CSR-driven innovation in the entrepreneurial firm

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Executive summary

There is an increasing interest in CSR as an innovation opportunity and as a driver for innovation in entrepreneurial companies, but so far, little research have been done in this field. However, the issue is important because it can extend the current understanding of what factors motivate entrepreneurs to engage in CSR. Scholars on the subject have so far argued that a separate entrepreneurial case study on these issues is needed (More & Spence, 2006), as research of established firms are not one-to-one applicable to entrepreneurial firms (Spence & Rutherfoord, 2001). Therefore, the outset of this thesis is to explore the area of CSR-driven innovation in entrepreneurial firms, and thus the initial research question is:

*How can CSR act as a driver for innovation in entrepreneurial firms?*

In order to answer this research question, the object of examination is the entrepreneurial company, with focus on the entrepreneurial process. As the development of innovation takes place in the entrepreneurial process (Schumpeter, 1949), the driver must be present here. Furthermore, former research has shown that the factor of the entrepreneur’s prior experiences has a great impact on the elements of opportunity discovery, evaluation, and opportunity exploitation (McMullen & Shepherd, 2006, Shane, 2000, Shane & Venkataraman, 2000) in the entrepreneurial process. Thus, in order to examine the CSR concept as an innovation-driver, the initial research question is further developed:

*How does prior CSR related experience affect the entrepreneurial process?*

Through examination of a multiple-case sample of 8 entrepreneurial CSR innovations, the research conducted in this thesis, shows how the entrepreneur’s prior CSR related experience affect the entrepreneurial process. In cases where prior CSR related experiences were absence, the CSR opportunity was not discovered, evaluated or reacted upon. Therefore, CSR was not an integrated part of the entrepreneurial process. In contrast, in the cases where prior CSR related experiences existed, CSR played a part through the whole entrepreneurial process and it was a conscious choice on the entrepreneur’s side how to utilize CSR. Thereby, the second group of entrepreneurial firms had not only recognized CSR as a business opportunity on the basis of their prior CSR related experiences. The existence of the prior experience had in fact enabled them to let CSR be the driver for the innovation, making them truly CSR-driven innovation firms. Besides CSR-driven innovation, 2 types of CSR innovation where discovered: CSR by accident and CSR by regulation innovations. All in all, the results present an answer to both research questions, as it was shown that prior CSR related experience are in fact necessary in order to conduct CSR-driven innovation, and thereby, that CSR drives innovation through the prior CSR related experience of the entrepreneur.
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1 Introduction

1.1 The thesis setting
Within the last decade there has been an increasing focus on firms’ corporate social responsibility (CSR) towards the external environment, they are situated in. The challenges CSR poses have been perceived to have both a positive and negative effect on firms. A lot of research suggests that CSR can create an innovation opportunity for established firms and that it can help create competitive advantages, new markets and enhance legitimacy from a customer viewpoint (Porter and Kramer, 2006, Dawkins and Lewis, 2003, Hockerts & Moir, 2004, WWF, 2006). But so far little attention has been given to the innovation opportunities CSR can create for the entrepreneurial firm, even though entrepreneurial firms constitute more than 10% of the labour force in EU (EIM, 2003) and Small and Medium sized Enterprises (SMEs) constitute 99,8% of the European enterprises (Eurostat, 2008).

1.1.1 Tendencies in consumer preferences
Recent high-profile natural disasters are causing consumers to become increasingly concerned about climate change and the threat is becoming more 'real' to western consumers. As ethical and environmental consciousness grows, so will certain types of buying behaviour. This is reflected in the growth of key product segments, notably fair-trade and ecological consumption (Datamonitor, 2008). In 2007 consumers worldwide spent over DKKR 13 billion on fair-trade certified products, which is a 47% increase from the previous year (Fairtrade Foundation, 2008a). The import to the European market of ecological goods doubled from 2005 to 2007, with an import of DKKR 740 million in 2007. In the same year the export of European ecological goods was DKKR 450 million, which is a 74% increase from the previous year (web: Statistikbanken, 2009).

Hence there is evidence that values are shifting in consumer preferences towards products and brands that are environmentally friendly and socially responsible1 (WWF, 2006). In 2002 (UNEP, 2002) a study reported that:

• 53% of UK consumers and 66% of US consumer have considered switching brand due to CSR.

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1 E.g. Fair trade products
• 19% of UK consumers have actually purchased as a result of a company’s ethical reputation.
• 18% have participated in an ethically-motivated boycott of a brand or product.

In 2005 research found this trend to be real and growing in the UK (The Co-operative Bank & The New Economics Foundation & The Future Foundation, 2005). According to this study:
• 57% of consumers have recommended a company on the basis of its responsible reputation.
• 58% have avoided a product or service because of the company’s reputation.
• 35% have actively sought information on a company’s reputation.
• 35% have felt guilty about purchasing unethical purchases.

The establishment of recognisable labels helps the consumers choose. As a UK research from the Fairtrade Foundation shows, more consumers are recognising the Fairtrade mark, with 70% of the UK population in 2008 compared to 57% in 2007 (Fairtrade Foundation, 2008b).

The above indicates that there is a growing consumer need for ethical products and hence an opportunity for firms to create a business around these needs. The focus from researchers on this issue has primarily been on how established players have succeeded or failed to recognise the value change of consumers (Hall & Vredenburg, 2003, Prahalad & Hammond, 2002).

How CSR can be an opportunity for established firms to innovate has also been prevailing (Prahalad & Hammond, 2002, Hart & Milstein, 1999). The article by Hart & Milstein (1999) argues that the emerging challenges of global sustainability pose an Schumpeterian opportunity for established firms. Enabling them to redefine and restructure the industry, and through innovation, in pollution prevention and product stewardship, create destruction of old routines.

Based on this theoretical opportunity, the goal for this thesis is to explore the possibilities for CSR-driven innovation and how this process transpires.

1.1.2 Research on the coupling of CSR and Innovation

Research has shown that there can be a positive link between CSR and exploring new innovation opportunities in established companies. Senge & Carstedt (2001) argue that social and environmental issues can be of positive constraints in a company’s research and
development processes, as they create intrinsic motivation for the employees. By focusing on waste and energy reduction in the innovation process, CSR has also shown to have a positive economic effect in established companies (Hart & Ahuja, 1996). Furthermore, by improving resource productivity or producing products that are more valuable to customers e.g. fair-trade or ecological, companies can create a competitive advantage (Porter & van der Linde, 1995, Hart, 1995). Researchers have also argued that in order for CSR to be productive it should be imbedded in the core values, processes and activities (Porter & Kramer, 2006, Hart, 1995), therefore CSR initiatives should be adjusted to the particular organisation and seen as a long term investment (Porter & Kramer, 2006).

Although there exist a focus on the relation between CSR and innovation, this subject is still fairly new. The first author to directly link social opportunities with innovation was Kanter, who in 1999 where the first to mention corporate social innovation - though she does not present a definition of the concept (Kanter, 1999). As the theoretical base for CSR innovation is still undeveloped there is a limited amount of literature on the subject. Moreover, the limited literature that does exists on the relation between CSR and innovation is almost exclusively based on studies of large firms and the focus is on cost savings and efficiency through innovation. There seems to be a lack of empirical studies of smaller firms (SMEs or entrepreneurs) that engage in CSR innovations (Larson, 2000, Spence and Rutherfoord, 2001).

1.1.3 CSR innovation in entrepreneurial firms
The literature on CSR in general, has focused predominantly on established firms, where issues such as firm power related to societal responsibilities and corporate images have been the main focus (Jenkins, 2006, Spence & Rutherfoord, 2001). An assumption has been that CSR understandings and activities of large firms could be transferred to smaller firms, because they are just “…little big firms” (Tilley, 2000). But small firms do not just differ from large firms in size, but also in the nature of their management (Spence & Rutherfoord, 2001). When a small firm is owner-managed, as the case is with most entrepreneurial firms, the management style is personalised. Therefore control over resource allocation lies in the hand of the owner (Spence & Rutherfoord, 2001, Jenkins, 2006). Decisions made on how to use firm resources are personalised, which enables autonomy in the CSR approach (Jenkins, 2006). Still there is little literature on these issues, and as emphasised by More & Spence
there especially exist a gap when it comes to business case analysis and innovation process in relation to CSR (More & Spence, 2006).

In recent years it has been visible that not only established firms incorporate CSR in their business innovation, but entrepreneurial firms as well use CSR as a strategic value in their main business innovation (Dawkins & Lewis, 2003, NCCR, 2009). These entrepreneurial firms have in some circumstances been referred to as CSR-driven innovation firms (NCCR, 2009). However, as there is a lack of research on the link between entrepreneurial firms and the use of CSR in the innovation process, the concept of CSR-driven innovation is still not fully developed.

In order to bridge this gap and explore the theoretical realm of CSR-driven innovation in the entrepreneurial firm, the goal of this thesis to examine entrepreneurial CSR-driven innovation companies. Specifically by looking into how CSR becomes a driver for the innovation. Therefore we in our first research question ask:

*How can CSR act as a driver for innovation in entrepreneurial firms?*

### 1.1.4 Zooming in on the research question: CSR as an innovation driver

To date a common concept of what an innovation driver entails has not been established (Hockerts & Morsing, Working paper, 2008). Therefore it is interesting to look into how CSR as a concept can drive an innovation, and thereby explore how an innovation driver could be understood. Oxford Dictionary defines ‘a driver’ as something that “...urges one onward towards a goal.” (web: Oxford English Dictionary, 1989). This definition implies that a driver is a key factor in a process towards an end-result. Logically derived from this, is that the factor must be involved in the entire process in order for the process to be fully driven by it.

Based on Schumpeter’s highly recognised definition of innovation as the end-result of an invention, which has been commercialised (Schumpeter, 1949, Shane, 2003). We need to

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2 NCCR, Nordic Center for Corporate Responsibility’s publication on CSR-driven Innovation (2009). The NCCR publication was written during the same period as this these and was published online primo 2009.

3 The field of user-driven innovation does touch upon lead-users as drivers for innovation (Von Hippel, 2005). However, this stream of literature does not cover how a concept can drive an innovation process (Hockerts & Morsing, Working paper 2008)
understand the process leading to the innovation in order to uncover which factors that have been key drivers for the innovation to be realised. As the object of examination is the entrepreneurial firm, the process prior to the innovation, is here the entrepreneurial process, which is characterised by discovery, evaluation and exploitation (Venkataraman, 1997, Shane & Venkataraman, 2000, Baron & Shane, 2008).

Following this, the concept of CSR has to ‘urge’ or drive the process onward to its final goal, the innovation. Therefore in order to understand if CSR is able to act as a driver for innovation, we must first understand if CSR affects or acts as an ‘urging’ or key factor in the discovery, evaluation and exploitation stages of the entrepreneurial process.

Prior research has argued that there are many factors affecting the entrepreneurial process, e.g. external change, regulations etc. (Schumpeter, 1949; Kirzner, 1973, Baron & Shane, 2008). We will in this thesis focus on the prior experience for two reasons:

• Prior experience affects the entire entrepreneurial process (McMullen & Shepherd, 2006).
• Our area of research is CSR and innovation. In order for a concept to drive an innovation it must ‘urge onwards’ and the only way it can do this is through motivation within the entrepreneur, as the entrepreneur is the motivator behind the entrepreneurial process (Kirzner, 1973, Venkataraman, 1997, Shane & Venkataraman, 2000, Baron & Shane, 2008, Jenkins, 2006). Therefore we look at prior experience as these are the only factor directly related and can be said to be part of the entrepreneur, thereby our only way to determine the impact of CSR.

Linking the autonomy of the entrepreneur (Jenkins, 2006) to the entrepreneurial process reflects the great impact the entrepreneur has on every decision made in driving the process forward. Furthermore, as emphasised by Kirzner (1973), the recognition of entrepreneurial opportunities are highly related to the entrepreneur’s prior experience; hence it is an ability that is idiosyncratic and different from one person to another.

Taking point of departure in the notion that entrepreneurship is characterised as a process of entrepreneurial discoveries, evaluation and exploitation (Shane & Venkataraman, 2000) and the process is highly affected by the entrepreneur’s prior experience (Kirzner, 1973), we can then assume that prior experience, somehow related to CSR will influence the entrepreneurial
process when conducting CSR-driven innovation. The assumption is based on prior research, which shows that prior work related experience does affect the entrepreneurial process (Shane, 2000). It has not yet been established how or if a concept such as CSR related experience present the same results as the work related experience. However, by relating the concept of CSR to the entrepreneur’s prior experience, we develop our research question further and secondly ask:

*How does prior CSR related experience affect the entrepreneurial process?*

### 1.1.5 Empirical data source

The subject for examination is the entrepreneur’s ability to identify CSR as an opportunity and incorporate it throughout the entrepreneurial process as a driver for innovation. The field of study needs to be related to entrepreneurial companies where CSR is part of the final business solution. Since CSR is not by definition linked to a specific industry, profession or action, it is interesting to examine how the entrepreneur discovers and utilises it in different industries. Therefore this thesis project has worked together with the cbsCSR centre at Copenhagen Business School on a qualitative data collection under the project on CSR-Driven Innovation (NCCR, 2009). As the empirical data in form of case studies and interviews are provided by the cbsCSR, this data is property of cbsCSR and the Danish Commerce and Companies Agency, and must not be replicated or used without permission.

### 1.1.6 Definitions and terms used in the thesis

For the purpose of this thesis, the concept of an entrepreneurial firm is defined as a newly started firm that is either in the development phase or within the first 5 years after the first commercialisation.

CSR related issues or experiences are understood as social or environmental issues or experiences (Hockerts & Morsing, Working paper 2008).

### 1.2 Structure of the thesis

In order to analytically examine the cause and effect relationship between experience and the innovation driver, CSR, we will develop a framework based on a coupling of entrepreneurial process literature and CSR literature.
In part 2 of this thesis, the conceptual framework will be developed and discussed. The conceptual framework builds on general aspects from the two streams of theory: the entrepreneurial theory and the CSR theory. The model of the entrepreneurial process and the factors affecting it, is built on the notion of entrepreneurship as a process consisting of the components of discovery, evaluation and exploitation (Shane & Venkataraman, 2000). Where every process component is affected by the entrepreneur’s prior experience as described by McMullen & Shepherd (2006):

- The discovery process components are build around three sources of opportunity; technological (e.g. Shane, 2001), political (e.g. Sine & David, 2003) and social (e.g. Tempest et al., 2002).
- The evaluation process component reflects three perspectives of CSR (e.g. Sethi, 1979, van Marrewijk, 2003); shareholder (e.g. Friedman, 1970), stakeholder (e.g. Freeman, 1984) and societal (e.g. Davis, 1960).
- Finally the exploitation process component is built around the three levels of integration of CSR in the firm; individual level, organisational level and institutional level (e.g. Wood, 1991, Clarkson, 1995).

Part 3 of this thesis will deal with the methodology of the multiple-case study. The research strategy and design will be presented as well as the limitations of the study.

Part 4 constitutes the findings from the multiple-case study. A general case sample overview will be given followed by data display based on the interviews conducted. Subsequently, the cases will be analysed based on the conceptual framework developed (presented in part 2).
In part 5 the results from the analysis will be presented and discussed. Both expected and unexpected tendencies will be brought into play in the discussion, to show the main points gathered from the analysis.

Part 6 will present the conclusion of thesis, by linking the results to the research questions. In the conclusion a review of the most significant findings will be presented and these will be related to perspectives for future research and managerial implications.

Figure 1.2: Structure of the thesis

2 Conceptual Framework

2.1 Introducing the argument of CSR-driven innovation in the entrepreneurial process

Both the Schumpeterian and the Kirznerian perspective describe the entrepreneur as an opportunistic individualist with a financial end-goal. Therefore linking the entrepreneurial theories on entrepreneurial opportunities with the concept of CSR in order to establish the grounds for CSR-driven innovation can seem far-fetched. However, as shown by Spence and Rutherford (2001), this very homogeneous view of the entrepreneur is changing, and the notion of the profit maximising, rational economic entrepreneur is likely to be false. Instead there is a rising discussion of the entrepreneur as being an individualist and an exploiter of opportunities.

2.1.1 CSR as an innovation driver

As noted in part 1, a common understanding of the innovation-driver concept has not yet been established (Hockerts & Morsing, Working paper 2008) and the issue of how a concept such as CSR can drive an innovation process has not to our knowledge been examined previously (Hockerts & Morsing, Wokring paper 2008). The Oxford dictionary describes ‘a driver’ as something that “...urges onward towards a goal” (web: Oxford English Dictionary, 2nd edition, 1989). If this is the case, then the factor, or concept that urges an entrepreneur onward
needs to be part of the entire process in order to be driven by it. As the entrepreneurial innovation is the end-result of an entrepreneurial process (Schumpeter, 1949), then the concept that would drive an innovation needs to be present as an urging factor throughout the entrepreneurial process.

Relating this to CSR-driven innovation, we would expect to find CSR as an integrated part of the entrepreneurial process. There is therefore a need to look into to how CSR affects the entrepreneurial process, and hence examines how CSR is utilised in the process of creating an innovation. A focus will therefore be to examine to how prior CSR related experience affect the entrepreneur’s ability to integrate CSR as a driver in the entrepreneurial process. This will help create an understanding if prior CSR related experience play an important part in the entrepreneurial process in terms of CSR as a process driver and if CSR can act as a driver for innovation in entrepreneurial firms.

2.1.2 Prior experience as a factor

It is not likely that CSR as a concept emerges out of the blue in the entrepreneurial process. Instead it is likely that it is bound to one of the other factors affecting the process. As the entrepreneur is autonomous in making decisions and acting upon them in the entrepreneurial firm (Jenkins, 2006), the entrepreneur is one of the greatest factors in driving the process forward. Therefore, it could be the entrepreneur that incorporates CSR into the entrepreneurial process. Furthermore, as argued by Kirzner (1973), the entrepreneur acts on information based on prior experience, which implies that prior CSR related experience of the entrepreneur could be a main driver for the CSR-driven innovation.

In order to uncover whether the process is CSR-driven; we need to clarify to what extent CSR affects the process and also identify how CSR affects the process. The theory on prior experience and opportunity recognition clearly states that there is cause-effect between prior experience and the entrepreneurial process (Kirzner, 1973). Former research has shown that especially prior work experience is relevant in discovering, evaluating and exploiting the opportunity (Shane, 2000). This shows that prior experience can be a factor in the entrepreneurial process. However, when dealing with CSR opportunities, identification of the innovation opportunity is two sided, as there exist both an entrepreneurial CSR opportunity and business opportunity. Therefore, it is important to uncover which experiences affect entrepreneur’s ability to recognise the CSR opportunity that made the innovation be CSR-driven.
As the research area of this thesis is CSR-driven innovation in the entrepreneurial process, the conceptual framework reflects aspects of both general theories: the entrepreneurial theory and the CSR theory. Since the thesis is dependent of these two different theories, we will in the following section presents an overview of both entrepreneurial and CSR theory. This is done in order to create a theoretical understanding of the two subjects, before introducing the conceptual framework for the thesis.

2.2 An overview of entrepreneurial theory

The academic field of entrepreneurship to date remains diversified and fragmented, as the concept of entrepreneurship has been used to explain multiple actions and points of view. For this reason, it is not surprising that there is no single definition of entrepreneurship. A review of the research regarding entrepreneurship presents six different schools of thought (Cunningham & Licheron, 1991);

1) The great person school suggests that entrepreneurs are born with an intuitive ability not only to recognise an opportunity, but also to make the right decision on when to transform ideas into successful businesses.
2) The psychological school suggests that entrepreneurs possess unique values, attitudes and needs that cannot be acquired. These include ethical and social responsible values and behaviour, risk taking and need for achievement.
3) The classical school suggests that the central part of entrepreneurship is innovation and that the entrepreneurial process is reflected as a process of opportunity discovery, creativity and innovation.
4) The management school suggests that entrepreneurship can be learned and therefore focuses on planning, organising and capitalisation.
5) The leadership school suggests that the entrepreneurs possess leadership skills that motivate others to join them and enables them to lead people.
6) The intrapreneurship school focuses on the ability of entrepreneurial activity within large organisations to spur innovative ideas and maximise attention on the opportunity discovery.

While the six different schools presented above show a wide spectrum of assumptions on entrepreneurial behaviour, values and attributes, Cunningham & Licheron (1991) argue that the six different schools of thought might not be mutual exclusive if entrepreneurship is looked upon as a process. Consequently, the six different schools all add to the understanding of the entrepreneurial process. This process is also described as a process of discovery, evaluation and exploitation of an opportunity (Shane & Venkataraman, 2000).
2.2.1.1 Schumpeterian and Kirznerian entrepreneurial opportunities

In entrepreneurial theory entrepreneurial opportunities are often viewed as given, existing in itself before the start of the entrepreneurial process. However, in the classical entrepreneurship theory focus is on how entrepreneurial opportunities emerge. This is especially represented in the Schumpeterian perspective (1949) and the Kirznerian perspective (1973). Both perspectives are important since it is argued that they show different kinds of innovation opportunities (Shane, 2003).

Schumpeter’s theory is based on the idea that economic life operates in constant disequilibrium, where new ideas continually challenge existing routines and traditions (Schumpeter, 1949, Shane & Venkataraman, 2000). Schumpeter argues that entrepreneurial opportunities are created by new information, which stems from changes in the external world, such as technological, political and social changes (Schumpeter, 1949). The entrepreneur acts on new information to create new combinations of existing resources generating combinations that are more valuable than the former. These combinations can have several different forms and are here referred to as innovations. First, product innovation is either the creation of an unfamiliar product not previously known to the consumers, or as a new variant of an existing product. Second, process innovation is the discovery of a new method of production, not necessarily a scientifically new method, but new to the branch of production or industry. Third, new market innovation is either the entry into a new country or into an untapped consumer group. Fourth, input innovation is either the introduction of a new raw material or half-manufactured goods into the production process. And finally, organisation innovation is a change in the organisation’s internal routines and framework, e.g. a change in the business model. Innovation is always measured against the previous routines within its field of industry when determining the quality of the innovation (Andersen, 2004). Furthermore, the resources that are utilised in the innovation are rarely new resources, but are resources that were not used before, such as a certain material, capacity or educated labour. This implies that the innovation is not based on unknown resources, but simply on the recombination of already known resources employed in new ways. (Schumpeter, 1949)

The introduction of an innovation represents a disruption of the current economic market and leaves previous solutions superfluous. In this way the innovation alters the equilibrium in the former market, destroys former practices and routines and out-competes old solutions. Based on the innovation, new practices for business and routines within the economic life are then created (Schumpeter, 1949). In this way, the Schumpeterian perspective of entrepreneurial
opportunities emphasise radical changes caused by new information in the economic market created by change.

Where the Schumpeterian perspective states that opportunities lie within the constant state of disequilibrium and market disruption, Kirzner (1973) argues that it is the market’s constant striving towards equilibrium that represents the situation of opportunity. But, due to the imperfection of diffusion of knowledge, the market will never reach equilibrium; instead opportunities emerge from this imperfection of knowledge. The entrepreneur acts on the information received by evaluating it using prior experience as a decision-making framework (Kirzner, 1973, Shane, 2003). Because people do not have full information, errors arise when making decisions (Kirzner, 1973). This in turn creates shortage, surplus and misallocated resources in the market (Kirzner, 1973, Shane & Venkataraman 2000). By discovering and using the information about the shortcomings of others, the entrepreneur can obtain resources and hope to sell at a greater price to the unsatisfied market (Kirzner, 1973). In this way the entrepreneurial opportunity does not need to be new to the market in Kirzner’s perspective. It just needs to be evaluated in a new way. Hence the entrepreneurial opportunity can be one of incremental changes in the economic life.

In summary, while Schumpeterian entrepreneurial opportunities are created by new information in the economic market, the Kirznerian entrepreneurial opportunities are not necessarily created by new information, but by the unequal diffusion of information in the market. In the Kirznerian theory the entrepreneur’s prior experience affect the discovery and the evaluation of the opportunity, which is why the Kirznerian theory is valuable when examining these aspects of the entrepreneurial process.

Where Schumpeter describes opportunities as disruptive in character, Kirzner describes them as more equalising in character, as they build on information about prior mistakes and misjudgements. Due to the disruptive nature of the Schumpeterian opportunities, they are also cognitive distant from the established way of doing business. This makes them much harder to discover and explore as they take place, but much easier to identify in retrospect (Schumpeter, 1949). In contrast, Kirznerian opportunities can be hard to identify retrospectively, because they emerge when the players in the market make wrong decisions and because it is hard to track what was wrong about the specific decision, who made it, why and when (Shane, 2003). Hence, the Schumpeterian theory can be valuable when identifying the sources of entrepreneurial opportunities, because it is easier to identify information changes in the market.
2.3 A review of the CSR theory
To be able to explore how the entrepreneur recognises, evaluates and exploits an innovation opportunity in relation to CSR, it is important to create an understanding of what CSR is, from where CSR originates, and why it is important to consider in any company. This is important because contemporary definitions and concepts of CSR differ immensely, and although the concept has been discussed for many years, it is still one of the more ‘fluffy’ terms of theory in social economics (Wood, 1991; Jenkins, 2006; Spence, 2007, Moir, 2001, Clarkson, 1995).

2.3.1.1 Social responsibilities in a company context
The need for CSR becomes evident when it is acknowledged that the surrounding society will always have expectations towards companies and businesses (Dawkins & Lewis, 2003). The subject area of CSR deals with the expected gap between business actions and the public’s expectations. If a company wants to survive, it needs to deal with this gap in expectations, as negligence will cause a loss of legitimacy and threaten the company’s access to society (Sethi, 1979). The environment in which we live will always find its balance, therefore businesses that do not live up to the expectations of the society in either economic, technical or human areas will loose legitimacy and will eventually have to conform to either legal or societal interceptions (Davis, 1960). With the argument by Davis (1960: p. 74): “…Either be managers in the true sense and help shape the future or be passive victims of a more restrictive government controlled environment.” CSR becomes not just a matter of ‘doing good’, but also a way for companies to ensure long-term survival and sustainability.

2.3.1.2 Historical review of the concept of CSR
Studying the historical development and origin of CSR enables a more thorough of understanding the concept.

CSR as a formal concept has existed throughout the second half of the 20th century (Carrol, 1999). Bowen first presented the concept in 1953, basing his definition on a survey published in Fortune magazine. Here 93.5% of all businessmen responded “Yes” to the statement that the social conscience of managers is broader than that covered by their profit-and-loss statements (Bowen, 1953). This led Bowen (1953) to describe CSR as a concept that “…refers to the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” (Carrol, 1999, p. 270).
The literature on the subject expands further in the 1960’s where the concept is more formally discussed and further attempts are made to define the concept. Davis published several articles on the area, and argued that social responsibility is best described as “…businessmen’s decisions and actions taken for reasons at least partially beyond the firms’ direct economic or technical interest…” (Davis, 1960, p. 70). In recent years, this description of social responsibility relation to license to operate has re-emerged and has again gained ground in the debate (Post et al., 2002).

In the 1960’s the focus was still on businessmen’s responsibility to see the “bigger” picture, and their understanding of the interest beyond the company walls. During this period the first critical voices started to emerge. Walton (1967) was among the first to emphasise the volunteerism in social responsibility. Stating that costs and economic losses might occur, which are hard or impossible to account for when dealing with social responsibility. This represents a major turning point, as the theories here start to deal with the possible negative effects of social responsibility for companies. One of the larger contributors to the critique of CSR is Milton Friedman, who in 1970 published his article “The Social Responsibility of Business is to increase its profits”. Here he argued that corporations are to focus on their shareholders, and that the entire legitimacy of companies could be destroyed if this focus is not maintained (Friedman, 1970). Building further on the thoughts of legitimacy Sethi (1979) presents his conceptual framework where CSR for the first time is viewed from 3 different perspectives (Ibid.).

Partly agreeing with Sethi’s earlier work (1973), van Marrewijk (2003) presents three viewpoints on CSR, which are all relevant for the further discussion in this thesis. These are the shareholder, the stakeholder and the societal view of CSR (ibid).

In 1979 Carrol publishes his three-dimensional conceptual model of corporate performance. Here the discussion has moved from responsibility to responsiveness, and Carrol (1979) creates a more structured view of the two concepts. He divides CSR into 4 categories of the firms’ responsibilities towards society. What is interesting in Carrol’s article is that it was one of the first to employ most of the written theory on the concept forming a model for CSR with 4 levels and 3 steps of CSR.

