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Patagonia’s growth towards sustainability using CSR and Stakeholder Theory

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INTRODUCTION

Globalization and increased environmental consciousness have led to a shift in the role of corporations in society from generating profits to taking on wider duties towards the environment, communities, and stakeholders. A key framework for guiding businesses through this complicated environment is corporate social responsibility, or CSR, which incorporates moral, social, and environmental considerations into corporate strategy. Patagonia is a leader in ethical leadership and sustainable business practices, making it stand out among the pioneers of CSR. It has removed the traditional profit-maximization assumptions to become a pioneer in ethical commerce and environmental action. Renowned for its sportswear and outdoor clothing, the company has established a distinctive character that links commercial achievement to environmental care. This thesis explores the complex relationship between corporate profitability, environmental sustainability, and social impact by examining the multifaceted nature of corporate social responsibility (CSR) via the perspective of Patagonia. By examining Patagonia's CSR programs, tactics, and relationship to the idea of stakeholders, as well as how they effectively updated their supply chain management, the firm was able to move toward sustainability. Examining Patagonia's corporate social responsibility (CSR) is important not only because of its accomplishments but also because it is a useful case study and model for other businesses looking to balance profitability with social and environmental responsibility in a world that is changing quickly. With increased concerns about social inequity, resource depletion, and climate change, Patagonia's CSR strategy offers valuable insights for companies looking to integrate sustainability into their operations. Therefore, the goal of this research is to explain corporate social responsibility and go over the potential benefits of this strategy for both corporations and the environment. Describe how CSR and stakeholder theory are related and use Patagonia's outstanding work to clarify stakeholders' doubts about CSR procedures.

CHAPTER 1

1.1 Evolution of CSR

Over the last twenty years or so, corporate social responsibility (CSR) has become one of the most traditional and largely accepted notions in the business world. This transformation has been seen by most academics and business professionals. Twenty years ago, CSR was an unimportant and frequently frowned upon topic. The business and financial worlds mocked corporate social responsibility (CSR) up until the late 1970s, calling it a joke, an oxymoron, and a contradiction in terms. But by the late 1990s, practically every group in society, from businesses and governments to non-governmental organizations and individual consumers, was supporting and advancing the concept of corporate social responsibility. In addition to endorsing corporate social responsibility (CSR), the majority of international organizations, including the United Nations, World Bank, Organization for Economic Co-operation and Development, and International Labor Organization, have also set policies and formed departments with permanent staff dedicated to CSR research and promotion. Less than half of Fortune 500 companies even included a mention of corporate social responsibility in their annual reports in 1977. Nearly 90% of Fortune 500 companies at the end of the 1990s actively promoted their CSR initiatives in their annual reports, viewing it as a crucial component of their organizational goals (Boli and Hartsuiker 2001). However, over the course of the next three decades, the idea of CSR experienced a gradual simplification. It involves two major changes in how CSR is conceptualized. First, in terms of the analytical level, scholars have progressively shifted from talking about the macro-social implications of corporate social responsibility (CSR) to analyzing the impact of CSR on financial performance at the organizational level. Second, studies have shifted from being openly normative and ethics-oriented to being implicitly normative and performance-oriented in terms of theoretical approaches. However, the notion of CSR did not change overnight. Rather, it was a slow and laborious process. It's common knowledge that prominent thinkers like Milton Friedman disagreed with the concept of CSR because they believed it would place an unjust and expensive weight on shareholders (Friedman 1962, 1972b). Similarly, until the late 1970s, there was strong opposition from the corporate managerial ranks to introducing CSR, since most mid-level managers viewed it as an expense with extremely questionable returns. Friedman's opposition to corporate social responsibility (CSR) developed, in part, from his perception of the risk that greedy executives would steal shareholder cash in the name of CSR in order to elevate their social standing. Furthermore, he didn't think business managers had the knowledge and experience necessary to address social issues effectively.

What changes did the notion of CSR bring about? What is the change's overall direction? The conceptual change happened in several ways (see Table 1). The adjustments might be

	50s & 60s		90s
Level of Analysis	Macro-social	→	Organizational
Theoretical Orientation	Ethical/ Obligation	→	Managerial
Ethical Orientation	Explicit	→	Implicit
Relationship between CSR & CFP	Exclusive/No discussion	→	Tight coupling

Table 1, Min-Dong Paul Lee (a review of the theories of CSR, 2007)

broadly described as a stronger rationalization of CSR. The macro-social institutions for supporting CSR were the theoretical center of CSR research in the 1950s and 60s (Bowen 1953). Bowen saw CSR as a component of a larger, more integrated American society in which social and commercial objectives complement one another.

On the other hand, CSR opponents envisioned even more distinct roles for political and economic players. They felt that business managers' primary duty was to maximize the wealth of their shareholders and that they ought to leave social issues to be resolved by politics and civic society (Friedman 1972a; Levitt 1958). Furthermore, Friedman contended that corporate managers would be untrustworthy and ineffective agents of social responsibility due to the possible agency issues. He was just unable to see that business managers might pursue both corporate social responsibility (CSR) and corporate financial performance (CFP) in a way that was both successful and self-serving due to his behavioral presumption that they were self-interested managers. For over two decades, there was an intellectual standoff between the two parties due to their radically different theoretical orientations and presumptions. As noted by Peter Drucker, the management revolution that started in the 1950s reached its peak in the 1990s (Drucker 1993). Specifically, the topic of why certain businesses consistently outperform others has led to a great deal of strategic management study. Stakeholder analysis, a subset of strategic management study, is shown to be relevant to corporate social responsibility. The management academics who were dissatisfied with the impracticality of the earlier theoretical models were primarily responsible for the development of the stakeholder model of CSR. By specifying the roles and functions of the players and by more precisely identifying them, the stakeholder model was able to address the issue of measurement and testing. In terms of utility, a more precise model formulation is clearly superior. Managers find it far simpler to anticipate and handle their obligations to the government, workers, and consumers than it is to society.

After all, Carroll developed the pyramid of corporate social responsibility (CSR) in 1991. According to its first definition, CSR is “the economic, legal, ethical, and discretionary (philanthropic) responsibilities that society has of organization at a specific moment in time” (Carroll 1979, 1991). However, the first publication of his pyramid was in 1979. Carroll took the four-part concept and rebuilt it as a CSR pyramid later in 1991 (figure 1).

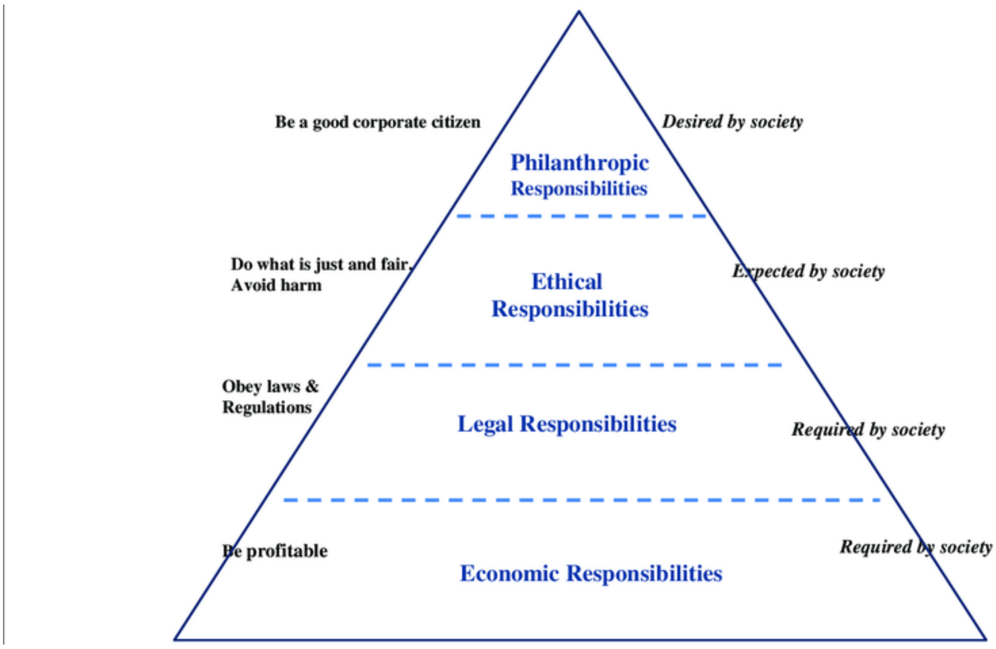

Figure 1, Carroll International Journal of Corporate Social Responsibility

The pyramid served to highlight the definitional component of corporate social responsibility and to highlight the fundamental elements of the four-part structure, which are as follows:

Economic responsibilities: Businesses have an economic duty to the society that allowed them to be founded and continue as an essential requirement for their survival. While it might seem odd at first to view an economic expectation as a social responsibility, that is exactly what it is. Society expects businesses to be self-sufficient, and the only way this is achievable is by being profitable and capable of drawing in investors or owners who will supply the capital required to keep the business operating.

Legal responsibilities: In addition to acknowledging companies as legitimate economic actors, society has established basic standards for how they should behave and operate. These norms could be called "codified ethics" because they are contained in laws and regulations. These laws, which were created by legislators at the federal, state, and municipal levels of government, set forth society's core values for ethical corporate conduct. Businesses can't function unless they agree by these laws and regulations.

Ethical responsibility: The normative standards of the majority of nations hold that laws are not enough, even when they are required. In addition to what is required by laws and regulations, society expects businesses to conduct themselves and their affairs ethically. Assuming ethical responsibilities entails that businesses will adhere to accepted conventions, standards, norms, and behaviours, even those that aren't defined in law. As an element of the ethical duty, businesses should uphold both the written word and the "spirit" of the law. The expectation that businesses will conduct their operations fairly and unbiasedly is also part of the ethical expectation, particularly in cases when the law is silent on the matter. Consequently, ethical obligations include all actions, customs, guidelines, standards, and regulations that are deemed appropriate or inappropriate by the community, regardless of whether they are legally stipulated or not.

Philanthropic responsibilities: All types of corporate donations are included in corporate philanthropy. Corporate philanthropy encompasses the discretionary or voluntary actions of businesses. Even though philanthropy and company giving may not be considered responsibilities in the traditional sense, businesses nowadays often anticipate them, and the public expects them as part of daily life. Undoubtedly, these activities are optional or discretionary in terms of both number and kind. Their motivation stems from the business's wish to engage in social activities that are neither legally required nor customarily expected of it in an ethical sense. Nevertheless, some companies do donate in part due to moral considerations. They aim to act in a way that is appropriate for society. The “expectation” part of the obligation comes from the public's perception that companies would “give back”.

1.2 Stakeholder model

Stakeholder theory suggests that companies should shift their focus from only maximizing shareholder value. It draws attention to the connections between companies and other entities that either influence or are impacted by an organization's goals. Customers, staff members, investors, vendors, and the local community are some of these stakeholders. All parties affected by the company's operations might also be referred to as them in a broader sense. By considering the business as a network of stakeholder interactions, executives may place an emphasis on effective stakeholder management and seek to minimize conflicts between various groups (Friedman & Miles, 2002). The second core principle of stakeholder theory is the integration concept. According to Freeman et al. (2010, p. 7), According to the integration thesis, the majority of business statements and choices have some element of ethics or an implicit ethical perspective. Comparably, most moral judgments or declarations regarding morality include business-related information or an implied corporate viewpoint. Therefore, the separation fallacy, which says that morality has no significance in business decisions, is rejected by stakeholder theory (Harris and Freeman, 2008). Since most individuals acknowledge that they bear “responsibility for the effects of their actions on others”, they understand the relationship between morality and the economy. Third, proponents of stakeholder theory contend that reciprocity and fairness should serve as the cornerstones of stakeholder interactions (Phillips, 2003), and that sustaining positive stakeholder connections is a dual obligation, meaning that long-term partnerships are the responsibility of firm stakeholders as well as businesses and their management for producing stakeholder value (Goodstein and Wicks, 2007).

