment by offering products that are efficient and simultaneously are less harmful to the environment. The company further identifies energy consumption and efficiency as the most important issue in the materiality analysis. For Novo Nordisk, patients have been identified as main target for value creation. This is manifested by the company's Triple Bottom Line Triangle, where patients are placed in the centre. Royal BAM Group focuses on the clients, for whom the company creates value by supporting their sustainability goals. The clients are therefore seen as the company's main target, even though the value is created through addressing environmental and sustainability issues. Similarly, Volvo Group has a great customer focus and can be seen as main targets for value creation. Accordingly, the company identifies customer satisfaction as the most material issue. Gold Fields deviates from the other examined companies by placing less focus on their customers. In contrast to the other companies, society and local communities have been identified as Gold Field's main targets for value creation. Investors, employees, local communities and host governments are stated to be the company's most important stakeholders. These stakeholders are addressed in the creation of shared value through the various activities and engagements that Gold Fields undertakes.

In large, the individuals using their products or services have been identified as the main target for value creation for most of the companies. It could be patients, customers, or clients. Another important target that has been identified is the environment. All examined companies emphasises how value is created through various initiatives that are beneficial for the environment. However, these activities can also be seen as targeted towards customers, clients and patients. For example, a customer that places value on products from a company which processes are more environmentally friendly will place value from value creation that is targeted towards the environment. If a company do not create value for the environment, the customer could choose products from another company. Thus, customers and the environment are targets for value creation simultaneously.

7.3 Sources of value creation

BASF's sources of value creation have been identified on an individual as well as on an organisational level. On the individual level, BASF encourages employees to act in an entrepreneurial way through the company's value-based management. Thus, value is created when individuals improve the processes and the work they are doing, which subsequently improve the benefits for the customer that will either get a lower price or a product that provide other benefits. The same reasoning can be applied on an organisational level. Through the company's Verbund system, a more efficient use of resources is enabled, which contributes to benefits for the customers. By offering products that reduce the customers' production costs and contribute to greater yields in cultivation, BASF creates value that the customers are willing to pay for.

In regards of Royal BAM Group, value creation has to a large extent been identified on an individual level. The company emphasises employees as an important source for value creation, where empowerment is an important way to enhance innovation and improve the company's processes and operations. The company states that engaged employees is a way of leveraging the company's full potential, and can therefore be seen as an important source for value creation. Value creation has also been identified on an organisational level. By improving processes and methods, as well as developing sustainable solutions for its customers, the company will create value in terms of benefits that customers are willing to pay for.

Similarities in how BASF and Royal BAM Group describe value creation have been recognised. Both companies view value as being created through synergies within the company. Value creation is related to the internal structure of the company as a means to consolidate and align knowledge and capabilities. Further, both companies emphasise the role that the employees play in value creation. Royal BAM Group highlights that the empowered employees is an important source of value creation. BASF makes a similar connection between employees and value creation and create value on an individual level by linking value drivers to management control tools.

Gold Fields sources of value creation are mainly identified on a societal level. Local communities and governments are playing an important role for the company's operations, and have a great influence on the company. Society puts a lot of pressure on Gold Fields due to the company's operations that affect the communities to a large extent. Value creation in terms of investing in healthcare, education and infrastructure origins to a large extent from governmental pressure and dissatisfaction. Thus, the interest of governments and local communities in combination with Gold Field's interest of maintaining and strengthening their social licence to operate has been identified as an important source for the company's value creation.

Novo Nordisk's sources of value creation can be found on an individual, organisational, as well as societal level of analysis. On an individual level, the company's employees are an important source of value creation. Here, the Novo Nordisk Way emerges as one important component as it guides employees on how to act accordingly to the company's norms and values. Further, by encouraging employees and keeping them motivated and creative, individuals contribute to improved processes and innovation at Novo Nordisk. Looking at the organisation itself as a source of value creation, value is created when Novo Nordisk develops its products in a way that customers are willing to pay for. The development of an oral insulin pill is an example of how the organisation itself creates value through its products. On the societal level, governments are a source of value creation as government tenders enable Novo Nordisk to distribute insulin to a lower price in developing countries. Simultaneously, Novo Nordisk gives back to the society by contributing to a healthier society with a smaller socio-economic burden, why value creation also has been identified on a societal level.