Based on this work Wood (1991) tries to create a better understanding by presenting the Corporate Social Performance model (CSP), stating that one cannot deal with CSR without also dealing with the responsiveness of firms. The model of CSP builds on the levels of CSR, the responsiveness of CSR and the corporate behaviour in relation to CSR. Although Wood’s
(1991) work is commonly accepted today (Carrol, 1999), there is still an ongoing discussion about the definitions and concepts of CSR. Most important for this thesis, is the discussion regarding the levels of CSR presented by Wood (1991). These have been used in many different ways, although Wood (1991) states that her model is best used in conjunction of the 3 areas. However, Clarkson (1995) presents a different way of looking at the CSP model, and instead creates his RDAP scale\(^4\) of stakeholder interaction, which builds on his understanding of Wood’s CSR levels. To date there is still no one agreement on how to relate to Corporate Social Performance or CSR (Clarkson, 1995).

2.3.1.3 Presenting three perspectives of CSR
Over the years a large body of literature dealing with CSR has developed and many theorists have discussed the concept. However, not one common definition or perspective presents a framework or model for further analysis. (Clarkson, 1995, Wood, 1991, Jenkins, 2006, Spence, 2007, Moir, 2001).

One of the basic problems within the main stream of CSR literature has been to solve the problem of what should be the correct way for companies to relate to CSR (Clarkson, 1995, Wood, 1991, Carrol, 1999). Each theory deals with either integration of the concept or reaction patterns, or as in the case of Clarkson (1995) relating the concept of CSR to the management of stakeholders. However, by viewing CSR from different perspectives as done by Sethi (1979), van Marrewijk (2003) and Moir (2001), relating to CSR becomes straightforward. When applying this view on CSR, there need not to be a right or wrong way. It is just a matter of different worldviews and diverse perspectives from which the companies react and perform.

Sethi (1979) argues that a company’s relationship to CSR will mostly be affected by their perception of their own legitimacy towards society. Meaning that a company’s perspective of CSR can be seen as their opinion on the need for creating legitimacy towards the external society (Ibid.). From this argument Sethi (1979) creates three different perspectives of corporate behaviour: social obligation, social responsibility and social responsiveness, arguing that these represent different views on legitimacy.

These perspectives show resemblance to van Marrewijk’s three literature streams/views of CSR; the shareholder view, stakeholder view, and the societal/philanthropical view, where the latter view seems to be expanding continuously (van Marrewijk, 2003). In addition, these

\(^4\) The Reactive-Defensive-Accommodative-Proactive (RDAP) Scale (Clarkson, 1995).
theoretical streams relate to the three perspectives developed by Moir (2001): *legitimacy*, *stakeholder*, and *social contract*.

2.4 Introducing the conceptual framework

The literary reviews, of the theory of entrepreneurship and the theory of CSR, presented above will in the following be used to create the conceptual framework. This will be used in the analytical part of this thesis, to structure the analysis and build the findings. The conceptual framework is based on the view of entrepreneurship as a process. This viewpoint will be presented in the following.

2.4.1.1 Entrepreneurship as a process

The perception of entrepreneurship as a process has been emphasised by Shane & Venkataraman’s (2000) perspective on the field of entrepreneurship. They state that the entrepreneurial process includes “…how, by whom, and with what effects opportunities, to create future goods and services, are discovered, evaluated, and exploited” (Shane & Venkataraman, 2000, p.218). This highly recognised perspective implies that entrepreneurship is an activity that involves several key issues and actions, such as (a) the process of discovery, and (b) evaluation and (c) exploitation of the opportunity, furthermore what attributes to a person’s (d) discovery, (e) evaluation and (f) exploitation of an opportunity (Shane & Venkataraman, 2000, Baron & Shane, 2008).

Adding to this perspective of entrepreneurship, McMullen & Shepherd (2006) describe two main phases of the entrepreneurial process. In the first phase a person uses his or her prior knowledge and experience to recognise the existence of an opportunity, which is here connected to the discovery of the opportunity. In the second phase, the person evaluates the opportunity in terms of feasibility and values according to skills and knowledge, which is connected to the development and exploitation of the opportunity (Ibid.). Thereby, McMullen & Shepherd (2006) add prior experience as a factor in the entrepreneurial process.

Based on these two perspectives on entrepreneurship, the following model of the entrepreneurial process is constructed.
In the presented model of the entrepreneurial process (figure 2.1), the entrepreneur’s prior experience affects each phase and each process component of the entrepreneurial process. Notable is the fact that the first process component, the opportunity discovery, has been subject for theoretical debated (McMullen & Shepherd, 2006). The debate focuses primarily on the extent to which the opportunity exists as an independent factor prior to the discovery or whether it can only exist in the interaction with the entrepreneur (Shane, 2000, McMullen & Shepherd, 2006). Kirzner argues, however that this is not a relevant discussion in relation to the process, as the opportunity, which the process relates to, have already been discovered and that no prior knowledge of it existed before (Kirzner, 1997). Therefore this thesis will not focus on the opportunity as an independent factor, but as a part of the discovery process.

In order to further expand the conceptual framework, the following section will examine the understanding of how prior experience affects the entrepreneurial process. Secondly, the opportunity discovery in terms of what sources are known to be sources of entrepreneurial opportunities is presented. Thirdly, the entrepreneur’s opportunity evaluation process component is examined, with the focus on how CSR theory can contribute to the understanding of what factors motivate the entrepreneur to engage in CSR opportunity development. Lastly, the understanding of opportunity exploitation is established, with the focus on how CSR has been reacted on within the firm.
2.4.2 *How prior experience affects the process*

The process of entrepreneurship indicates that the discovery of the opportunity happens in the nexus between the emergence of the opportunity and the entrepreneur. Therefore it is important to explore how the entrepreneur recognises and evaluates the opportunity.

As argued by Venkataraman (1997), the creation of opportunities by changes in technical, political and social structures is one thing, another thing is how these changes are perceived and acted on. An opportunity is rarely created as a final product; it needs to be “packaged” in order to create value. Therefore the entrepreneur needs to recognise not only the opportunity but also in what context the opportunity should be put to use (Venkataraman, 1997, Shane, 2000). Multiple studies have been made in order to explore the question of why some individuals identify an opportunity for a business venture where others do not (Shane, 2000, Baron, 2006, Yu, 2001). Kirzner (1973) argues that some individuals are more likely than others to recognise an opportunity, and due to the unequal diffusion of information, people perceive the information differently and thereby recognise different opportunities, due to their individual prior experiences. This suggests that entrepreneurial opportunities are not recognised through systematic search, but through the processing of information and subsequent discovery of the opportunity for creating new value (Kirzner, 1997, Shane, 2000).

This implies that factors such as work experience and variation in experience could be closely linked to the entrepreneur’s discovery of the opportunity, which accounts for the close link in the process presented:

*Figure 2.2: The entrepreneur’s prior experience in the entrepreneurial process.*
In the following, empirical data will be presented in order to explore how these two factors affect the entrepreneur’s ability to recognise the opportunity.

2.4.2.1 Work experience
In their research on spin-offs in the laser industry from 2005, Klepper & Sleeper show how newly founded firms exploit knowledge gained primarily from previous employers. This does not mean that they imitate the business idea of the previous employer, but rather that they build on the experience gained here, such as technical skills or market related knowledge. Most of the spin-offs started their operation on limited, but distinctive experience gained from former employers, who themselves neglected or failed to recognised the opportunity. In this way the spin-offs create a niche product that is, at least at first, not a competitor to the former employer (Klepper & Sleeper, 2005, Bower & Christiansen, 1995). In relation to this research, Cooper & Dunkelberg (1987) studied a survey of 890 entrepreneurs on characteristics of entrepreneurs and their relation to their former employer. Their research shows that 61% of the entrepreneurs served similar or same customers as their former employers and that 66% of the entrepreneurs offered similar or identical products. This suggests that the majority of newly founded firms build on experience and knowledge gained from former employment experience of the founder.

Shane (2000) researched eight new venture opportunities based on a patented MIT (Massachusetts Institute of Technology) invention to find out how much influence prior experience has on the entrepreneur’s discovery. In his research Shane found that the eight new ventures had identified very different uses of the technology and targeted different markets and industries. At the same time, each entrepreneur only identified one use of the technology and this use was highly related to prior experience within certain industries. Furthermore, the research showed that the entrepreneurs did not discover the opportunity through systematic search, but instead heard about it by accident and recognised it as being an opportunity. Shane’s research shows that there is a correlation between the identification of a potential market and the entrepreneur’s prior experience, through roles as supplier, user, manufacturer and or prior education (Ibid.). Through this the entrepreneurs generate experience about production procedures and customer needs that can be used to recognise an opportunity. Furthermore, the research showed that the ability to identify how to serve the market and how to serve customers’ needs was related to the entrepreneur’s prior industry experience, concerning both technical and market skills (Ibid.). Shane’s research also showed that because opportunity recognition is based on personal idiosyncratic experience, the width of the opportunity discovery is also limited by this prior experience. Hence, not all can discover the same opportunity, because they do not possess the same knowledge and
experience about the market, the industry and customer needs (Shane, 2000, Venkataraman, 1997, Kirzner, 1973).

2.4.2.2 Variation in experience and information sources
As noted above, the width of the entrepreneur’s prior experience influences the ability to recognise business opportunities. The variation in experience increases the propensity to perceive information as an opportunity (Romanelli & Shoonhaven, 2001). Experience gained from different industries or different roles within an industry, generates information that is idiosyncratic to the individual. Several studies have showed that variation in job function, and job changes have a positive effect on the possibility of becoming self-employed (Evans & Leighton, 1989, Dolton & Makepeace, 1990). This suggests that knowledge and experience gained from different sources increases the probability of recognising an opportunity.

2.4.2.3 Social ties
In relation to the argument given above, Aldrich (1999) argues that diversity of an entrepreneur’s social network is important because the more diverse this is, the wider is the circle of information attainable for the entrepreneur. Through these social networks, the entrepreneur can get information about potential markets, locations, innovations and investor opportunities. Through a diverse network of persons with different sex, age, occupation, location and industry the entrepreneur can get access to information that otherwise would be concealed (Ibid.). The ties in the network can be of three different strengths according to Aldrich (1999). Strong ties where trust, predictability and sincerity is important, weak ties with shorter timelines and higher uncertainty in information and contacts that are even more fleeting relationships. A network of strong tie relationships is often one of homogeneity. Granovetter (1973) argues that weak ties are often more important when it comes to the diffusion of information and resources, as they bridge between otherwise disconnected social groups. Furthermore, Ruef’s (2002) research on 766 entrepreneurial teams showed that weak ties also propose a better environment for experimentations (Ibid.). In addition, Ruef (2002) showed that entrepreneurs with networks of heterogeneity, both strong ties, weak ties and others, are significantly more likely to innovate than entrepreneurs with a homogeneous network.
Summing up, it seems as if there are several factors of prior experience that influence an entrepreneur’s ability to discover opportunities. With prior experience gained from different job functions, the entrepreneur can perceive and evaluate the information received and thereby recognise an opportunity. Because experience is idiosyncratically different, opportunities will be discovered in many ways. Evidence suggests that entrepreneurs who build their firms on knowledge gained at former employers and stay within the same industry, will be better at identifying market- and customer needs. Variation in experience also seems to influence the entrepreneur’s ability to recognise an opportunity, e.g. different work experience make people more alert to changes and through diverse social networks people receive a wider stream of information to perceive and react on. Relating the above to CSR, it could be suggested that prior work related experience or social ties connected to CSR, might enhance the entrepreneur’s ability to recognise CSR as an opportunity.

2.4.3 Phase 1 – The opportunity discovery
In the constructed model of the entrepreneurial process phase 1 is characterised by the entrepreneur’s discovery of the opportunity. As this happens in the nexus of the emergence of opportunity and the entrepreneur, it is important to look at the sources of opportunity, as this might show where the entrepreneur encounter the information of the opportunity.
2.4.3.1 Sources of entrepreneurial opportunities
In order to explore how opportunities are discovered it is important to focus on the sources of opportunities, as they can convey something about the link between the opportunity and the entrepreneur. When exploring sources of opportunities, the theory of how changes cause Schumpeterian opportunities to emerge can be of value. These are supposed to be in the form of new information in the economic market, so they should be possible to identify retrospectively. Due to the object of examination, the entrepreneurial firm, it is relevant to focus on external factors presenting change. Therefore the typology of the new market information in the economic market used in this thesis is as follows: technological, political and social changes\(^5\) (Schumpeter, 1949).

![Image: Figure 2.4: Opportunity discovery in the entrepreneurial process.]

**Technological changes**
An important source of entrepreneurial opportunity is technological change, because it makes it possible to allocate resources in a new and often more productive way. Furthermore, technological change can enhance efficiency and create new niche markets. Tushman & Anderson (1986) have argued that new entrants, rather than incumbent firms, often conduct the commercialisation of radical new technologies. The economic costs of switching to radical new technologies for incumbent firms are too high. This argument is supported by Shane’s (2001) empirical research of the link between technological opportunities and new firm formation, based on 1397 inventions patented by MIT between 1980 and 1996. Shane

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\(^5\) We are well aware that Drucker present another typology of seven sources, but have chosen to stick with the external presented by Schumpeter (Schumpeter 1949, Shane 2003, Venkatataraman, 1997).
found that radical patents were more likely to be commercialised through the creation of new firms than incremental inventions (Ibid.).

**Young technology as an entrepreneurial opportunity**

In addition, when technology is young, more people are likely to start new firms in order to exploit it (Utterback & Abernathy, 1975). Furthermore, a young technological field is often too small to be of interest to established players. These players stick to their own advantage in the mature technology and the barriers of entry are therefore often low for new firms (Utterback & Abernathy, 1975, Tushman & Anderson, 1986). Christiansen & Bower (1995) argue that due to incumbent firms’ negligence of young technological advancement, new firms can often enter a niche market successfully and from there grow to be a large player and outperform incumbent firms.

**Different advances in technology**

Another stream of research has examined the differences in technological opportunities within different industries and how it affects the rate of technological change. Klevorick et al. (1995) found through a cross-industry survey of 650 R&D managers in 130 lines of business that technological opportunities contribute positively to the industries’ advances in technology. Also, they found that technological opportunities are more important in some industries than in others. The discovery of technological opportunities within an industry was found to rise through three main sources (Klevorick et al., 1995):

1. The advances in science (both industry and university)
2. Technological advances outside the industry (both inside and outside the vertical line of production)
3. Through feedback from a prior technological advance in the industry.

In addition, the research indicates that knowledge gained from external sources had a substantial effect on the advances in technological changes and that the external sources differed across the industries. In some industries the sources where found outside the value chain, such as government research laboratories and universities. In other industries sources of technological opportunity were found that were highly correlated with the knowledge gained from suppliers and customers.

**Political changes**

Political changes can create entrepreneurial opportunities because they potentially reallocate resources within the market or create incentives for the creation of new businesses within previously neglected business areas.

**Governmental regulation and deregulation are creating opportunities**
Government deregulation of certain areas within an industry tends to create opportunities for new firm formation, because deregulation allows the creation of new industry structures and competition on other factors than before the deregulation. This is supported by the research of Sine & David (2003) who found that deregulation in the US electrical power industry created the opportunity for new firm formation by the creation of new structures and products within the industry (Ibid.). The change that creates the new opportunity for entrepreneurial activity is in this case found outside the industry, in the political arena. This implies that the creation of some opportunities is dependent on the political agenda, and is thereby restricted by the political interest and awareness of problematic issues in the current structure of the industry (Ibid.).

**Governmental support firm formation through regulation**

Regulations have in some industries also proved to support new firm formation through legitimisation and governmental support. In a community where firms’ ability or behaviour is blurred and hard to determine, public or governmental regulation can help improve visibility and legitimisation of the firms. Baum & Oliver (1992) studied the licensed day care centres for children in Toronto. Their research suggested that governmental or public subsidies of the firms, proved to increase the survival of firms in a growing industry. Furthermore, the regulation of the day care centres legitimised the industry as a whole and contributed to the population of firms within the industry (Ibid.).

**Making opportunities obtainable**

Other studies have shown that reducing trade tariff creates more productive entrepreneurship and increases industries’ innovation rate. Holmes & Schmitz (2001) describe six industries where deregulation of trade proved to increase productivity and the formation of new firms. In these cases, regulation seldom creates new opportunities, but instead it creates a possibility for utilising opportunities that prior to the regulation of trade were unobtainable (Ibid.).

**Social change**

Social changes have a great effect on entrepreneurial opportunities, because they affect the way people allocate their resources. Numerous research projects have shown how changes in demography, urbanisation, and level of education create entrepreneurial opportunities (Shane, 2003, Baron & Shane, 2008). But also changes in lifestyles, trends, preferences, mindset and knowledge affect the opportunity for new firm formation.

**Demographic changes can create new market demands**

Opportunities for firm formation can be created through changes in demand due to fluctuation in lifestyles and trends. This is highly related to the ability to identify and react on the changes in demand, which previous research has shown to be difficult for some incumbent
firms (Christiansen & Bower, 1995). Sometimes, changes within a certain population group can happen quite naturally. Tempest et al. (2002) have shown how the new generation of ‘third-agers’ (the elderly population) can be perceived as an opportunity for business, as they have more diversified needs than the generation before them. One of the reasons why the needs and demands of ‘third-agers’ are likely to change is that this part of the population lives longer, thereby becomes a larger part of the total population.

Furthermore, due to the significant increase in life value and health, the ‘third-agers’ intend to live life to the fullest throughout their retirement. Consequently, the diversity in needs and demands for this generation will increase and the opportunity for niche markets will rise. According to Tempest et al. (2002), the study shows that in the UK the population over the age of 60 accounts for a larger share of total sales than do the younger generations. Still, most of the UK businesses do not target this group of the population as key customers (Ibid.). As they state in the conclusion of their study, much is uncertain in the business world, but an increase in the elderly population is a certainty that businesses should welcome with open arms (Ibid.).

**Changes in lifestyle preferences can create opportunities**
When changes occur in a population’s preferences on how to spend their time and income, it can create opportunities for new firms if they succeed in addressing these new preferences. Research has shown that if established firms do not address these changes in preferences in the sport and recreation segment, it is highly possible that the users themselves will create or improve the product to meet their own demand and taste. If the modified product proves also to meet the demands from other users within the segment, the innovative user can become user-manufacturer and hence develop an entrepreneurial opportunity from the innovation (Baldwin et al., 2006).

**Changes in trends and fashion can create profit opportunities**
The ability to identify and react to needs and demands within the recreational segment can prove to be highly valuable. Research has shown that the factors of taste and preferences are much more determining than price and distance when people choose to do one thing or the other in their spare time (Gum & Martin, 1977). This indicates that it is often a segment of very dedicated users, who are not price sensitive.

Another change that creates opportunities for new firms is the change in income, because this is often related to how and on what items, the consumers spend their money. For example, the increase in income in the northern part of Europe in the period of 1875-1932, created a demand for products not produced in northern Europe but in the Mediterranean region, such
as vegetables, fruit and wine (Pinilla & Ayuda, 2008). Furthermore, emergence of nutritional science created awareness about diet and changed the customers’ buying behaviour (Ibid.). This indicates that changes in income, living conditions and knowledge of products, affects customers’ behaviour and hence creates opportunities for new firm creation (Ibid.).

**Figure 2.5: Summery of key theories on opportunity discovery**

**Sources of opportunity**

In summary, the three sources of opportunity reviewed above prove to create entrepreneurial opportunities. Technological change enables the development of new solutions that enhance efficiency and allows the allocation of resources in a more productive way. Furthermore, research has shown that technological change often represents an opportunity for new firm creation in niche markets, because incumbent firms in the market disregard it. Political change enables the creation of new structures and businesses and the legitimisation of certain initiatives. Furthermore, political changes can reallocate the resources in the market and make incentives for entering specific unobtainable markets. Social change creates long- and short-term changes in needs and trends affecting the customers’ demand, and thereby presenting an opportunity for new firms, if they are able to identify the need. Utilising the above in the conceptual framework, the opportunity discovery can be related to the changes and the entrepreneur’s access and perception of these.
2.4.4 Phase 2 – The opportunity development
In the constructed model of the entrepreneurial process (figure 2.1), phase 2 is concerned with how the entrepreneur evaluates and exploits the opportunity.

In the following, a construct will be presented of how CSR theory can be used to examine the entrepreneur’s motivation and values when evaluating the opportunity from different perspectives. This is done in order to examine how the entrepreneur evaluates the CSR opportunity. Further, a construct, which also builds on CSR theory, is described in order to understand how the entrepreneur exploits CSR within the firm.

2.4.4.1 Evaluation of the CSR opportunity
In order to fully examine how the prior experience of the entrepreneur affects the identification of CSR as an opportunity, it is necessary to look at how CSR is perceived within the company. In relation to this it is important to discuss how CSR is judged, as the end-result only, or as the motivation and reason for working with CSR in the first place. This will be discussed in the following.

Linking morality and legitimacy to opportunity evaluation
The moral philosophy can explain the motives behind the integration of CSR in innovations (Sethi, 1979) and how the entrepreneur evaluates such an opportunity. Exploring moral philosophy, there are two main theories explaining the motives behind actions, these are the utilitarian perspective and the deontological perspective.

The utilitarian perspective is most common within the economic literature, and is derived from consequentialism, which only takes the benefit of the consequences into consideration, hence it is a goal-oriented perspective (Lübcke, 2001). Therefore the utilitarian perspective focuses primarily on the benefit gained from actions and not on the overall increase in welfare.

In contrast to utilitarianism, deontology is more focused on the motives for an action than on the consequences hereof (Lübcke, 2001). The deontological perspective retrieves the steps and defines which forms of motives that lie behind specific action. Therefore, the intention or the motive becomes relevant when evaluating whether an action was morally right. Hence, an action should only be applied if there is a greater motivation to relieve the world or otherwise ‘do good’ in some way or another.
When exploring the entrepreneur’s evaluation of a CSR opportunity, it is meaningful to apply the deontological perspective, because this view can be used to shed light on what motives the entrepreneur has for taking on the opportunity. The utilitarian perspective would only be able to evaluate the final exploration of the opportunity. Hence, applying the deontological perspective not only allows the exploration of what motives the entrepreneur had when evaluating the opportunity, it also helps uncover the entrepreneur’s intentions and thereby define the role of CSR in the evaluation process.

**Evaluation and the CSR perspectives**

When the entrepreneur evaluates the opportunity, it is done in terms of feasibility and values according to skills and knowledge (McMullen & Shepherd, 2006). In terms of the CSR opportunity the entrepreneur evaluates the profit in relation to the perceived cost on society, and the motives and reasons for this becomes a demonstration of the perspective each entrepreneur has (Sethi, 1979). Therefore we can explore the evaluation of CSR within the entrepreneurial opportunity from the CSR perspective the entrepreneur adopts, as the perspective is a discourse of values and feasibility perceived by the entrepreneur.

![Figure 2.6: Opportunity evaluation in the entrepreneurial process.](image)

**Expanding the three perspectives of CSR**

Building on the theories of van Marrewijk (2003), Sethi (1979) and Moir (2001) the following section presents a conceptual framework for CSR as an opportunity evaluation process, which is developed from the theories presented above. The evaluation process component in the conceptual framework is comprised of three different perspectives:

a) *The shareholder perspective*

b) *The stakeholder perspective*
c) **The societal perspective.**

In the following the argumentations for the different perspectives are given.

**Shareholder perspective**

The classic viewpoint of CSR is based on neo-classical economics (DesJardines, 1998, van Marrewijk, 2003). This means that the proponents of the classical model of CSR argue that companies’ “…obedience to the law and economic efficiency is sufficient for satisfying moral responsibility…” (DesJardines, 1998, p 826). This view on CSR has become known as the shareholder view (van Marrewijk, 2003) and historically the shareholder view is based on the neo-classical economist Milton Friedman’s argument that “…if these are the ‘social responsibilities’ they are the social responsibilities of individuals, not of business…” (Friedman, 1970, p. 33). More precisely the view represents a stream of thought stating that the corporate social responsibility of companies is only a matter of increasing its profits (Friedman, 1970, Drucker, 1984).

The shareholder view has also been the basis of the perspective of corporate behaviour as *social obligation* (Sethi, 1979) or the *theory of legitimacy* (Moir, 2001). Hence, the only expectations a corporation needs to live up to is their obligation to develop profit (for shareholders) and obey the legal systems (society). The main point is that by employing social responsibility, firms are removing an individuals’ right to choose which areas of social responsibility should be supported. They are thereby acting, without legitimacy on behalf of others (Drucker, 1984). This argument even makes it immoral for the management to participate in acts of social responsibility, as they would be diminishing the rights of the individual to choose for him- or herself which social actions are needed. Friedman further argues, that while doing this, businesses are actually moving in on governmental territory as they inflict a kind of social tax on the employees, customers and shareholders (Friedman, 1970). This creates further problems within the society, as the businessman then becomes “…simultaneously legislator, executive and jurist” (Friedman, 1970, p. 2). This will in turn create an imbalance in the democracy, changing the money flow and creating problems with the legitimacy of the existing government.

In summary the shareholder perspective encompasses the thought of the shareholder view (van Marrewijk, 2003) and also takes into consideration the obligation and legitimacy of business in relation to CSR. The main argument in the shareholder perspective is, that although businesses have an obligation, and therefore a need, to establish legitimacy, this only reflects on their profit making and legal obligation. It does not reflect on their overall social
responsibility towards society, which should be the government’s responsibility or kept on an individual level. In line with this, the only argument for a company to engage in CSR is that this action, with high certainty will create increasing profits for its shareholders.

**Stakeholder perspective**

Another viewpoint of the CSR theory was developed when Freeman suggested, that the liberalistic view of firms as rational mechanisms was too narrow. It did not take other interests of the company into consideration, which could be related to the firm’s own interest. Moreover Freeman suggests that although a company needs to increase its profit, it also needs to take into account its future development. And hence the importance of stakeholders becomes evident (Freeman, 1984). The goal for companies is to be able to change and not only accommodate the shareholders but the needs and wants of all stakeholders (Ibid.).

In contrast to the shareholder perspective, the stakeholder perspective takes into account the direct consequences of a company’s action on the surrounding society. van Marrewijk (2003) defines the main point in the stakeholder approach as follows: “*The stakeholder approach indicates that organizations are not only accountable to its shareholders but should also balance a multiplicity of stakeholders’ interests that can affect or are affected by the achievement of an organizations objectives*” (van Marrewijk, 2003, p. 96b). Stakeholders are typically divided into primary and secondary stakeholders (Clarkson, 1995). Regarding the stakeholder perspective in relation to CSR it seems to be more focused on the instrumental part and not the ethical standpoints (Moir, 2001). This thesis will therefore work with the stakeholder perspective as dealing with the direct or urgent stakeholders of a company (Ibid.). Internally they are defined as shareholders, investors, managers and employees. Externally they consist of suppliers, customers, the surrounding natural environment, government and local community (Hopkins, 2005).

Defining the stakeholder perspective as above makes it possible to correlate it to Sethi’s idea of social responsibility (Sethi, 1979). The social responsibility perspective as defined by Sethi (1979) does not completely correlate with Freeman’s (1984) view on stakeholders. But both Sethi’s and Freeman’s theories emphasise the need for the company to live up to the changing expectations and social norms of society, more precisely defined as the direct or urgent stakeholders in the company (Ibid.). This point is developed further by Porter & Kramer (2006) reflecting on the relation between CSR and the strategy of the company. Porter & Kramer argue that CSR is a potential area for the creation of extra value if a company can align it’s CSR efforts with the wants and needs of the direct stakeholders, the strategy, the mission and the communication (Ibid.). Agreeing with this is the conclusion by Hockerts &
Moir (2004) which states that investment relations communication are now more than ever expected to somehow cover the social responsibility investment of the company (Ibid.).

In summary the stakeholder perspective presented here primarily builds on the theory of Freeman (1984). But it also takes into consideration the evidence that within CSR most companies tend to focus on their direct or urgent stakeholders, thereby limiting the range of the perspective. Viewing CSR from the stakeholder perspective can uncover resources and create extra value for an organisation if aligned with the strategic process employed.