The initial conceptualization of all these ideas resulted in the Freeman's stakeholder model. Suppliers, workers, and shareholders are the four primary groups to which the firm belongs. These groups offer the essential resources for the business, which are then transformed into goods or services for the fourth group, which is the clientele. The stakeholder model's design was influenced by the conventional managerial capitalism input-output model. Based on Freeman (Crane and Matten, 2004, pp. 50–52), the company's actions affect other stakeholders, placing it at the center of a network of mutually reliant, two-way relationships. The stakeholder model was first presented as a map, with the corporation at the center and stakeholders at the tips of the boundaries (Frooman, 1999).

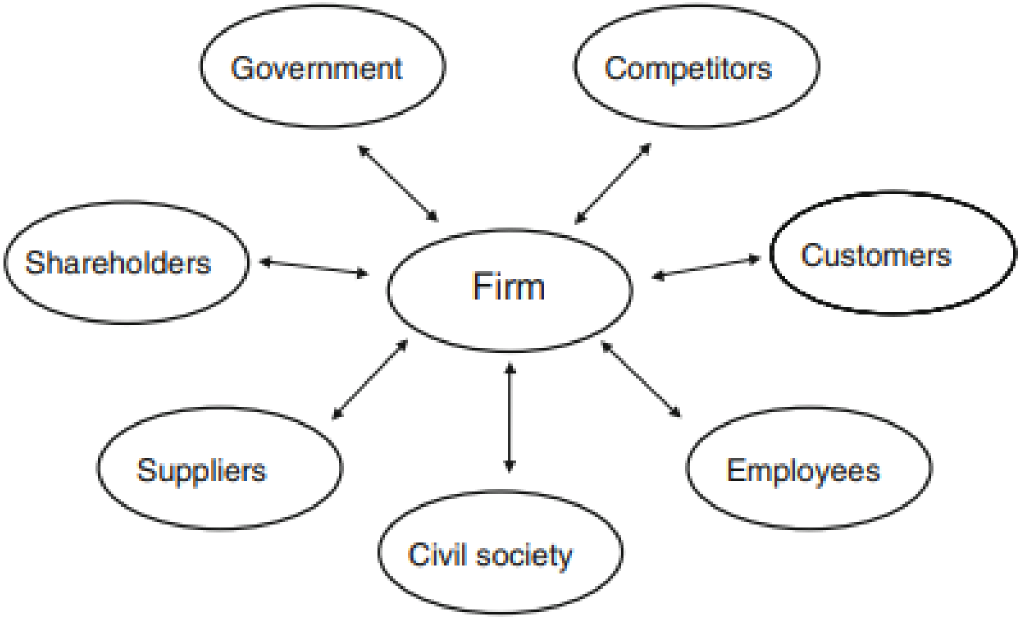

Figure 2, Journal of Business Ethics (2009) 84:113–135 Springer 2008 DOI 10.1007/s10551-008-9677-4, p-115

The most common version of the model, as represented in Figure 2, includes seven stakeholders: shareholders (or financier), customers, suppliers, and employees. Along with two external stakeholders, the government, and the communities, he also included rivals. In a revised version of the model, Freeman eliminated competitors and civil society, reducing the scheme to five internal stakeholders. He then added six external, governments, stakeholders, NGOs, environmentalists, the media, critics, and others, and included these five stakeholders in a box. These stakeholders are depicted in Figure 3.

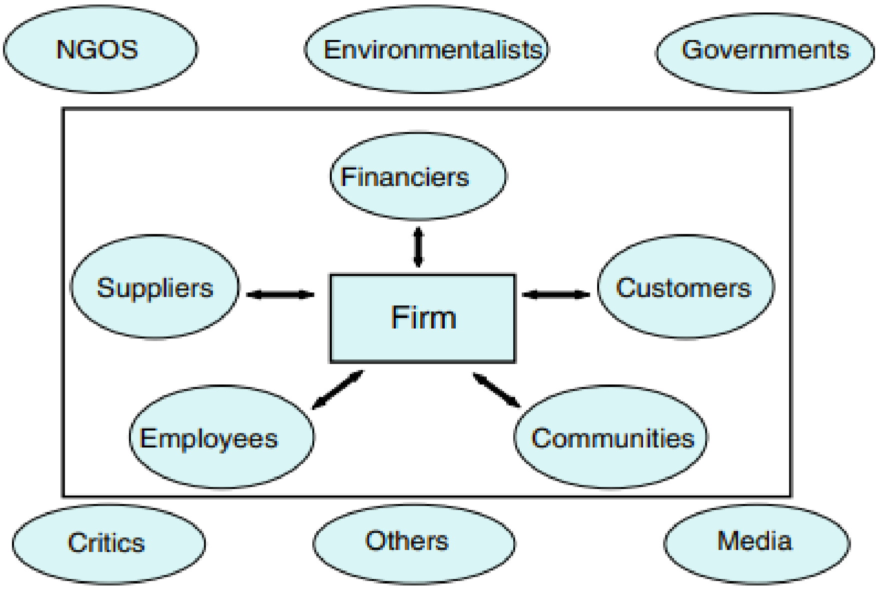

Figure 3, Journal of Business Ethics (2009) 84:113–135 Springer 2008 DOI 10.1007/s10551-008-9677-4, p- 115

A wide range of stakeholder definitions and the term's application to a broad variety of external groups, however, have led to confusion. Because of this, the possible list of stakeholders has been split into three different groups for the benefit of the current analysis:

1. The internal Stakeholders and constituents who really own stock in the organization.
2. The pressure group, Stakewatcher, that influence the firm.
3. The regulators. Stakekeeper, who imposes external control and regulation of the firm.

In Table 2, The categories presented here are contrasted with several Mitchell typology components et al. (1997): legitimacy, power, and the responsibility.

Differences between the three categories of stakeholders

	Stakeholder	Pressure group	Regulator
Legitimacy of the claim	Normative	Derivative	Mixed
Power/influence dominance	Of the firm	On the firm	On the firm
Responsibility	Of the firm	No	Externally imposed
	Stakeholder	Stakewatcher	Stakekeeper

Table 2, Journal of Business and Ethics (2009)

A new graphical depiction that fully captures the meaning of stakewatchers and stakekeepers should result from the suggested systematic classification of stakeholders. Except for the internal stakeholders' box, it is still the original model. But instead of using a box, a larger circle is used, called a ring. This partial overlap splits the ovals, which represent the stakeholders, into two parts. The wider region inside the ring represents the four main stakeholder groups: consumers, workers, financiers, and business partners. Organizations from the community and civic society are located outside the ring. This is what's altered: The ovals now represent two separate sections. The external component,

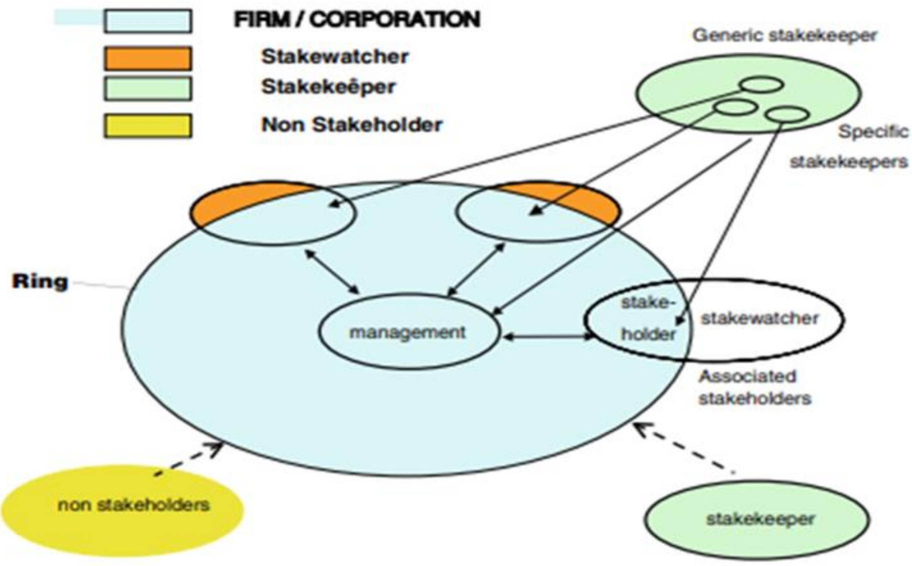

Figure 4, Journal of Business and Ethics (2009), p-124

referred to as stakewatchers, is made up of the groups that monitor the stakeholders, and the internal component is the stakeholders themselves. This means that instead of being a hub-and-spoke structure, the model now looks more like a solar system, with the firm at the center and stakeholders acting as planets around it. As in Freeman's modified model, stakekeepers are stakeholder groups that are completely outside the ring. In this new paradigm, the company and all of its significant stakeholders surround management, which is positioned in the middle of the ring. Importantly, the management takes center stage instead of the company. Arrows are utilized to show the connections between the many stakeholders in the company, as most of them have multiple sources of influence on it. These arrows connect specific stakeholders to other stakeholders inside the ring and connect generic stakeholder categories to the many stakeholders engaged in the company. This new organization is depicted graphically in Figure 4, with management, stakeholders, stakewatchers, and stakekeepers around the firm in the middle.

1.3 stakeholder theory applied to CSR

Even though corporate social responsibility (CSR) and stakeholder theory are well recognized for addressing social problems in management, their connection is occasionally misunderstood, as limited and inaccurate interpretations demonstrate. Figure 5 examines the main perspectives on this relationship. There are some underlying differences in every

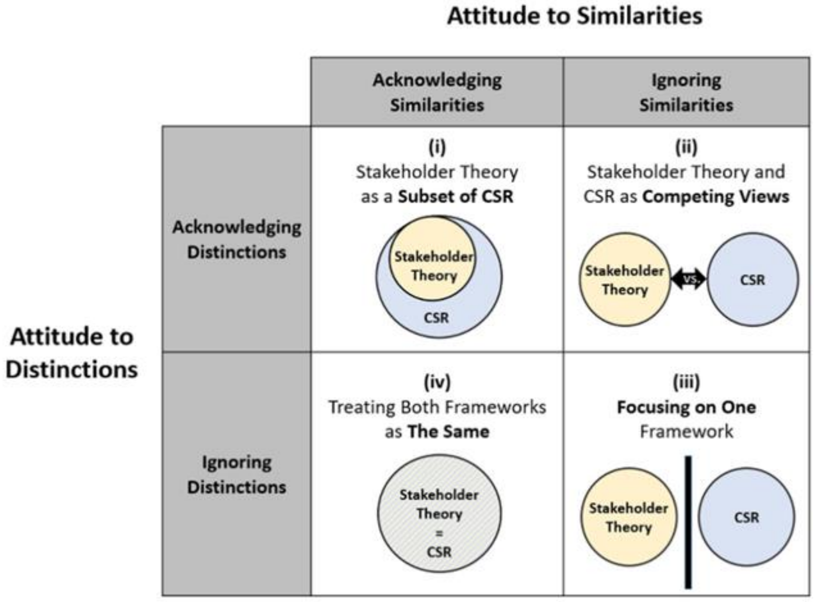

Figure 5, Existing views on how stakeholder theory and CSR relate to each other [Colour figure can be viewed at wileyonlinelibrary.com]

current perspective on how the two frameworks relate to one another. To be more precise, when it comes to viewing stakeholder theory as (i) a subset of CSR, some scholars saw it as a stage in the evolution of CSR, a theoretical component of CSR, a practical approach to CSR, or a means of putting CSR into practice. Stakeholder theory and CSR, according to other academics, are (ii) diametrically opposed ideas, hence they should be employed instead of the other framework. Furthermore, there exist academics (iii) who ardently endorse a certain framework while disregarding the other, so precluding them from exploring and reaping the advantages of any educational advancements that the latter framework could offer. Finally, (iv) a number of academics commonly confused stakeholder theory with CSR since they could not recognize the conceptual differences between the two frameworks.