Volvo Group places emphasis on value creation on an organisational level by improving processes and refining the value chain that eventually contributes to products that are safer, more efficient, as well as more eco-friendly. Value is mainly expressed as offering products to the market that increase benefits for the company as well as society. By being customer driven, the company seeks to create value by improving the products and create benefits that the customers want to pay for. One could also argue that value creation takes place on an organisational level when processes are improved in terms of resource efficiency, even though it does not add any concrete value to the customers. The company's eco-certified production plants is one example on how value is created on an organisational level that does not necessarily comes with concrete benefits for the customers. However, customers might still place value on and are willing to pay for these types of engagements, why this can be seen as value creation on an organisational level. Volvo also describes how value is created on a societal level, where value is expressed as paid taxes, social costs and pension costs.

7.4 Shared value creation

As stated previously in this chapter, all examined companies adopt the idea of shared value, even though some of them do not make use of the term shared value. Many of the steps and reinforcing elements for creating shared value described by Porter and Kramer (2011), Porter et al. (2012), and Pfitzer, Bockstette and Stamp (2013) have been identified in the empirical findings.

Reconceiving products and markets is the first way of creating shared value described by Porter and Kramer (2011), and has been identified in all companies. For example, BASF and Royal BAM Group and Volvo Group generate revenue growth by offering products that are efficient for its customers as well as more environmentally friendly. Customers are willing to pay more for energy-efficient or environmentally friendly products, and at the same time environmental improvements are enabled. Thus, shared value is created through reconceiving the company's products. Novo Nordisk provides some good examples of how reconceiving markets can create shared value. The company distribute insulin in development countries, which contributes to new market shares for the company and a healthier society in the local area. The same goes for Gold Fields - by building new infrastructure and hiring local people in the area in which the company operates, the company can enter new markets. Redefining productivity in the value chain is the second way of creating value according to Porter and Kramer (2011) and has been identified in several companies. For example, both BASF and Royal BAM Group strive for having empowered, motivated and creative employees that contribute to innovation in the value chain and a higher productivity. Value is then created for employees and the company simultaneously. An example of how Volvo Group redefines productivity in the value chain is the company's production plant that is ran on renewable energy. Here, value is created as the production will cost less and simultaneously contribute to a better environment. Enabling cluster development is the third way of creating shared value (Porter & Kramer, 2011). The most obvious example of this has been found in Gold Fields. By investing in the local infrastructure, education and hiring local employees, the external environment for Gold Fields is improved. This will create value for the local community as well as enhance the company's productivity.

Embedding a social purpose in the company is the first reinforcing element for creating shared value according to Pfitzer, Bockstette and Stamp (2013). An example of this has been identified in Novo Nordisk, where the Novo Nordisk Way is used for communication and for making sure that the patient-centred approach is held by all employees in the company. Further, Novo Nordisk's Blueprint for Change reports are tools for communicating the social purpose of the business, internally as well as externally.

A second reinforcing element for creating shared value is to define a social need (Pfitzer, Bockstette & Stamp, 2013) All examined companies do this by having on-going stakeholder dialogues, where they map out the most material issues that need to be addressed. For example, Volvo Group states that stakeholder engagement helps the company to prioritise between various sustainability issues. Also Gold Fields emphasise the importance of communicating actively with stakeholders, and the company sees an open dialogue as an important way of creating value. Measuring shared value is the third element that is deemed to reinforce the creation of shared value. By using the IR Framework, all the examined companies measure and monitor the shared value that they create. Here, the issues that are measured and monitored to the largest extent are related to environmental issues, such as CO_2-emissions, waste, and water usage. Volvo Group and Gold Fields monitor how the different phases within the companies' value chain create value, as well as the resources used for each phase. The fourth reinforcing element is to create an optimal innovation structure (Pfitzer, Bockstette & Stamp, 2013). This element has been identified in BASF, who use expertise from different areas and create partnerships in order to enhance innovation. Similarly, Royal BAM Group enhances innovation through integrating new knowledge into design and production, which is stated not only to contribute to improve processes but also increase human- and intellectual capital. Co-creating with external stakeholders is the fifth reinforcing element of creating shared value (Pfitzer, Bockstette & Stamp, 2013), which to a large extent has been recognised in Gold Fields. The company creates value together with the local community members by employing from the area in which the company operates and by using local suppliers. This element has also been identified in Novo Nordisk, that is enable to distribute insulin thanks to government tenders.