**Societal perspective**
The societal perspective is based on the philanthropical view presented by van Marrewijk (2003). It represents the principle that all goals interconnect in the long run (Davis, 1960) and calls for companies to act responsibly towards the society of which they are an integral part. This viewpoint has gained an increasing amount of support reflecting a change in society’s way of relating to companies. This change is reflected in Dawkins & Lewis (2003) research. In 1976, the majority of the public in the UK thought that the main objective of large companies was to create profit. However, in 1999, this viewpoint had changed completely. Research shows that a majority of the public expects companies to help make a better world (Ibid.). This relates to Reich’s (1998, p. 11) argument: “That is, if one looks far enough in to the future, all interests converge; All stakeholders are ultimately the same”. This argument explains the essence of the societal perspective. Therefore, the societal perspective encompasses the philanthropical approach that van Marrewijk (2003) presents, as well as the social responsibilities and social contract theory argued by Sethi (1979) and Moir (2001). It focuses on society as an interconnected system where CSR is not a burden to the company but a necessary path to sustainability (Davis, 1960, Dyllick & Hockerts, 2002). The societal perspective of CSR incorporates this view, and is thereby not only focusing on philanthropical acts or responsiveness of businesses. It also focuses on the businesses’ ability to operate as part of an interconnected system, and as a part of a whole world (Davis, 1960).

In summary the societal perspective presented here represents a view that is broader than that of the direct and urgent stakeholders. It focuses on society and the world as an interconnected system and the responsibilities of businesses’ lie beyond the boarders of the community or the country.
The three perspectives of CSR – a summary

In this section three perspectives on CSR are developed from theories and literature. The three perspectives on CSR represent different worldviews, but they also reflect the entrepreneur’s reasons and intentions when evaluating CSR as an opportunity and how the opportunity presented is morally and economically evaluated.

2.4.4.2 Exploitation – The reaction on CSR in the company

In order to explore how the entrepreneur uses prior experience in recognising CSR as an opportunity, it is important to examine how the entrepreneur chooses to exploit the CSR opportunity within the business. In regard to the process of exploitation, there is a need to investigate the corporation’s performance of CSR (Wood, 1991, Hopkins, 2005). In order to address this, Wood (1991) defines three levels of Corporate Social Performance within the corporation:

a) The individual level – Managers discretion
b) The organisational level – Specific circumstances
c) The institutional level – Generic legitimacy
Discussion of the CSR reaction levels

Although these are very similar to the Shareholder, Stakeholder and Societal perspectives presented earlier, there are still some important differences. These differences can be distinguished at a more conceptual level. As the levels introduced by Wood (1991) are based on companies’ reaction and performance, they describe CSR from a re-actional level, whereas the previous presented perspectives, describe CSR from the moral position of the company. The re-actional understanding of Wood’s (1991) levels is portrayed in Clarkson’s (1995) research of CSR through 10 years in 78 companies. Conflicting with Clarkson’s understanding (Clarkson, 1995) is the research conducted by ten Pierick et al. (2004), who state that Wood’s levels should be understood from a deontologist perspective. Touching on this problem in Wood’s theory is Swanson (1995) who states that the levels are too narrow and not synchronised enough to build theory on. The end-result of this theoretical discussion is four different ways to conceptualise the levels presented by Wood (1991) and no basic understanding of how this can help to further explore the corporate social performance. The theory that has received the most attention is that of the stakeholder view, presented by Clarkson (1995). Therefore we will in the following build on his understanding of the levels.

Clarkson’s model builds on three concepts, the first being that companies do not manage relations with society (Clarkson, 1995). This is in direct opposition to Wood’s statement that “…business and society is interwoven” (Wood, 1991, p. 695). Clarkson’s (1995) deployment of the levels presented by Wood provides us with useful information. Instead of seeing the CSP model as a conjunction, which is recognised by both ten Pierick et al. (2004) and Wood (1991), Clarkson agrees with the thoughts of Swanson (1995) on the problematic theoretical
grounds of the entire CSP model. He therefore instead incorporates only the three levels as a means of investigating the stakeholder-relations on each sequential level.

The four differentiating discourses (Wood, 1991, Clarkson, 1995, ten Pierick et al., 2004, Swanson, 1995) of thoughts all deal with the realm of CSP, where there can be established an interlinked relationship to the exploitation process in the entrepreneurial opportunity. Although, as none of the theories deal directly with the specific exploitation of CSR or view CSR as an entrepreneurial opportunity (ten Pierick et al, 2004, Wood, 1999, Swanson, 1995, Clarkson, 1995), there exists a need to further build on the theories presented above.

Above the boundaries of the relevant literature has been demonstrated, and will in the following be used to develop an understanding of the CSR exploitation process. Using the idea of Wood’s (1991) three levels and the conceptualisation of these by Clarkson (1995), the levels will be reviewed individually emphasising the exploitation of CSR as an opportunity.

**Three levels of CSR exploitation**

Each level represents a distinct level of reaction within the company (Clarkson, 1995). Relating this to CSR as an opportunity therefore enables us to relate the levels to the how CSR opportunity has been acted on. For the exploitation of CSR it then becomes a matter of defining if the CSR opportunity has been acted on from a:

a) The individual level – Managers discretion  
b) The organisational level – Specific circumstances  
c) The institutional level – Generic legitimacy

Based on this, the model represents a possibility to show how the entrepreneur exploits a CSR opportunity and at what level. The exploitation component being the last in the entrepreneurial process (figure 2.8) demonstrates how the CSR opportunity was acted on and thereby exploited.

Wood’s (1991) framework describes the individual level with a focus on CSR actions from an individual manager’s point of view. The manager is responsible for taking the relevant decisions concerning CSR reaction within the company (Carrol, 1979). Hence, the individual level focuses on the manager as being the main driver for CSR, within the limits of his decisions and visions of CSR.

The organisational level focuses on the integration of CSR within specific circumstances that are of relevance to the company. On this level a common responsibility for reaction on CSR
within the specific department’s business operation is created and the relation to CSR becomes embedded in this (Carrol, 1999). Hence, the organisational level includes more specific circumstances of operations in the CSR decisions and visions, than does the individual level, though it is limited to direct relevance towards the company (Preston and Post, 1975). From the viewpoint of exploitation of CSR, the organisational level would mean that a company only embeds and reacts on CSR in issues of specific circumstances related to their operations.

The institutional level represents the thoughts of legitimacy within an institution, representing the generic obligations of a firm (Carrol, 1999, Davis, 1960). Hence, within the institutional level, the whole company has reacted to the CSR opportunity both in regards to its business operations, strategy making, and even to a certain extent into the supply chain (Wood, 1991). Thereby, CSR is an incorporated part of the organisation. The model presented by Wood (1991) measures this reaction on the policies, programs and issues and more specifically on the environmental assessment, stakeholder management and issue management levels.

Summing up, the framework initially presented by Wood (1991), and further developed (Clarkson, 1995), enables a thorough examination of how CSR has been reacted on and
embedded in the entrepreneurial process, through defining which level the CSR opportunity has been reacted on within the entrepreneurial company.

### 2.5 The conceptual framework developed

In this part of the thesis the conceptual framework has been developed, with the focal point being the entrepreneurial process and the factor of the entrepreneur’s prior experience. Four general aspects in the entrepreneurial process has been emphasised: (1) the entrepreneur’s prior experience, (2) the discovery of opportunities, (3) the evaluation of the opportunity and (4) the exploitation the opportunity.

It has been argued that the entrepreneurial discovery of opportunities happens in the nexus of the entrepreneur’s prior experience and the sources of opportunities. In relation to opportunity recognition, prior experience includes work experience, variation in experience and social ties. From this prior CSR related experience might also be derived from these types of experience sources. And further, that they might also affect the entrepreneurial process. The sources of opportunities are technological, political and social changes in the society and in the market. In the evaluation of the opportunity as an opportunity related to CSR, it has been argued that the entrepreneur, based on prior values and experience, evaluates the opportunity from a motivational perspective of either shareholder, stakeholder or societal. When it comes to the exploitation of the opportunity as one of engaging in CSR activities, the exploitation has been visualised as the level where the CSR opportunity has been reacted on within the firm on either an individual level, an organisational level or an institutional level.

Figure 2.10 shows the conceptual framework of the entrepreneurial process as a CSR opportunity:
CSR-driven Innovation in Entrepreneurial Firms

---

**Phase 1: Discovery of opportunity**

- Technological change
- Social change
- Political changes
- Technological change
- Social change
- Political changes
- Technological change
- Social change
- Political changes
- Technological change
- Social change
- Political changes
- Technological change
- Social change
- Political changes

**Politics**

- Sin & David (2003), Cramton & Bower (1995), Shane (2001), Crane 
- Carroll (1973), Carroll (1991)

**Opportunity discovery**

- Shmatz & Avison (2002)

---

**Phase 2: Development of opportunity**

- Stakeholder perspectives
- Formal
- Internal (2003), Bovens (2001), Swan (2001), Swan (2001)
- Formal
- Internal (2003), Bovens (2001), Swan (2001), Swan (2001)

**Opportunity evolution**

- van Marrewijk (2003), Friedman (2003), Hambrick & Mason (1996)
- van Marrewijk (2003), Friedman (2003), Hambrick & Mason (1996)

---

**Opportunity exploitation**

- Institutional level
- Entrepreneurial level
- Organizational level
- Individual level


---

**CSR-related cogereference**


---

**Value in experience**


---

41
3 Methodology

In this section our research design is established, which includes the theoretical and analytical strategy. Based on this the case selection procedure and the data collection is presented. Subsequently, the primary and secondary data sources will be reviewed. The section will end with a review of the limitations of the thesis and method used.

The research object of this thesis is a multiple-case study on CSR-driven innovation in the Nordic region (Denmark, Sweden, Norway, Finland and Iceland), called the NCCR project. The study was conducted by the Centre of CSR, at Copenhagen Business School (csbCSR) in 2007-2008 in collaboration with universities from the other countries involved as well as the Danish Commerce and Companies Agency. The two authors of this thesis worked as research assistants on the study. In this part of the thesis, the research approach and the method of data gathering will be outlined and the validity and limitations of the chosen research approach will be reviewed.

3.1 Research design

In order to validate the problem statement of the thesis, a conceptual framework was developed based on an extensive review of the literature on entrepreneurship and CSR. The conceptual framework is applied to the multiple-case study, conducted by csbCSR, in order to test the validity of the framework in a practical setting. The aim of the thesis is to explain the effects of the relation between innovation opportunities and CSR in an entrepreneurial situation through the conceptual framework presented. More generally stated, the aim was to propose analytical generalisations within the specific area of study (CSR and Entrepreneurial theory), with the purpose to ultimately verify whether the proposed thesis questions were valid or not (Yin, 1994).

3.1.1 Analytical strategy

A review of the literature on entrepreneurial discoveries and CSR perspectives provided a solid foundation for the conceptual framework. As the conceptual framework guides the analysis of the empirical data, and as it is a combination of different theoretical components, the method was labelled the hypothetico-deductive method (Riley et al., 1997). The deductive method is often criticised for being too narrow in the sense that it only analyses data within a pre-established framework. In addition, the purely inductive method is criticised for lacking structure, making it difficult to draw conclusive and general learning from the analysis. Nevertheless, by combining both approaches the biggest weaknesses of both were avoided.
The analytical strategy of the thesis was firstly to apply the conceptual framework to the multiple-case study to uncover the relations between CSR and entrepreneurial innovations. The analytical process consisted of mapping each entrepreneur’s prior experience, according to the primary and secondary data gathered. Thereafter, the entrepreneurial process was deployed on each case, with an emphasis on the 3 focus cases. The opportunity discovery process for each of the 8 case companies was analysed. From there, the evaluation process was dealt with, as each case was mapped according to the primary and secondary data. Finally, the exploitation of CSR from each case company was mapped in relation to how the different companies had reacted and exploited CSR based on the primary and secondary data. Throughout the entire analytical process noticeable relations emerged, between the entrepreneurial process components and the entrepreneurs’ prior experiences. The analytical process was chosen in order to conduct an in-depth analysis of the issues on CSR experience and the relation and impact on the identification of sources of opportunities and recognition of these. Finally, having followed the analytical strategy, it was possible to verify or falsify the research question presented in the introduction.

3.2 The multiple-case study

Due to the limited academic research on the relation between CSR and entrepreneurial innovation, it was necessary to use a method that provided sensitivity to each individual case. This made it possible to map similarities and contrasting factors between the cases. Data from an array of different cases allowed for inclusion of different perspectives on the theoretical groundwork. In addition, each case served as an individual empirical source and allowed for discussion and clarification of the different opportunities and relations to CSR.

The case study method enabled an exploratory validation of the theoretical framework. With focus on the multiple-case study method the focal point of the thesis was on real-life events that were characterised by complexity in the decision-making and general processes (Yin, 1994). Consequently, the multiple-case study method provides the means to analyse a problem that included the actors’ perspectives and actions (Yin, 2003).

Given the explorative nature of the thesis, it was highly valuable to use a source of data as rich as possible to be able to give a detailed picture of the entrepreneurial process in relation to CSR, best provided by case studies. Furthermore, the extensive samples the multiple-case study provided strengthened the validity of the main argument in the thesis. As outlined by Yin (1994); “…like a series of related laboratory experiments, multiple cases are discrete experiments that serve as replications, contrasts and extensions to the emerging theory...”.
Moreover, this relates to the popularity of theory building from case studies, as it links from rich qualitative data to mainstream deductive research (Eisenhardt & Graebner, 2007).

3.2.1 Case selection
The NCCR project, initiated in 2008 by the Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen), ordered a research on CSR-driven innovation from the Centre of CSR at Copenhagen Business School (cbsCSR). The research presented best practice cases of CSR-driven innovation in small and entrepreneurial firms in the first report “CSR-driven Innovation” and will ultimately culminate in a best-practice guide of how to work with CSR and innovation targeted at small firms. Together with the Norwegian School of Management (Norway), Helsinki School of Economics (Finland), Turku School of Economics (Finland), Stockholm School of Economics (Sweden) and Reykjavik University (Iceland), the cbsCSR studied 15 companies and provided a description of important elements in the CSR-driven innovation process, including motivation, idea generation and the final business strategy. As research assistants on the cbsCSR innovation project, the two authors of this thesis have been given full access to all data of the project, some of which will be used in this thesis.

The fact that the thesis builds on data collected by cbsCSR, means that the cases used are considered reliable and validated sources due to the extensive proofreading and auditing prior to the publication of the report. In addition, the availability of the cases have given the thesis a greater data span in geographical distance and number of cases, then would normally have been possible within the limits of a master thesis.

Working with the cbsCSR research project, the cases for the multiple-case study were already selected. The company selection criteria of the cbsCSR research project were that the companies had to be recent start-ups or existing SMEs. Furthermore, social impact had to be an integral part of the companies’ value proposition, even though this did not need to be explicit. The cases were selected in order to provide as broad a spectrum of organisational forms as possible ranging from non-profit associations via family-held SMEs to venture capital backed start-ups (NCCR, 2009).

The effect of these criteria was that the cases used in this thesis represented a sample of best practice CSR innovative entrepreneurial companies. This creates some bias, which however, was acceptable as the research objective is to identify instances of best practices of CSR-

6 www.csrinnovation.dk
7 The authors referred to are the two authors of the thesis; Anna Louise Kropp and Karina Tambo Jensen.
Driven innovation and therefore relevant for the thesis. And it made it possible to establish a body of knowledge, which would be transferable to other entrepreneurial companies.

To validate the problem statement of this thesis it was necessary to create separate evaluation criteria for the 15 cases selected together with cbsCSR. This was done in order to get enough information and material that matched the objective of thesis.

The following are the selection criteria used in the thesis:

1) The company must be based upon an innovative business solution.
2) The company had to show signs of CSR in some way in their business solution.
3) The transcriptions or recording of the interviews had to be available.
4) The case company had to be entrepreneurial, defined as a newly started company that is either within the development phase or the first 5 years after the first commercialisation.

Out of 15 cases, 8 complied with the criteria listed above. Although Zealand Care is not at present state entrepreneurial, it was the founding entrepreneur who was interviewed, and the primary focus of the interview was based on the entrepreneurial phase of the company, being the first 5 years of operation. Zealand Care was chosen to be part of the thesis’ multi-case study, because it is believed that the specific case brings out important issues on sources of entrepreneurial opportunities and CSR exploitation. Throughout the analysis the focus is on this and the data used for analysis will only reflect the entrepreneurial phase of Zealand Care in order to mitigate the risk of using the company. All 8 cases will be analysed and the findings will be presented. Three focus cases have been chosen to reflect certain important issues. These focus cases are Audur Capital, Marorka and Zealand Care. These cases where selected to represent different types of the entrepreneurial process, and they are therefore relevant for cross-comparison.

<table>
<thead>
<tr>
<th>CASES</th>
<th>Country - NAME</th>
<th>Innovative business solution</th>
<th>CSR as key point</th>
<th>Data collection available</th>
<th>Entrepreneurial firm</th>
<th>Selected for case sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO -</td>
<td>Think Global</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>NO -</td>
<td>FIN</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO –</td>
<td>OceanSaver</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8 We are well aware that entrepreneurial action also can occur within established organisations, also known as intrapreneurship (Shane & Venkataraman, 2000, Cunnigham & Lischeron, 1991). However these cases are not relevant for our thesis subject matter.
Table 3.1: Case selection criteria.

3.2.2 Data gathering
In the cbcsCSR research the primary data was collected through interviews conducted within the 8 selected case companies. In each company 2-6 interviews with key decision makers were conducted. The interviews lasted on average 60-90 minutes and were all recorded. In conducting the interviews a holistic design for all case organisations was chosen, in order to understand as much about CSR-driven innovation as possible. This creates the risk of becoming too general and abstract, therefore an interview guide was constructed in order to ensure that the same questions were covered in all interviews (for the interview guide see Appendix I). The interviews conducted are summarised in the following table:
Table 3.2: Interviews conducted in the selected case companies.

The secondary data consisted of the cbsCSR case descriptions. These detailed case descriptions were of 15-25 pages describing each company, including the firm’s social contribution via its history, the innovation profile and the history of the entrepreneur. A framework for case description was constructed and applied to all case studies to ensure that the correct data was obtained, analysed and included in each case (for case description framework see Appendix II). Both during the data collection and the data analysis, regular conference calls were scheduled with the participation of all team members. In order to ensure that all cases followed the same structure and that the level of data collection and analysis were similar, two senior faculty members reviewed each case. For the cross-case analysis the team of senior faculty members met for an in-depth two-day workshop. The final insights were again shared in the team of senior faculty members for a final review (NCCR, 2009, p. 11).

In addition to this, secondary data from Danish and international publications and newspapers have been used and industry information has been gathered on all selected cases from various databases (e.g. Datamonitor, Global market Information Database, Amadeus, Navne & Numre Erhverv). Moreover, profiles of each of the entrepreneurs were researched and backed
up by online information. Regarding the internal organisation, data such as reports from the case organisations has been used, along with information available on their homepages. A summary of the secondary data gathered can be seen in Appendix III, where the purpose and usage of the data is also explained.

### 3.3 Validity of the empirical sampling

The prior section accounted for the constructed method and data gathering. The following section will discuss the validity and limitation of the research design method used. Yin argues that to increase the validity of a case study, it is necessary to show the reader how the questions asked, the collected data, and the conclusion are linked (Yin, 2003). In this master thesis, this was done in the following four ways:

1. Citations were made to relevant parts in the case study; both from specific documents and interview conducted. Furthermore, whenever a data source was brought into play, it has been made evident for the reader.

2. A case-file has been constructed including the actual evidence, the transcribed interviews, the cbsCSR case studies and the cbsCSR report on CSR-Driven Innovation. See the enclosed CD-ROM.

3. All people involved in the data gathering process used the interview guide that includes all necessary procedures and questions to conduct the analysis.

4. Furthermore, all case studies were applied to the same case guide framework. See the enclosed CD-ROM.

#### 3.3.1 Quality of the research design

In dealing with exploratory case studies there are three key criteria for judging the quality of research (Yin, 2003):

1. Construct validity
2. External validity
3. Reliability

To ensure the construct validity of the multiple-case study, multiple sources of data have been applied (see table in Appendix III). The same interview guide was used in all interviews (for interview guide see Appendix I), to ensure that the interviews were comparable. As a further precaution, all cases were reviewed by two senior faculty members to ensure consistency in the case descriptions and a high level of standard in research quality. The use of multiple

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9 Asking the right questions does not necessarily give you the right answer. However, this is a general risk, and will be dealt with in the limitations.
cases in the analysis enhances the external validity by testing the conceptual framework on different empirical data. Furthermore, to ensure the reliability of the case study interview transcriptions, interview guides, case descriptions framework, final case descriptions and secondary data were made available and collected by the authors.

3.3.2 **Triangulation**

In the thesis a large amount of data has been collected and in alignment with triangulation, data from multiple sources has been applied (see table 3.2 and Error! Reference source not found.). Triangulation means that the greater number of sources used in a research study, the greater validity of the findings (Riley et al., 1997). Using data from different sources and collected through different methods, reduces the impact of potential biases that otherwise could exist in a single study (Sjoberg et al., 1991). The fact that the data in the thesis includes interviews with entrepreneurs in 8 different case companies, industry and company information, allow for validation of the entrepreneurial process, taking place in the case companies.

3.3.3 **Limitations**

The choice of using the large amount of data provided by the cbsCSR research presented great value to the thesis and heightened the applicability of the conclusions. But dealing with data that are collected and interpreted by a third party has some potential drawbacks. There is a risk that the authors have misinterpreted sentences, misunderstood intentions, or taken quotes out of contexts, and hence misused. Firstly, in order to ensure reliability, case studies and the analysis process have been thoroughly discussed in the case selection and data gathering sections. Secondly, the transcribed interviews, the interview guide and case description framework should ensure a standardised process within the data collection and interpretation. Finally, as the authors were involved in the cbsCSR research project as research assistants a thorough knowledge of the case study was achieved.

As only 2 or 3 people from the case organisations in some instances were interviewed there could be a risk of bias in that only a limited view on the company is presented (Eisenhardt & Graebner, 2007). However, the data is also built on secondary data sources, such as organisational material, information from homepages, newspapers articles, and industry information, which further lowers this risk.

All of the companies studied are a part of a theoretical sample, as the case selection was based on entrepreneurial and CSR theory. This fact can represent a potential problem in transferring the findings to companies at other development stages or to companies without a CSR profile.
Moreover, the findings are as such only applicable to Nordic countries, and it can be assumed that there are special characteristics and behaviours within the national culture in the Nordic countries that define this region. Although it can be assumed that the findings could be comparable on a broader geographical base, there would be a need for further research before this assumption could be made plausible.

The conceptual framework developed is built on the assumption that prior experience is the main contributor for introducing CSR as a driver in the entrepreneurial process. Although this assumption is based on valid and acknowledged theory, there still is the risk that this assumption cannot be proved in this thesis.

Finally, it was necessary to contemplate whether another pair of master students would come to the same conclusions, were they to copy the study as described in this section and conduct the same case studies all over (Yin, 2003). Through the close match between methodology, interview and analysis, due diligence has been applied to state that the findings presented in this master thesis are both valid and reliable.
4 Findings

In the following, an overview of the 8 cases will be given. The case presentation will give an in-depth overview of the 3 focus cases followed by a brief account for the other 5 cases. Subsequently, the data displays will present key themes in the empirical data gathered from the interviews conducted in the 8 case companies. Finally, the conceptual framework (built in Conceptual Framework) will be used to analyse the use of CSR in the entrepreneurial processes in the 8 cases.

4.1 Case presentation

The following figure depicts an overview of the 8 case companies that are part of the multiple-case study of the thesis.
### CSR-driven Innovation in Entrepreneurial Firms

<table>
<thead>
<tr>
<th>Cases</th>
<th>Industry</th>
<th>Start-up Year</th>
<th>Size based on employees</th>
<th>Entrepreneur</th>
<th>Innovation</th>
<th>CSR integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC - Audur Capital - Focus case</td>
<td>Finance</td>
<td>2008</td>
<td>14</td>
<td>Halla Tómasdóttir and Kristín Níturnsdóttir</td>
<td>Audur Capital provides financial services focused on female values.</td>
<td>Focus on empowering women and helping women in undeveloped countries. Special focus on investments with a social responsible profile.</td>
</tr>
<tr>
<td>IC – Marorka - Focus case</td>
<td>Maritime energy management</td>
<td>2002</td>
<td>17</td>
<td>Jón Ágúst Thorsteinsson</td>
<td>Marorka enables its maritime customers to maximize their operating results by minimizing fuel consumption and harmful emissions through an innovative energy management system.</td>
<td>Lowering the cost and emissions for maritime vessels.</td>
</tr>
<tr>
<td>DK – Zealand Care - Focus case</td>
<td>Customized health care products</td>
<td>1996</td>
<td>150</td>
<td>Bjarne Henneman and 12-13 municipalities</td>
<td>Zealand Care focuses on creating customized health care products to meet individual needs. The company has also created an advanced computer management system for municipalities.</td>
<td>Focusing on making the everyday life of disabled and elderly people more manageable.</td>
</tr>
<tr>
<td>F – Clewer</td>
<td>Water purification</td>
<td>2008</td>
<td>3</td>
<td>Esa Mäkinen</td>
<td>Clewer has invented an innovative water purification system that purifies water by removing dirt and contaminants.</td>
<td>More effective and cheap water purification systems which are versatile and easy to manage.</td>
</tr>
<tr>
<td>DK – MyC4</td>
<td>Microfinance</td>
<td>2006</td>
<td>32</td>
<td>Mads Kjær and Tim Vang</td>
<td>MyC4 connects individual investors worldwide with African micro-businesses that need working or expansion capital.</td>
<td>Helping developing the economy and awareness in underdeveloped countries.</td>
</tr>
<tr>
<td>DK – Noir</td>
<td>Fair-trade fashion</td>
<td>2005</td>
<td>16</td>
<td>Peter Ingwersen and Annellese Ryberg</td>
<td>Noir is a luxury fashion brand with products that include clothing, accessories, home goods and fragrance.</td>
<td>All products are made under humane and fair working conditions, and uses ecologic textiles.</td>
</tr>
<tr>
<td>SE – Parans</td>
<td>Natural indoors lighting</td>
<td>2003</td>
<td>7</td>
<td>Marcus Fransson, Nils Nilsson, Bengt Steneby and Torsten Matsson</td>
<td>The Parans system collects sunlight and transports it inside buildings using optical fibres to illuminate indoor spaces.</td>
<td>This both cuts costs and has a positive impact on human health and mind.</td>
</tr>
<tr>
<td>NO - Think Global</td>
<td>Electric car manufacture</td>
<td>2006 (bought)</td>
<td>n/a</td>
<td>Dr. Jan Oluf Williams</td>
<td>Think Global provides its customers with an environmentally friendly solution for transportation in the form of an electric car with no CO2 emissions.</td>
<td>Focusing on the environmental and economical benefits of electric cars.</td>
</tr>
</tbody>
</table>

Table 4.1: Overview of the 8 cases studied.
4.1.1 Focus case presentations
The following will present the 3 focus cases. Each presentation is divided into five sections: 1) Company Profile, 2) Industry, 3) The Entrepreneur and 4) The CSR Innovation. 5) Model of company formation.

4.1.1.1 Audur Capital

Company profile
Audur Capital is an Icelandic financial services company, founded by Halla Tomasdottir and Kristin Petursdottir in 2007. It is an independent financial service provider offering investment related services such as wealth management, corporate finance and private equity. The company combines the potential in women as investors and socially responsible investments, by bringing feminine values into finance. By empowering women the company intends to bring positive social change and thereby have an overall social impact. (AU-1, AU-2)

Industry
The global investment-banking sector generated total revenues of $84.4 billion in 2007, representing a compound annual growth rate (CAGR) of 20% for the period spanning 2003-2007. The total investment-banking market was $84 billion in 2007. In 2012, the global investment-banking and brokerage market is forecasted to have a value of $135.9 billion, an increase of 61.0% since 2007 (Audur Capital, 2008).

The entrepreneur
Halla Tomasdottir is the founder and director of executive education and women entrepreneurship as well as an assistant professor at Reykjavik University. Halla Tomasdottir studied and worked in the United States of America for 10 years. During this period she worked for M&M/Mars and later Pepsi Cola’s HR team. Halla Tomasdottir has been a teacher and consultant for students and companies of all ages. Kristin Petursdottir has worked for Shell in Iceland, Islandsbanki, (now Glitnir) and Statoil in Norway. Kristin Petursdottir was a key member of Kaupthing’s management team and as such played an active role in Kaupthing’s growth from a small security house to a full-scale bank with operations in 9 countries. Kristin Petursdottir was the managing director for Kaupthing’s treasury for a number of years before she took on the role of Deputy CEO of Kaupthing Singer and Friedlander in London. (AU-1, AU-2)
The CSR innovation

The innovation in Audur Capital is the business model that brings feminine values into the finance sector. Being an independent financial service provider, they have other vested interests than only their clients’. Furthermore, the focus is on being a risk aware financial counsellor, in order to help their clients to understand the risks they are taking and make them comfortable in the investment sector. Audur Capital’s investments also have a social focus, so that the clients get an additional return from their investment, in the form of social enhancement. In addition, 1% of Audur Capital’s profit goes to a fund that helps empowering women in the 3rd world. Audur Capital encourages their clients to do the same, though this is not a requirement. (AU-1, AU-2).