Regardless of how the link between CSR and stakeholder theory was initially conceptualized. One may argue that a company's social orientation, or attitude toward society at large, is given more weight by CSR than another component of the business. However, according to stakeholder theory, a business's main goal is to engage with and provide value for all of its stakeholders. Figure 6 provides a visual depiction of the relationship between stakeholder theory and CSR. Stakeholder theory and corporate social responsibility (CSR) both highlight the importance of a company's duty to communities and society. The surrounding society, which is a larger area where local communities reside, such as a city or district (Figure 6's outer circle, which represents secondary stakeholders), and the local communities where the company operates, are the focus of stakeholder theory, in contrast to its tendency to focus on the reasonable range of the company's activities. Stakeholder theory aims to fully incorporate the company's obligations to these parties as well as the stakeholders' obligations to the business and its other stakeholders (i.e., multidirectional responsibility). In terms of a company's obligations to its customers and employees, CSR primarily concentrates on moral business conduct and environmental initiatives. In contrast, corporate social responsibility (CSR) sees responsibility as unidirectional (from the company to communities and society) and does not place as much emphasis on these stakeholder groups, despite recent work on sustainable supply chains with suppliers. Stakeholder theory also addresses a company's obligations to financiers and suppliers. We believe that CSR and stakeholder theory may be helpful concepts, and how we use them depends on the particular issue we are attempting to address. This is because they often analyze identical management difficulties from different viewpoints.

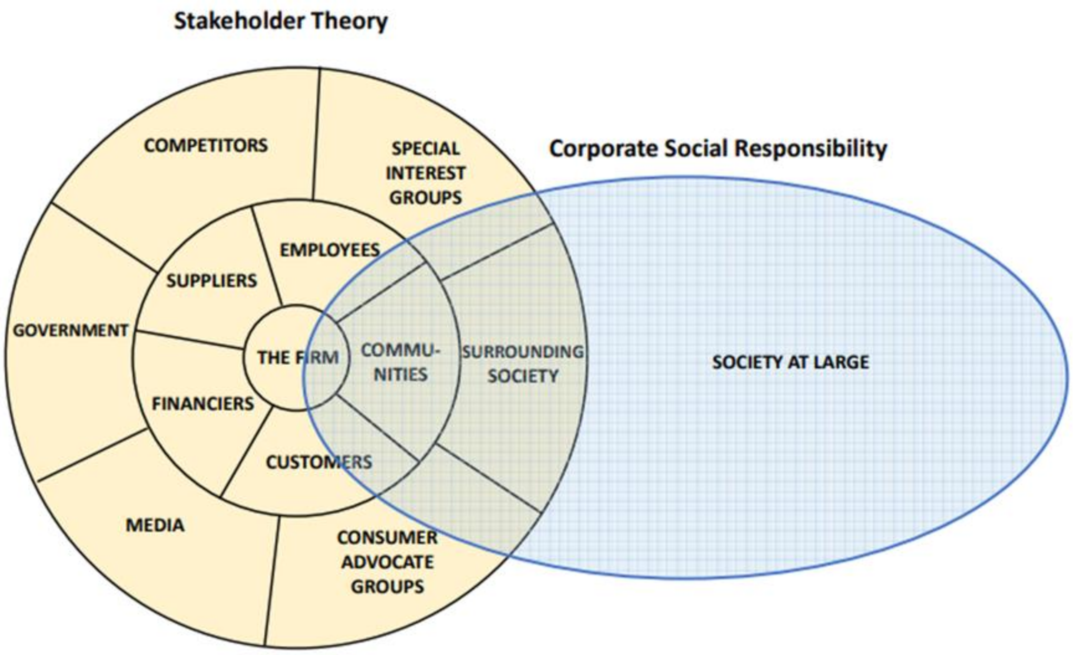

Figure 6, R. Edward Freeman, Sergiy Dmytriyev, Corporate Social Responsibility and Stakeholder Theory: Learning From Each Other, p11

CHAPTER 2

2.1 CSR considerations in the textile and clothing industry

Textiles are among the sectors with the highest level of global integration. Ever since the 1970s, there have been ongoing modifications (Diviney and Lillywhite, 2007). Globalization has made it possible for trade obstacles to gradually be removed and for labor, goods, and services to move more freely. As a result, large companies with vast supply chains that depend on outsourcing production dominate most of the garment industry. Since the manufacturing of clothing requires a lot of labour, businesses frequently shift the process to nations with large populations and low salaries, such as China or India, because they are constantly searching for cheap labour (Diviney and Lillywhite, 2007). Consequently, the apparel sector was one of the first to go global. Organizations are compelled to alter some parts of their organizational structure because of the status of the world today. Not all of them follow moral guidelines. Conversely, growing foreign investment has an impact on developing nations' economies. Customers spend a huge sum of money on clothes each year. According to data from 2000, $1 trillion was spent globally on clothing, with 7% going toward textiles. Additionally, emerging countries account for half of global textile exports and more than one third of apparel exports (Gardetti and Torres, 2013). There are around 26.5 million workers in this industry, and women make up 70% of the workforce. Given how much labor is used in the garment sector, it is sense that management of textile companies would place a high value on CSR. As stated by Torres and Gardetti (2013), “The primary material used in the apparel business is textiles, which establishes vertical connections between the two”, according to researchers who looked at the connections between the garment and textile industries. Before the garment is sold to the end consumer, it must travel a significant distance from the site of manufacture to the retail seller's shelf.

Official publications from the European Union state that the textile and apparel sector is:

> “An industry that is both diverse and heterogeneous, it involves a wide range of activities, such as the conversion of raw materials into fibers, yarns, and fabrics that are then used to produce hi-tech synthetic textiles, wool, bed linen, industrial filters, geo-textiles, and clothing. These textiles are used in a variety of applications, including clothing, sports equipment, furniture, homes, cars, and airplanes, as well as medical textiles” (European Commission, 2011, p. 5).

The fashion industry is unique for a number of reasons, including its extensive product line, challenges in forecasting future trends, and extensive use of overseas sourcing. The market is extremely volatile and is always being squeezed by low prices. Because of the fierce rivalry, the companies find it difficult to keep their profit margins robust. In the end, this leads to further offshore and outsourcing (Perry and Towers, 2013). Consumers today put pressure on the apparel sector to lower costs and decrease lead times because they expect to find a large selection of clothing in several designs at an inexpensive price when they make a purchase. In these situations, clothing manufacturers may find it difficult to adhere to CSR rules. Numerous clothing types are produced by the fashion industry, and each has its own specifications. Lowson (2003) offers a useful division of its merchandise. He divides everything into three groups: fundamental, temporary, and seasonal. The simplest things are the most fundamental. Because they are frequently marketed constantly for the whole year, their demand is predictable. These are the most classic looks, like straight-leg jeans or button-down shirts, whose appeal is trend-neutral. There may be space for cost reductions because such items don't need to be transported out to clients straight away. Demand for seasonal commodities, which make up the second group, varies throughout the year. They have a life cycle of between 12 and 25 weeks. Their demand is less predictable than that of basic products, although, over the year, some trends may be expected. An excellent example of clothing for the season is a swimming suit. Finally, the final type of fashion products consists of short-season items. They are the group that is most affected by fashion trends. Their life cycle, which lasts between six and ten weeks on average, is highly variable in terms of design, and they are easily “passé”. Due to their extremely erratic demand, short-season apparel items present the greatest challenge for the company (Lowson, 2003). For example, harem pants became extremely popular in 1990 because of MC Hammer's music video, but they quickly fell out of style. Delivery schedules and the ability to adapt to sudden changes are under pressure since these products must be produced quickly and effectively. Modern clothing has undergone a significant transformation; it is no longer characterized by its longevity and robustness. The modern world's preoccupation with fast fashion is the cause of the “demand for 80 billion new garments annually, a consumption mania that vastly surpasses both human needs and environmental constraints” (Abreu, 2015, p. 2). Thus, there is waste and overproduction because of the desire to continuously alter people's appearances. Because of this, clothing companies work to further integrate their supply chains to satisfy customer demand quickly and avoid collecting things that would probably go out of style as trends change.

2.2 Aspects of CSR in the textile industry

An underlying company isn't always able to oversee every aspect of the supply chain. As a result, the textile and apparel industries are some of the most aware of concerns related to corporate social responsibility. There are two primary areas of corporate social responsibility that are of great importance to the apparel and textile sectors. The effects on the environment come first, followed by the human and workers' rights component, which covers working conditions. Today, almost every business drains natural resources and hurts the environment. Natural resources influence how the textile and apparel industries develop. The fundamental material for manufacture is cotton. The principal source of income for almost 300 million people is derived from it, as well as the processes involved in its transportation, cleaning, storage, and handling (Portal Kupuj Odpowiedzialnie, 2010). Unfortunately cultivating cotton damages the land, requires constant irrigation, and uses a lot of freshwater. Cotton requires around 6% of all freshwater used globally, while its cultivation takes up about 2.5 percent of the planet's farmed area. One of the best examples of cotton overuse is the Aral Sea area in Uzbekistan, where excessive water consumption for cotton production caused the Aral Sea to deteriorate and eventually disappear (Figure 7).

The lake's current area is just 25% of its original area, and its original water content is only 10% (Płonka, 2013, p. 160). Along with having a negative effect on the fishing business, tourism, and day-to-day lives of locals, this has also led to the extinction of lake creatures.