7.5 Incentives for value creation

In order to fully understand the concept of value, the incentives for value creation are important to consider. Analysing companies' motives for creating value for others provides a deeper understanding for what the concept actually means to companies. As stated by Bowman and Ambrosini (2000), a company that aims to make profit must be able to capture the value it creates. Value slippage, which occurs when use value is high and exchange value is low, provide little incentives for companies to create value, as it would lead to suffering profitability in the long run. Given that the examined companies want to make profit, their motives for value creation are therefore closely related to the question of whether they are able to capture the value they create.

BASF, Royal BAM Group and Volvo express that value creation for others than the company itself is related to the competitiveness of the company. Shared value is often stated to be created through adding value to products, which means that value is related to the benefits of the product. If competitors innovate and offer better products, and the company does not, the use value and subsequently the exchange value of the product will drop.

The competitiveness can also be related to the value chain itself. More efficient processes contribute to a better environment, which increases the company's reputation and competitiveness. Simultaneously, efficient processes contribute to lower costs for the company. Here, the value created will be reflected in the profit the company makes. In the case of new product attributes, the company will be able to charge a higher price, i.e. exchange value, for the products. Further, more efficient processes contribute to lower costs and higher margins. As soon as the exchange value reflects the added value, i.e. the use value, the company captures the value. The incentives for creating this type of value are clear, as the company's profit will increase. Problems would however arise if the company is not able to increase the price, or if the new processes do not contribute to lower costs. This could be referred to as value slippage, which decreases the incentives for companies to create value.

The same argument goes for Novo Nordisk – by distributing their products in developing countries to a lower price, the company gets access to new markets. By being the first player in a new market, the company will gain benefits in terms of government tenders and distribution contracts. The increased sales will lead to increased profit, why this type of engagement provides incentives for the company to create this type of value. Even though the profits are small compared to other markets that might require less effort, the company will eventually be able to charge more as the country develops. The higher price Novo Nordisk can charge, the more value the company will capture from the investment, in the case of costs maintaining the same level. However, if another company would enter the market and offer products to a lower price or with other benefits that customers would be willing to pay for, value slippage might occur as Novo Nordisk has been putting a lot of effort without receiving what the company expected in terms of exchange value. This would decrease the company's incentives for offering insulin to less developed countries.

Novo Nordisk also places a lot of emphasis on the use of resources in the production. Value creation is described as a means of assuring the going concern of the company, as the company is dependent on resources that are limited. Here, value creating incentives are related to the processes of the company and do not add any extra value to the actual products. Value in terms of securing future supply is difficult to quantify in monetary terms but is nevertheless crucial for the company's long-term existence. Here, the value that Novo Nordisk captures is the value of knowing that the company will be able to continue its operations, which could be referred to as option value.

The above reasoning is mainly related to the economical value of engaging in activities that create value for others. However, incentives for value creation and the idea of value distribution could also be seen from a perspective where the exchange value is not economical value. For example, Gold Fields incentives for value creation look somewhat different compared to in particular BASF, Royal BAM Group and Volvo Group's incentives. Gold Fields has less focus on adding value to the company's products that the customer eventually will pay for. Instead, Gold Fields' incentive for value creation is to gain access to natural resources in certain areas. In order to get that, approval from local communities and other stakeholders for the extraction of assets and for environmental deterioration is needed. Thus, Gold Fields focuses on maintaining the company's social license to operate, as it will enable the company to continue its operations. Also these incentives can be looked at from the perspective of value distribution. Through various investments and initiatives, Gold Fields makes a lot of effort to maintain the company's licence to operate. The company expects that the investments will yield benefits in terms of approval from local institutions and communities. In this case, the exchange value could be seen as the social licence to operate. However, it could be argued that Gold Fields cannot be sure that these initiatives pay back in terms of legitimacy. Engaging in activities that increase the well being for a community might still not get approval from the targeted stakeholder, e.g. the government. Individuals within the community might then gain advantages, but the company will not be able to capture the value, that is support from the government, that the investment was intended to yield. This means that Gold Fields incentives for value creation are related to whether the company actually gains from engaging in theses types of activities.