Figure 4.1: Audur Capital’s firm formation process.

4.1.1.2 Marorka

Company profile

Marorka is an Icelandic company working with the research and development of energy management for ocean vessels. The company was founded by Dr. Jón Ágúst Thorsteinsson in 2002 together with 2 others. The founders all represent different areas of expertise, but the main driver in the company is Dr. Jón Ágúst Thorsteinsson. The objective for the company is to become the leading producer of energy management systems and the primary energy
management research company for ocean vessels. In 2008 Marorka employed 17 people, and it is expected that this number will keep rising. Marorka has been operating with a loss over the last couple of years, but is predicted to be able to make a profit within the next 3 years (MA-1, MA-2, Marorka 2009a, Marorka, 2009b).

**Industry**
Marorka operates in the energy consumption market. More specifically they are a part of the growing global market for environmental facilities and services, which is predicted to reach $253.7 billion in 2012 (Marorka, 2008a). Working in the Consulting and Engineering field, their operating market accounts for 23.2% of this growth. Moreover, the predictions for the consumption of oil are only going up, and prices are forecasted to be well over $30/barrel for several years to come (Marorka, 2008a).

**The entrepreneur**
Dr. Jón Ágúst Thorsteinsson always had an interest in energy management, and started his career in a technological firm. After getting fired from the firm, he decided to take a doctorate degree with focus on mathematics, systems integration, and complex simulation and optimisation, using computers and mathematical tools. When he was done with his doctorial, he wanted to use this knowledge in business life and therefore contacted two others, who had expertise with start-ups, sales and marketing, areas in which Dr. Jón Ágúst Thorsteinsson had no expertise. Dr. Jón Ágúst Thorsteinsson states that he always had an interest in energy management, and always saw a great business potential in this area (MA-1, MA-2, MA-3).

**The CSR innovation**
The innovation of the Marorka firm is the gathering of energy management knowledge into an IT system that can be used to manage the navigation and speed of ships in order to lower the consumption of oil, saving both emission and money. Dr. Jón Ágúst Thorsteinsson (CEO and founder) states that the management of energy consumption has always been the main focus of the company, although the focus has not only been on lowering emissions, but also on lowering cost. (MA-1, MA-2, MA-3)
4.1.1.3 Zealand Care

**Company profile**
Zealand Care is a Danish company working with assistive technology for elderly and disabled people. Founded in 1996 by a mutual public fund, it started out with only 2 employees, the founder Bjarne Henneman and a secretary to assist him. The company now has a yearly turnover of 21,187,000 Euros and has 145 employees as of 2008 (Zealand Care, 2009c). The Dutch company Welzorg took over operations in 2006. Before this, Zealand Care operated in a hybrid market working as a half public and half private company (ZC-1, ZC-2, ZC-3). Bjarne Henneman started the company with only DKKR 8,5 million, and had to build the entire organisation from scratch. The thesis focuses on this period. Zealand Care now is a company with a 2007 profit of DKKR 20 million (Zealand Care, 2009a, Zealand Care 2009b, Zealand Care 2009c).

**Industry**
Zealand Care mainly operates in the Danish market, but has recently opened a small branch in Sweden. Copenhagen is the industry’s main production area in Denmark, and this area accounts for 55,68% of the industry’s production. The whole production in Denmark is accountable for 1.07% of the total production in Europe and only 0,32% of the global scale (Zealand Care, 2005). The care industry has a market potential of $974,34 million in Denmark alone for the entire industry (Zealand Care, 2005).
The entrepreneur

Bjarne Henneman has worked in Zealand Care for 12 years. He began the project because he himself had a disabled daughter and understood the needs and wants of disabled and elderly from this experience. He had studied at University of Copenhagen and had a master degree in law. Upon his graduation he started working in law firms and in the construction industry. Before he started Zealand Care he was the managing director of an engineering development firm, focusing on solutions for automobiles, trains and ships. He was offered to start up Zealand Care, as a partnership with 12-13 municipals and a number of private investors. The mutual fund consisted of DKKR 8,5 million, which was earmarked to start-up an innovative company, that could deliver service and solutions for the care business for the municipals (ZC-1, ZC-2, ZC-3).

The CSR innovation

The innovation in Zealand Care’s business model is their distinct focus on the individualisation of their products and offers. In order to develop the individual focus, Zealand Care has a reputation for the use of user-workshops to develop innovative products with a focus on modularity and individual adaption. From the beginning, Bjarne Henneman was focusing on interaction with clients and professionals in order to develop the correct business solution. They have won awards for their innovative designs and are acknowledged as an innovative company with focus on the individual’s wants and needs in relation to care and help (ZC-1, ZC-2, ZC-3).
4.1.2 Presenting the other 5 cases

In the following the 5 remaining cases will be briefly presented by giving an overview of the company, the innovation, the industry and the entrepreneur.

4.1.2.1 Clewer

The Finnish company Clewer was founded in 2008 by Esä Mäkinen. Clewer is an entrepreneurial firm that has developed a new way for purifying water. The innovation consists of precision bacteria that rotate in a horizontally positioned bioreactor, purifying the dirt and contaminating substances from water (CL-2). The Clewer technology is applicable for various industrial processes’ toxics, landfill drain water decontamination, swimming pools and car wash installations.

The global market for environmental and facilities services grew by 3.1% in 2007 with a value of $220.5 billion and the forecast for 2012 predicts the market value to be $253.7 billion, an increase of 15.1% since 2007 (Clewer, 2008).

Esä Mäkinen started his independent R&D in chemistry 20 years ago after graduating from upper secondary school. He has studied chemistry but never completed an academic education in chemistry or microbiology because of the interest to start his first enterprise (CL-2). Clewer has yet to generate a profit and the development of the technology have been financed by profit from Esä Mäkinens other company TeknoForest, which has been profitable since 2003 (Clewer, 2009a, Clewer 2009,b).

For Clewer’s firm formation process see Appendix IV, figure 1.

4.1.2.2 MyC4

The Danish company MyC4 was founded in 2006 by Mads Kjær and Tim Vang. MyC4 is a web-based micro-investment service that connects worldwide investors with African entrepreneurs, who need working capital or expansion capital (MC-2, MC-3). Loans range from as little as 200 Euros up to 20,000 Euros (MC-1). Through a network of local organisations (called ‘providers’) MyC4 identifies promising entrepreneurs and profile their loan needs on its website (MC-4). Investors can offer to finance part of these loans setting themselves the interest rate they would like to receive. MyC4 has yet to yield a profit (MyC4, 2009).
MyC4’s target market is both B-C and B-B. Apart from individual investors MyC4 is increasingly attracting firms to place funds on its website (e.g. the Danish firms Grundfoss and Toms). Although many of MyC4’s investors are average citizens, it is expected that in the long run 20 % of the users (i.e. firms) to provide 80% of the money invested (MC-1). The total investment-banking market was $84 billion in 2007. In 2012, the global investment-banking and brokerage market is forecasted to have a value of $135.9 billion, an increase of 61.0% since 2007 (MyC4, 2008).

When creating MyC4 Mads Kjær and Tim Vang agreed that the United Nation’s Millennium Development Goals (MDG) should inspire the solution. Particularly they wanted to address the goal of eradicating poverty and hunger, since they considered the end of poverty a key enabler for many of the other MDGs (education, empowerment, health, and environmental stability) (MC-2, MC-3).

For MyC4’s firm formation process see Appendix IV, figure 2.

4.1.2.3 Noir

Peter Ingwersen and Annelise Ryberg founded Noir (Denmark) in 2005. Noir is a high-fashion clothing company, with a focus on fair-trade and organic clothing and has since its launch become one of the top hits in London Fashion Week (NR-1, NR-2, NR-3). Another environmental aspect of Noir is the production of the company’s organic cotton fabric brand, Illuminati II, which is planned to start production soon. Noir has almost doubled the sales from 2006 to 2007 from DKKR 600.000 to DKKR 1,1 million, but has yet to yield a profit (Noir, 2009a).

The global market for clothing was $850 billion in 2006, which was an increase of 3% from 2005. The global market value for clothing is forecasted to be $968 billion in 2011, representing an increase of 14% from 2005 (Noir, 2008). Looking at the global market for women’s dresses alone, the market value was $62 billion in 2006 and the market is forecasted to rise to a value of $75 billion in 2011, representing a 20 % increase from 2006 (Noir, 2005).

Peter Ingwersen has 15 years of background in the fashion industry, from working with Levi’s and Danish Day Birger & Mikkelsen as a brand manager. Annelise Ryberg has a diverse background, working for Bill Clinton’s fundraising campaigns, over United Nations to several human rights groups (NR-1).

For Noir’s firm formation process see Appendix IV, figure 3.
4.1.2.4 Parans
The Swedish company Parans was founded in 2003 by: Marcus Fransson, Bengt Steneby, Nils Nilsson and Torsten Matsson. Parans develops and markets products in the field of natural lighting. The innovation consists of collecting sunlight outdoors, transporting it inside buildings through optical fibres and thereby illuminating enclosed indoor spaces (PA-2, PA-3).

The global market for environmental and facilities services grew by 3.1% in 2007 with a value of $220.5 billion and is forecasted to have a market value of $253.7 billion in 2012 representing an increase of 15.1% since 2007 (Parans, 2008).

The entrepreneurs of Parans have quite diverse backgrounds. Two of the founders, Marcus Fransson and Nils Nilsson, have a background in business studies with focus on entrepreneurship and start-up business. Bengt Steneby and Torsten Matsson both have a background in the construction industry, respectively as an architect and as an engineer (PA-1).

For Parans’ firm formation process see Appendix IV, figure 4.

4.1.2.5 Think Global
The Norwegian company Think Global was bought in 2006 by a small group of Norwegian private investors including the current CEO Dr. Jan Olaf Willums. The company was originally started in Oslo, Norway in 1991, but after changing owners a couple of times (including Ford) it was finally brought back to Norway in 2006. Think Global develops, produces and distributes electrical cars and in 2007 started its production of the Think City, which is the first electrical car that is able to compete with standard internal combustion engine cars on speed and range (TH-1, TH-2). The vehicle is equipped with a new generation of batteries, the Zebra batteries, and these batteries has a range up to 180 km when fully charged (TH-1). Think Global operated with a loss in 2006 and 2007 (Think Global 2009a, Think Global 2009b).

The European market value for new cars shrunk by 5.5% in 2008 to reach a value of $386.9 billion. The market is forecasted to have a value of $454.8 billion in 2013, representing an increase of 17.5% from 2008. Also the market volume shrunk by 5.9% in 2008 to a volume of 15.7 million units and in 2013, the market is forecasted to have a volume of 17.2 million units, an increase of 9.7% since 2008 (Think Global, 2008). Auto manufacturers that only produce internal combustion engine cars may see electrical cars as a potential threat, as these
are often cheaper alternatives, and may have benefits such as lower environmental impact (Think Global, 2008).

The current entrepreneur in Think Global is Dr. Jan Olaf Willums. Dr. Jan Olaf Willums has a very diverse background from being manager in Volvo Petroleum, over directional positions in various sustainable environment organisations to being founder of various start-up firms (InSpireGroup, 2009).

For Think Global’s firm formation process see Appendix IV, figure 5.
4.2 Data display

In the following part the empirical data from the interviews and cbsCSR cases is presented. The purpose of this section is to provide a concise presentation of the findings from the multiple-case study. The implications of these findings on the entrepreneurial process and CSR-driven innovation will therefore not be discussed in this section. In order to make the references easier to understand the interviews have each been given an individual code. The interview-coding key can be found in the references.

In order to link the findings to the following case analysis, the findings will focus on the themes presented in the conceptual framework. These have been coded into Prior Experience, Idea Generation, Motivation and Use of CSR in order to establish a basis for the analysis. For each subject in the data display, primary quotes from each case will be presented supported by tendencies deducted from the interviews, relating to the subjects.

In the following four tables of data displays will be presented. Table 4.2 presents the prior experience of each of the entrepreneurs. Data display table 4.3 shows for each case how the idea generation process happened, and what the catalysts for innovation were. The data display in table 4.4 shows the entrepreneur’s motivation for taking on the innovation and developing a business. Finally, the data display in table 4.5 shows how CSR has been utilised within each of the entrepreneurial firms.

Table 4.2: Data display of the entrepreneurs’ prior experiences. (In PDF is in back of the document)

Table 4.3: Data display of the idea generations. (In PDF is in back of the document)

Table 4.4: Data display of the entrepreneurs’ motivations. (In PDF is in back of the document) (In PDF is in back of the document)

Table 4.5: Data display of the use of CSR within the cases. (In PDF is in back of the document)
4.3 Analysis of the entrepreneurial process

In the following the conceptual framework will be applied to the cases in the multiple-case study. As presented in the conceptual framework the first factor of the entrepreneurial process is the entrepreneur’ prior experience. In the following this will be clarified in terms of work experiences, variation in experiences and social ties, especially with focus on CSR related experiences. The data presented in relation to the entrepreneurs’ prior experiences from the interviews, case descriptions and background reviews done by the authors. Analysing the entrepreneurial phase 1, the focus will be on the sources of opportunities in order to identify the platforms from where the entrepreneurs discovered the opportunities. In phase 2 the entrepreneurs’ intention and motivation for taking on the opportunity is explored by examining how the entrepreneur evaluated the opportunity. Finally, the exploitation of the opportunity will be examined in terms of which level CSR is reacted on within the entrepreneurial company in the different cases.

4.3.1 The entrepreneur’s prior experience

In the following the entrepreneur’s prior CSR related experience for each case will be identified in relation to work, variation in work experiences and social ties. Not all cases represent all three types of prior experiences and in those cases only the experiences represented will be brought into the analysis. Our analysis of prior experiences is done in order to fully understand the entrepreneur’s prior CSR-related experience and allow for a further analysis on how this factor is reflected in the entrepreneurial process.

![Figure 4.4: The entrepreneurs’ prior experiences.](image-url)
4.3.1.1 **Focus: Audur Capital**  
**Entrepreneurs: Halla Tomasdottir and Kristin Petursdottir**  
The founders of Audur Capital had very different experiences before taking on Audur Capital. Halla Tomasdottir has a Business degree in Human Resource Management from Auburn University, Alabama, US and an MBA in International Management from Thunderbird University, Arizona, USA. She worked for 6 years in Corporate HR Management at M&M/Mars, Pepsi Cola and the Icelandic Broadcasting Corporation. Furthermore, she has a background in teaching and research from both Reykjavik and Bekkin University in Iceland. The primary researches focus being the field of empowerment of women and women as entrepreneurs. Before taking on Audur Capital, Halla Tomasdottir was working on a doctoral degree at Cranfield School of Management, UK.

The other founder, Kristin Petursdottir, has a Bachelors degree in economics and an MBA in International Business. Kristin Petursdottir’s work experience stems from the investment-banking sector, where she worked as managing director for Kaupthing’s treasury for a number of years. Then she became the Deputy CEO of Kaupthing Singer and Friedlander in London (AU-1, p. 12). Before joining Kaupthing Bank she worked for Shell in Iceland (Skeljungur), Islandsbanki (now New Glitnir Bank) and Statoil in Norway (www.audurcapital.is). Kristin is currently a non-executive board director of Veritas Capital, a private equity firm based in New York, US.

In regards to social ties, both Halla Tomasdottir and Kristin Petursdottir are part of a women’s leadership network, Leiðtogaauður; a forum for high-ranking Icelandic businesswomen (AU-1). This forum was also the platform that brought the two entrepreneurs together.

4.3.1.2 **Focus: Marorka**  
**Entrepreneur: Dr. Jón Ágúst Thorsteinsson**

The founder of Marorka, Dr. Jón Ágúst Thorsteinsson, has a Bachelor degree in Engineering from Aarhus Teknikum School, Denmark, and a Master degree in Engineering from Aalborg University, Denmark. Furthermore, Dr. Jón Ágúst Thorsteinsson has a Doctorate in Philosophy specialising in Process Integration at the Institute of Energy Technology at Aalborg University, DK. His doctoral research focused mainly on the strategically use of mathematical and process integration methods to optimise the operation of energy systems (www.marorka.com) onboard ships. Through his doctorate degree Dr. Jón Ágúst Thorsteinsson acquired a large network within the shipping industry and many university contacts in the Nordic countries (MA-2). Dr. Jón Ágúst Thorsteinsson also has prior work experience with maritime systems from a job in the maritime vessel industry. Further, he has
worked in the refrigeration business where he with development of new technologies and technical solutions (www.marorka.com).

Besides being President and Chief Executive Officer in Marorka, Dr. Jón Ágúst Thorsteinsson is Chairman for the organisation of Technical Seed Companies in Iceland and is on the board of the Reykjavik University.

4.3.1.3 **Focus: Zealand Care**

Entrepreneur: Bjarne Henneman

The co-founder of Zealand Care, Bjarne Henneman, has a law degree from the University of Copenhagen. His primary work experience is from the construction industry and in law firms. He was also managing director in an engineering development firm, but had no prior experience with the assistive technology industry prior to Zealand Care. The only prior connection Bjarne Henneman has had with the assistive technology industry was that he had a disabled daughter. It was through this connection he got the offer to help start the Zealand Care business. Bjarne Henneman’s only relation to the business of assistive technology equipment was therefore through his own family situation. However, this was never utilised in the business proposition.

4.3.1.4 **Clewer**

Entrepreneur: Esä Mäkinen

The founder of Clewer, Esä Mäkinen’s, has 20 years of work experience within the field of chemistry. Besides Clewer, Esä Mäkinen was also the founder of the chemistry business TeknoForest, which is the largest holder of environmental certificates in Finland. Both TeknoForest and Clewer belong to the company group Pineline Oy, which was established in 1987 and entirely owned by Esä Mäkinen (CL-1. p. 3). The profit from TeknoForest has entirely enabled the investment in and development of Clewer.

Even though Esä Mäkinen dropped out after one year of chemistry at the university, he has taught himself biology, chemistry, process-technology, it, accounting and law over the last 20 years enabling him to manage his businesses. He explains that he has always been focused on the environmental impact of the products his company produces (CL-2). The environmental impact of his business, TeknoForest, has made it necessary for him to work with the former JuveGroup, from whom the original patents for Clewer was bought. Esä Mäkinen was already as a young person interested in environmental issues and was also a member of Green Peace in his younger years (CL-2).
4.3.1.5 MyC4
Entrepreneurs: Mads Kjær and Tim Vang

The two founders, Mads Kjær and Tim Vang’s, prior experiences differ a lot.

Mads Kjær’s work experience originates predominately from his time in the family owned company, Kjær Group, providing vehicles to NGOs in Africa (MC-2). Through Kjær Group, Mads Kjær started working with NGOs, and this is what inspired him to develop and implement the three core values of the Kjær Group. These are each represented by the car business, its employees and the environment and the initiative is called PEOPLECARE (www.myc4.com). Furthermore, Mads Kjær has, through the 20 years of being CEO in Kjær Group, built an extensive network in both Denmark and Africa – where he has lived in Zimbabwe, Uganda and South Africa (www.myc4.com). During his time in Africa and through his involvement with the NGOs he got in contact with African entrepreneurs (MC-2).

The second founder, Tim Vang, had on the other hand never been to Africa when he first met Mads Kjær. Tim Vang has a Masters degree in International Marketing & Management from Copenhagen Business School. During his studies Tim Vang was co-founder of the Scandinavian International Career & Education Fair (SICEF), which is primarily run by students (www.myc4.com). Tim Vang created his own mental training company In-Zane, and thereby has experience of being an entrepreneur. In In-Zane he worked with the board of directors in a number of large Danish firms and his focus was on enabling human potential (MC-3). Tim Vang expressed an interest in working with social issues, when he met Mads Kjær in London during a conference. It was this meeting that led the two founders to start MyC4 (MC-3).

4.3.1.6 Noir
Entrepreneurs: Peter Ingwersen and Annelise Ryberg

The co-founder and idea maker of Noir, the designer Peter Ingwersen, worked as brand-managing director at Levi’s and Danish Day Birger & Mikkelsen, and has all in all been in the fashion industry for over 15 years. His primary experience was in re-branding Levi’s in Europe, but Peter Ingwersen also got to work with Levi’s CSR programme in the business. Through his years in the fashion industry Peter Ingwersen has created an extensive network, both in Denmark as well as globally (NO-2).

The second founder, Annelise Ryberg, has an immense experience with NGOs and politics. She has gained this experience through working for Bill Clinton’s election campaign twice, and then at United Nation for 6 years and also for the Danish Foreign Ministry. This has
provided her with a great network. Furthermore, she worked in different fields of social and environmental issues for several years before creating Noir with Peter Ingwersen (NR-3).

4.3.1.7 Parans
Entrepreneurs: Marcus Fransson, Nils Nilsson, Bengt Steneby and Torsten Mattson
The product opportunity of Parans solar lighting was identified by two of the co-founders, architect Bengt Steneby and construction engineer Torsten Mattson, both of whom have extensive experience from the construction industry. Torsten Mattson had long pondered how to illuminate indoor spaces naturally (PA-3). However, Bengt Steneby was the one who helped Torsten Mattson solve the problem through his experience from working with optic fibres. Bengt Steneby has a very diverse background from working in various areas such as the marine industry, the healthcare industry and as a teacher - all of which has allowed him to acquire a diverse network (Parans - Press Release, 2008). Bengt Steneby mentions his personal interest in bringing out the social issue of the product, and he works as the initiator on different projects towards this goal (PA-3).

Marcus Fransson and Nils Nilsson are both graduates from Chalmer School of Entrepreneurship in Sweden. Marcus Fransson has an engineering degree and Nils Nilsson a degree in architecture. Furthermore, both Marcus Fransson and Nils Nilsson come from entrepreneurial families and it was through Nils Nilsson’s father the two graduates got in touch with Bengt Steneby and Torsten Mattson.

4.3.1.8 Think Global
Entrepreneur: Dr. Jan Olaf Willums
The current entrepreneur in Think Global, Dr. Jan Olaf Willums bought Think Global in 2006, together with a group of investors. Dr. Jan Olaf Willums is a serial-entrepreneur. He is founding chairman of the InSpire Group, a venture capital and financial advisory group with offices in Oslo, North America, South Africa and Morocco (http://www.inspiregroup.no/). He has been either investor or co-founder of pioneering technology companies since the 1980s. These include the artificial intelligence company Computas, the solar company REC, and now the electrical vehicle company Think Global. He chairs the advisory board and is a founding investor in Novus Energy Partners, an international investment fund focused on new energy technologies.

Dr. Jan Olaf Willums held many senior management positions in the energy sector and was head of Volvo Petroleum, the oil company of the Swedish carmaker in the 1980’s. He was Executive Director of Energy and Environment at the International Chamber of Commerce in Paris, mandated to represent global corporations in the 1992 UN Earth Summit in Rio.

Dr. Jan Olaf Willums has a Master degree from the Swiss Institute of Technology and a Doctorial degree from the Massachusetts Institute of Technology, USA. He is a member of the International Advisory Board of the World Bank Institute and of the World Bank’s Global Corporate Governance Forum. Since 1994 he has been on the President’s environmental advisory board of the European Bank for Reconstruction and Development. He is Vice Chairman of the Bellagio Forum, established by the Rockefeller Foundation to promote sustainability. Dr. Jan Olaf Willums is also Adjunct Professor in Innovation at the Norwegian School of Management and teaches entrepreneurship. (http://www.inspiregroup.no/ and www.worldfutureenergysummit.com)

4.3.2 Summary

The following table summarises the entrepreneurs’ prior CSR related experiences derived from the analysis above. The CSR related experiences are important for the further analysis as they relate to the CSR opportunity investigated.

<table>
<thead>
<tr>
<th>CASES</th>
<th>Entrepreneur</th>
<th>Prior CSR related experience relevant to the opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audur Capital</td>
<td>Halla Tomasdottir and Kristin Petursdottir.</td>
<td>Yes</td>
</tr>
<tr>
<td>Marorka</td>
<td>Dr. Jón Ágúst Thorsteinsson</td>
<td>No</td>
</tr>
<tr>
<td>Zealand Care</td>
<td>Bjarne Henneman</td>
<td>No</td>
</tr>
<tr>
<td>Clewer</td>
<td>Esä Mäkinen</td>
<td>Yes</td>
</tr>
<tr>
<td>MyC4</td>
<td>Mads Kjaer and Tim Vang</td>
<td>Yes</td>
</tr>
<tr>
<td>Noir</td>
<td>Peter Ingwersen and Annelise Ryberg</td>
<td>Yes</td>
</tr>
<tr>
<td>Parans</td>
<td>Marcus Fransson, Nils Nilsson, Bengt Steneby and Torsten Matsson</td>
<td>No</td>
</tr>
<tr>
<td>Think Global</td>
<td>Dr. Jan Olaf Willums</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Table 4.6: The entrepreneurs’ prior CSR related experiences*

4.3.3 Phase 1: Discovery of opportunity

The following section deals with phase 1 of the entrepreneurial process. Which is about the discovery of the opportunity for creating an innovation. The process of discovery of the opportunity is both an individual and an external process. The individual aspect is that it is
highly affected by a person’s prior knowledge and experience (McMullan & Shepherd, 2006, Venkataraman, 1997, Kirzner, 1973). However, there are also the external aspects, which arise from technical, political or social changes. In the following, each of the cases will be analysed based on the opportunity identified, the external change reacted on, and related prior experience.

![Figure 4.5: Phase 1. The entrepreneur’s opportunity discovery.](image)

The case study shows that the entrepreneurial opportunities were discovered very different. Some entrepreneurs had the idea and built a business around it; “The biggest reason why they could not make a business out of it, was that they did not have a process where the bacteria would be needed. And then I developed the process, in which the bacteria are made to grow on a carrier's surface. Which led to a product, a system.” (Esä Mäkinen, CL-2). Others went out and searched for ideas in order to create a business, as stated by Mads Kjær (MC-2) “…people in Denmark, people in Africa, people from NGOs, people from the private sector, people from the public sector. You know, we probably talked with between 200, 300, 400 people about this.” Hence the entrepreneurs react on different changes and use their existing networks and experiences to develop the opportunities.

The following table shows the entrepreneurs’ description of the sources of opportunity and how the opportunity was discovered:
Table 4.7: The respondents’ descriptions of the source of opportunity

<table>
<thead>
<tr>
<th>Case</th>
<th>Examples of the respondents descriptions of the source of opportunity type identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audur Capital</td>
<td>“But looking at the demographic data, social trends, intuitive research and hard-core research. What we found out early on is all of these things where happening with increased human capital with woman, there is so many changes taking place. Today 60-65% of all university students are woman, and they are filling up the faculties of university. It is actually a revolution because it is happening so fast.” – Halla Tomasdottir</td>
</tr>
<tr>
<td>Marorka</td>
<td>“I knew that we where wasting a lot of energy in the ships. I had an idea to use advanced tools to limit the waste and support people to get a full control over the energy usage” – Dr. Jón Ágúst Thorsteinsson</td>
</tr>
<tr>
<td>Zealand Care</td>
<td>“The idea is based in a new law past in 1992-1993, law number 384-385, which allowed public authorities to invest in joint-stock companies.” – Bjarne Henneman</td>
</tr>
<tr>
<td>Clewer</td>
<td>“We produce, use only, naturally decomposing elements. And then I have a thought that we could actually feed the wastewater to bacteria?” – Esa Mäkinen</td>
</tr>
<tr>
<td>MyC4</td>
<td>“And we put that money aside in Project Pool which was for ideas which would do something about the end of poverty, the human development goals which would be business oriented, and which had nothing to do with cars.” – Mads Kjær</td>
</tr>
<tr>
<td>Noir</td>
<td>“And that is when I coined the whole idea, what if I try to make CSR sexy” – Peter Ingwersen</td>
</tr>
<tr>
<td>Parans</td>
<td>“Torsten saw that people had solar panels for heat on the roof tops, in order to heat up water and thought that that should be possible to also do for light. If one could transfer the heated water in tubes, then why not light? (...) I found the technical solution as I had worked in fibre optics before”. - Bengt Steneby</td>
</tr>
<tr>
<td>Think Global</td>
<td>“What I would like to present to you now is that the right story that you have behind Think, is that you have an electric power trend that has more than 3 times the energy efficiency of a normal car” – Richard Waitz</td>
</tr>
</tbody>
</table>

The following section will explore the sources of opportunity that the entrepreneurs reacted on, and furthermore will examine the process that lead to the discovery of the opportunity. As table 4.7 shows, the entrepreneurs all had very different reasons for reacting on their opportunities.