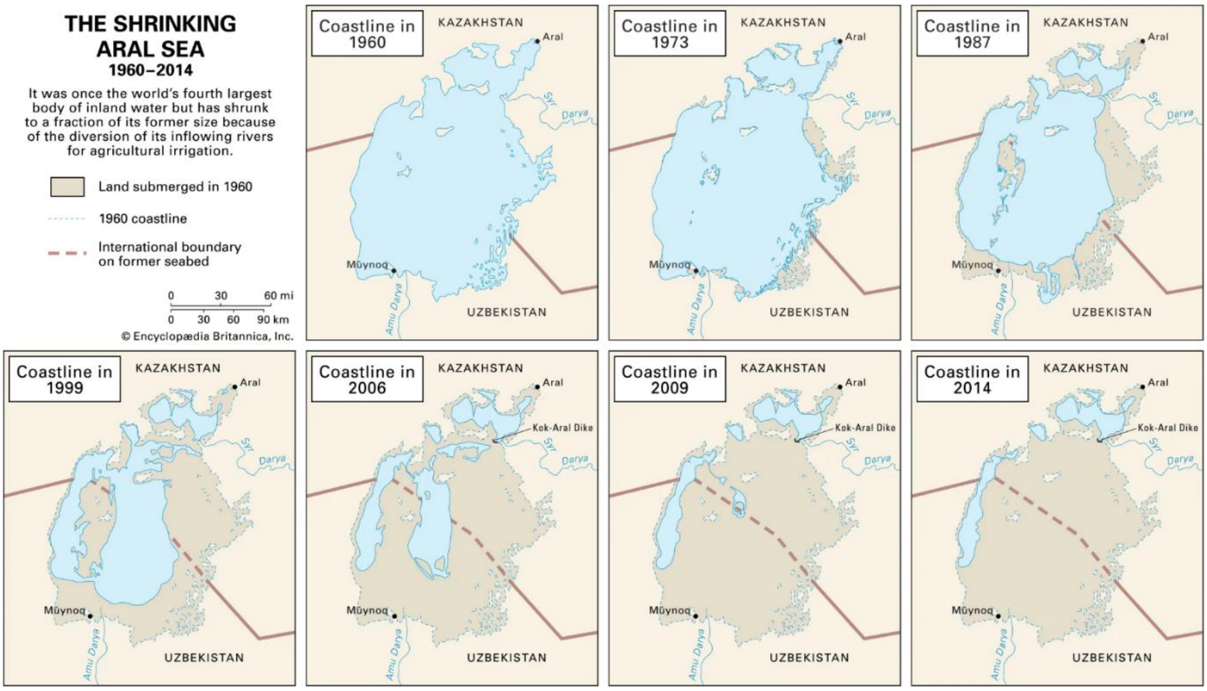

Figure 7, Shrinkage of the Aral Sea, 1960–2014, Encyclopedia Britannica

The use of dangerous pesticides in cotton farming is another environmental issue related to the textile and clothing sector. Pesticide application speeds up vegetation and ensures the sustainability and continuation of industrial output. Unfortunately, dangerous pesticides that are sprayed on the plants end up in the groundwater and have a negative impact on ecosystems. An estimated $2 billion or more worth of insecticides are used annually in the cotton industry. Furthermore, according to the WHO, about half of them are hazardous and detrimental to ecosystems and human health (Portal Kupuj Odpowiedzialnie, 2010). In addition to being employed in cotton farming, damaging chemicals are also used in the clothing manufacturing process. The clothing is put through several procedures including washing, dying, bleaching, or printing before it reaches retail shelves. In these activities, as many as eight thousand different compounds are employed. 2,495 liters of water are used in the manufacture of one t-shirt (Komisja Europejska, 2012). Chemicals and dyes found in this water return to the environment and contaminate it. Furthermore, dangerous materials also build up in clothing fibers. Pesticides and other hazardous materials are utilized in the clothing-making process, which has an adverse effect on both humans and the environment. Employees in clothing industries and cotton farms are particularly vulnerable to these harmful consequences. It's important to remember, though, that they have an impact on the customers who purchase the finished good. Transportation is the final environmental aspect discussed here. If production is shifted to developing countries, distant from the final goods' sales location, transportation surely plays a major role in the textile and apparel industry. It is estimated that one t-shirt can travel anywhere from eighteen to fifty thousand kilometers (Płonka, 2013, p. 177). As a result, the long supply chain contributes significantly to the release of carbon dioxide and other air pollutants, which harms the environment. The second fundamental topic of corporate social responsibility (CSR) is human and workers' rights and working conditions. In the textile and apparel industries, this subject is particularly sensitive. When production is located abroad, there is no control over working conditions, which makes the challenges in this area very important and complex. In addition, the majority of production occurs in developing countries without social security or minimum wage regulations.

According to Universal Declaration of Human Rights:

> "Everyone has the right to work, (…) the right to equal pay for equal work, (…) to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection (…) has the right to form and to join trade unions for the protection of his interests" (United Nations, 1948).

Unfortunately, the Declaration's assertions have little to do with reality. While the minimum wage authorized in the textile industry is 5300 taka (50 euros), a suitable salary in Bangladesh is assessed to be 25,687 taka (Clean Clothes Campaign, 2014). Wages are not the only problem, though. Important considerations are also the working conditions and hours. Workers are often exploited since their working hours are much longer than in developed nations, they can even reach up to 12 or 18 hours a day (Płonka, 2013, p. 147). It is well known that the apparel sector routinely violates safety regulations. As there are no emergency exits or evacuation systems in place, employees have no way to leave the plant in the event of an accident or fire. One well-known example of a safety regulation being violated was the April 24, 2013, Rana Plaza disaster in Bangladesh. It was the biggest disaster in the textile and apparel industries' history. The eight-story building fell because of an explicit infraction of the law. Nearly 1,200 workers lost their lives because of the disaster (Rabij, 2016, p. 15). The concept of CSR is not in line with this approach.

2.3 The drivers of CSR related to the textiles industry

Because of every one of the preceding factors, businesses in the industry need to handle their supply chains well. In the textile and clothing industries, supply chain management is essential to a business's success (Perry and Towers, 2013). Managers should choose suppliers who not only satisfy their requirements but also act morally and seriously consider their social and environmental responsibilities. If a company’s supply chain has several infractions, it cannot claim to be committed to corporate social responsibility. Numerous companies claim that their suppliers' worries are related to workers' rights, according to Australian research. When it comes to their supply chain, many Australian clothing companies are happy to just cut out sweatshops; when they do review supplier facilities, they only look at the conditions of work for their direct contractors. The remainder of the supply chain is uncontrolled (Diviney and Lilliwhite, 2007). On the other hand, Perry and Towers (2013) contend that a business is only as trustworthy as its supply chain. They recognize the need to establish new, enduring partnerships between suppliers and buyers that are built on trust and collaboration. During the entire process of making, marketing, and wearing clothing, the environment and society are impacted by things like waste, CO2 emissions, and eating disorders that are frequently linked to the fashion industry, such as bulimia and anorexia. Gardetti and Torres (2013) examine the environmental effects of the apparel industry. They begin with the creation of fiber, which requires a lot of oil, pesticides, and water waste, and they go up the clothes manufacturing chain, emphasizing how each stage worsens the environment. All these processes, spinning, dying yarn, weaving, finishing, and tailoring, use chemicals, generate waste, consume energy and water, and, most importantly, may be connected to the violation of human rights due to appalling working conditions. The articles make the point that fashion and textile designers have challenges when it comes to sustainability. They do agree, though, that consumer use affects more than any modifications to production techniques. The environment gains more when less water and energy are used for laundry. Gupta (2012) highlights the importance of Corporate Social Responsibility (CSR) across the whole supply chain of the apparel sector, encompassing suppliers, retailers, and end consumers. The same forces that affect any other business also affect the clothing industry: pressure from stakeholders, NGOs, and the public; global warming; and the desire to get a competitive edge. Certain drivers are contingent upon the magnitude of the organization or the extent of its globalization. There is more demand on large multinational organizations to fulfill their social responsibilities than on small and medium-sized enterprises (Abreu, 2015). The apparel sector needs to meet consumer demand for clothing created without exploitative work conditions or abusive labour practices. Customers don't want to feel guilty for adding to the misery of another person, thus they need assurance that the apparel they want to buy was produced under ethical working conditions. Payments, working conditions, and working hours are the three main corporate social responsibility (CSR) issues in the clothing sector, according to Perry and Towers (2013). These issues are all connected to employees' social duty. Due to the industry's frequent use of offshore and outsourcing to developing countries, companies need to remember that their ethical standards extend beyond the executive level office. Businesses need to ensure that their subcontractors conform to CSR guidelines as well. Perry and Towers (2013) list four methods in which it might do this:

Motivate suppliers to conform with international standards (ISO 9001, ISO 14001, OHSAS 18001, SA8000)

1. Build and expand frameworks.
2. Put suppliers’ norms of conduct into practice.
3. Carry out social inspections of suppliers.

It's becoming more and more typical these days for companies to be held responsible for the wrongdoing of their suppliers. Moreover, they sometimes give the impression that they are unaware of the problems that their contractors are suffering til they watch their name on TV. Some large companies, including The Gap, Inc., are facing bad press and consumer boycotts because of standard violations at their suppliers' manufacturing plants (Lawrence, 2002). Abreu (2015) lists the motivations, workings, procedures, and results of corporate social responsibility in the clothing sector. It explains how apparel firms may create socially conscious practices into their everyday operations to support local communities, lessen environmental harm, provide safe and healthy working environments, and keep positive relationships with stakeholders. Any corporation that puts these adjustments into practice might get a few benefits, such as strengthening its standing as a reliable business, getting a competitive advantage, and making money. Developing social programs, supporting fundraising efforts, encouraging workers to volunteer, and providing financial support for local community events are examples of discretionary actions that can have a good impact. The businesses should also adjust their internal structures. For instance, they may put in place non-discrimination and healthcare rules or promote employee self-improvement. Implementing ISO 14001 (an environmental management system) and other eco-friendly standards (such as energy and water conservation initiatives) is one approach to incorporate certain controls into corporate operations to reduce adverse effects on the environment. As per Abreu (2015), the final category of recommended measures centers around enhancing connections with relevant parties. A sustainable business must combat corruption, exhibit sincerity and transparency, and instill CSR principles across its supplier chain. All these initiatives ought to improve the company's standing in the marketplace and force it to behave morally. Additionally, Ndela (2015) offers several suggestions on how the apparel company's CSR strategy could be developed. He advocates for eco-friendly packaging and production, the elimination of all hazardous materials, secure working conditions, and fair pay. According to several studies (Abreu, 2015; Diviney and Lillywhite, 2007), every nation should have some sort of legislation governing CSR in clothing firms. They contend that because human rights are frequently violated in the garment business, regulations established by the government are essential. They believe that firms should be required by minimum legal criteria to at least implement international standards. Gupta (2012) points out that not all nations are prepared to follow international laws, yet. For instance, although people are eager to work extra in developing nations like

Thailand, SA8000 forbids working overtime for more than 12 hours. They will be able to support their families financially in this way. For them, the introduction of SA8000 translates into lower pay. Businesses must choose between giving in to employee demands and applying for foreign certifications that might strengthen their standing in the market (Gupta, 2012).

2.4 CSR's obstacles and difficulties in the textile and clothing industries

The development and integration of ethical standards into modern management systems is necessary for growth to be consistent and generally sustainable. However, before corporate social responsibility is fully adopted in the textile and apparel industry, several challenges must be resolved. The geographical distance between the parent company and the textile and clothing production facilities is the main obstacle to encouraging greater accountability in the textile and apparel industries. A corporation must influence and collaborate at all levels of its operations to become socially responsible. Due to distance, the managers cannot reach out to communicate with all relevant parties, such as factory workers or additional manufacturing or transportation employees, and they are unable to oversee the day-to-day conditions of the products. The primary cause of the transfer in the production of clothing and textiles to developing countries is the difference in manufacturing costs. Because of the shift in production to maximize profits, companies are less concerned about the pay and working conditions of their employees. The issue with this scenario is how to increase industry control and subject it to regular audits in emerging countries. One of the possibilities available to the parent company is the implementation of a rule of conduct for manufacturers and suppliers. This might simplify the process of keeping an eye on the workplace. Additionally, there is a chance for creative ideas and the growth of small, local firms, which would greatly facilitate control over labor conditions, product quality, and manufacturing. Additionally, there could be less transport pollution, and the textile and clothing industry's progress might have a less harmful environmental impact. A few things may also be done about new and inventive fabrics produced with eco-friendly methods, as well as about improvements in the production process and infrastructure. These solutions do, however, bring up another obstacle: the price of putting CSR initiatives into place in businesses. A corporation must invest financial resources and human resources in order to implement social responsibility programs. Both of the following fundamental categories comprise the costs associated with CSR (Elementarz Społecznie Odpowiedzialnego Biznesu, 2014):

1. Non-recurring costs: This category covers charitable gifts and eligible investments in the infrastructure required to generate eco-products.
2. Constant costs include things like recurring grants or subsidies for social programs, certification fees, training expenses, and hiring new staff member costs.