Another example that illustrates the problem of value distribution is the investments in education for the members of the local communities. Here, contributions to the local communities in terms of education will in the long run lead to value creation for the company in the form of a more educated workforce, as well as a strengthened license to operate. However, it also has to be recognised that value has to be captured effectively in order to be value creating for Gold Fields. In this case, the captured value would be to an increased human capital gained from recruiting from a more educated local population. In opposite, if the educated workforce started to work for another company, Gold Fields would suffer from value slippage, as the company would not be able to capture the value created by these types of engagements.

In large, the incentives for value creation can be both of a financial as well as non-financial character. Although, it applies for both types that the company must be able to capture the value in order to have incentives for creating it. If a company suffers from value slippage, and the value created through various incentives does not benefit the company, then it might be pointless for the company to be engaged in these types of engagements if the objective is not of a pure philanthropic nature.

Area of analysis	BASF	Gold Fields	Novo Nordisk	Royal BAM Group	Volvo Group
Value to company and value to others	Efficient and environmentally friendly products that are beneficial to customers and enhance the competitiveness of the company.	Investments in local communities that give rise to higher well-being for society and strengthens the company's license to operate.	Distributing products in development countries increases society's well-being and gives the company access to new markets.	Eco-friendly solutions decrease costs for customers and enhance the company's competitiveness.	Energy-efficient products that satisfy customers and are beneficial for the environment.
Targets for value creation	Customers , environment.	Local communities.	Patients, society.	Clients, environment.	Customers, environment.
Sources of value creation	Individual level: empowered employees. Organisational level: logistics and alignment.	Societal level: local institutions.	Individual level: motivated employees. Organisational level: product innovation.	Individual level: empowered employees. Organisational level: logistics and alignment.	Organisational level: improved production processes and product innovation.
Shared value creation	Reconceiving products, optimising innovation structure.	Reconceiving markets through exploring I new areas, co-creating with external stakeholders.	Reconceiving products by innovation and reconceiving new markets through entering development countries.	Reconceiving products, optimising innovation structure.	Reconceiving products by innovation.
Incentives for value creation	Competitive products and increasing sales.	Social license to operate for continuous operations .	Access to new markets and increasing sales.	Competitive products and increasing sales.	Competitive products and increasing sales.

Figure 2: Result by area of analysis and company

8 CONCLUSIONS AND FINAL REMARKS

In this chapter, the conclusions from the analysis are first presented and the research questions are answered. The conclusions are followed by the limitations of the study. Lastly, the study's contributions as well as suggestions for future research are presented.

8.1 Results

This master's thesis has examined how companies within the IIRC Pilot Programme describe value and value creation. By examining how companies define value and in what context value creation is described, the intention was to understand how companies look at the concept, which has a long history of vagueness and ambiguity.

When examining how companies define value, none of the companies provided precise definitions of the term. However, it was found that the concept of shared value had great significance when companies described value. Here, value was described as creating mutual benefits for society, the environment, the company and its employees. Value was often described as eco-friendly processes and products that add value in the form of efficient products for the user and contribute to lower costs as well as an increased competitiveness. Further, access to new markets was identified as value to companies. In all these cases, value was related to the companies' ability to sell its products, either by adding new attributes or by entering new markets. Value was also described as a maintained or strengthened licence to operate for the companies, where approval from governments and communities was seen as crucial for the company's future operations.

Although the companies in some way described what value is, it is difficult to assess how a company will benefit from certain activities. Value creation was described in a narrative manner, but it was nevertheless difficult to evaluate the precise value that a company gains from certain activities. Depending on what value creating activity the company undertakes, the possibility of determining the different parties' value of the activities varied. For example, the perceived use value an individual place on a product, determines the individual's willingness to pay. What later is actually paid, i.e. the exchange value, is easily quantifiable. In contrast, value in terms of social and relationship capital, such as social licence to operate, is difficult to assess. Exchange value is here not defined in monetary terms, since the benefits of the activities are not incorporated in the price of a product.