4.3.3.1 Technological change as the source of opportunity

One of the sources for opportunity is technological change. As shown in the conceptual framework technological change makes it possible to allocate resources in more productive ways and to enhance efficiency or create new niche markets. In the following, the cases involving an entrepreneur that reacted on either (1) advance in science, (2) technological advance outside the industry or (3) on feedback from prior technological advance (Klevorick et al., 1995) will be analysed.

Focus: Marorka

The basic source of opportunity identified by Dr. Jón Ágúst Thorsteinsson was a possibility to enhance fuel efficiency in maritime vessels, exemplified by the quotation in table 4.7. Moreover, Dr. Jón Ágúst Thorsteinsson knew that it was not a matter of developing new technology as the system could be built on existing knowledge and technology. The challenge was to be able to combine the knowledge needed and apply the combined knowledge when developing the highly advanced physics systems (MA-2).
When Dr. Jón Ágúst Thorsteinsson finally decided to pursue the idea, it was however not only a question of using already developed knowledge and introducing it to the maritime vessel industry. As stated by Dr. Jón Ágúst Thorsteinsson, the rise in fuel prices was the major reason why it was possible to create a company from this technological change (MA-2). So a smaller part of the opportunity was the changes in political and economic affairs, which contributed to higher fuel prices and subsequently a different demand structure.

The entrepreneurial opportunity identified in the case of Marorka was discovered years prior to the creation of the company. Dr. Jón Ágúst Thorsteinsson had a clear vision of working with energy consumption, and saw huge possibilities within this field. With the consent of his family he decided to obtain a doctorial degree after he was fired from his job in the maritime vessel industry (MA-2). When he finally developed the system, it was developed from knowledge and expertise gained from his doctoral degree, his prior experience in the shipping industry and a basic interest in energy consumption. However, he still needed other skills and used his network to find a sales manager and a computer programmer.

The innovation was in the end created to incorporate as much data as possible. The goal of the system was to enhance efficiency through creating a new way to analyse the complex data, making it a process innovation within the industry. The system demanded a correlation of many different and complex streams of science, and Dr. Jón Ágúst Thorsteinsson’s knowledge of and expertise from the technological market were the sources from which the final system was developed. Hence, it is comparable to the Klevorick et al. (1995) research that suggests that technological advances can build on both internal and external advances. In the case of Marorka the innovation builds on advances from inside the maritime industry and externally from other industries.

Marorka utilised a technological change, which developed a new market and made it possible to allocate resources in new and more effective ways. The value of the innovation quickly increased because of political and social changes in society. The entrepreneur’s experience and education was the basis for the innovation and success of Marorka’s system.

Clever
The identification of the opportunity in Clever was based on a long process of trial-and-error. Esä Mäkinen wanted to create a way to decrease his company TeknoForest’s impact on the environment. He therefore became involved in a research project at Helsinki University.
In 1992 Helsinki University initiated the creation of JuveGroup, which wanted to develop bacteria for wastewater purification (CL-1, p. 9). Esä Mäkinen got involved in this in the mid 1990s and when the JuveGroup Company went bankrupt in 2003, Sea Machine saw an opportunity and bought it. The source of opportunity identified by Sea Machine was therefore based on 7 years of advances in biology and chemistry within the wastewater purification field. Because of the entrepreneur’s focus and experiences from other businesses he considered that a solution would be possible. He also knew that he needed to be more specific and focused on one type of waste water (CL-1, p. 10), the grounds for which are explained by the quotation in table 4.7. Within 4 years the solution was ready to be marketed and was built on further technical advances and discoveries (CL-2). This aligns with the technological changes that stem from advances in science (Klevorick et al., 1995) and in the case of Clewer the source of opportunity was based on technological changes in different fields of science.

The end-product innovation is primarily built on knowledge gained from the work in JuveGroup and the ideas of the entrepreneur. It was a reaction to several technological changes combined over 7 years, which together helped allocate the resources and technology in a more effective way. Esä Mäkinen developed the process and also discovered the basis for the increase in efficiency in the innovation (CL-2).

**Parans**

The identification of the opportunity for Parans had two phases, the technological and the market phase. Torsten Mattson, based on several technological advances, developed the initial idea. One was the use of solar panels in Sweden during the 1980s and 1990s, the other his knowledge of the construction market. This sparked the idea for the Parans product. But Bent Steneby created the idea for the final development through the use of fibre-optics. The end-product exploited the gathering of sunlight (solar panels) and the new invention of transportation of sunlight through the use of fibre-optics (PA-3), which is further explained by the quotation in table 4.7.

The product innovation was built on both established and new knowledge from two different technological fields. This makes the sources of opportunity technological change, as the final invention combined new and old technology to allocate resources in a more effective way (Klevorick et al., 1995). The market phase of the innovation was done by Marcus Fransson and Nils Nilsson, who identified the market opportunity. The combination of the technical skills was not enough to ensure the development of the product. The endurance and market knowledge of the business students were needed in order to initiate the development of the opportunity.
The experiences of the entrepreneurs were very important as the realisation of the market’s need for such a product was based on two of the co-founders extensive knowledge of the building industry and the two entrepreneurship students’ understanding of the market (PA-3).

**Think Global**

The idea behind the creation of the electric car, Think, was triggered by on the first oil crisis in 1973 (TH-1, p. 8). However as the battery technology at the time was not sufficiently developed, the cars were never able to compete with internal combustion engine cars. The initial opportunity identification was therefore based on both political and technological changes. In 2009, the electric car had come a long way since the small and funny looking cars of the 1970’s (Struben & Sterman, Working Paper, 2006). The source of opportunity that made the current entrepreneur react was a development in the battery technology within the renewable energy sector. The current entrepreneur Dr. Jan Olaf Willums believed this could revolutionise the Think Global car. As stated by Richard Waitz, the main novelty in the new Think Global car is the new battery (TH-2). The new battery created a major enhancement in efficiency for the electric car as presented in table 4.7, which finally made the electric car able to compete with regular internal combustion engine cars on both duration and cost. Therefore the opportunity exploited in Think Global was based on a technological change, based on advances in science (Klevorick et al., 1995). Dr. Jan Olaf Willums foresaw the development in the technology because of his experience in the renewable energy sector and prior work with electric cars (TH-1, p. 13). This enabled him to know that the battery market was important and he therefore kept himself informed about new product innovations and developments in this market (TH-2).

**4.3.3.2 Political change as the source of opportunity**

Political changes are also able to create entrepreneurial opportunities. This can happen through regulations and deregulation. These measures often mean reallocation of resources within a market or creation of incentives for the creation of new businesses within previously neglected business areas. This was specifically what happened in the case of Zealand Care.

**Focus: Zealand Care**

In 1993 a new legislation was passed enabling public institutions to invest in joint stock (ZC-1, p. 2), as described in table 4.7. From this legislation a new market innovation arose. At that time the focus was on how to solve problems of lack of effectiveness in public institutions. Therefore Zealand County together with 11-12 municipals and private investors such as Falck and Lønmodtagernes Dyrtidsfond created a fund, focusing on creating a more effective
solution for the assistive technology market. The need for a more effective sector within the public domain had always been present, and at that time it was discussed thoroughly (ZC-2). However, the market had not been open before, as the task of caring for elderly and disabled was thought to be best handled by a social security system (ZC-2). A new possibility to create a business opportunity was created, when the political scene changed. Furthermore, the initiative taken by the parties made it possible to invest in optimise the process through the funds made available.

From political hand it was decided that the main purpose of the company was to focus on the assistive technology market. This was decided by the municipalities in order to create more jobs in an area where mostly craftsmen, such as carpenters and mechanics, resided.

The innovation developed was based on solving a gap in demand and supply. Bjarne Henneman gathered people who knew the business of assistive technology and IT-programmers. Together they created an IT system that would make it easy to manage the assistive technology demand of the municipals (ZC-2). The innovation was therefore primarily an identification of the need for re-engineering the existing process and therefore constitutes a process innovation. However Zealand Care also moved into a new and untouched market, which also makes it partly a new market innovation. The source for the creation of the opportunity for Zealand Care was a new market that was made accessible by political changes.

The source of opportunity for Zealand Care was political change, which was created through changes in legislation (Sine & David, 2003). The focus on the effectiveness of the assistive technology market and to a lesser degree the entrepreneur’s personal unsatisfactory experience with the healthcare system, helped identify the innovation opportunity. The opportunity was developed as a process innovation and allowed Zealand Care to enter a new market, through the use of new market structures.

4.3.3.3 Social changes as a source of opportunity
Demographic changes, changes in lifestyle and mindset and fleeting changes as trends and fashion all are important factors of social change. Although they can be hard to identify as society continually changes in many different ways, the following will go through the cases with the focus on these types of social change.

Focus: Audur Capital
One of the founders, Halla Tomasdottir had through her work at Reykjavik University, identified a change in educational demographics. More and more women were filling the seats of universities and were amounting to 60% of all the university students. This change in educational demography seemed like a revolution and both founders considered that the possibilities for tapping into the market of educated women would be highly valuable in the near future (AU-2). Moreover there was an increasing apprehension on how specifically the investment banking industry would tackle this change in the demographics of the higher educated population.

The main problem identified was that investment banking always has operated mainly on male values. And the two founders saw that most women, although they did have money, did not invest. This was caused by three factors, women were more risk adverse then men, they needed more information about their investment, and most importantly women were focused on more than just financial gain. The change in educational demographics and new trends in the market place created a social change, which in turn developed the source of opportunity for Audur Capital. One of the founders explains the change as: “...an incredible opportunity because it will appeal to the huge market of women, who can invest, but also to the changing market that is growing... ”(Halla Tomasdottir, AU-2).

The innovation in Audur Capital is its focus on creating an investment banking company, which values more than just the bottom line. Moreover, the founders find it important to have products, which their clients understand and agree with, and therefore a lot of their investments are not only focused on quick gains.

The innovation in Audur Capital consists primarily of process innovations. However, it could be argued that the focus on female values alone, makes the company form focus on a completely new market of both men and women who wish to do more then just acquire quick profits.

The basis for the discovery of the opportunity was both founders’ prior experience. The founders met each other through a female network organisation for Icelandic women in business. Through shared thoughts on their individual work experiences, the idea for Audur Capital arised The changes in educational demographics were discovered by Halla Tomasdottir, while the discovery of the gap in expectations in the investment banking industry was mainly discovered by Kristin Petursdottir (AU-2). Both of them knew that they wanted to work actively with the empowerment of women, so therefore it was just a matter of timing to create the idea for Audur Capital.
The source of opportunity in the case of Audur Capital is the social changes that were happening in educational demographics but also in the mindset of the existing market. The opportunity was identified through each of the founders’ different experiences and knowledge gained from their own industries.

**MyC4**

The basis for the idea of creating MyC4 was the Millennium Development Goals, which Mads Kjær see’s as one of the present time’s biggest challenges, but also one that poses new opportunities. The Millennium Developments Goals are as such a political change, however as they are not inflicted by law, they have a more social impact. The main purpose of the Millennium Development Goals is to ensure that individual countries take action to help the world reach the goals agreed upon. They are as such also an expression of the change in mindset that is happening around the world\(^{10}\). It was specifically this change in mindset that the two founders wished to exploit.

The innovative idea was based on many months of preparation, the two founders knew only that a focus on eradicating poverty through business was sought after. The experience and network of the two entrepreneurs helped identify the opportunity as well as a personal wish to change the world (MC-2). However the specific opportunity would probably not have been identified, was it not for Mads Kjær’s extensive network in both Denmark and Africa. The idea identification for MyC4 was a process for both founders. The basic idea was that they wanted to make a change together (MC-2, MC-3). Moreover, both had the idea that it would be possible to actively help undeveloped countries, while making money at the same time.

The solution that MyC4 offers is a combination of peer2peer loaning and new micro-banking institutions, which are developing at incredible speed (MC-3). Mads Kjær’s know-how on Africa and the potentials in the rural communities, combined with Tim Vang’s knowledge of the technological possibilities and an impressive use of network, ensured the development of MyC4. The concept of MyC4 is very complicated and innovative in many areas. Firstly, the innovation is based on a process innovation, as it has changed the concept of micro-banking and has involved individuals in developed countries as investors. Secondly, the market, which MyC4 is operating in, is new, as the introduction of the different target groups has never been done in this combination and with a focus on micro banking before. Therefore, the development of MyC4 as a company was a reaction to a social change, more specifically a

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\(^{10}\) See Introduction page 3 for a general description of market changes.
change in mindset, spurred by the Millennium Development Goals. Moreover, the opportunity was discovered through the experience and network of the founder. And the same aspects helped devise the solution, which constitutes a combination of process innovation and new market innovation.

The source of opportunity for MyC4 was primarily based on social changes, and an overall change of mindset in the public as asserted by Dawkins and Lewis (2003) in their study of the British population’s expectations towards companies.

Noir
The focus on CSR within the clothing industry started when stories of sweatshops and child labour began to surface in the media. Major companies, such as Nike, were under a lot of fire from the public (NR-2). This in turn created a new awareness among the consumers thus presenting a new opportunity for the entrepreneur of Noir, who on mentions this change in mindset as his major reason for identifying the new business opportunity (NR-2). Peter Ingwersen explains his identification of the opportunity as a process of watching the rest of the world change into a more socially responsible place, and personally knowing the fashion industry, and its limited focus the next ‘big tend’ (NR-2). So Noir is the entrepreneurs’ effort in trying to make CSR the next ‘big thing’ in the fashion industry.

The innovation used in the creation of Noir was based on different process innovations. In order to get fabrics in the quality that the company desired, they had to start their own production facility. But there was also an important need for understanding the available certificates that are available within CSR and especially what the minimum requirements would be (NR-2, NR-3). Moreover, there is a basic need for creativity and innovation on behalf of the designer.

Peter Ingwersen’s experience from the fashion industry made him identify the rising demand for ethical clothes, which in itself shows a change in lifestyle and trends (NR-2). Therefore the source of opportunity in the case of Noir is a social change. Noir was founded on the basis of an identification of a new demand caused by the changes in consumer awareness (NR-3).

Summary
In order to gain an overview of the analysis conducted above table 4.8 illustrate which cases were derived from the three different sources of opportunity:
Table 4.8: The cases divided on the sources of opportunity

<table>
<thead>
<tr>
<th>Technological changes</th>
<th>Political changes</th>
<th>Social changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Think Global</td>
<td>Zealand Care</td>
<td>MyC4</td>
</tr>
<tr>
<td>Parans</td>
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<td>Noir</td>
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<tr>
<td>Clewer</td>
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<td>Audur Capital</td>
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<tr>
<td>Marorka</td>
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4.3.4 Phase 2: Development of opportunity

In phase 2 of the entrepreneurial process the development of the opportunity is outlined. This is characterised by the two process components: (1) the evaluation of the opportunity discovered and (2) the exploitation of the opportunity.

The process component of evaluation is in this thesis based on the motivations considered before taking on the development of the opportunity. The multiple-case study shows that the reasons for taking on the opportunity are very different from case to case. It moreover shows that different factors are contributing to the evaluation of the opportunities. Some entrepreneurs were primarily driven by the vision to create a successful business: “It was not really the idea that we wanted to do something environmental friendly, at first, or CSR.” (Marcus Fransson, PA-2). Others were driven by the vision of creating a business that contributes to the common good while being profitable: “And we are taking Africa because

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11 See The conceptual framework developed p. 39.
that is the absolute poorest part of the world, proportionate-wise to its inhabitants. And we said, in seven years, we could eradicate poverty....” (Mads Kjær, MC-2). Hence, the entrepreneurs have different motivations when evaluating the opportunity.

The other process component, exploitation of the opportunity, deals with how the opportunity is used and for what purpose. In relating to exploitation of CSR, the case companies will be analysed as to which degree CSR is exploited in the companies and their business operations. The use of CSR in the business operations also varies a great deal across the case samples. In some of the companies one person primarily drives the CSR-initiatives: “…Bengt has an interest. All the stuff that he thinks about has to do with resources and the environment” (Marcus Fransson, PA-2). In other companies CSR is integrated in the whole supply chain: “We produce in Europe only, which makes it a little bit easier when you travel through factories in order to audit, and also because the standard, the social, environmental, ethical standards at the factories are better.” (Annelise Ryberg, NR-3). This shows that the exploitation of the CSR opportunities in the case companies is done differently, as a result of how CSR has been integrated in the business operations.

4.3.4.1 Evaluation of the CSR opportunity

When dealing with CSR, the entrepreneur evaluates the profits in relation to the cost on society; hence the entrepreneur’s evaluation can be determined by their perception of the opportunity from the shareholder, the stakeholder or the societal perspective\(^\text{12}\).

The following will present the entrepreneurs’ evaluation of the opportunities. As presented in the conceptual framework, the entrepreneur evaluated the opportunity based on motivational factors such as values and feasibility (McMullen & Shepherd, 2006).

\(^\text{12}\) As argued in Introducing the conceptual framework on page 18.
Shareholder Perspective
As table 4.9 shows, Marorka and Parans’ evaluation of the opportunity is primarily based on the opportunity to create a profitable and successful business.

Focus: Marorka
For Dr. Jón Ágúst Thorsteinsson, the main objective has been to pursue the dream of creating an energy management control business. When Dr. Jón Ágúst Thorsteinsson evaluated the opportunity, he acknowledged that he had to create additional knowledge in order to succeed. After his doctoral degree, Dr. Jón Ágúst Thorsteinsson had gained the technical knowledge he needed, and furthermore the years spent in the academic world had created a valuable network, which he used for sparring when evaluating the idea.

Values: On the motivation for taking on the opportunity, Dr. Jón Ágúst Thorsteinsson states that he always had been very interested in how to reduce energy waste and optimise the use of energy (MA-2). The question is whether this interest originates from a cost perspective or an environmental perspective. Because Marorka also develops and sells other systems that are not as effective in reducing energy waste, it is not likely that it has been the main focus of the company (MA-1). Further, Dr. Jón Ágúst Thorsteinsson states that he finds it fascinating to work with building up a company and to have satisfied customers by doing something important for Iceland that can help increase the Icelandic export (MA-2). Hence, the motivation seems to stem from the wish to build a successful company, one that can have a
positive economic effect on Iceland. In addition to this Dr. Jón Ágúst Thorsteinsson is very interested in the issue of how to support and create young entrepreneurs in Iceland. He thinks this is important in order to retain the young talents in Iceland, which is also indicated by his chairmanship in the organisation of Technical Seed Companies in Iceland.

Feasibility: The opportunity perceived by Dr. Jón Ágúst Thorsteinsson was one that represented a possibility to give ships control of their fuel consumption and hence to reduce costs: “I had an idea to use advanced tools to limit the waste and support people to get full control over the energy usage.” (Dr. Jón Ágúst Thorsteinsson, MA-2). Dr. Jón Ágúst Thorsteinsson and his two co-founders have been engaged in developing the company for almost a decade, and so far the company has yet to generate a profit (Marorka, 2009a, Marorka 2009b). Because of the time-consuming and expensive development phase in the creation of Marorka, the evaluation of the opportunity was highly related to Dr. Jón Ágúst Thorsteinsson’s anticipation of the growth and trends in the energy management of the ship industry. The identification of the industry as having a great growth potential on a global scale was necessary for the company to succeed, and hence also affected the evaluation of the opportunity (Marorka, 2008a).

Even though Dr. Jón Ágúst Thorsteinsson and Marorka have developed an energy management system that potentially reduces fuel emission, the focus has been on the profitable business opportunity. Dr. Jón Ágúst Thorsteinsson is involved in supporting the community by creating jobs through Marorka and the support of young entrepreneurs might be good for the Icelandic economy as a whole. However, it is not CSR related to the opportunity identified, since this opportunity has to do with environmental issues. All in all, Dr. Jón Ágúst Thorsteinsson has evaluated the opportunity as a pure business opportunity and not as a CSR opportunity; hence Marorka is an example of the shareholder perspective.

Parans
Values: In Parans the founders’ motivation to take on the development of the opportunity was driven by the desire to create a profitable company, and not the wish to reduce energy consumption (PA-1).

Feasibility: The founders did not evaluate the opportunity as a CSR opportunity, but instead as an opportunity to own and run a company (PA-1). The availability of natural light makes it possible to build deeper buildings, and deeper buildings are more material-effective, as more square meters could be obtained from the same amount of building materials (PA-1).
Therefore the technical opportunity was evaluated as enabling cost-reductions in the construction industry and as a competitive and desirable product.

Because Parans’ focus is primarily on creating a business that accumulate profit for its shareholders, and the fact that the product also reduces energy consumption is perceived as just a positive side-affect of the product, Parans is a company with a shareholder perspective on CSR.

**Stakeholder Perspective**

As shown in table 4.9 Noir and Zealand Care have a clear motivation to have a positive affect on the society, or on their stakeholders, by involving the supply chain in the case of Noir and the end-users in the case of Zealand care.

**Focus: Zealand Care**

The opportunity evaluation in Zealand Care was based on three factors: the first was the service optimisation on assistive technology in the municipalities, the second the growing population of elderly citizens, and the third was to increase the living conditions of disabled citizens, the end-users.

The core of the business has been the management of the municipalities’ assistive technology equipment and the optimisation of the resources. At the same time, Bjarne Henneman has tried to incorporate the well being of the end-user in the business. Furthermore, Bjarne Henneman identifies himself with the elderly or disabled persons and their need for help in order to avoid humiliating situations. He wants to help the end-users to get a more independent life (ZC-2).

**Values: Zealand Care**

Zealand Care is in hard competition with Falck on the municipalities’ outsourcing of care management. Despite differences in the evaluation of the opportunity in Zealand Care, they have turned to stakeholders when developing new systems and products. The municipalities are very price-sensitive, but they are also attentive towards process optimisation of the helpers’ daily work, which is why it is important for Zealand Care to incorporate their views in the solutions (van Marrewijk, 2003). As Bjarne Henneman states, (ZC-2) Zealand Care needs to focus on selling their product: “This is still a business, and we need to make sure our developed products will sell on the market. There are a lot of innovative people who never get success with their product because they either have forgotten the market, customers or other stakeholders.” Zealand Care has held innovation days where the care-helpers have participated, in order to secure the right fit between the product features and needs they identify. Hence, the Zealand Care systems contain the expertise from the
helpers. As Bjarne Henneman states (ZC-2): “What is inside our systems is the knowledge of the helper, and it has to be as simple as possible. “

**Feasibility:** It is not that Bajrne Henneman’s colleague Kim Døssing Sørensen is opposing the wish to create a better life for the end-users; it is just not his main focus. Instead he is more motivated by the opportunity to create a viable business by developing solutions to the municipalities that are superior to both the competitors technical and economic solutions (MA-3). Kim Døssing Sørensen is motivated by the opportunity to address the growing segment of elderly citizens, who are requesting better service and has the economic resources to pay for it (Zealand Care, 2005). He states (ZC-3): “It is what we call the 50+ market. It is the critical consumers with the economic opportunities, who do not want to hide just because of a disability of some sort.”

Because Zealand Care is incorporating urgent stakeholders’ needs in their product development, they are an example of the stakeholder perspective. But the stakeholder perspective is limited by the demand of competitive prices from the municipalities. It is clear that there is a motivation within Zealand Care to increase the independence of the elderly and disabled end-users as stated by Bjarne Henneman, but does not oversee the need to create a viable and profitable business.

**Noir**

**Values:** Through the motivation to do something meaningful, Peter Ingwersen was determined to make a difference (NR-2). In the evaluation of the opportunity he saw that he could build a profitable business on making CSR ‘sexy’ (NR-2). The business opportunity is to combine fashion and CSR, and at the same time employ fair trade and ecological materials. Noir had to incorporate the supply chain into their business model, e.g. production of the 100% ecological and 100% fair trade cotton produced in Uganda. By doing this Noir is taking their urgent stakeholders, the production chain and their customers, into consideration.

**Feasibility:** Noir evaluated the opportunity as the ‘next big thing’ in the fashion industry, which implies that the focus was to create a profitable business. But at the same time there is a commitment to create ecological products and support the cotton farmers in the supply chain in Noir’s business model.

Noir is an example of a stakeholder company that evaluated the opportunity from both a business and CSR perspective, but as Peter Ingwersen states (NR-2) he is “…not Mother Theresa, and I will never be.” And that the shareholders are in focus is imminent, because as
Peter Ingwersen states (NR-2): “…if I see another business opportunity coming up, I need to go for it. My board will ask for it. The bottom line will ask for it.”

**Societal Perspective**

In contrast to the evaluations and motivations for engaging in the businesses described above, the cases of Audur Capital, Clewer, MyC4 and Think Global reflect the societal perspective. They base their evaluation of the opportunity on its ability to have a long-term positive effect on society, may it be the environment, African entrepreneurs or empowerment of women. The motivations for creating businesses are in all four cases shown as an intention to have an impact society as a whole. Hence, it is more than the urgent stakeholder that is the aim of the companies.

**Focus: Audur Capital**

In Audur Capital the opportunity was evaluated from an overall perspective of how it contributed to society. The evaluation criteria were based on the opportunity’s ability to empower women, especially feminine values in the business market. The opportunity had to have an impact beyond the urgent stakeholders and a long-term effect on the society. The vision of Audur Capital is to empower women, because they believe it is the only way to create better company cultures and society cultures.

**Values:** The opportunity evaluated had to provide a business model that incorporated the social profile in all processes. Therefore, it is not just the investments that have a social profile; it is also the way the guidance in the risk attached to the investments is conducted. Halla Tomasdottir stated (AU-2): “…we usually talk about being social aware and risk aware. Because we are not going to be one of those companies who are going to say we are not going to do this, we are not going to do that, and negatively screen all sorts of things. We are more aware, we are not going to try and be the holy knight and never enter into something that can be challenged. We just want the consideration to be there.”

The vision of Audur Capital has already had an effect on women in the Icelandic financial sector. Because Audur Capital tried to make a clear cut with the male-dominated financial sector, they have as the first company openly discussed the social phenomena of inequalities between male and female salaries. Audur Capital has offered salary increases to women from other companies, which have made the competing companies raise female employees’ salaries as well. (AU-2).

**Feasibility:** Audur Capital creates a great value for its investors, entrepreneurial firms and society, but the opportunity is also evaluated on the business potential. Kristin Petursdottir
explains (AU-2): “It is not enough that you do something that is socially good, if you are going into a business, it has to be liable; it has to be a business case. You have to be able to make a profitable business out of it.” In addition, it was also important that the opportunity was easy to promote in the financial industry, where established companies are very powerful. Therefore, it was important that the opportunity was evaluated on how to target a niche market in order to succeed. By focusing on other values than the established players, the founders of Audur Capital have been able to create their own niche of financial services with feminine values (AU-2).

Audur Capital has in their evaluation of the opportunity emphasised CSR as the main focus. They built the business around the aim to empower women. Through their guidance they emphasise the risk involved in the investments, in order to reassure the investors and make them understand the different choices. In relation to their portfolio of investment opportunities the focus is on socially responsible businesses and a great deal of them are female start-ups. They have created a fund to support women in the 3rd world. All these aspects suggest that Audur Capital has used the societal perspective in evaluating the business opportunity.

Clewer
In the evaluation of the opportunity the founder of Clewer, Esä Mäkinen, felt the main criterion was the environmental aspect of the product.

Values: As Esä Mäkinen always has had a wish to work with environmentally sustainable solutions, his objective with Clewer was to create a business that could solve environmental issues (CL-2). He was motivated by the opportunity to make a difference: “I realised that I have to do business with it (the environment ed.) and take an economic approach for us to get something positive done.” (Esä Mäkinen, CL-2).

Feasibility: When Esä Mäkinen first got involved with JuveGroup, it was based on the wish to try and minimise environmental impact of his company TeknoForest. He worked as a partner with JuveGroup, and Helsinki University for 7 years. The company however went bankrupt. Esä Mäkinen saw that there was a possibility to make the scientific advances JuveGroup had made profitable and create a sustainable water purification method. All he needed was a few adjustments and a more focused business plan. He states “Already in Finland we are a billion euro business. We have 400 000 properties outside commune technologies. If one counts 5000 Euros as an average, it would be 2 billion the theoretical business potential. Imagine what it would be globally, in US, China, India.” (CL-2)
Hence, the evaluation regarding the development of the water purification system was bounded in the motivation to have a positive affect on society, especially the environment, but also with a focus on creating a viable business.