An additional cost division is directly related to one's position within the organization. It displays expenses associated with stakeholder groups in a company (Wysokińska and Witkowska 2016, p. 159):

1. Directors: more briefings and meetings.
2. Shareholders: additional reporting expenses.
3. Managers: more meetings, training fees, and other expenses reporting.
4. Workers' training costs, the need to implement a human rights policy, and the need to improve internal communication.
5. Clients' potential price increases.
6. Contractors' and subcontractors' potential for relatively quick supply cost increases.
7. Local governments' requirement for ongoing collaboration with businesses.
8. National government's costs associated with enforcing compliance with new regulations.
9. The environment, as a silent stakeholder, should get more funding for harm prevention and management.

The large expenses that must be paid might be a deterrent for certain businesses looking to establish a corporate social responsibility plan. This is especially true in times of crisis for the company as reducing expenses is critical. It goes without saying that under these situations, budgetary constraints will have an impact on additional expenditures first, and it's likely that CSR initiatives would be viewed as such. Adopting this mindset is the outcome of misinterpreting the concept of socially responsible management, and solving this issue appears to be difficult for any new management. A further obstacle associated with the misunderstood notion of corporate social responsibility is the likeness of CSR to public relations (PR). PR is a marketing tactic that aims to establish societal trust and a favorable brand image (Frączek, 2011, p. 116). When CSR is mistakenly seen as a type of public relations, businesses may only embrace initiatives that enhance their brand, when true CSR involves accountability across the board. It is also true that there are similarities between PR and CSR, regardless of all the above. The secret is effective communication between the departments in charge of PR and CSR, as well as an understanding of the concept of socially responsible management and the need to distinguish it from PR. The increasing consciousness of social issues also generates a need for eco-friendly goods and services. Some businesses embrace this trend to boost sales and improve their reputation. They create marketing plans and present goods and services under the eco-friendly umbrella, but in practice, the items and environmental preservation have nothing in common. According to Zalejski and Faszczewska (2012), this tendency is known as "greenwashing", and it appears to be a major obstacle to the advancement of corporate social responsibility. When a business engages in "greenwashing", it means that it is lying to customers and withholding facts to promote a product and give the impression that the money was spent on something less harmful to the environment. CSR shouldn't be employed as a marketing ploy to draw customers. Regretfully, this remains true for the textile and clothing industries. Companies have two different standards when it comes to morality; they follow some CSR laws in their home company but not in their overseas divisions. The management paradigm needs to change since the economic and social circumstances of the modern world are changing so swiftly. International management deserves particular attention. Multinational firms have an impact on a wider spectrum of stakeholders. A method to conduct business while taking social and environmental concerns into consideration is provided by the ethical framework of corporate social responsibility. With all we've discussed in mind, the following are the primary obstacles and issues facing CSR in the textile and apparel sector:

1. Ensuring total openness at all operational levels in the clothing and textile sectors.

2. Production control lessness and geographic remoteness limit the growth of CSR.

3. The need to embrace respect for human and labour rights.

4. The costs related to implementing corporate social responsibility programs.

5. The need to inform and educate the management of the organization and its customers.

6. The requirement for an innovative approach to the supply chain and production.

CHAPTER 3

3.1 Patagonia, Inc.'s history

"Patagonia, Inc., my firm, is a test project. Its purpose is to implement the suggestions that every apocalyptic book on the state of our planet says we need to undertake right away in order to prevent the inevitable demise of nature and the end of human society. Even though experts unanimously agree that we are in danger of a catastrophic environmental collapse, our culture is unwilling to act. Patagonia was founded to refute traditional knowledge and provide a fresh approach to ethical business practices" (Chouinard, 2005).

Understanding this company's history is essential to appreciating its commitment to environmentally conscious business practices. Even though Patagonia is a well-known brand, its humble origins are what have given it the minimalist quality that distinguishes it. These beginnings also make Patagonia crucial to comprehending how a company of this size can expand in a genuine, conscientious, and grassroots manner. When founder Yvon Chouinard, Figure 8, acquired his first hammer and some metal pieces from a local junkyard in 1957 and began teaching himself how to forge, Chouinard Equipment was born in the backyard of his parents' Burbank, California house (Chouinard, 2005). With its early success, the iron works industry quickly grew beyond providing only climbing equipment to include clothing for climbers and other active people, bringing with it the foundation for safeguarding the

Figure 8, Patagonia founder Yvon Chouinard in Telluride, CO, 1981. Photo: The Denver Post via Getty Images environment. The recently established sportswear brand, The climbing gear company Chouinard Equipment and Patagonia, Inc. split. Under the parent firm Great Pacific Iron Works, which renamed itself as Lost Arrow Corporation in 1984, these two businesses coexisted. The first item of clothing in the history of Patagonia, Inc. was a rugby shirt made to survive the challenging circumstances associated with large wall rock climbing activity. Given that the rugby shirts were thick and rigid, the message attached to them was not one of style but rather one of durability, as they would shield users from any cuts, abrasions, and bruises from the elements of rock climbing. The rugby shirts also included a material that would outlast cotton t-shirts in terms of durability, introducing the superior quality and long lifespan of Patagonia merchandise. With its corporate headquarters located in Ventura, California, Chouinard and Company achieved its second significant environmental milestone when it joined the Friends of Ventura River initiative, which aimed to clean the river, restore its flow, and increase the number of Steelhead fishes inhabiting there. This early and ongoing altruistic dedication to the environment would become a pillar of Patagonia's purpose, and it would always be vital to its success and core beliefs.

3.2 The Key to Patagonia's Success

Patagonia's success as a green business can be partly attributed to the way it has shaped its business model around its objective of environmental devotion. Even though the corporation is always exploring and adjusting to new, more eco-friendly, and efficient techniques of production, its foundational principles hold that business has accountability for the natural effects it has on the environment. The goal of capitalism is to build a business and concentrate on increasing its profits. Then you can become a charitable person when you pay out, according to Chouinard. “We think that a business has an obligation to do that from the beginning—for the benefit of the workers and the environment” (Paumgarten, 2016). The present employees' objective aligns with the founder's remarks. By using a variety of strategies, including efficient product research and development, activism, charity, environmental campaigns, conservation activities, and supply chain transparency, Patagonia can effectively balance its corporate expansion with its commitment to the environment. In terms of how it will affect other production industries and the development of a “sustainable economy”, the issue that must be answered is how scalable Patagonia's business model is, and what aspects of its contemporary, sustainable business model may be applied to it and other industries.

3.3 Product development

Since Patagonia is an outdoor gear company, everything it produces has an impact on the climate, but it has found a way to balance its commitment to the environment with its capacity to make money. On a dead world, no business can be conducted. When considering the long term, a business must acknowledge that it has a responsibility to reduce its environmental effect (Chouinard, 1995). Patagonia was founded with sustainability in mind, and as a result, its products are well-known among environmentally conscious consumers. Patagonia uses significantly less energy in the production of their products since they use recycled materials. With the intention of recycling polyester from abandoned clothing to create a new material that could possibly be used to construct "new" items that Patagonia would sell; the Common Threads Program was founded in 2005. This genuinely new fabric is made by Teijin, a cutting-edge Japanese fabric company, using their Eco-Circle fibre-to-fibre recycling method (Fletcher, 2014). When compared to using wasted polyester fibre, Fletcher (2014) estimates that using recycled fibre will save 76% of energy and 71% of carbon dioxide emissions. Most of these energy savings can be attributed to the lack of petroleum refining, which is necessary to make virgin polyester fabrics. Furthermore, Patagonia promotes its customers to return their worn apparel to the cradle-to-cradle movement, (is a biomimetic method of designing systems and products that mimics the functions of nature, viewing materials as nutrients that circulate in safe, healthy metabolisms), which is made possible by the company's support center in Reno, Nevada. By accepting discarded Capilene apparel from customers and repurposing it into a new product, Patagonia is assuming responsibility for the items they have already produced (as well as the emissions associated with making and shipping that product). Patagonia's commitment to employing recycled materials is further demonstrated by the 1993 creation of the Synchilla material. Patagonia created Synchilla, a double-faced fleece material with a smooth feel and no pilling, for its pullover Snap-T jackets. On its website, Patagonia claims to have invented the post-consumer recycled (PCR) method, which recycles used soda bottles into fleece jackets. They now incorporate more used clothing and undesired production waste into their recycled goods products.

3.4 Supply chain transparency

Patagonia and the other members of the Sustainable Apparel Coalition can take advantage of their supply chain and charge consumers a fair price for their consumption by being open and honest about the sources of the materials and services used to make their products. Using their live "Footprint Chronicles" webpage, Patagonia accomplishes this. Here, buyers can see where the raw materials needed to produce their clothes came from. You may see the exact farm, factory, or textile mill in question on the Patagonia website, along with a map (Figure 9) that illustrates the global locations of the raw materials and labour suppliers.

Figure 9, self-research on Patagonia's website, 2024

With articles, videos, and films all available on their website, Patagonia aims to educate its customer base about fair trade labor, corporate responsibility, and the ethical, humane usage of raw materials produced from animals. In order to maintain Patagonia's ethical reputation and brand, the manufacturer has built a relationship with its customer base by providing clear and understandable information about the worldwide production process

(Bhaduri & Ha-Brookshire, 2011). “Consumers were found to be interested in obtaining information about the origin or manufacturing processes of a business’ products and, therefore, they concluded that a business could benefit from continual communication about how the product is made to satisfy consumers’ quest for knowledge”, according to studies demonstrating increased concern over the environmental impacts that products have (Singh et al., 2008). According to Burchell and Cook (2006), there has been an increase in "concern over the ethical and social responsibilities of modern corporations and greater demands for detailed information regarding the social and environmental impacts of their business activities," which has led to the development of this supply-chain information.