What has become clear is that what companies describe as value depends on the specific context and situation. Here, some insights were gained by looking at the companies' different targets for value creation. The companies emphasise stakeholders differently, which implies different main targets for value creation. It can be concluded that depending on which actors being most important, actors have varying influence on what the company itself perceive as value. This is explained by the likelihood of strong actors putting pressure on the company. This has been observed in the case of governments and local communities trying to influence corporations' investments, where the need of a strengthened license to operate is being valuable for companies. In most cases however, the analysis revealed that the majority of the examined companies considered the users of the companies' products being their main target. The fact that users have such a great importance for a company's operations explains why companies often relate value to product attributes.

Further, looking at the sources of value creation provided a second perspective to how the context of value creation differs between companies. Many of the companies describe that value creation takes place on an individual level, where focus lies on enhancing employee performance. Value creation is here related to the companies' human capital, which is seen as a source to increase innovation and enhance the competences within the organisation. Value creation has also been found on an organisational level, where development of processes and new technologies were considered a source of value creation. Here, value creation is described in the context of the companies' value chains. For value creation on an individual as well as on an organisational level, it has become clear that value creation is related to increasing the use-value for the companies' customers and their willingness to pay, which subsequently is turned into exchange value for the companies. Thus, increasing the value for the users have been identified as key drivers for value creation.

In order to further understand the different contexts in which companies describe that value is created, the incentives for value creation were analysed. It can be concluded that depending on a company's situation, the incentives for creating value do look different. In order to analyse what the incentives behind value creation were, the concepts of value slippage and value capture were applied. It can be concluded that value creation often is described in the context of competitiveness. It was found that an increased or maintained competitiveness in form of a higher use value through innovative products had large importance for most of the companies. Further, access to new markets was identified as an important incentive for value creation. It can also be concluded that in the case of value creation that raise the perceived use value, value slippage in terms of not being able to charge a higher price would decrease a company's incentives for creating this type of value. Similarly, if improved processes do not contribute to lower costs, a company's incentives for making such improvements would decrease.

The argument above was applicable on value creation related to measurable economic value. However, it was noted that incentives were apparent also for engagements that do not increase the use value of the actual product. Here, it can be concluded that the incentive for these types of investments was to improve the relationship with stakeholders and thereby increase the company's social and relationship capital, where the exchange value was considered equal to the gained social license to operate realised from the engagements. Further, it can be concluded that a company undertaking such engagements must be convinced that the engagement actually does pay back in form of a maintained or strengthened social licence to operate, as it in any other case would cause value slippage and thereby decrease the company's incentives for this type of value creation. It can further be concluded that the fact that this type of value is difficult to estimate complicates the determination of the value created.

The conclusions drawn from the observations demonstrate that how companies define and describe value varies between the examined companies. However, as discussed above, many similarities regarding companies' view of the concept were determined. The idea of shared value as a means of enhancing the companies' competitiveness reveals as an important aspect of value creation. It has further been demonstrated that relationships with stakeholders and the varying contexts in which value creation takes place in, affect how companies define and describe value creation.

A last conclusion that can be drawn is that there is still a great deal of uncertainty related to the concept of value. Although the companies make a lot of effort to describe how value is created and how different stakeholders will benefit from such value creation, it is still difficult to fully grasp the meaning of the concept. The introduction of the IR Framework was introduced with the intention of supporting companies in communicating how value is created, and accordingly it can be concluded that the companies do describe value creation in a comprehensive, yet narrative, manner. Despite the introduction of the IR Framework and the ambition of increasing the understanding for how companies create value, it has been revealed that the concept of value still entails interpretation and subjectivity. The many contexts in which the concept appears and the many different applications of the term imply that the decision of what value actually is and what value to communicate, still lies in the hands of the companies.