**MyC4**

**Values:** The starting point of MyC4 was the wish to eradicate poverty in Africa, so the evaluation of the opportunity was primarily focused on how this wish could be fulfilled. Another point in the evaluation was that the opportunity had to be a business idea and not a charity organisation.

**Feasibility:** The vision was to build a platform that for connecting people and companies all over the world in supporting African business and thereby eradicate poverty. Mads Kjær states (MC-2): "...this could be a potential instrument for people, organisations, companies to participate globally, and not just from North to South, but globally in its true respect in the eradication of poverty. That's one thing. The other element was using technology."

MyC4 has fully built their business on CSR, by focusing on the problem of poverty in Africa and what means that could be used to fight it. They created the Internet platform to connect African entrepreneurs with investors. The societal perspective is firmly reflected in MyC4 by the strong focus on making a difference not just for urgent stakeholders but also for the whole of society, while running a sustainable business.

**Think Global**

**Values:** When evaluating the opportunity to develop an electric AFV, the founder of Think Global Jan Olaf Willums, was primarily considering the potential to create a business on an environmental friendly product (TH-1, p. 12). With the electrical AFV Jan Olaf Willums wanted to create a alternative to the ICV, one that limited the energy usage, as Richard Waitz states (TH-2):"If you start a normal car, a diesel car the engine becomes warm in a minute and this energy will be lost, and if you believe that there is a link between global warming, or at least if you believe that there is a need to use energy consumption instead and if you can use electric car instead of a petrol car, it would reduce the energy consumption more than 3 times."

**Feasibility:** Further, the founders have created a business model that makes it easier for the average customer to obtain the vehicle at a reasonable price. The motivation for Think Global to take on the development was the opportunity to reduce the energy usage and thereby have a
positive long-term effect on the environment. Hence, the societal perspective is reflected in Think Global.

4.3.4.2 Exploitation of the CSR opportunity
The last part of the entrepreneurial process in the conceptual framework is the opportunity exploitation component. The following section will present the levels of the CSR opportunity exploitation in the case sample. The levels are based on how the companies have reacted to CSR being a part of the opportunity and will show how CSR is exploited as a business opportunity. Each level represents a degree of CSR exploitation of the opportunity developed.

- The Individual level – the CSR opportunity is exploited at managerial discretion or managerial level.

- The organisational level – the CSR opportunity is related to a specific circumstance of CSR opportunity and not the opportunity as a whole.

- The Institutional level – is based on the company’s sense of general legitimacy towards society, here the CSR opportunity is exploited in all facets of its possibilities.

<table>
<thead>
<tr>
<th>Case</th>
<th>Examples of the respondents descriptions on exploitation of the CSR opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audur Capital</td>
<td>“In our product offering, we are going to focus especially on finding social responsible investments for our clients.” - Halla Tomasdottir</td>
</tr>
<tr>
<td>Marorka</td>
<td>“... I think that people that are working here are doing it because of this, they really what to participate in this change, be a part of this concept.” - Dr. Jón Ágúst Thorsteinsson</td>
</tr>
<tr>
<td>Zealand Care</td>
<td>“It is not the end-users or the citizens, it is the municipalities’ people. It is difficult for us to have a dialog with the end-users.” - Kim Døssing Sørensen</td>
</tr>
<tr>
<td>Clewer</td>
<td>“We produce, use only, naturally decomposing elements.” – Esa Mäkinen</td>
</tr>
<tr>
<td>MyC4</td>
<td>“...our business belief is that we’re going to invest 50 percent of MyC4’s earnings after tax into the businesses that are furthest to reach. Number two is that we want to be the first company in the world owned by the world, with 6.4 billion, $1.00 shares.” - Tim Vang</td>
</tr>
<tr>
<td>Noir</td>
<td>“We support the social ethics of labour rights, and then we support sustainable business and also our own sustainable business we need to support.” – Peter Ingwersen</td>
</tr>
<tr>
<td>Parans</td>
<td>“Bengt has an interest. All the things he thinks about has to do with resources and the environment.” - Markus Fransson</td>
</tr>
<tr>
<td>Think Global</td>
<td>“It is better for the costs and from an environmental point of view to produce the car close to the market where it is going to be driven.” - Richard Waitz</td>
</tr>
</tbody>
</table>

Table 4.10: The respondents’ description of the opportunity exploited.

Individual Level
As table 4.10 shows, some of the companies do not emphasise CSR as part of the business operations. Especially Marorka, Zealand Care and Parans stand out in this concern. In these cases, only the managers express exploitation of the CSR opportunity and as CSR is only
integrated at the managerial level, the cases are categorised as representing the individual level.

**Focus: Marorka**

In the Marorka case CSR is not part of the business operation as such, even though Dr. Jón Ágúst Thorsteinsson states that the environmental issues are important for the company. When Dr. Jón Ágúst Thorsteinsson is asked how the product affects the environment, the answer shows that they do not measure the impact their product has on society in terms of reduction of fuel emission. And when asked what impact they do have on society, Dr. Jón Ágúst Thorsteinsson states that he believes the existence of Marorka has a positive impact on Iceland, because they are employing people and are exporting products – though this is more of a general expectation of firms. Hence, the CSR opportunity of decreasing fuel emission is not exploited in Marorka’s operations. Marorka does not use CSR externally towards customers or suppliers.

The only way CSR seems to be a part of Marorka is in the internal communication and in some parts of the corporate culture. Dr. Jón Ágúst Thorsteinsson believes that Marorka’s employees are working as hard as they are, at a low salary, because they feel they are part of a bigger mission – to reduce fuel emission on a global scale (MA-2). Moreover, as CSR is not mentioned as a focus area by the employee interviewed (MA-3), it is argued that the exploitation of the CSR opportunity within Marorka is practised only at managerial discretion on an individual level.

**Focus: Zealand Care**

The integration of CSR in Zealand Care is very limited when looking at the company as a whole. Zealand Care involved professional users in their product development, but this has been done from the business argument of being as competitive as possible and delivering the best products to their immediate customers, and not because there is a social responsibility towards these stakeholders. CSR is not exploited as an opportunity within Zealand Care’s business operation and is not used in any way in the interaction with their stakeholder on a general basis. Bjarne Henneman’s concern and understanding for the end-users show that there is social consideration towards this group, but this perspective is only shown in one person within Zealand Care, Bjarne Henneman himself. Hence the exploitation of the CSR opportunity in Zealand Care is mainly focused on the actions of Bjarne Henneman. Zealand Care has exploited the CSR opportunity at an individual level, as it is not part of the business operation in any way, but is manifested in Bjarne Henneman’s reaction towards the stakeholders.
Parans
In Parans the exploitation of CSR as an opportunity is very limited. Several of the respondents mentioned the lack of focus on the CSR opportunity during the initial identification stage (PA-2, PA-3). However, after commercialisation of the sunlight optic-fibres, Parans has won several sustainability prices, which have made the founders of Parans aware of the opportunity to market Parans as a sustainable product (www.parans.com). In this way Parans has reacted on the CSR opportunity quite late in the entrepreneurial process, but only as a marketing-scheme. Because Parans has chosen to use sustainability as a marketing side of their product, it could be argued that the exploitation of CSR was on an organisational level, as it refers to specific circumstances of their product. However, at the time of the data collection it was only used at specific promotion activities. Moreover, it is mentioned in the interviews that the main focus on CSR exploitation and integration is mainly pushed and pursued by one of the co-founders, Bengt Steneby. Therefore the managerial discretion of the CSR opportunity exploitation in Parans is happening on an individual level.

Organisational Level
It has not been possible to identify any company in the case sample that represents the exploitation of CSR on the organisational level.

Institutional Level
The cases of Audur Capital, Clewer, MyC4, Noir, and Think Global, all show that the CSR opportunity is exploited throughout the business operations, as well as outside the companies’ own boundaries. In the following, each case will be reviewed in relation to the exploitation of CSR on the institutional level.

Focus: Audur Capital
In Audur Capital, CSR is integrated in all parts of business operations. They have exploited CSR as an opportunity by transforming it into a business opportunity in the financial sector. By identifying the need to have a company based on social values within the financial sector, Audur Capital has created their own niche. Audur Capital is relating CSR to every process within their business, project portfolio, guidance of customers, internal practices and through creating a fund to support women in the 3rd world. This shows that Audur Capital has reacted on a general legitimacy level, and is therefore representing a reaction to CSR on an institutional level.

Clewer
The water purification system company Clewer has integrated CSR in its product, and it is not just in the technical features of the product and thereby its function of cleaning wastewater. In alignment with the product’s function and goal, all materials used in developing the product
are naturally decomposing elements. Hence, CSR has been reacted on to be a full part of the business, and CSR is integrated in both the production of the water purification system and the product’s lifecycle. The exploitation of the CSR opportunity in Clewer has therefore focused on a broader sense of legitimacy towards society and hence it can be suggested that Clewer reacted to the opportunity on an institutional level.

**Noir**
Noir, the high fashion company, has integrated CSR in its supply chain both in terms of fair-trade materials, as well as ecological materials. In addition, Noir has exploited CSR as a opportunity to produce their own 100% ecological cotton, which they are not just going to use in their own production, but also intend to sell to other brands in three different price categories (NR-2). A fund is created from 1% of Noir’s profit, to support the cotton farmers in Uganda – the country where their ecological cotton is produced. But Noir has also used CSR to brand itself, in order to get publicity, and so far it has been a success. So, the integration of CSR in Noir is on all levels of the organisation, and has been exploited both in the supply chain and in relation to their customers. This shows that Noir has reacted on a general legitimacy level towards society, and thereby represents a reaction on CSR as an opportunity on an institutional level.

**MyC4**
As shown in the MyC4 case study, the business model is based on the vision of eradicating poverty within the year of 2015, suggested the Millennium Goals. This indicates that CSR is the building blocks of MyC4, because through their platform they connect African entrepreneurs with investors around the globe. The thought is, that by empowering African entrepreneurs, it will give a rise in the surrounding society and in that way increase the life quality of more people, than just the borrower – the African entrepreneur. Further, MyC4 has made a fund from their profits, which will go to those projects that have the hardest time getting funded. In this way, CSR is the business of MyC4. Thereby, MyC4 has reacted on CSR as a general legitimacy towards society and through this has exploited the opportunity on an institutional level.

**Think Global**
In terms of production, Think Global emphasises to keep the production as close to the market as possible, in order to reduce fuel emission and cost of shipping. But also the material used to produce the chassis of the electrical AFV is produced in plastic that is 95% recyclable. The choice of the environmental-friendly material enables Think Global to reduce production cost, because steel (normally used in vehicle chassis) is expensive to use in low volume. Furthermore, the choice of the plastic chassis is better for the environment, because it does
not corrode and no painting is used to colour it (TH-1, p. 16). In this way Think Global does show signs of the organisational level’s specific circumstances. However, Think Global has not just reacted to one of the product’s negative impact on the environment, but is actually taking both the production process as well as the products life cycle into account. Furthermore, the focus on creating a company that limits manmade pollution suggests that CSR is incorporated throughout the company. Hence, the exploitation of the CSR opportunity is extended beyond the organisational level, as the company has reacted on CSR as legitimacy towards the society and has exploited the CSR opportunity on an institutional level.

4.3.5 Summary of key points

In the analysis of the case sample’s entrepreneurial process, it has been made clear that the entrepreneurs have tackled the innovations quite differently. At the same time, it has been shown that the entrepreneurs’ prior experiences with CSR related issues also are quite diverse (see table 4.6).

In phase 1 of the conceptual framework, the opportunity discovery, it has been shown that CSR opportunities can emerge from all three sources of opportunities: technical, political and social change. However, technical change (Marorka, Clewer, Parans, Think Global) and social change (Audur Capital, Noir, MyC4) seem to be more common to create entrepreneurial opportunities than political change (Zealand Care)\(^{13}\).

In phase 2 of the conceptual framework, the opportunity evaluation was examined and it showed that the entrepreneurs had different perspectives when evaluating the opportunities. Some entrepreneurs seemed to evaluate only the opportunity on its profit potential and did not show recognition of CSR as a valuable part of the business opportunity, as pictured in the shareholder perspective (Marorka, Parans). Others showed resemblance to the stakeholder perspective, by evaluating the opportunity in relation to how it contributed to their urgent stakeholders (Zealand Care, Noir). And others again took in the effect of the opportunity on society as a whole when evaluating the opportunity, and not just as a business (Audur Capital, Clewer, MyC4 and Think Global).

In the exploitation of the opportunity, the entrepreneurs and the firms have shown very different levels of integration of CSR in the businesses. Some of the firms do not to use CSR as an active part of the business, or when exploiting CSR it is due to one single person in the company or for a single purpose, such as marketing of the product; a sign of the individual

\(^{13}\) Though, this can also be due to the limited political amount of changes in the society or the limited sample of cases.
level (Marorka, Zealand Care and Parans). None of the companies show strong signs of the organisational level of CSR integration. Five companies have shown a high focus on exploiting CSR within the business both in relation to stakeholders, strategy and internal operations. All these represent the institutional level of CSR integration (Audur Capital, Clewer, MyC4, Noir and Think Global).

Below is a figure that summarises the findings from the analysis:

![Figure 4.7: Summarising the analytical findings.](image)

### 5 Discussion

In the previous part, the multiple-case study was presented, the analysis was conducted as well as the findings based on the given empirical data. The entrepreneurial process that took place in the cases have been analysed in order to investigate any relations between the entrepreneur’s prior experience, and the entrepreneurial process. In this part, different elements from the analysis will be linked and compared across the cases in order to discuss the deviation and the general tendencies within each process component. This is done in order to establish an understanding of the relation between prior CSR related experience and CSR-driven innovation. The discussion will be organised into two sections: the first is based on the findings from the analysis. In this section it will be established how prior CSR related
experience can be related to the process components and the entrepreneurial process as a whole.

The second section is linking the entrepreneurial process to CSR-driven innovation. Four general tendencies in the case samples will be presented with focus on the relation between prior CSR related experience, the entrepreneurial process that took place and CSR-driven innovation. Through relating the result from the first part of the discussion to CSR-driven innovation, the second section will discuss if CSR in fact has been a driver in any of the companies in the case samples and whether it can be related to the entrepreneurs’ prior experiences.

5.1 How prior CSR related experience affect the entrepreneurial process

The focus on the relationship between the CSR related experience and the affect on the entrepreneurial process, relates to the theoretical discussion of how prior experience affect the entrepreneurial process (as presented in part 2, the conceptual framework).

The following section will firstly deal with the different sources of opportunity discovery of entrepreneurial CSR opportunities and a continuous relationship to the prior CSR related experiences of the entrepreneurs. Subsequently, the entrepreneurs’ evaluation of the CSR opportunity and how this evaluation can be linked to prior CSR related experience will be discussed. This is followed by a discussion of how the entrepreneurs exploit the CSR opportunity in the business, and how this can be correlated to the entrepreneurs’ prior CSR related experiences.

5.1.1 Opportunity discovery and prior CSR related experience

From the findings it is evident that there are different sources of CSR opportunities, since all three sources, technological, political and social changes are represented in the multiple-case study, as showed in the table below:
Table 5.1: Different sources of CSR opportunities

As the opportunity discovery takes place when the sources of opportunity and the entrepreneur coincide, the experience of the entrepreneur plays an important part in the opportunity discovery. But in order to understand, how important prior CSR related experience is in terms of the discovery of a CSR opportunity, a discussion will be given of how these types of experiences might be related to the discovery of opportunity from the three different sources.

5.1.1.1 Hidden CSR opportunities
When examining the discoveries of opportunities related to technological changes, one relevant tendency is the entrepreneurs’ prior experiences relation to the technological change identified. In the cases that involved a response to a technological change (Clewer, Marorka, Parans and Think Global) the entrepreneurs had prior work related experiences from the industries in which the opportunities were later implemented (Klepper & Sleeper, 2005 and Cooper & Dunkelberg, 1987). While work related experience seems important in identifying technological CSR opportunities, only the entrepreneurs in Think Global and Clewer had
prior CSR experiences, which suggest that this type of experience is not crucial in the discovery process for technological sources of CSR opportunities.

One reason why prior CSR related experience does not play a crucial role in the discovery of technological CSR opportunities might be that these types of opportunities often present an increase in efficiency and utilisation of resources (Shane, 2003), thereby making the CSR hidden or embedded in the opportunity. By itself, this will in some instances present an improvement for not only the economical efficiency, but also a more effective use of resources and therefore a lesser strain on the environment. Therefore, the opportunity is not just interesting from a CSR perspective, but also from a cost and production perspective and hence, the experience used to identify the opportunity can just as well be non-CSR related as CSR-related.

Evidence of this is found in the cases of Marorka and Parans. In Marorka the opportunity discovery was an opportunity to create a niche-product that meant a cost-reduction to the targeted customers (Utterback & Abernathy, 1975, Tushman & Anderson, 1986). This discovery was based on an in-depth knowledge of the industry. In Parans the opportunity discovery was related to helping working through the strict regulation of the construction market (PA-2). Therefore in both cases the CSR possibilities of the opportunity was not discovered, moreover both cases are cases where no prior CSR related experience exist, therefore it seems to be correlated to their lack of experience related to CSR. Or put differently, in the cases of Marorka and Parans, the CSR perspective is overseen in the discovery of the opportunity and therefore not fully utilised. Hence, the discovery of CSR opportunities from technological changes can be discovered without any CSR-related experience, because of the link to optimisation the use of resources. Therefore, the CSR opportunity can be hidden in the technological opportunity, and lay undiscovered.

5.1.1.2 Personal ability to manoeuvre in market change
The political change might be the most easily recognised source of opportunity, due to the articulated change in regulations. When examining the case example of Zealand Care the analysis shows that CSR related experience was not put into play when the CSR opportunity was discovered. Instead, according to Bjarne Henneman, the CSR perspective was a part of the municipalities’ demand placed on the new company. The CSR perspective used in Zealand Care seems to merely be a reflection of Bjarne Henneman’s own personal belief and experience, and thus they are not rooted in the organisation.
In contrast to both technological and social changes, political changes are often very disruptive in nature, because they change the structure of the market or reallocate the resources (Sine & David, 2003). Because of its disruptive nature, political change also calls for skills and knowledge that might not have been in the market prior to the change (Schumpeter, 1949). Hence, the work related experiences might not exist when the opportunity emerges, but need to be built in the formation of the new market structure, as in the case of Zealand Care.

Instead, one important factor in the discovery of CSR opportunities, originating from political changes, is the entrepreneur’s ability to utilise opportunities that due to a regulation of the market are no longer unobtainable (Holmes & Schmitz, 2001). Further, it is the ability of the entrepreneur to handle the change in the market and utilise the new structures that is crucial in the opportunity recognition. Therefore, the prior work related and CSR related experience of the entrepreneur in relation to opportunities, are not crucial in the CSR opportunity discovery related to political changes. Instead, the discovery of opportunities related to political changes is much more dependent on social ties and the entrepreneur’s personal ability to effectively link the new opportunity to the political motivation for the change.

5.1.1.3 Partnerships between entrepreneurs
As social changes create opportunities because they affect how people allocate their resources (Gum & Martin, 1977), the CSR opportunity related to social changes is closely related to the change in customers’ lifestyles, trends and preferences towards a more social responsible livelihood. Therefore, in the discovery of CSR opportunities related to social changes, the entrepreneurs’ prior CSR experience seems to be the key factor. As supported by the cases, Audur Capital, Noir and MyC4, the entrepreneurs had prior experience with CSR that were addressed in the opportunity utilised. Hence, the prior CSR experience played a crucial part in recognising the social change as an opportunity.

But what is also interesting with the three cases that involve a respond to a social change, is that they all represent a partnership of two persons with diverse experiences. In two of the cases, Noir and Audur Capital, this special partnership is very clear. In these cases, one of the entrepreneurs had experience with CSR, while the other had experience from the industry or market targeted. This suggests that both types of experiences, work-related and CSR-related, are relevant in the discovery process of opportunities related to social changes. Because of the nature of social changes the combination of experiences are necessary to identify the opportunity. The work experience is needed to perceive the market potential and in the
commercialisation of the innovation. The CSR experience is needed to identify the issues of how to incorporate the impact on society in the innovation.

This shows that these types of CSR opportunities are both related to the specific market and a change in the value-mindset of the customers (Tempest et al., 2002). Hence, the recognition of CSR opportunities related to social changes are much more dependent on the entrepreneurs ability to both have a prior understanding of the market and the value-mindset of customers. Moreover, as there is a change in the needs and wants of customers (Dawkins and Lewis 2003, WWF, 2006, UNEP, 2002). This means that opportunities for CSR within different industries are growing. It is important to notice that our research suggests that to be able to see these opportunities, both the entrepreneur’s prior work related and CSR related experience play a crucial role, and allows for the entrepreneur to recognise a social change as a CSR opportunity.

The fact that the results show that there is a partnership in all of the social change companies, might reflect that the combined experience of work and CSR are rare to find in one single individual. And thereby CSR as an experience is not yet very diffused in society. That the existence of prior CSR related experiences are still rare in large part of the industries, means the need of combined experiences are necessary in order to both identify the business potential and the CSR potential of the opportunity. This especially can be relevant in social changes, as there is no evidence for any possibilities of hidden CSR opportunities as discovered in technological changes. Therefore the CSR opportunity in social changes needs to be actively sought after to incorporate in the opportunity and further to make it into a profitable business.

However, the above result is not conclusive since in the case of MyC4, none of the entrepreneurs had worked with micro banking or investments. However, Mads Kjær had extensive experience with the African NGO community and the African market structure. Tim Vang, on the other hand, had entrepreneurial experience, as he had in the past started his own firm. This raises the issue of what type of experiences (work and CSR) that are necessary, in order to discover a CSR opportunity. However, as this is beyond the scope of this thesis, we will not speculate further on this issue, but note its relevance for future studies.
5.1.1.4 Summary of opportunity discovery and prior CSR related experience

The discussion given above confirms the existence of a relation between the entrepreneur’s prior CSR related experience and the discovery of CSR as an opportunity as assumed in the introduction, more importantly it shows the affect which prior CSR related experience has on the opportunity discovery phase. The research that this thesis is based on show that no identification of CSR as an opportunity can happen without prior CSR related experience, no matter what type of external change is reacted on. However, this does not mean that the CSR opportunity cannot be hidden or regulated into the final innovation. Therefore, a clarification of how CSR affects the following entrepreneurial process is still needed, in order to answer if CSR can drive an innovation for entrepreneurial firms.

5.1.2 Opportunity evaluation and prior CSR related experience

The findings show tendencies, which suggest how CSR affects the opportunity evaluation. These tendencies can help understand how CSR related experience affect the opportunity evaluation process component of the entrepreneurial process and will be dealt with in the following.

<table>
<thead>
<tr>
<th>CASES</th>
<th>Entrepreneur</th>
<th>Work experience relevant to the opportunity</th>
<th>Prior CSR related experience relevant to the opportunity</th>
<th>Evaluation of CSR, the perspective applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marorka</td>
<td>Dr. Jón Ágúst Thorsteinsson</td>
<td>Yes</td>
<td>No</td>
<td>Shareholder</td>
</tr>
<tr>
<td>Parans</td>
<td>Marcus Fransson, Nilsson, Bengt Steneby and Torsten Matsson</td>
<td>Yes</td>
<td>No</td>
<td>Shareholder</td>
</tr>
<tr>
<td>Zealand Care</td>
<td>Bjarne Henneman</td>
<td>No</td>
<td>No</td>
<td>Stakeholder</td>
</tr>
<tr>
<td>Noir</td>
<td>Peter Ingwersen and Annelise Ryberg</td>
<td>Yes</td>
<td>Yes</td>
<td>Stakeholder</td>
</tr>
<tr>
<td>Audur Capital</td>
<td>Halla Tomasdottir and Kristin Petursdottir.</td>
<td>Yes</td>
<td>Yes</td>
<td>Societal</td>
</tr>
<tr>
<td>Clewer</td>
<td>Eså Mäkinen</td>
<td>Yes</td>
<td>Yes</td>
<td>Societal</td>
</tr>
<tr>
<td>MyC4</td>
<td>Mads Kjaer and Tim Vang</td>
<td>No</td>
<td>Yes</td>
<td>Societal</td>
</tr>
<tr>
<td>Think Global</td>
<td>Dr. Jan Olaf Willums</td>
<td>Yes</td>
<td>Yes</td>
<td>Societal</td>
</tr>
</tbody>
</table>

*Table 5.2: Different perspective used to evaluate the CSR opportunity.*
5.1.2.1 Focus on the business opportunity – not on CSR

The cases in which CSR is viewed from a shareholder perspective, there is a unanimous tendency, which show that none of the entrepreneurs have any prior CSR related experience. In both the cases, Marorka and Parans, the experience from the industries have been the driving factors in the evaluation of the opportunities. Where the focus in the case of Marorka has been on optimising the fuel efficiency, for an economic benefit for the maritime industry, the focus of Parans has been on creating a different and easier incorporation of sunlight in buildings. The opportunity evaluation in relation to CSR has been a ‘stumble-upon’ process (Shane, 2003), and occurred much later in the process after the product commercialisation had taken place, and even originated from external stakeholders (as noted in the analysis). The correlation between the absences of prior CSR related experience in the evaluation process is therefore hardly coincidental. This suggests that the evaluation process of the CSR opportunity is greatly affected by the lack of prior CSR related experience, as CSR was never evaluated as an opportunity. More precisely, as there was no prior CSR related experience, CSR was seen as merely a positive side-effect of the opportunity if even at that, instead of a possibility for opportunity exploitation. The focus of the evaluation was instead spurred by prior work experience. The analysis shows that this lack of prior CSR related experience have affected the entrepreneurs’ evaluation process by prohibiting them to identify CSR as a possible driving factor in the entrepreneurial process.

5.1.2.2 CSR as a business opportunity

In the cases in which CSR was evaluated from a stakeholder perspective, the cases showed differing results. However, one of the cases, Zealand Care, in itself reflects a disruptive type of entrepreneurial firm, and also shows interesting results in the analysis. As mentioned previously, the business plan and purpose was already agreed upon when the entrepreneur was identified. The Zealand Care business plan was already built around a CSR perspective by the municipalities, and the entrepreneur himself, was not part of this development. Moreover, Zealand Care is working in a public market, meaning that the buyer is only one institution, and a very demanding institution at that. Therefore, Zealand Care is forced to incorporate the customers, being the official caretakers. This makes the stakeholder perspective of CSR embedded in the business of Zealand Care, as it is expected from the outside municipals. Hence, in the case of Zealand Care, CSR was already regulated into the evaluation process and subsequently into the company. This proves that companies that are created from a political opportunity and by political hand can be regulated into evaluating
their opportunity from a specific CSR perspective. However, in the case of Zealand Care, the focus on CSR is limited to their urgent stakeholders, as required by the customers (the municipals), but the company does not show signs of emphasising CSR further. Thereby, they do not perceive the full value of the CSR opportunity.

For both cases a unified experience can be identified, which is partly an understanding of business, and partly an understanding of customers’ specific CSR related needs. The major, and most important, difference between the two firms, however, is the basis for their evaluation process. In the case of Zealand Care, the evaluation is based on dependence of its only customer, the Zealand municipalities. Therefore, it is immensely important for them to assess and prioritise the needs of their customer before anything else, making the need of the municipals, and their value system, a priority in Zealand Care’s evaluation process. The evaluation in Noir, however, is more specified around creating a product, which fulfils the needs identified by the entrepreneurs, and because of this a close relation to stakeholders is important.

However, what is common for both cases is that business is the foremost motivation. Each entrepreneur first considered the business idea, and then the areas related to CSR was either incorporated throughout the business, Noir, or regulated into the business as in the case of Zealand Care. Evaluation from a stakeholder perspective therefore becomes a conscious choice to build a business on the needs of the market; whether or not these are CSR related is not the crucial thing, but merely an opportunity to take advantage of. It is noticeably clear, in regards to the stakeholder perspective, that the business opportunity was the main motivation in both cases.