3.5 Brand: Don’t by this jacket

Communicating their dedication to their environmental message and enhancing their reliable branding image are two additional goals of Patagonia’s outreach component of their consumer education strategy. Patagonia has defined their “core-customer’ as a very fit person who aspires to step outside mainstream society, and who engages in extreme sports through which they have transformative experiences in extraordinary wilderness landscapes” (Hepburn, 2013) through their branding and photography efforts. Its openness in urging all its customers, not just the devoted “core-customer,” to buy only what they need, however, has set the firm apart from any other household name marketing strategy. In an ad published in the New York Times on Black Friday 2011, Patagonia challenged the conventional wisdom of the country on the infamous shopping day. The phrase “Don’t Buy This Jacket”, (Figure 10) created a lot of media discussion and brought the company’s intention to discourage mass purchasing to light. Following the release of this advertisement, the client base that purchased Patagonia

Figure 10, self-research on world wild web, 2024 clothing was identified as the type of person who would purchase clothing from a brand like Patagonia that promotes quality over quantity and discourages mass consumption (Hepburn, 2013). Furthermore, Patagonia gave up 100% of its Black Friday 2016 sales, roughly $10 million, to environmental charities as part of an advertising effort. Since the firm’s founding, Patagonia has used its catalog to both promote the brand and educate customers about current environmental initiatives, corporate mission statements, and core values. Patagonia’s ability to uphold the image of the brave, tough explorer that has always been at the heart of the company’s environmental responsibility advertising since the early days of clean climbing in Yosemite is partly responsible for the effectiveness of its branding message. The company's ’triking photography frequently highlights this extreme sports persona, drawing attention from people who might not otherwise be extreme adventurers. The idea is that this will help the message stick in the minds of those who view it as something far more important, since the visual impact of the words’ associated images will develop it in their minds.

CHAPTER 4

4.1 Supply Chain Mismanagement

It's important to describe Patagonia's revised supply chain management strategy in terms of business as usual before moving on to the discussion of it. The concept of supply chain includes "all activities associated with the flow and transformation of goods from raw materials stage (extraction) through to the end user, as well as the associated information flows." Materials and information go up and down the supply chain. Supply-chain management, or SCM, is the integration of these initiatives through improved supply chain connections to offer a sustained competitive advantage (Handefield & Nichols, 1999). Due to resource management, technological developments, and budgetary restraints, outsourcing has become a standard practice in the manufacturing business (Waters, 2010). By transferring the regulatory or observatory responsibility from the primary companies, these outsourcing businesses are often able to reduce their accountability for fair labor conditions or polluting production practices (due to a lack of knowledge about true practices in the production facilities). Moreover, the decreased costs associated with employee pensions offer an extra means of cost reduction for businesses dedicated to achieving the lowest costs and sustaining competitive profit margins (Waters, 2010). Production outsourcing along the global supply chain produces the principal-agent problem, which occurs when one “chain director” has the authority to make decisions that influence or have an effect on an organization or people downstream in the supply chain. Labor that is outsourced to a business that has mismanaged its supply chain may be paid less than the acceptable minimum wage due to the main agent problem. It might also imply that specific regions' environmental quality is impacted by resource extraction or refinement, which could be prompted by the chain director's competitive pressure. It can also result from the primary supplier declining to cooperate further down the supply chain. When individuals or companies act in the supply chain with their own interests in mind, it becomes an opportunistic problem (Fama, 2010). Agency interactions can lead to two fundamental problems: moral hazard and adverse selection. The underlying cause of these problems is information asymmetry, which is the circumstance in which one or more participants in a transaction has more or superior knowledge than the rest. When an agent acts badly after the fact, it is referred to as moral hazard. This means that an agent who is more aware of its actions has a higher probability of acting against the interests of the principals. On the other hand, in adverse selection models, earlier information exchange, that is, informing the principal of a specific agent attribute, is insufficient (Ciliberti et al., 2011). It is possible to extend to consumers these trade-offs associated with the principal possessing more knowledge than the agents in the mass market. The true costs and manufacturing conditions are often concealed from customers in order to maintain a competitive edge in the market and prevent exposure for taking short cuts. If the principal is unaware of the true circumstances surrounding the agents in a complex supply chain, the client may likewise be denied knowledge of the source of their purchase. One strategy to save costs in the supply chain, aside from labor outsourcing and acquiring plentiful natural resources overseas, is to employ domestic manufacturing techniques that are incompatible with corporate social responsibility principles. One example is the US food production industry's use of factory farming. A percentage of the US GDP of 12% (Stock, 2004), In addition to being essential to life, food production accounts for a sizable portion of the national economy (Maloni & Brown, 2006). As a result, in a competitive market, millions of Americans find a product more appealing the lower the price. Because highly processed foods are more affordable and easier to make in large quantities than fresh produce, they can result in diet malnutrition and other health problems. When careless supply-chain techniques are used, there may be trade-offs that harm future generations as well as the environment, human health, animal welfare, fair-trade labor rights, and socio-equity. These trade-offs may not always be immediate (Maloni & Brown, 2006). Some supply chains in the food business in the United States and the global apparel market may have so many steps that the complexity of the process separates the primary from the agent and the environment, which they rely so much upon. Because they can reach international markets, large retailers are able to compress labor costs to justify their massive marketing and retail investments, as well as their consistent high profit ratios. The only way they can meet their business objectives is if they assign this component of the supply chain to a third party that can save labour expenses. They are able to reduce their enormous, fixed costs as a result, making them variable costs, and they detach themselves from the factories where their manufacturing is done (Cipriani, 2015). A competitive, normal business supply chain only counts when it comes to the need to reduce costs to boost profits; environmental damage and poor working conditions are not relevant. But as Patagonia has shown, their business model allows them to adopt bold environmental goals without having to give up revenue. Due to their competitive need to reduce production costs, producers and their subcontractors may have very challenging relationships in the supply chain. These

Figure 11, Ranza Plaza, self-research on the world wide web, 2024 subcontractors may never be seen in action. The construction of a factory in Bangladesh's Ranza Plaza in 2013, (Figure 11), that collapsed and killed over 1000 workers due to the use of “substandard materials and in complete disregard for building standards” is an example of how this separation within the supply chain can have an impact on human health or the environment (Yardley, 2013). Due to demands from market rivalry, there is less oversight across the supply chain, which is infamously the main reason why outsourced production does not have fair trade labor condition status. “Many factories in developing countries still struggle with child labor, hazardous working conditions, long work hours, and low wages, which causes scandal and embarrassment for the global brands who purchase products from those factories” (Locke & Romis, 2007). Not only does this gap frequently occur before to consumption, but irresponsible CSR in the normal operations supply chain is also frequently demonstrated by the disrespect for the product after consumption. “There is no financial incentive for a company to maintain the care of their product post-consumption, as this would stimulate the potential for higher expenses in the mind of the mass-market survivalist firm”, Senge stated in an interview with the Harvard Business Review (Prokesch, 2010).

4.2 Supply-chain Management à la Patagonia

Then, the question of whether it is feasible to run a profitable business, outsource supply chains, and pay attention to the effects that products have on the environment and on people from the time of design to the end of their useful life emerges. There are methods available that aim to rethink supply chain management; Patagonia is among the more remarkable and complete examples. Patagonia's business strategy, which places a strong emphasis on sustainability, has proven successful not only in some areas but also in the expansion and evolution of the organization. Current CEO Rose Marcarcio joined Patagonia in 2008 and has helped the firm more than triple its profitability. She has also helped the company expand at a pace of 14% annually and turn an anticipated $750 million in profit in 2015 (Bradley, 2015). Marcarcio's vision for this expansion resulted from her equitable balancing of commercial profitability and global growth, emphasizing ecologically sustainable and socially responsible business practices. Since Patagonia has been able to grow and have such an impact on the industry through sustainability ranking initiatives like the Sustainable Apparel Coalition, the question of what makes a business capable of adapting and improving its supply chain in a transparent and sustainable manner while increasing profits and retaining a customer base willing to pay for its products arises. Patagonia's commitment to ethical supply-chain management is one of the main elements that maintains the company as a financially successful and reliable sustainable enterprise. Granted, Patagonia is still far from achieving a net-zero emission production method and did not enter the global corporate clothing market with the magic formula for long-term sustainable CSR or SCM. Marcarcio “launched an intensive examination of Patagonia’s supply chains, seeking solutions to improve production and reduce expenses by identifying waste, both financial and environmental” as soon as she started working there in 2008 (Bradley, 2015). Patagonia has established an outstanding model for how to build a supply chain that considers labor costs, raw material inputs, and, in the end, post-consumer care, the process of recovering responsibility for its products after they have reached the end of their useful lives. This model is called, the Supply Chain Environmental Responsibility, based on internal criteria, this program makes use of industry-wide resources like the Higg Index and acknowledges third-party certification schemes like the bluesign® system as means by which Patagonia's suppliers may demonstrate that they are fulfilling their requirements. For Patagonia to identify suppliers as environmentally conscious supply-chain partners, they are urged to go above and beyond the program's minimal standards and exhibit environmental excellence by putting more effective and efficient practices into place. To determine if manufacturing facilities satisfy Patagonia's minimal standards for environmental compliance, performance, and best practices, they routinely inspect the facilities utilized by both current and prospective suppliers. Patagonia's supply-chain decision-making process incorporates this procedure for authorizing and overseeing both new and active suppliers and their production facilities. As Patagonia becomes more knowledgeable about the facilities of its suppliers and collaborates with them on necessary changes and training, Patagonia has been able to decrease the environmental effects in its supply chain over time. For instance, to comply with Patagonia's stricter international standards, several supplier facilities now feature air-emission and wastewater treatment systems that exceed regulatory limits. Safe chemical management practices have been put in place and dangerous substances have been removed from other locations. Additionally, establishments are not permitted to be Patagonia suppliers if they are unable to satisfy Patagonia's criteria. Patagonia right now after their tremendous work, has plans for the future, they are putting more of an emphasis on performance, best practices adoption, and ongoing improvement as vendors meet their minimal compliance standards. For instance, they are already developing a new carbon-reduction performance program with important suppliers of raw materials that help them decarbonize their operations. To lessen our collective influence on the environment, Patagonia encourages energy efficiency, renewable power, and the consumption of less carbon-intensive fuels. Patagonia's goal is to lower the carbon footprint of production using a variety of tools and incentives. Their greatest chance to promote supply chain improvement in an integrated supply chain is to work together with other brands and suppliers. Patagonia has been involved in the founding of several partnerships, such as the Textile Exchange, the Regenerative Organic Alliance, the Outdoor Industry Association's Sustainability Working Group, the Sustainable Apparel Coalition's Higg Index, and the recently established Climate Action Corps. Annually, an increasing number of businesses are participating in these programs and employing these instruments to assess and share their environmental effects, enabling benchmarking across the sector and extensive cooperative development (Pataconia, Inc., 2024). The social equity of labor, the transparency of the supply chain as provided to the consumer, and the attention and modification to the environmental impacts of its existence as a part of polluting consumer society create a new standard that could be expanded to include more industrial sectors and even influence consumer choices in a more sustainability-minded purchasing market. The way that we saw Patagonia’s supply-chain management and sustainability ideology connect helps to explain how it may be emulated more broadly.