8.2 Limitations of the study

A first limitation is related to the choice of companies examined. All examined companies are manufacturing companies, which might have limited the possibilities of capturing difference nuances of the studied phenomena. Having a mix of manufacturing companies and service companies would have given the study further perspectives and might have contributed to a richer empirical analysis. A second limitation of this study was time constraints. Due to the short process of conducting this study, the number of interviews was affected as the process of selecting companies and finding relevant respondents extends over a long period of time. Holding more interviews would have provided more and richer details, which would have contributed to an empirical saturation resulting in a somewhat deeper analysis of the concept. A third limitation was the number of companies examined. Although this was a conscious choice, it is important to highlight what implications this choice had. By examining more than one, the study lost some of its depth. This is related to the first limitation of time constraints, as the possibilities of analysis on a deeper level were decreased. Conducting a study on one single company would have provided a deeper understanding of how that specific company describe value, and would have resulted in deeper insights in how value is described in that particular setting. However, such a study would have eroded the possibilities of make comparisons between companies.

8.3 Contributions of this study and suggestions for future research

Due to the novelty of integrated reporting, this master's thesis can provide insights into a field of study that is previously not explored to a large extent. The findings can be used for gaining insight in how companies that in this very moment are shifting focus in their way of reporting on value and value creation. Thus, the findings can serve for companies that are interested in increasing or changing their reporting on value and value creation.

Due to the novelty of the IR Framework, there are several opportunities for further research. A first interesting area would be to examine how companies quantitatively measure value and value creation and how these measures relate to how companies describe value. Secondly, it would be interesting to compare how companies that are not part of the IIRC Pilot

Programme look at the concept of value. Further, a potential research would be to do a comparison between companies that are performing integrated reports and those who are not, in order to explore differences and similarities in how value is described as well as measured. Lastly, a potential future research would be to examine how non-profit organisations describe value and whether these hold a different view in comparison to profit making companies.

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APPENDIX

E-mail standardised question sheet

1. How can value creation be turned into long-term value creation?

2. How do you see that activities outside your core business can create value?

3. What is value as a concept for you?

Question Sheet Mikael Hagström

1.
Volvo Group has identified sustainable transport, shared value, and responsible behaviour as a foundation within its CSR and sustainability model.

a. In your opinion, is there a difference between shared value creation and long-term value creation?
b. Do you think it is possible to create one of these without creating the other?

2.
The vision of Volvo Group is to become a world leader within sustainable transport solutions, which are to be achieved within three different dimensions: The financial, environmental and social dimension.

a. Can you give examples of conflicts that have arisen or can arise between the different dimensions?
b. Which possible trade-offs are made and how are they affecting the value creation of Volvo Group?

3.
In the materiality analysis of Volvo Group, the issues most material in regards to the importance for business success for Volvo Group, and the expectations of stakeholders are presented. The analysis is conducted from the point of view of customers, employees, potential employees, suppliers, capital market, decision makers, universities and NGOs.

a. Can you in more detail describe how Volvo Group is trying to understand what the company's stakeholders consider as value?
b. How is Volvo Group balancing different interests of stakeholders?
c. Are there any examples of trade-offs that is being made or has been made between different stakeholders?

4.
Volvo Group has identified product safety as the third most material question in the materiality analysis.

a. How do you think product safety contribute to value creation for Volvo Group?
b. Product safety is not being measured through KPIs presented in the Annual Report or the Sustainability Report. Why is Volvo Group not reporting on this issue?
c. How is Volvo Group measuring product safety?

5.
In the "CEO Message" of the Sustainability Report is it stated: "*Environmental sustainability drives us to utilize resources more effectively, improve the reliability and lifecycle of our products and reduce their impact on the environment. In this context, I see no contradiction between meeting our customers' needs and*

environmentally sustainable development."

Further, Volvo Group has identified alternative energy sources as the sixth most material issue in the materiality analysis. In the report "Powerful Ways for the Future", is it stated that Volvo Group do not believe in one global energy source for transportation. Instead, it is believed that the choice of fuel source should be varied depending on regional differences in the supply of the different energy sources.

a. Do you see any contradictions between meeting the need of the customer and contributing to sustainable development?

6.
Volvo Group is presenting eight non-financial KPIs in the Annual Report.

a. Why has these specific KPIs been chosen?
b. Emissions of carbon dioxide are one of the KPIs presented. How are lowered emissions of carbon dioxide contributing to value creation for Volvo Group?