**5.1.2.3 CSR as the goal of the business**

In all the cases representing the societal perspective, there is a clear tendency that the entrepreneurs had prior CSR related experiences. Notably, in 3 (Audur Capital, MyC4, Think Global) of the four societal cases (Audur Capital, Clewer, MyC4, Think Global) an active search for a CSR opportunity was conducted. For example, in the Think Global case, it was a specific desire to keep working with renewable energy; a focus that had been built up during the years. What is important about these evaluation processes is that although the focus is to create a liable business, the CSR goal of the companies are in each case mentioned as more important than the possibility of creating a profit. Although each company is built on the expectation of making a profit in the near future, it was the possibility to make an impact while being profitable that was the primary reason for starting the ventures.
The motivation for the evaluation seen in each case was primarily based on creating a change or solving a societal problem. More importantly, this interest was in each instance based on prior CSR related experience. In the case of MyC4, one of the entrepreneurs had firsthand experience with the problems of poverty in Africa. The entrepreneurs of Audur Capital both had firsthand experiences with the problems of empowering women, Dr. Jan Olaf Willums (Think Global) had worked with renewable energies for many years, and Clewer was started with the aim of minimising the impact of the chemical industry on the environment. Moreover, it seems that the values gained by the entrepreneurs, through their prior experiences with CSR related issues created a desire to, through business opportunities, improve these troublesome areas. Therefore, in each of the cases, the evaluations of the CSR opportunities were built on their desire to help make a positive impact on society. In all cases, this desire was related to some form of prior experience with CSR related issues.

5.1.2.4 Summary of opportunity evaluation and prior CSR related experience

The discussion above shows the extent of how the entrepreneur’s prior CSR related experience affect the evaluation of CSR as an opportunity. In the cases where no prior CSR related experience exists, a tendency to focus on the shareholders of the companies is seen. Thereby it would seem that a lack of prior CSR related experience affects the opportunity evaluation towards a shareholder perspective. Zealand Care represents the only case that, although no prior CSR related experience were present, succeeded in evaluating their business from a different perspective. However, as shown by the results, this seems to be merely a reflection of the municipals’ influence on the company. Proving that within political opportunity identification there is a possibility for the governmental power to affect the company in such a way as to even regulate the evaluation process. Contrary to this, in the cases where prior CSR related experience were present, it is seen that the opportunities are evaluated mainly from a societal perspective. Noir is the only exception to this. However, this case shows that the evaluation from a stakeholder perspective was a clear choice made by the entrepreneur as the societal perspective was consciously dismissed. Therefore, it seems that in regard to the evaluation process, prior CSR related experience enables the entrepreneur to choose the affect of CSR. In contrast, a lack of prior CSR related experience hinders the entrepreneur to see the CSR opportunity from other than a shareholder perspective.
5.1.3 Opportunity exploitation and prior CSR related experience

From the analysis it is clear that the case companies have exploited CSR very differently and to very different degrees within the businesses. Two levels of CSR exploitation have been identified: the individual and the institutional level (Wood, 1991, Clarkson, 1995).

<table>
<thead>
<tr>
<th>CASES</th>
<th>Entrepreneur</th>
<th>Work experience relevant to the opportunity</th>
<th>Prior experience with social or environmental responsibility</th>
<th>Level of exploitation of the CSR opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audur Capital</td>
<td>Halla Tomasdottir and Kristin Petursdottir</td>
<td>Yes</td>
<td>Yes</td>
<td>Institutional</td>
</tr>
<tr>
<td>Clewer</td>
<td>Esä Mäkinen</td>
<td>Yes</td>
<td>Yes</td>
<td>Institutional</td>
</tr>
<tr>
<td>MyC4</td>
<td>Mads Kjær and Tim Vang</td>
<td>No</td>
<td>Yes</td>
<td>Institutional</td>
</tr>
<tr>
<td>Noir</td>
<td>Peter Ingwersen and Annelise Ryberg</td>
<td>Yes</td>
<td>Yes</td>
<td>Institutional</td>
</tr>
<tr>
<td>Think Global</td>
<td>Dr. Jan Olaf Willums</td>
<td>Yes</td>
<td>Yes</td>
<td>Institutional</td>
</tr>
<tr>
<td>Marorka</td>
<td>Dr. Jón Ágúst Thorsteinsson</td>
<td>Yes</td>
<td>No</td>
<td>Organisational</td>
</tr>
<tr>
<td>Parans</td>
<td>Marcus Fransson, Nils Nilsson, Bengt Steneby and Torsten Matsson</td>
<td>Yes</td>
<td>No</td>
<td>Individual</td>
</tr>
<tr>
<td>Zealand Care</td>
<td>Bjarne Henneman</td>
<td>No</td>
<td>No</td>
<td>Individual</td>
</tr>
</tbody>
</table>

Table 5.3: Different levels of exploitation of the CSR opportunity

As it has been shown, the ability to discover and evaluate CSR as an opportunity is highly affected by the entrepreneur’s prior CSR related experience. In the following, the cause and effects between the level of CSR exploitation and the entrepreneur’s prior CSR related experience are discussed.

5.1.3.1 Low integration of CSR

Three cases involve the exploitation of CSR on the individual level, Marorka, Parans, and Zealand Care. In these cases, no prior CSR related experiences was identified from the analysis. In the three cases, CSR is at best exploited as a marketing scheme or internal motivational factor, as done in Parans and Marorka. However, Parans’ exploitation of CSR has taken place following the entrepreneurial process, as CSR was firstly discovered as an opportunity after external interest had been paid to the product in terms of various sustainability awards and relevant newspaper articles. Therefore, it can be argued that the
exploitation of CSR in Parans was not realised as a part of the initial opportunity by the entrepreneurs, even though it, to some extent, is present in the current business processes. The same can be said for Marorka which to date, still has no focus on measuring the CSR contribution of their product, and only views it as a positive internal motivational factor. The CSR exploitation in Zealand Care is mainly based on the desire to ensure a positive relationship with the regulatory powers, and to some extent the entrepreneur’s personal concern for the disabled end-users. The three cases indicate that the lack of prior CSR related experience have obstructed the entrepreneurs in integrating CSR in their products as an incorporated part of the company’s business plan and hence, exploiting the CSR issue in the opportunity identified.

5.1.3.2 High integration of CSR
The last five cases, Audur Capital, Clewer, Noir, MyC4 and, Think Global in the case study have exploited CSR in the business on the institutional level and are all cases where prior CSR related experience exists. The way CSR is exploited is very different in the companies, from using environmental friendly material over fair-trade to supporting a cultural change by empowering women. But mainly it shows that prior CSR related experience allows the entrepreneur to fully exploit the CSR opportunity throughout the CSR innovation.

Another relevant and interesting tendency is the fact that all five cases represent examples where CSR related experience is connected to prior work experience, as in the examples of Audur Capital’s Halla Tomasdottir’s work with the empowerment of women or Think Global Dr. Jan Olaf Willums’ various representations in sustainable and environmental development boards.

The results therefore confirm that prior CSR related experience impact the entrepreneur’s ability to exploit the CSR opportunity throughout the business, showing that no prior CSR related experience halts the exploitation of the CSR opportunity within the business. In fact, the only cases succeeding in exploiting the CSR opportunity fully all have prior CSR related experiences. All in all, this shows that in order to fully incorporate CSR in the business operations the entrepreneurs need to have prior CSR related experiences.
5.1.4 CSR Related Experience Affects the Entrepreneurial Process

In the cases where no prior CSR related experience is present, all three process components, the discovery, evaluation and exploitation, are affected by the absence of prior CSR related experience.

Moreover, there is clear evidence of a chain reaction, which can be explained by the somewhat continuous process which the entrepreneurial process present. As CSR is not identified as an opportunity in the discovery process, the evaluation and exploitation phases are each affected by this. Although the research shows that the effects can be mitigated in political changes with the regulatory effects of the governmental institutions, there are still clear tendencies towards the lack of focus on the CSR opportunity. From this results it can therefore be argued, that prior CSR related experience affects the entire entrepreneurial process.

5.2 Prior CSR experiences as a given for doing CSR-driven Innovation

As the discussion given above relates to the subject matter of the second research question, it can help answer if CSR can drive the innovation in the entrepreneurial firms - which relates to the first research question. As the results enable a further discussion of prior CSR related experience affect on the entrepreneur’s ability to create CSR-driven innovation, the following section will address this. However, firstly a short summary of the argumentation of the relation between CSR-driven innovation and the entrepreneurial process will be given (as presented in part 1, the introduction).

As the outcome of the entrepreneurial process is the innovation, the factors that continuously push the process forward can be said to be driving the invention towards the final result: the innovation. The concept of innovation-driver has not yet been explored, and especially the issue of how a concept as CSR can drive an innovation process has not previously been examined (Hockerts & Morsing, Wokring paper 2009). As stated earlier, a driver is something that ‘urges something onwards’ (web: Oxford English Dictionary, 1989). Relating this to the concept of CSR-driven innovation, an identification of CSR as a part of the process of discovery, evaluation and exploitation would be expected, in order for it to be classified as CSR-driven innovation.

14 How does prior CSR related experience affect the entrepreneurial process?
15 How can CSR act as a driver for innovation in entrepreneurial firms?
From the results, it has been shown that the entrepreneurial process is affected by the absence of prior CSR related experience. Relating this to the argument given above, the absence of prior CSR related experience affects the overall process. If CSR is not recognised as a part of the opportunity identified in the discovery process, it affects the evaluation process as it obstructs the entrepreneur from evaluating the opportunity from anything else than a shareholder perspective. This again hinders the exploitation of the CSR opportunity and the integration of opportunity into the business, and therefore into the innovation. Therefore, if the CSR opportunity is not integrated from the beginning of the entrepreneurial process, it can be suggested that the innovation has not been driven by CSR. This in turn means that in order to conduct CSR-driven innovation the entrepreneur has to have CSR related experience.

Relating the argument to the case samples, the three cases of Marorka, Parans and Zealand Care can therefore not be said to be CSR-driven innovation companies, as none of them have incorporated the CSR opportunity throughout their entrepreneurial process. However, this does not suggest that the firms in the case of Marorka, Parans and Zealand care are not CSR firms; instead it suggests that they are CSR firms by accident. In each of these cases the CSR innovations occurred by accident, as a side-effect of the innovation in question. As these cases show, CSR can be hidden in the opportunity and therefore CSR innovations are possible without prior CSR related experience. Instead experiences such as work or external regulations play crucial roles in these cases. However, the entrepreneurial process will not be driven by CSR, as the CSR opportunity is not recognised. Moreover, this will have consequences for the integration of CSR in the innovation, as the CSR opportunity will not be fully exploited throughout the entrepreneurial process. However, it is important to remember that this does not make the innovation less relevant or beneficial for society. Although the case study shows that true CSR-driven innovation happens only as a result of the entrepreneur’s prior experience in CSR related areas, it is possible to effect society in a positive way through ones business, without exploiting ones CSR opportunity to the fullest of ones extent. These companies are still CSR companies, creating CSR innovation. Our argumentation is merely that CSR can act as a driver for innovation in entrepreneurial firms, but only in cases where the entrepreneur has prior CSR related experience.

The true CSR-driven innovation companies are those who have throughout the entrepreneurial process been urged foreword by the CSR opportunity of their business. In the case study these are: Audur Capital, Clewer, MyC4 Noir and Think Global. All these companies did not only see the fiscal part of the opportunity but identified, evaluated and
exploited the CSR opportunity as a business opportunity. Thereby making them truly CSR-driven innovation companies.

5.2.1 How CSR Can Drive an Innovation?

In the section above, it has been discussed how the entrepreneur’s prior experience have effected the 3 different process components of the entrepreneurial process. Further, it has been shown that prior CSR related experience is necessary in order to conduct CSR-driven innovation. However, it has also been shown that prior CSR related experience are not a necessity, in order to create CSR innovation, or CSR by accident innovation. Looking at the results there are some definite tendencies relating to how CSR drives the entrepreneurial process.

![Figure 5.1: How prior CSR related experience affects the entrepreneurial process](image)

5.2.1.1 Tendency A & B: CSR Experience as a Determining Factor

The first two clear grouping of cases are the tendencies A & B that are related through the source of opportunity. These cases are the ones in which the entrepreneur utilised technological change as the offset for the opportunity identification. Two segments are identified within technological change, and divided on the shareholder and societal perspective. The entrepreneurs in the two cases of Marorka and Parans, viewed the opportunity from a shareholder perspective, and have not fully integrated CSR in their company. In both of these two cases the entrepreneurs did not have any prior CSR related
experience. In contrast, the entrepreneurs in the other two cases, Clewer and Think Global, all had prior CSR related experience. This distinction between the two groupings of cases suggests that within technological change, the prior CSR experience has a huge affect on the evaluation and exploitation of the product, but not so much on the ability of the entrepreneur to discover the opportunity on a technical measure. This again suggests that within technological change there is a possibility to utilise a CSR opportunity without prior CSR related experience. This is mainly because CSR can be a hidden part of the opportunity, as technological change often has a focus on optimisation and effectiveness.

However, it is interesting that none of the four cases, derived from technological change, represent a stakeholder perspective. One reason could be that if an entrepreneur was to discover an opportunity related to technological changes and recognise its CSR potential, the utilisation of CSR could be rather easy to realise, as the effect on the environment could be embedded in the opportunity. Therefore, the extra effort needed to utilise the CSR opportunity from a stakeholder perspective, instead of the societal perspective, can be perceived as trivial. However, as there is no case sample for technological change evaluated on a stakeholder perspective in the data sample, this issue needs further research in order to be resolved.

It can be suggested that as both Parans and Marorka, the cases representing the shareholder perspective, are currently moving towards a stakeholder perspective. After the entrepreneurial process, both companies have received a lot of positive publicity on the CSR possibilities and environmental friendly aspects of their solutions. This has made the companies recognise the previously overlooked CSR potential and they are now focusing on this perspective in their marketing. This suggests that if opportunities are based on technological changes with hidden CSR potential, the existence of prior CSR related experience would determine whether or not, the opportunity is exploited as a CSR opportunity. Meaning that, if prior CSR related experience existed, that this could be utilised throughout the evaluation as either stakeholder or societal perspective, depending on the entrepreneur.

In conclusion, it can be stated that in CSR opportunities identified through a technological change, CSR can either be utilised unintentionally or intentionally. Whichever it is seems to depend on the prior experience of the entrepreneur; therefore, if the entrepreneur has prior CSR related experience, it makes him/her capable of discovering the CSR opportunity. However, if no prior experience within CSR related areas exists, then the CSR opportunity can still be hidden in the opportunity and the innovation becomes a CSR by accident innovation.
5.2.1.2 Tendency C: CSR Embedded Through Regulation
The one case that is referred to as tendency C is Zealand Care. As it is the only case sample that represents political changes as an opportunity, it is impossible to generalise how this type of discovery is related to the process of evaluation and exploitation. However, as the opportunity for the creation of Zealand Care is based on political changes and the founding of the firm stems from several public stakeholders, it makes sense that the evaluation of the opportunity was not just based on the business opportunity. Due to the political desire to provide better and cheaper care-service to the citizens, the focus had from the start been on more than just the success of the company itself. Therefore, it can also be assumed that in most other cases of opportunities related to political change where the public sector has a stake in the opportunity, the focus will be broader than the business itself. Moreover, the close bond that political companies as Zealand Care have with the public sector creates different motives for their behaviour, as seen in the evaluation of Zealand Care. This suggests that the CSR opportunity can be embedded, from political hand, without the CSR focus originating from the company itself.

Therefore, with political changes the CSR opportunity can be embedded into the opportunity through regulation. Although, it is possible to imagine scenarios where the entrepreneur could integrate CSR in the company, without pressure from the public administration. However, as there are no cases to illuminate this, no further speculation will be done on the possibilities within this area.

5.2.1.3 Tendency D: CSR-driven Through Experience
The last tendency in the case sample is grouped in tendency D. As previously argued, identification of CSR opportunities from social changes are both dependent on the entrepreneur’s work experience in terms of market knowledge, and on the entrepreneur’s prior CSR related experience. Therefore, the cases of Audur Capital, Noir and MyC4 all have assessed the opportunity from both its CSR potential and business potential. The argument is, that if the entrepreneur does not have any prior CSR related experience, he or she would not be able to identify the social change related to a CSR opportunity. Therefore, the cases, which have utilised a social change, are interesting in that they have not evaluated the opportunity from a shareholder perspective, but from either a stakeholder or societal perspective. In contrast to the CSR opportunities based on technological changes, the cases of social change each presents a conscience choice of either going with the stakeholder perspective or the
societal perspective. This is especially reflected in the two cases of Audur Capital and MyC4, where the starting point was CSR and the business potential subsequently was built around the CSR opportunity identified.

Therefore, it suggests that in CSR opportunities identified based on a social change, the CSR opportunity is only identified, evaluated and exploited as a CSR opportunity based on prior experience of the entrepreneur. As social changes are based on trends in the society, this explains the importance of knowing your market and customer from past experience. Therefore, the present study confirms that it is not possible to conduct CSR innovation of any type, based on social changes, without prior experience within CSR related areas.

A summary of the results can be seen in figure 5.2:

![Figure 5.2: How prior CSR related experience drives the innovation process.](image-url)
The figure shows the unique relationship that exists between prior CSR related experience and the final outcome of a CSR opportunity.

### 5.2.2 Summary of Discussion

The presented research shows how prior CSR related experience affect the entrepreneurial process. It firstly suggests that the need for prior CSR related experience fluctuate depending on which source of opportunity the entrepreneur utilises. However, one common trend in the results is that in order to consciously utilise a CSR opportunity throughout the entrepreneurial process, there is a need for prior CSR related experience. This is based on the results of how CSR affects the individual process components of the entrepreneurial process. Regarding the exploitation process component the results affirm that a consciously integrated CSR solution demands prior CSR related experience.

Moreover, when examining the first process components of the entrepreneurial process (discovery) it seems that the existence of prior CSR related experience is not crucial. As mentioned, within technological changes the CSR opportunity can be hidden and therefore no prior experience within CSR related areas are necessary in order to utilise the CSR opportunity in the discovery process component. However, this does not mean that the entrepreneur identifies the CSR opportunity; it implies that the presence of CSR in the company happened by accident, as the CSR opportunity was hidden within the identified entrepreneurial opportunity. Both the Marorka and the Parans cases are examples of cases which all failed to identify the CSR opportunity to their fullest extent, as the CSR opportunity is a hidden opportunity in both of the cases. In contrast the cases, which reacted on social change all identified the opportunity as CSR. This suggests that prior CSR related experience is necessary in order to identify a CSR opportunity related to a social change. The prior CSR related experience become imperative for the discovery of opportunities based on social change. The research suggests that in order to identify a CSR opportunity and fully utilise it throughout the entrepreneurial process, experience within CSR related issues is necessary.

Moreover, the prior CSR related experience was also shown to greatly affect the evaluation of the opportunity, as unifying results show that no prior CSR related experience led to a shareholder evaluation. Contrasting were the cases where prior CSR related experience existed and an evaluation was made on the basis of the societal perspective. The cases that evaluated the opportunity from a shareholder perspective included cases where there existed external regulatory effects and a market driven motivation.
Collectively, the results presented above suggest that in order for CSR to be present as a key factor and thereby a driver, throughout the entrepreneurial process, the entrepreneur needs to have prior CSR related experience.

The premise of a driver as a permanent ‘urging’ factor in the process development towards an innovation implies that CSR need to be part of the whole entrepreneurial process, in order to be a CSR-driven innovation. Relating this argument to the results presented, it can be affirmed that CSR-driven innovation needs to be conducted by an entrepreneur with prior CSR related experience, to be driven by CSR. Moreover, this also implies that three of the cases from the case study, Marorka, Parans and Zealand Car, do not involve CSR-driven innovation.

In the section above, it has been shown that prior CSR related experience positively affects the entrepreneur's ability to incorporate CSR in the entrepreneurial process. Showing that although CSR innovation can happen without prior CSR related experience it is only possible within political or technological changes, and in these cases the CSR opportunity is then embedded or regulated into the business opportunity.

Based on this, it can be concluded that the findings presented above support that CSR can drive innovation, but only through the experience of the entrepreneur.

Furthermore, our results suggest that CSR experience governs how one reacts on an external market change of CSR opportunity. Indicating that technological change can bring either CSR by accident or CSR-driven innovation, political changes can bring CSR by regulation or CSR-driven innovation, and that social changes presenting a CSR opportunity only can be discovered if prior CSR related experience exists.
6 Conclusion

So far, little research has been done in relation to CSR and innovation in the entrepreneurial firm (Larson, 2000, Spence and Rutherford, 2001). In this master thesis we set out to explore this gap. A multiple-case study of 8 CSR firms was presented in order to answer the theoretical question regarding how CSR can drive innovation in entrepreneurial firms. In order to answer this, the relationship between prior CSR related experience and CSR-driven innovation in the entrepreneurial firm were investigated. The analysis has therefore focused on examining how prior CSR related experience affect the entrepreneur’s ability to integrate CSR as a driver in the entrepreneurial process. Thereby, the research contributes to the existing body of literature in the field by developing an understanding of how CSR can be a driver of an innovation process.

6.1 Presenting the conceptual framework

In order to answer this question it was necessary to develop a conceptual framework. A review of the entrepreneurial process was presented together with a review of the existing literature on CSR, and from this the conceptual framework was developed. Anchored in the entrepreneurial process, the model firstly builds on the acknowledged description by Shane & Venkataraman (2000) of the entrepreneurial process as including the 3 elements of discovery, evaluation and exploitation. Relating this overall process to the description by McMullen & Shepherd (2006) on how the process is affected by the entrepreneur’s prior experience, a foundation of the framework was developed. In order to determine whether CSR can act as a driver, an identification of the role of CSR throughout the process was needed. This was done through investigation of whether CSR was part of the opportunity discovery. Moreover by modelling the framework to include CSR literature, it allowed the research of how CSR was evaluated and exploited, while relating it to the prior CSR related experience of the entrepreneur.
The novelty of the framework presented lies in its incorporation of CSR in the variables of the process components. It thereby allows for examination of how CSR was perceived and reacted on in the opportunity discovery, evaluation and exploitation processes of the 8 case studies. The CSR variables are defined as the entrepreneur’s prior CSR related experience, 3 CSR evaluation perspectives, and 3 CSR exploitation levels. This enables the determination of the role of CSR the entrepreneurial process in each of the 8 cases.

6.2 Thesis findings

Our investigation affirms that the entrepreneur’s prior CSR related experience indeed affects his or her ability to discovery, evaluate and exploit CSR in the entrepreneurial process. More importantly it is shown how CSR related experience greatly affects all of the three process components of the entrepreneurial process.

First of all, by showing that CSR opportunities created from technological change, can be hidden in the opportunity. In these cases the opportunity is only identified as a CSR opportunity if prior CSR related experience exist. Thereby showing that the prior experiences are the grounds for identifying and developing a CSR-driven innovation. The results also showed that the individual entrepreneurs ability to manoeuvre in the market place was crucial when dealing with possibilities created from political changes, thereby making their prior experience essential. Interestingly only the entrepreneurs who displayed prior CSR related experience was able to react and identify CSR opportunities based on social changes. Even
more fascinating is the fact that most of these opportunities were based on partnerships between entrepreneurs, where one entrepreneur brought along experience within the industry, and the other on the experience with CSR issue of the opportunity.

Furthermore, our results show that in order to evaluate a CSR opportunity, the prior CSR experience are necessary to make a conscious choice of how the CSR opportunity can be valuable. Moreover, if the initial CSR opportunity has not been identified it hinders the entrepreneur from evaluating the potential of the CSR opportunity. Again our research shows that only the cases, which had prior CSR related experience where able to consciously evaluate the CSR opportunities full potential.

The results are, as we have argued, also affected by the fact that the entrepreneurial process is a process, and therefore the actions of one process component will affect the next. This is clearly shown in the exploitation phase where the results show how important the prior CSR related experience is to fully be able to react on the CSR opportunity presented. Here the effect of prior CSR related experience, created an institutional exploitation of the CSR opportunity. In contrast, the lack of prior CSR related experience made the entrepreneur unable to react on the CSR opportunity from other than his/her individual standpoint.

In conclusion, we have shown how prior CSR related experience affects the entrepreneurial process in depth. The results show a clear tendency in the cases where prior CSR related experiences are absent. Here, the CSR opportunity has not been discovered, evaluated or reacted upon, and therefore is not an integrated part of the entrepreneurial process. However, this does not suggest that the companies have not created CSR innovations; instead it suggests that they are CSR innovations by accident or regulation. This means that their innovation was not driven by CSR. Examples of these are represented by cases such as Marorka, Parans and Zealand Care, where CSR is a hidden part of the opportunity in the two first cases and in Zealand Care CSR has been embedded through political regulations and expectations.

In the cases where prior CSR related experiences exist (Audur, Clewer, MyC4, Noir and Think Global), CSR has been an urging factor throughout the entrepreneurial process. Thereby, these entrepreneurial firms have not just recognised CSR as a business opportunity on the basis of their prior CSR related experiences. The existence of this prior experience has in fact enabled them to let CSR be the driver for the innovation, making them truly CSR-driven innovation firms. The prior CSR related experience has made these entrepreneurs able to not only perceive a general business opportunity, but also given them the ability to perceive CSR as a business opportunity. Because of this, the entrepreneur has used the identified CSR
opportunity to guide and inspire throughout the innovation process. All in all the presented results support the thesis’ research question, and it has shown that prior CSR related experience is necessary in order to conduct CSR-driven innovation and thereby also that CSR drives innovation through the prior CSR related experience of the entrepreneur. Moreover these results show that CSR can act as driver for the innovation, through the entrepreneur’s prior experiences. These results are supported by the tendencies shown in figure 6.2:

![Diagram showing how prior CSR related experience drives the innovation process.](image)

Figure 6.2: How prior CSR related experience drives the innovation process.

### 6.3 Implication for future research

Innovation drivers are not a new concept in innovation theory, but so far little research has been done on how drivers actually drive the innovation process forward. By taking the outset in the entrepreneur as the decision maker in the entrepreneurial firm’s innovation process, this thesis examines how CSR can be a driver of innovation. Through examination of the 3 entrepreneurial process components and the effect of the entrepreneur’s prior CSR related experience, it has been possible to determine which effect CSR has had throughout the process. Thereby, the thesis contributes to the existing research by presenting an understanding of how CSR can be a driver of an innovation process.
Further, the thesis has presented a framework to examine how CSR can be identified in the process. For future research it could be interesting to explore whether the framework of the entrepreneurial process is applicable to other CSR innovation cases, or if it can be used to identify other innovation drivers in the entrepreneurial process.

In the case sample it was not possible to identify a company that represented the organisational level of CSR exploitation. Assuming this is not related to a flaw in the developed model\textsuperscript{16}, future research will need to uncover if this is due to this type of exploitation is extremely rare in CSR innovation companies or if it was only the case sample that had this disproportional representation.

The research conducted in this thesis has implications for the differentiation of who is able to carry out CSR-driven innovations. The findings suggest that the entrepreneur has to have prior CSR related experience in order to integrate CSR throughout the entrepreneurial process and thereby conduct CSR-driven innovation. This has implications for the understanding of the entrepreneur as an individual, as it suggest that the opportunity identification and development is based on idiosyncratic experience and not some inhabited capabilities as suggested by the great person school, the psychological school and leadership school (Cunningham & Licheron, 1991). However, as the entrepreneur’s personality has not been the focus of the thesis, this issue needs further research.

The thesis has shown how prior CSR related experience affects the ability to discover and develop a CSR opportunity. It has also shown that CSR related experience is not necessary in order to conduct CSR innovation. The innovations can be enforced by accidence or by regulation, as shown with entrepreneurs reacting on technological and political changes. For future research, however, it is important to examine if this also holds for other types of opportunity sources.

It has been shown in this thesis that prior CSR related experience is an important factor for an entrepreneurial process to be CSR-driven. However, the research has exclusively examined whether prior CSR related experience was a factor or not. Thereby, it has not been established to what extent CSR related experience is needed in order to conduct CSR-driven innovation. Future research needs to investigate how different amounts of CSR experiences affect the CSR-driven innovation process.

\textsuperscript{16} See Limitations on page 47.
This research has solely examined CSR as a driver in the entrepreneurial firm, and has not gone further to examine the success rate relation between CSR-driven innovation companies and CSR innovation by *accidence* or by *regulation* companies. Therefore, it is still important for future research to examine if there exists difference in the competitive advantages or fiscal success factors between CSR-driven innovation and CSR innovation by *accidence* or by *regulation*.

### 6.4 Managerial implication

The results of the thesis also have some managerial implications. First of all, it implicates that some people are more likely to conduct CSR-driven innovations than others. Along this line is the possibility that CSR-driven innovations will be hard to copy, as they are driven through the entrepreneur’s idiosyncratic experience with CSR. As the integration of CSR in the entrepreneurial process and the company solution is dependent on this experience, it thereby creates a unique competitive advantage.