4.3 Adapting to Supply Chain Complexity

The complexity of supply networks can conceal the reality of negligent management, even for companies like Patagonia. In June 2015, Patagonia announced on its blog, The Cleanest Line, that it had discovered “egregious employment practices, especially bonding for debt, between seven of its suppliers” (O'Connor, 2015). In a less polite sense, debt bondage "creates an enforced labor system that may also be labeled contemporary slavery." In addition, our own supply chain has been impacted, according to Patagonia's website. Companies regularly investigate their first-tier suppliers' fair labor practices and least costly environmental impacts. The stages that precede the production of the finished goods, the second, third, etc., are ignored. Due to the labor and environmental consequences associated with the companies that supply the parts, such as buttons, zippers, dyes, and other components of the supply chain, even companies with seemingly impeccable reputations may find themselves entangled in a web of complex corporate supply-chain abuses. According to O'Connor (2015), Patagonia currently has a team specifically dedicated to monitoring the tier-two suppliers who supply many of the materials used by its tier-one manufacturers. This group oversees examining the auditors who have already revealed the details regarding the source of their supply materials. To facilitate the necessary information exchange between the principal and the agent, the internal audit team regularly interviews managers and workers regarding working conditions in manufacturing plants. In August 2015, PETA (People for the Ethical Treatment of Animals) released a video that was "shot by an eyewitness at a farm that's part of a supply group called Ovis 21, which Patagonia was collaborating with since 2011 and is a graphic, violent three-minute video of a sheep getting sliced, tied up, and castrated," underscoring the consequences of not being able to monitor the source and methods of materials (Michelson, 2015). Before the release of this video, Patagonia had been obtaining almost all of its wool products from the Ovis 21 group. In addition, the company had been collaborating with the farm to establish a more regenerative consuming landscape, as opposed to previous methods that frequently reduced grasslands and were not sustainable (Byars, 2015). Following the release of the PETA video, Patagonia CEO Marcarcio eventually said that the firm will no longer be buying wool from Ovis 21 ranches: "We have decided not to purchase wool from Ovis 21 ranches because we cannot guarantee immediate changes to their unethical practices." This is the right decision to make, despite the fact that it's a difficult one (Michelson, 2015). Patagonia's commitment to environmental justice, despite the negative effects this choice would have on items that rely on wool, supports the company's aim to put the needs of the environment above corporate profits. Rather of removing all wool goods from its lineup, Patagonia severed relations and took a risk by moving its supply chain away from the untrustworthy wool supplier. Because they place weight on the CSR components of a company's supply chain, these supply-chain audits, which examine the actual environmental and fair worker conditions for every tier of the chain, are fundamentally comparable to the idea of creating a Value Chain Index (VCI). Customers may now compare items “based on the impacts that occur to them during every step of their journey from raw material to consumed, discarded good” (Chouinard, Ellison, & Ridgeway, 2011), which goes beyond just revealing the defects in manufacturing value chains.

4.4 Closing production loop

Closing the loop is a crucial aspect of supply chain redesign. The majority of firms turn the raw materials used in production into post-consumer garbage. The issue of end-of-life disposal has a significant negative influence on the environment, as seen by the massive volume of garbage generated by careless non-recycling behaviors. The word that is most frequently used to characterize the garbage and waste that a home, company, school, or hospital may create is municipal solid waste, or MSW. MSW is anything that goes up in landfills, including appliances and food wrappers. The Environmental Protection agency have done a study (Figure 12), and found out that, “In 2013, Americans produced around 254 million tons of waste, of which 87 million tons were recycled and composted, or a 34.3 % recycling rate. Our daily average for each person's garbage creation was 4.40 pounds, of which 1.51 pounds were recycled and composted” (EPA, 2016).

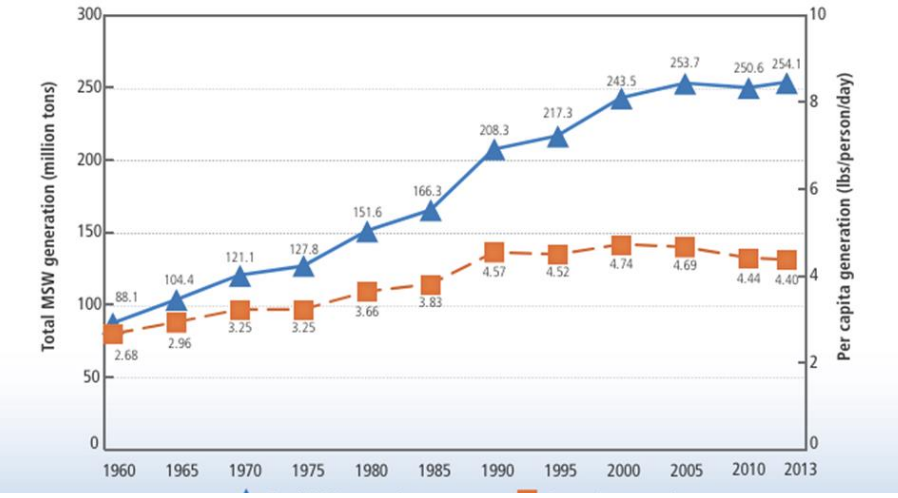

Figure 12, Advancing Sustainable Materials Management: 2013 Fact Sheet

Waste that can't be recycled winds up in landfills, where methane and carbon dioxide, two of the main greenhouse gas effects that cause global warming, can be produced by anaerobic bacterial decomposition. As a result, new products must be produced when items cannot be recycled, adding to pollution and the effects of climate change and global warming. Occasionally, useless rubbish may eventually wind up in the world's oceans after going “downhill” via pollution and dumping. The North Pacific Ocean's Great Pacific Garbage Patch, also referred to as the “Pacific Trash Vortex”, (Figure 13), is a floating mass of primarily plastic waste that occupies thousands of square miles in the region where the North Pacific Ocean gyre converges (Harse, 2011). Many people picture an island of rubbish floating in the water when they hear the term “garbage patch”. In reality, microplastics, tiny pieces of plastic, make up nearly all of these patches. Sometimes microplastics are invisible to the naked eye. Not even satellite photography depicts a massive waste patch. The Great Pacific Trash Patch's microplastics can easily give the appearance of gloomy soup in the ocean. There are bigger things mixed in with this soup, including shoes and fishing equipment. There's a chance that an underwater garbage dump exists beneath the Great Pacific Garbage Patch. It was recently found by ecologists and oceanographers that over 70% of marine trash really sinks to the ocean floor (National Geographic, 2024).

Figure 13, A part of the Great Pacific Patch (AFP, 2017)

In this instance, the trash is returned from the consumer to the environment in a manner that absolves both the manufacturer and the consumer of any liability for the volatile elements that are not intended for reintroduction into the environment after the customer has used them. The transformation of natural resources into a form that may take thousands of years for Earth's natural processes to decompose results in this inorganic waste. This new type of inorganic biproduct builds up and contaminates the soil or water where it is deposited instead of encouraging regeneration. “Waste equals food”, as sustainability expert Amory Lovins has stated (Esty & Winston, 2006). This is true in an ecological sense as garbage nourishes the soil, which encourages development and eventually produces plants that will feed future generations. This straightforward formula is a reaction to the enormous quantity of pointless waste that humans produce in the context of corporate manufacturing. However, waste equals expenses in the corporate sector (Esty & Winston, 2006). Companies aim to cut post-consumption energy use to reduce internal expenditures. The firms are saving money on recycling whatever waste they have added to the earth if they do not assume accountability for their products once they are purchased. These goods are frequently more involved than just recycling a cup of plastic after iced coffee. Most of the time, in order to correctly disassemble or recycle items of a diverse type, extensive management of costly repurposing infrastructure is needed. The high cost of this commitment to proper post-consumer disposal is discouraging producers from acting. Producers implicitly ignore the global issue of rising waste if they are not incentivized to reorganize their supply networks to account for items when they have come to the end of their useful life. Despite what some manufacturers may say about recycling procedures, the result is frequently a “less bad” version of the standard landfill ending, where the items will continue to rot and contaminate the environment. Certain materials are recycled, however as they are not designed to be recycled, this usually happens as an end-of-pipe solution. This approach, which restricts usefulness and preserves the linear, cradle-to-grave nature of the material flow system, is really downcycling rather than genuine recycling (Braungart et al., 2007). Landfill expansion and the waste problem are made possible by the usage of materials that cannot be converted into another product. Redesigning items to make them recyclable and less wasteful of landfills is a crucial component of sustainable supply chains. Patagonia has transitioned from a cradle-to-grave to a cradle-to-cradle philosophy by urging consumers to return items to its recycling facility at the end of their useful lives. This keeps Patagonia accountable for the garbage they would have produced, no matter how long ago. They have not only included recycled textile materials into their product line, but they have also made it simple for customers to get rid of outdated equipment that may have otherwise landed in a dumpster. According to their website, Patagonia recycled approximately 95 tons of apparel between 2005 and 2016. Because of the program's financial advantages, Patagonia is spared from having to make further purchases of new materials. Since they have already utilized these materials once, they may refashion and recycle them to create new items using recycled resources. A step toward the idea of “industrial symbiosis” is the development of connections across different industries to make environmentally friendly manufacturing and consumption a more cohesive process. It's also an attempt to emulate the ecological efficiency seen in the natural world through biomimicry. A collection of participating businesses would transfer garbage that they might no longer utilize to a different industry to make a "new" used product out of materials that may have ended up in a landfill in this tight production cycle. In this instance, businesses might profit monetarily from the creation of this recyclable garbage (Esty & Winston, 2006). Closed production cycles attempting the industrial symbiosis process frequently yield non-tangible advantages in addition to the intended ecological and environmental gains (Esty &

Winston, 2006). More reliable connections between brands and customers represent one significant external advantage. Patagonia has demonstrated the benefits of maintaining a socially conscious and genuine relationship with ecologically conscious production goals. This has allowed the company to maintain its financial success while fortifying its dedication to sustainable, innovative production methods. Patagonia's capacity to foster confidence and broaden its clientele can be partially credited to its openness regarding the inspiration behind the creation of its products and, more specifically, its methods of manufacture. Patagonia's goal statement is to "build the highest-quality product, inflict no unnecessary damage, and utilize the company to motivate and pursue solutions for the environmental crisis." The transparency of the Patagonia supply chain is mostly attributable to the previously stated Footprint Chronicles, which document the many tiers of its supply chain. This supply chain is maintained in part by the Footprint Council, a group of ten Patagonia executives that "meets once a month to review the company's scale of operations," which has grown under Marcario (Bradley, 2015). In addition to making the manufacturing method used by the business as environmentally sustainable as possible, this council, the supply chain inspection team, and the interactive section of the Patagonia website strive to make this objective evident to their customers and beyond.

CHAPTER 5

5.1 Methodology

We took samples from 100 students at my university to see how well they know the brand Patagonia and how much they know about the company's efforts to help and preserve the environment through some questions (Patagonia survey by Lorenzo Forlani, 2024). We know that 100 students are a low number for an efficient survey because we can be victim of generalizability, in fact we questioned just students from one university, and low sampling errors. However, it still gives us a little idea of the young trend towards this brand.