7.
In the Sustainability Report, it is stated that the development of the "Creating Shared Value" strategy is one of the prioritised issues of 2014 for Volvo Group. The four most important questions within the area of *shared value* are: *Culture and values, customer satisfaction, diversity and equality,* and *occupational health and safety.*

a. Which of these issues do you consider as most important in order to develop the "Creating Shared Value" strategy?
b. Which measurement do you consider relevant for measuring shared value?

8.
In the section considering the "Volvo Way" in the Sustainability Report, it is stated that: *"The Volvo Way address business critical issues, including value creation, customer focus, and the way we work."*

a. What is value creation referring to in this specific case?

9.
Value creation has a central role within the IR Framework.

a. Do you see any difficulties with the concept of value and how it is being used within the framework?
b. How does Volvo Group communicate value creation and long-term value creation to its employees?

Question form Cora Olsen

1.
In the report ”the vision of sustainable value in Novo Nordisk” from the ”Blueprint for Change Programme”, it is explained that creating shared value may be a way to create sustainable value.

a. What is the difference between shared value and sustainable value?
b. How is shared value related to sustainable value?

2.
In the same report, it is stated that: *”The challenge of building sustainable business models lies in effectively quantifying and articulating the value they create,”* and that: *“Value is in the eye of the beholder.”*

a. If value is in the eye of the beholder, whom do you have in mind when you define what sustainable value is?
b. How do you measure sustainable value?

3.
In the same report, it is stated: *“Engaging actively in prevention and expanding it - or even making it core business - is the best way to enhance and sustain credibility,”* and: *“Diabetes prevention is a very different business than developing pharmaceuticals, but prevention may be the business that disrupts Novo Nordisk's existing model.”*

a. How do you regard prevention of diabetes as a creator of value for the company?

4.
In the report “changing diabetes in Bangladesh through sustainable partnerships” from the ”Blueprint for Change Programme”, it is stated: *“To address the challenge of affordability in the world's poorest countries, Novo Nordisk decided in 2001 to offer human insulin products in LDCs at one fifth or less of their price in the western world.”*

a. How do you think this type of engagements creates sustainable value for Novo Nordisk?

5.
In the Integrated Report it is stated that: ”*Issues with respect to social and environmental reporting are prioritised, and the issues considered most material are included in the printed annual report,”* and that: *”Long-term targets are set to guide performance in strategic areas.”*

a. Why are specifically these long-term targets seen as most important?

6.
Working the ”Novo Nordisk Way” is measured through an annual employee survey, and is one of the long-term social targets that are deemed to have a significant impact for the future business performance of Novo Nordisk.

> a. What is measured in the survey and how does that contribute to sustainable value creation?

The long-term target for working the “Novo Nordisk Way” has been exceeded the last three years.

> b. How does this target motivate employees to act more in accordance with working the “Novo Nordisk Way” and contribute to increased value creation?

7.
CO2 emissions are one of the long-term environmental targets that are deemed to have a significant impact for the future business performance of Novo Nordisk.

> a. How does measuring CO2 emissions contribute to sustainable value creation?

8.
In the Integrated Report it is stated that: *”It is assessed whether information is tied directly or indirectly to Novo Nordisk's ability to create value. Short- and long-term value creation is taken into consideration,”* regarding defining materiality.

> a. How is this assessment made?

9.
The ”Triple Bottom Line” is based on the notion that companies must be held responsible for social, environmental and financial activities.

> a. Could you give examples of conflicts between the three areas?
> b. What eventual trade-offs are made between the areas and how does that affect value creation?

10.
In the Integrated report it is stated that: *”Key issues are identified through ongoing stakeholder engagement and trendspotting,”* in regards to materiality.

> a. Could you describe the process of trying to understand what stakeholders perceive as value in more detail?
> b. How does Novo Nordisk balance the co-existence of different stakeholders when you assess what issues are most important for value creation?
> c. Could you give any examples of trade-offs that have been made between different stakeholders?

11.

> a. What is your view on value as a concept?
> b. How do you communicate value and sustainable value creation to the employees of Novo Nordisk?