As there is an increase in political focus on CSR in private companies, the interest in incorporating CSR in the companies’ business operations in general is increasing. Though, when it comes to the business innovation there might be a challenge. If the results of this thesis proves to be correct, and thereby CSR-driven innovations are dependable on the entrepreneur’s prior CSR related experience, it has great implications for the Danish Commerce and Companies Agency’s aim to standardise and generalise the CSR-driven innovation process. As experiences are idiosyncratic, and thereby different from one individual to another, it makes it almost impossible to create a check-list model of what factors and experiences there need to be in place in order to implement and conduct CSR-driven innovation. This suggests that the CSR-driven innovation process is just as hard to control as all other innovation processes.

### 6.5 Limitation of the results

This thesis builds on a limited empirical foundation and therefore the results need to be supported by further and more extensive research. Furthermore, the research is solely focused on entrepreneurial firms in the Nordic countries, and the results are thereby not directly applicable to established firms or on an international basis.

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17 As the Danish law from 2008, that imposes a demand of a social statement as an extension of the financial statement each year on the 1100 largest companies. ([http://www.oem.dk/sw23883.asp](http://www.oem.dk/sw23883.asp) 19.03.2009)
An important limitation is the research question’s narrow focus on CSR experience as a driver of innovation given that the entrepreneurial process is affected by many different factors (Shane, 2003). Although it can be affirmed that CSR can drive innovation through prior CSR related experience, it cannot be stated that there are no other channels for CSR to become a driver for innovation.
7 References

7.1 Literature

7.1.1 Books


### 7.1.2 Journals


interindustry differences in technological opportunities. Research Policy. 24 185-205.


7.1.3 Working papers


http://www.csrinnovation.dk/web/wp-content/2008/09/literaturereviewsep08full.pdf (07.03.2009)


7.2 Empirical data

7.2.1 Interviews & cbsCSR case studies

AU-1, (2008) Audur, cbsCSR Case Study

CSR-driven Innovation in Entrepreneurial Firms

Founder and CEO Kristin Petursdottir, Transcription date: 10. January 2009

**CL-1**, (2008) Clewer, cbsCSR Case Study


**MA-1**, (2008) Marorka, cbsCSR Case Study


**MC-1**, (2008) MyC4, cbsCSR Case Study


**NR-1**, (2008) Noir, cbsCSR Case Study


**PA-1**, (2008) Parans, cbsCSR Case Study


**TH-1**, (2008) Think Global, cbsCSR Case Study


**ZC-1**, (2008) Zealand Care, cbsCSR Case Study


### 7.2.2 Industry information


Instruments, Surgical Appliances and Supplies, Dental Equipment and Supplies, Orthodontic Goods, Dentures and Orthodontics Appliances. ICON Group Customer Service, San Diego, USA


7.2.3 Websites
Adur Capital: http://www.audurcapital.is/ (10.02.2009)
Marorka: http://www.marorka.com/ (10.02.2009)

Noir: http://www.noir.dk/ (10.02.2009)
Think Global: http://www.think.no/ (10.02.2009)
Zealand Care: http://www.zealandcare.dk/ (10.02.2009)
Fairtrade Foundation: www.fairtrade.net (29.01.2009)

7.2.4 International reports
(Fairtrade Foundation, 2008): *Global Fairtrade sales increase by 47%*. Fairtrade Foundation May


8 Appendix I

NCCR Interview Guide
Property of cbsCSR

In order for the NCCR Case Studies to be comparable we suggest to develop a rough frame that all of us should try to follow as closely as possible. To also get a practical focus, which can be generalized or exemplified to the benefit of other SMEs, please ask for examples whenever possible.

1) Product
Understanding of the product and company. The ideas behind the concept/innovation and how this came about.

1.1 Please describe briefly what your innovation is about and what you consider the key novelty to be?

1.2 Please describe what innovative elements you see in terms of:
   a) business model innovation
   b) technology innovation
   c) design innovation
Which of the three is the dominant factor in your opinion?

1.2 What stage at the life cycle is the CSR innovation at? (pre-launch, beta test, just launched, early growth, growth, harvesting)

1.3 What is the target market? (B-C, B-B, C-C, B-D), explain the relation?
   Note: B-D means business to development sector (or government)

1.4 How relevant is the social innovation to your core business?

2) Opportunity Identification
Understanding of the process behind the innovation. Who were involved/central to the process and how, including setbacks along the way.

2.1 How did you identify the social need behind your innovation (i.e. poverty, climate change, health)? Which stakeholders were central? Why did you decide to act on this need rather than another need? (If not end-user, then who?)

2.2 Which partners/actors did you collaborate with in this process? And how did they influence the process?

2.3 How did you identify the technical solution behind your innovation?
2.4 How did you identify the opportunity to create an economically competitive advantage from your innovation?

2.5 Which was your main driver: the need, the existence of a technical solution or the interest to create a financial competitive advantage? (Ask them to prioritize the three)

*Note: The need/technology/competitiveness classification is based on an article by Kai that he will share later this month.*

3) **The intention of the entrepreneur**
*Understanding of the objectives of the entrepreneur. Essentially, for what reasons he/she brought the venture forward and how the process has changed from the original intentions.*

3.1 Describe the background of the person most instrumental in getting the innovation started (this can be the founder of the organization but can also be someone else).

3.2 Is the original entrepreneur still leading the venture or is the current entrepreneur a different person?
   - How has he been introduced and brought into the venture?

3.3 What made you desire to start this innovation?
   - Which emotions did you feel when you when starting the venture?
   - How important were moral considerations?

3.3 Why did you think that you could succeed in this venture?
   - How important were your own abilities?
   - How important was support from others? (Political support, governmental framework, NGO influence, partners, employee selection)

*Note: The model underlying this set of question is based on a paper by Mair and Noboa. Kai will send around in parallel.*

4) **Profit extraction (Susanne changes to 4.1-4.3…creating confusion for interviewee!!)**
*Understanding of possible trade-offs between social and financial returns and how these are considered by the entrepreneur. Is there a clear, proportional correlation between the financial returns for the company and the social/environmental returns.*

4.1 Which considerations do you have concerning the profit created by the venture in terms of ownership returns and reinvestments?

4.2 Do you feel a tension between the social and the profit motive?

4.3 What are the causes of this tension and how have they changed over time?

4.4 How do you manage these tensions?
5) Social/Environmental impact
Understanding of the role of the social/environmental aspect of the business. How the interplay between social/environmental impact and financial returns is considered by the entrepreneur, including the non-financial goals.

5.1 Do you measure the social impact of your venture? If yes how?

5.2. Is there a social threshold under which you would stop the venture?

5.3 When do you consider that you have fulfilled your mission and what will happen then to the organization?

6) Communication
Understanding of the channels and means of communication and how the have changed over the life-time of the venture.

6.1 With whom do you communicate about your venture?

6.2 How do you communicate about your venture?

6.3 Who do you consider a stakeholder to your innovation and what role do they play?
9 Appendix II

NCCR Case Template
Property of cbsCSR

Introduction
- Literature (Literature introductions/guides of subarea: Microfinance, fair trade, etc.)
- Data Collection

The Company
- Facts and Figures
- Definitions of key technological/business model concepts
- Definitions of other key concepts
- CSR Profile/reputation

Social/Environmental Innovation
- The Novelty of the Product
- The innovative Element (Design, technology, business model)
- Life cycle
- Target Market

Innovation Profile
- Identification of Need (Why was the venture established)
- Partner collaboration
- Technical Aspects (How was the technical features of the venture established/obstacles overcome)
- Economic Aspects (How was the innovation transformed into a competitive advantage and viable business)

The Entrepreneur
- Story of original entrepreneur and company history
- Current entrepreneur (If different from above: How was he introduced/brought into the venture)
- Personal Drive
- Emotions
- Other Support

Profit considerations
- Policy regarding use of profits and ownership returns
- Tensions between social and financial motives

Stakeholder Relationship
- Stakeholder Influence
CSR-driven Innovation in Entrepreneurial Firms

- Communication (Type of marketing/communication/networking activities)
- Social/Environmental Impact
- Exit strategies

CSR-Driven Innovation

Future perspectives
- Capabilities (How far can the venture be taken)
- Vision (How will they do this)

Inspiration for other SMEs

Conclusion
10 Appendix III
11 Appendix IV

*Figure 1: Clewer firm formation process*

- Esa Mäkinen starts TeknoForest in 1994
- Esa Mäkinen experiences a desire to change his business into having a zero impact on the environment
- Esa Mäkinen becomes involved with JuveGroup
- Esa Mäkinen spends more and more time learning chemistry, biology and other sciences to reach his business goal
- Esa Mäkinen takes over the patents of JuveGroup after the company goes into bankruptcy
- Building on his accumulated knowledge, Esa Mäkinen adds innovations to the JuveGroup process and product
- The product of Clewer is created

*Timeline*
- Experiences
- Events
- Idea generation

*Figure 2: MyC4's firm formation process*

- In 2004 Kjaer Group sets aside a fund to create a firm based on the wish to change the world
- Mads Kjaer's experiences in Africa makes him interested in the Millennium Development Goals
- Mads Kjaer meets Tim Yang in October of 2004
- A business idea is formulated on a piece of paper and Mads Kjaer and Tim Yang decides to start a business together based on the Millennium Development Goals
- They interview a lot of people in order to try to figure out how to create a company. The planning phase takes 2 years
- In 2006 MyC4 is started

*Timeline*
- Experiences
- Events
- Idea generation
Figure 3: Noir’s firm formation process

Peter Ingwersen works with Levi’s CSR department and thought that he gets the idea of creating a profitable brand which is CSR oriented.

Annelise Byberg works for the UN and several NGO’s with focus on helping the environment.

The two founders meet and decide to try and work together.

Peter travels to US and meets with a fashion magazine editor, and the magazine is interested in investing in the project. Also investors from the UK takes part in the project.

Noir is founded in 2005.

The idea for Tiluminati II emerges and planning is initiated.

Timeline

- Experiences
- Events
- Idea generation

Figure 4: Parans Solar Lighting’s firm formation process

Marcus Fransson and Nils Nilsson are attending a MBA in entrepreneurship. They decide that they want to try and start a business together.

Torsten Matsion discovers that it could be a good idea to use solar power for lighting in the construction industry. He knows Bengt as an inventor.

Bengt Stenby creates the technical solution for the solar lighting product.

Marcus Fransson and Nils Nilsson search for different business opportunities.

The four founders meets and decide to start working together on the solar lighting product.

Parans is founded in 2003.

Bengt Stenby works with fibre-optics. He knows Torsten through prior construction projects.

Timeline

- Experiences
- Events
- Idea generation
Figure 5: Think Global’s firm formation process

- Dr. Jan Olaf Williams are active within sustainable energy solutions organizations. He has experience with the car industry from Volvo.
- New and more effective battery technology is developed.
- Dr. Jan Olaf Williams realize that the new technological battery development can help make the electric car successful.
- A group of Norwegian business investors of which Dr. Jan Olaf Williams is part of, decide to invest in the electric car.
- Think Global is founded in 2006.
- Think is bought from Ford by a Swiss company.

Timeline:
- Experiences
- Events
- Idea generation
# Appendix III: Secondary Data Gathering

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<td>Audur Capital</td>
<td>Audur Capital 2008</td>
<td>Datamonitor (2008): Global Investment Banking and Brokerage – Industry Profile. Datamonitor April</td>
<td>To show that the financial industry is an industry that has a large potential</td>
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<td><a href="http://www.audurcapital.is/">http://www.audurcapital.is/</a> (10.02.2009)</td>
<td>To support and extent the knowledge of the entrepreneurs’ prior experiences</td>
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<td>Datamonitor (2008), Global Environmental &amp; Facilities Services – Industry Profile. Datamonitor May 2008.</td>
<td>To show that the environmental facility service industry is a growing industry and thereby has a large potential.</td>
<td>Clewer 2009b</td>
<td>Teknoforest – Company Report. Amadeus: <a href="https://amadeus.bvdep.com.esc-web.lib.cbs.dk">https://amadeus.bvdep.com.esc-web.lib.cbs.dk</a> (15.01.2009)</td>
<td>To show that TeknoForest have been profitable sine 2003</td>
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<th><strong>Marorka 2008a</strong></th>
<th>Datamonitor (2008): <em>Global Environmental &amp; Facilities Services – Industry Profile</em>, Datamonitor May</th>
<th>To show that the environmental facility service industry is a growing industry and thereby has a large potential.</th>
<th><strong>Marorka 2009a</strong></th>
<th>Marorka - Executive Report. Amadeus: <a href="https://amadeus.bvdep.com.esc-web.lib.cbs.dk">https://amadeus.bvdep.com.esc-web.lib.cbs.dk</a> (15.01.2009)</th>
<th>To show that Marorka not have been profitable yet</th>
<th><a href="http://www.marorka.com/">http://www.marorka.com/</a> (10.02.2009)</th>
<th>To support and extent the knowledge of the entrepreneur’s prior experiences and to increase the knowledge of the product</th>
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<td><strong>MyC4 2009</strong></td>
<td>To show that the investment banking industry is a growing and very potential industry</td>
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<td>To show the forecast of the industry, that it is an industry in growth</td>
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<td>Prior Experiences</td>
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<td><strong>Quotes from the entrepreneur their prior experiences</strong></td>
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<td><strong>Tendencies from the data coded in relation to work background, CSR background and social ties.</strong></td>
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### Prior Experiences

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<th>Quotes from the entrepreneur their prior experiences</th>
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<th>Noir</th>
<th>Parans</th>
<th>Think Global</th>
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<td>...by living there (Africa, ed.), you, of course, start a reflection to other lives and that we are extremely fortunate in Europe and in the Western World. - Mads Kjær (MC-2)</td>
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<td>Peter is fashion, and this is also how the company and the whole, the whole thing was - it's a fusion of what he knows and I know... I have this soft, if you will, humanitarian background. - Annelise Ryberg (NR-3)</td>
<td>Marcus and Nils Nilsson was attending their last year at Chalmers, where they where finishing their education from Chalmers Entrepreneurial School (CSE, ed.) (and ed.) both I and Torsten are experienced within the building industry - Bengt Steneby (PA-3)</td>
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#### Tendencies from the data coded in relation to work background, CSR background and social ties.

<p>| The experience of the entrepreneurs varied a lot(MC-1). Mads Kjær’s background originates from his 20 years in the family owned company where he among other things has been working with NGO’s in Africa and establishing a CSR profile for the Kjær Group. Tim Vang’s background originates from 7 years of self-employment as a management consultant and he was part of the group who started up the career fair SCIEFE. | Peter Ingwersen has been in the fashion industry as brand manager for 15 years. He worked for a couple of years with CSR in the communications department for Levi’s. Afterwards he started working with the Danish brand Day Birger &amp; Mikkelsen as brand manager. His partner Annelise Ryberg has experiences from various humanitarian organizational work in the USA and in Denmark. | Two of the founders have MBA backgrounds in entrepreneurship. They where both searching for a project which could help them start their own business. Bengt Steneby and Torsten Matsson both have years of experiences in the construction industry as a construction engineer and architect, moreover Bengt sees himself as a hobby-inventor. | The entrepreneur of Think Global, Dr. Jan Olaf Willums have a long career as manager in Volvo Petroleum, as chairman of various international boards on environmental sustainability and have started a range of entrepreneurial firms. |</p>
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<th>Idea Generation</th>
<th>Audur Capital</th>
<th>Marorka</th>
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| **Quotes describing what the entrepreneurs reacted upon and how.** | *What I discovered, is that woman are leaving the corporate sector in their best age, when they are most talented…Some of the things I discovered was that they are rejecting the current business model, they are not leaving to stay at home with their kids, as the media would like you to believe, they are getting out there and creating their own companies, … And I knew it was only a matter of time before Kristin would think this was interesting.* - Halla Tomasdottir (AU-2)  
...an incredible opportunity because it will appeal to the huge market of woman, who can invest, but also to the changing market, that is a growing market. Halla Tomasdottir (AU-2) | *I have always been very interested in energy and wasting of energy and I knew that we where wasting a lot of energy in the ships. I had an idea to use advanced tools to limit the waste and support people to get a full control over the energy usage.* - Dr. Jón Ágúst Thorsteinsson (MA-2)  
*The choice of assistive technology for the investment was based on the high amount of assistive technology producers in the area.* - Bjarne Henneman (ZC-2)  
*That is the reality that our business has to relate to; this is a customer segment that will keep their individuality, have high demands and are willing to pay for extra services. In the same way, I believe that the line between public and private services will fade away, and that is the area where we as a business shall position us self.* - Bjarne Henneman (ZC-2) | *And then I had a thought that we could actually feed the wastewater to bacteria. This is completely risky, microbiology has put our whole business (TeknoForest, ed.) in danger. So I have personally taken a huge risk. ...But once again, this is my stubborn mentality that keeps me going with my own resources forward.* - Esä Mäkinen (CL-2) |
| **Tendencies identified in the data coded by describing what the entrepreneurs reacted upon and how.** | The two founders of Audur Capital identified the opportunity to create a feminine financial service company through researching demographic and social trends, and looking for new opportunities (AU-2).  
Furthermore, they noticed that there was a gap, especially around financial services, which seems to be created for men, by men (AU-2). While no financial service companies were targeting women. | The innovation opportunity for the creation of the Marorka energy management system originates from a discussion of how to save fuel, especially on ocean vessels.  
The method was developed through Dr. Jón Ágúst Thorsteinsson’s doctoral. He contacted two partners who helped him set up the business of Marorka (MA-2). | The political idea behind Zealand Care was to build a narrow cooperation between the producers (craftsmen) and their natural customers, which are the municipalities (ZC-2), and to find a more effective solution for the municipalities. The opportunity was identified as a lack of efficiency in the assistive technology area from political side. The idea closed a service gap between producers and customers (ZC-2). | Esä Mäkinen originally wanted to enable his own production in TeknoForest to have zero impact on the environment. He contacted JuveGroup, which patents he later acquired when the company went bankrupt. Esä Mäkinen acquired the basic ideas through the work with JuveGroup, which had the patents for the bacteria solution.  
He developed Clewer from his knowledge of chemistry and biology (CL-2). |
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<td><strong>Quotes describing what the entrepreneurs reacted upon and how.</strong></td>
<td>(people they discussed ideas with, ed.) people in Denmark, people in Africa, people from NGO's, people from the private sector, people from the public sector. You know, we probably talked with between 200, 300, 400 people about this. ...that this could be a potential instrument for people, organizations, companies to participate globally, and not just from North to South, but globally in its true respect in the eradication of poverty. - Mads Kjær (MC-2)</td>
<td>I realized that there might even be a potential from a competitive advantage point of view for a small company. Could they (a small company) actually make a big splash in international immediately because they had other values than other companies had... And I sat down and I actually thought, ethical - ethics and business are going to be the next side cash. And that is when I coined the whole idea, what if I try to make CSR sexy. - Peter Ingwersen (NR-2)</td>
<td>... if you just keep building wider, with less light, it will destroy the in-house environment. That was when Torsten thought, that if you could use the techniques which had been developed through the 80's and 90's (sun-panels, ed.), and through these lead the light, then we could once again have nice and wholesome in-house environments ... Bengt supplied the technical solution seeing as he had worked previously with fiberoptics. - Marcus Fransson (PA-2).</td>
<td><strong>The Zebra Battery:</strong> This is the new generation of batteries the car uses. It is a mix of sodium and nickel. Due to this melting, the battery has a very attractive energy and power. They have a lifetime of 5 to 8 years -Richard Waltz (TH-2)</td>
</tr>
<tr>
<td><strong>Tendencies identified in the data coded by describing what the entrepreneurs reacted upon and how.</strong></td>
<td>The MyC4 business was build from the fund that Kjær Group started in 2004, which was to be used to start a company which would solve one of the UN Millennium Development Goals. The search process was also what lead Tim Vang and Mads Kjaer to want to work with microfinansing, and the innovation came from the two founders brainstorming sessions.</td>
<td>Peter Ingwersen reacted to a change in society, which he thought made the fashion business look superficial and cold. He then identified a gap in the market for fashionable and fair-traded ecological cloth. Before Noir ecological cloth was synonym with hemp cloth and non-designer brands.</td>
<td>The idea for the Parans' product was identified by Torsten Mattson, who saw a need for cheap and easy lighting in the construction industry. In order to commercialize the product, the inventor, Bengt Steneby, and Torsten Mattson, started a partnership with the two MBA students Nils Nilsson and Marcus Fransson.</td>
<td>Dr. Jan Olaf Willums saw an opportunity in Think, from his experience with renewable energy. The new battery technology would enable the car to compete with Internal combustions Engine vehicles (ICE). Think Global has had the goal of enhancing renewable energy from the first day the deal went through with the Swiss company. He made contact to a group of investors and invested in Think to create Think Global and develop the car with the more advanced battery technology now available on the market.</td>
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<tr>
<td>Motivation</td>
<td>Audur Capital</td>
<td>Marorka</td>
<td>Zealand Care</td>
<td>Clewer</td>
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<tr>
<td><strong>Quotes on the entrepreneur’s motivation</strong></td>
<td>Empowering more woman, empowering all those talents out there, actually mean that eventually we will have better company cultures, and better society cultures. When we have more of them, we have a stronger voice on social behaviour. – Halla Tomasdottir (AU-2).</td>
<td>It is really fascinating to work with and learning from an idea that can be produced and exported, having pleased customers, learning people how to do things that are important for the business, important for Iceland, to build our export. - Dr. Jón Ágúst Thorsteinsson (MA-2)</td>
<td>My picture is everybody is born to be very individual personalities, especially in their parents eyes, they get different education, but when they turn 65 they loose their individuality and become one big mass, the elderly burden, elderly group, elderly resource and they become homogenized. - Bjarne Henneman (ZC-2)</td>
<td>My objective really has been that we could be able to solve environmental issues, and that is my business. I thrive to develop the following generations a more advanced technology. To make cleaner chemicals, easily biologically decomposing chemicals. - Esä Mäkinen (CL-2)</td>
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<tr>
<td><strong>Tendencies from the data coded in relation to the entrepreneur’s motivation</strong></td>
<td>Kristín Petursdottir and Halla Tomasdottir’s motivation originates in the wish to create a private equity fund, which could invest in new opportunities that in turn have positive effect on demographic and social issues (AU-2). Through being not just financially risk aware but also social risk aware, they want to create an alternative to current financial companies, that have an positive impact on the investors as well as on the society as a whole.</td>
<td>Dr. Jón Ágúst Thorsteinsson wanted to create a system that could decrease the fuel waste on fishing ships, because he knew the utilization of the fuel was very low. As the fuel prices increased the market for his idea grew. Further, Dr. Jón Ágúst Thorsteinsson sees that his company has an positive effect on Iceland through it’s export and the through inspiring the Icelandic youth to become entrepreneurs themselves (MA-2).</td>
<td>Bjarne Henneman’s motivation stems from the wish to improve the life of disabled and elderly peoples. Bjarne Henneman wants to deliver the right product at the right time and price to the users. But foremost it is bounded to optimize the processes within the assistive technology equipment management.</td>
<td>Esä Mäkinen’s motivation is rooted in the wish to produce environmental friendly chemical systems. He wants to create an alternative to pesticides based water purification, and wants to create a purely environmental friendly water purification system.</td>
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### Motivation

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<thead>
<tr>
<th>Quotes on the entrepreneur’s motivation</th>
<th>MyC4</th>
<th>Noir</th>
<th>Parans</th>
<th>Think Global</th>
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<tr>
<td>I think that the Millennium Development Goals and the date of poverty has been one of the provocations for MyC4 and to set up our business - Mads Kjær (MC-2)</td>
<td>And suddenly, I was sitting and looking at my own business and thinking, how superficial. And I’m actually delivering to all the predators that there is about the fashion business being superficial, being too glamorous, being not caring about what’s really going on here? Peter Ingwere (NR-2).</td>
<td>It was not really the idea that we wanted to do something environmental friendly, at first, or CSR. It really does not originate from there thought-wise, but there exists an interests towards this - Markus Fransson (PA-2)</td>
<td>Think Global wants to provide its customers an environmental solution for transportation which is profitable for the environment - Richard Waltz (TH-2)</td>
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### Tendencies from the data coded in relation to the entrepreneur’s motivation

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<th></th>
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<td>Inspired by the Millennium Development Goals, the two entrepreneurs wanted to do something that would help eradicate poverty in Africa and thought that creating more employment opportunities, more people would get employed and thereby help get people of poverty (MC-2).</td>
<td>The two entrepreneurs’ motivation was the ability to create a competitive high fashion brand, that would tap into the customer trend of environmental and social consciences (NR-2). They were driven by the pure of hart aspects of the opportunity and the fact that it could prove to be profitable as well (NR-3).</td>
<td>The entrepreneurs motivation differ in Parans, as one of the entrepreneur express that social and environmental concerns have been one of the driving forces (PA-3) and another express that the main motivation have been building up a profitable, innovative and successful company (PA-1).</td>
<td>Think Global has had the goal of enhancing renewable energy from the first day the deal went through with the Swiss company, and the focus have ever since been on creating an environmental friendly vehicle for the general consumer. (TH-1)</td>
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Table 4.5: Data display of the use of CSR within the cases.

<table>
<thead>
<tr>
<th>Use of CSR in the company</th>
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<th>Zealand Care</th>
<th>Clewer</th>
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</thead>
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<tr>
<td><strong>Quotes on the use of CSR in the company</strong></td>
<td><em>In our product offering, we are going to focus especially on finding socially responsible investments for our clients....it is business. It is socially responsible business, but business.</em> - Halla Tomasdottir (AU-2).</td>
<td><em>...we have an idea that we are doing it, decreasing the emission, but we are not measuring it. But we are often thinking about it.</em> - Dr. Jón Agúst Thorsteinsson (MA-2)</td>
<td><em>And that is what we try to do. We have a close cooperation with nurses and physiotherapists. Especially regarding our IT-systems. All our systems work in a way so that those who will use them in the end understand and find their function logical.</em> - Bjarne Henneman (ZC-2)</td>
<td><em>We produce, use only, naturally decomposing elements - Esä Mäkinen (CL-2)</em></td>
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</tbody>
</table>

<p>| <strong>Tendencies from the data coded in relation to the use of CSR in the innovation</strong> | In Audur the product that are offered to the customers are in all aspect related to social issues, from the counselling they give to their customers, over the investment portfolio to a found created to empower women in the 3.rd world (AU-2). | In Marorka they have an idea that their product, fuel emission management system, is reducing the environmental impact. But it is have not yet been measured and thereby confirmed. Marorka have not yet used CSR within the company, but the entrepreneur believes that the potential positive effect of the system, is one of the employee motivational factors. | In Zealand Care the development of new products or features are done in cooperation with the municipalities caretakers (ZC-2). However, this can sometimes become a problematic process as the caretakers not always know what they want and need (ZC-3). | In Clewer the product and process are all aimed at being environmental friendly. Even though it have not yet proved to be profitable, because the it is still much cheaper and more cost-efficient to use toxicants. But Esä Mäkinen wants the company to stick to it’s ethical principles. |</p>
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<thead>
<tr>
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</tr>
</thead>
<tbody>
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<td><strong>Quotes on the use of CSR in the company</strong></td>
<td>A (ed.) platform where we can connect people from the poor world, starting in Africa, starting in Uganda and then spreading from there, and then go to the rest of the world investing into that. And like I said before, making money - Tim Vang (MC-3)</td>
<td>It’s the first ecological cotton (Illuminati II, ed.), as far as I know, that we’ll be able to document step-by-step from the very beginning to when it’s consumer ready or retailer or wholesaler ready. - Annelise Ryberg (NR-3)</td>
<td>The (ed.) innovation was need-driven, which is very common in technological innovations. It is efficient and resource decreasing. - Markus Fransson (PA-2)</td>
<td>It is better for the costs and from an environmental point of view to produce the car closer to the market where it is going to be driven. - Richard Waitz (TH-2).</td>
</tr>
<tr>
<td><strong>Tendencies from the data coded in relation to the use of CSR in the company</strong></td>
<td>The idea of eradicating poverty is interwoven throughout the organization. First off all the business builds on enabling small African business to get founding, further more MyC4 have set up a fund to support those projects that have the most trouble getting founding (MC-2, MC-3).</td>
<td>The product of Noir is in compliance with several different environmental standards, both in terms of ecology and fair-trade throughout the supply chain (NR-3). Noir has also created a fund to support the cotton workers in Uganda, where Illuminati II will be produced (NR-2).</td>
<td>In Parans the focus has foremost been on the cost-effectiveness of the product in the construction industry (PA-2). But after the commercialization, Parans have recognized that the product have an positive social effect, as it enables people easier access to sunlight, and hence this is now a part of the marketing.</td>
<td>In Think Global, the sustainability have been built into the production chain, with the production take place as close as possible to the market (TH-1). Further the plastic used for the chassis is 95% recyclable and does not corrode and needs no painting (TH-1).</td>
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