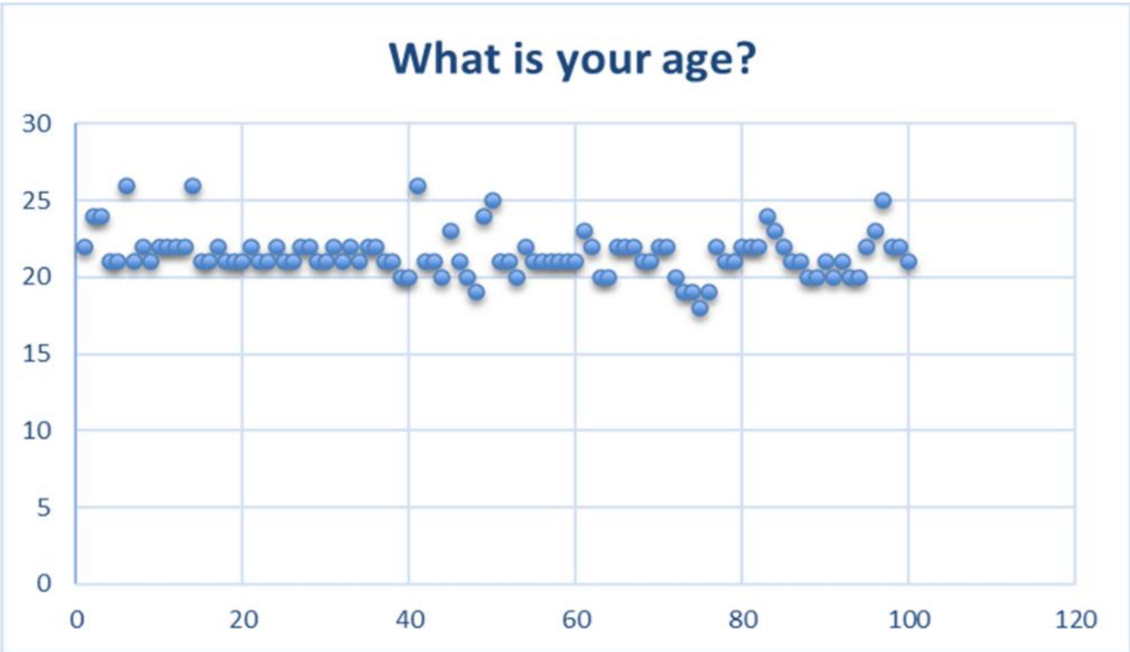

Table 3: survey by Lorenzo Forlani 19/04/2024

In Table 3, we can see the number of samples and the range of their ages that goes between 18 and 26 years old. It is a good range to see how well the "new generation" knows about the brand and more importantly the work that they are doing.

5.2 Survey

Now let's analyze the results that we have gathered throughout the four questions of our survey:

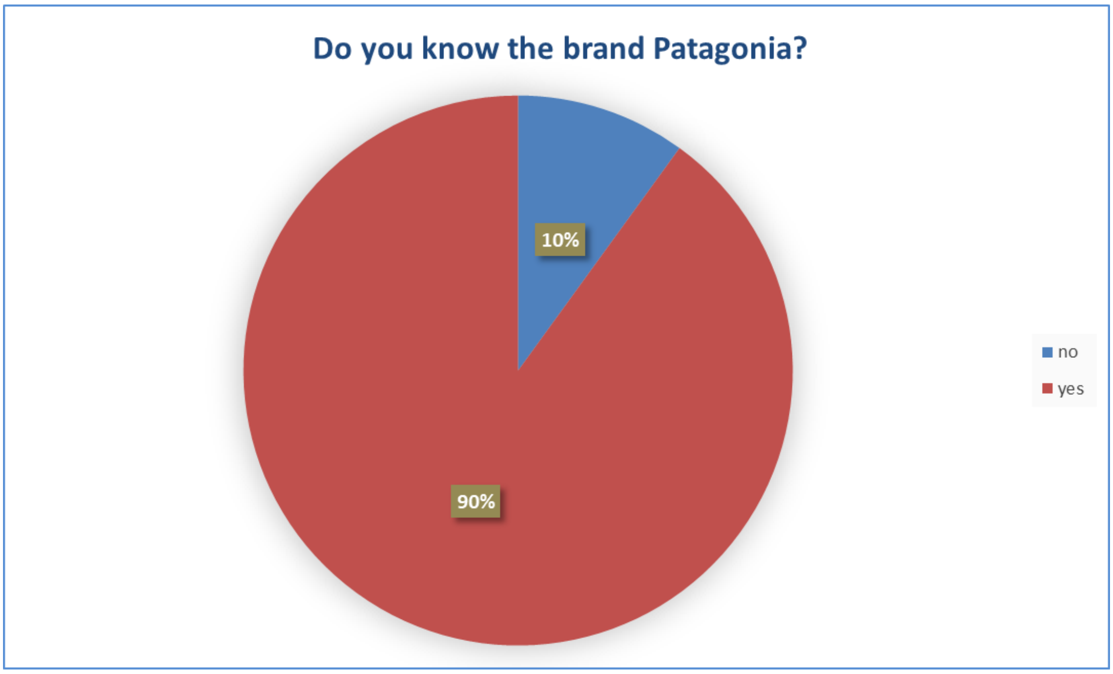

Table 4: survey by Lorenzo Forlani 19/04/2024

From the results of Table 4, we can conclude that the brand among students is highly recognized in fact, 90% of the students know the brand.

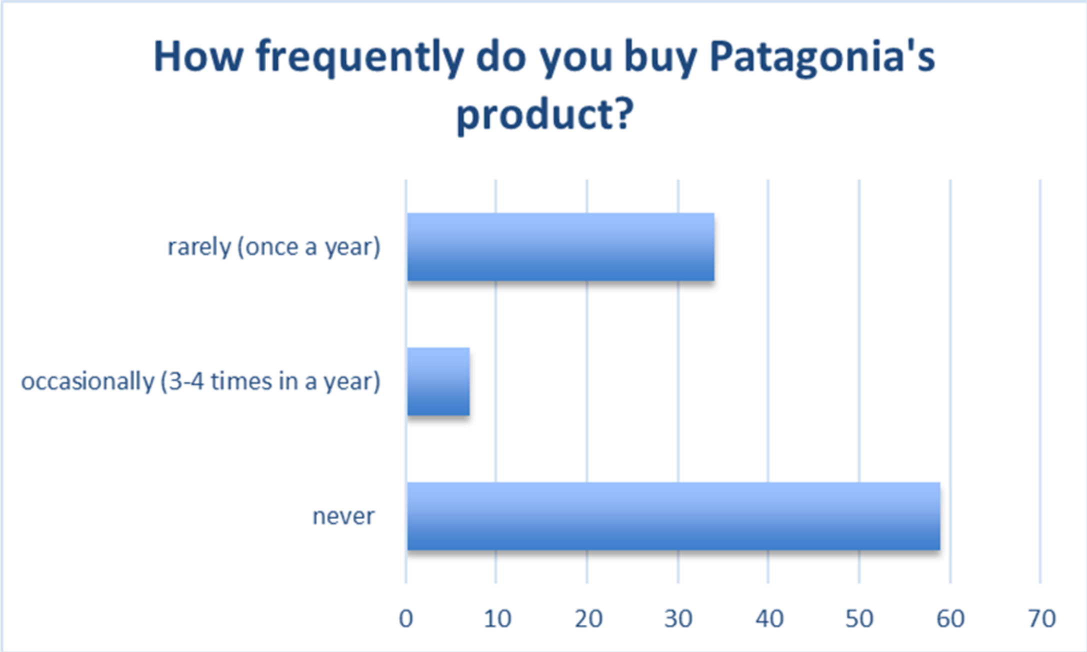

Table 5: survey by Lorenzo Forlani 19/04/2024

In Table 5, we can see that given the popularity of the brand, nearly 60% of the students ever bought anything from Patagonia, then we have a good 33% of students that buy it once a year which is great, in the end we have the remaining 7%, that buy it more often. From these results we can suggest that the brand is known but is not so popular and trendy among students.

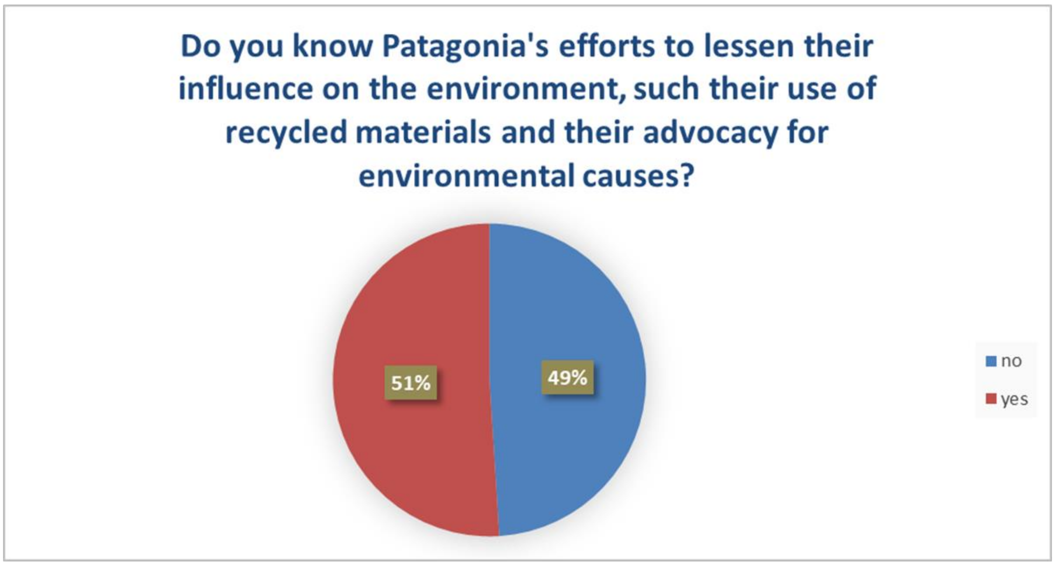

Table 6: survey by Lorenzo Forlani 19/04/2024

From table 6, we can study that only 51% of students know about Patagonia's effort and ethics toward the ecosystem and working environment. This poor awareness could be a reason why the brand is not bought so often by the students.

Table 7: survey by Lorenzo Forlani 19/04/2024

Finally in table 7, we can see that the majority of student will likely buy the brand even if it cost more for the means that they can do some good for the environment, 46%, this is a good because given the results, from Table 6, this 46% could be all those students that didn't know Patagonia's efforts to lessen their influence on the environment, given that the students that bought Patagonia will still buy their products.

Given that a large portion of students are aware of the brand, we may infer from this study that Patagonia has made a reputation for itself among students. Nevertheless, there is a low percentage of purchases from them, and it is hypothesized that this is because students are unaware of Patagonia's environmental progress. We could argue that Patagonia would gain more recognition and sales if they raised awareness of their environmental efforts through social media and university events.

Conclusion

Corporate social responsibilities are becoming an integral aspect of contemporary business practices and a fundamental part of how companies interact and operate with society. It could be a great opportunity to do an effective change in how the companies operate inside and outside the country. Among the many things that may be learned from Patagonia are supply chain management, the examination of what makes a consumer environmentally sensitive, and the adaptation of various aspects of the Patagonia business model to other industries. Several variables contribute to the firm's success, but the most important one is its financial development and health. In 2015, revenues exceeded $750 million, and since 2008, the company has grown at an annual rate of 4% (Bradley, 2015). The company's activism and philanthropic endeavours have been influenced by the environmental and global improvement implications of its financial success, which has also established it as a leading example of sustainable supply chain management. It’s spectacular show of corporate social responsibility includes its pledges to environmental preservation, sustainable development, fair trade labour conditions, and social fairness. The back-of-the-car business was started by Chouinard and the other Valley Cong climbers in the 1960s and 1970s, just before the green movement gained traction. For outdoor recreation firms, this signalled the dawn of a new era in regard to their beloved natural environs. A well-known outdoor apparel and climbing equipment brand was born out of these modest beginnings among a close-knit community of rock climbers, and its reputation is more highly regarded than the equipment's dependability or exquisite craftsmanship. Businesses can benefit from Patagonia's environmental commitment by emphasizing environmental conservation. The corporation also knows that giving funds back to the environment was the only way they could make sense of their own intrinsic pollution. Patagonia accomplishes this via supporting grantees and environmental groups that strive to restore ecological processes and natural resources that industrial companies gradually destroy. Patagonia's goal logically extends to giving back to the environment, producing enduring products, and reducing the company's carbon impact in a world that cannot maintain the pace of economic market expansion and natural resource depletion.

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