How Sustainable is the Fashion Industry?
A Case Study Exploring the Sustainable Transformation of the Fashion Industry

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Keywords: Fashion Industry, Corporate Social Responsibility, Sustainable Brands, Sustainable Transformation of an Industry, Greening Goliath, Emerging David, H&M, Reformation.

Research Question: How can the concept of Greening Goliaths and Emerging Davids be applied to better understand the sustainable transformation of the fashion industry?

Purpose: This paper sets out to analyze two approaches to sustainability within the fashion industry; A firm adopting CSR initiatives into their business strategy versus a sustainable brand. These approaches are explored within the framework of Greening Goliaths and Emerging Davids to recognize their contribution to the sustainable transformation of the fashion industry.

Method: A qualitative approach to our case study was taken in which we analyze and measure the Swedish fast fashion company, H&M and an American eco-friendly fashion label, Reformation. A semi-formal phone interview with an expert on sustainability in the fashion industry gave us further knowledge of how the two approaches can be combined for the industry to become more sustainable. A model was developed that aided the analysis as well as the discussion of the empirical findings.

Conclusion: Our conclusions found that the sustainable brand, Reformation can be categorized as an Emerging David and is in the Take-off stage. In order to gain a larger market share and contribute to the sustainable transformation of the industry Reformation will need to continue process innovation to lower their price point. H&M was initially categorized as a Greening Goliath however upon further analysis we believe they are shifting to become and Environmental David leading the sustainable transformation of the industry. In order for a sustainable transformation of the fashion industry there needs to be a co-evolution of both Greening Goliaths and Emerging Davids working together for a sustainable future.
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Sincerely,

Johanna Jahnstedt & Olivia Sylvan
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1 INTRODUCTION

This chapter provides the contextual information for this research where the basic research concept is defined. First a brief background of the fashion industry is presented to explain the development of the harmful environmental and social impact of its operations. Next the problem discussion presents two approaches to sustainability within the fashion industry; Corporate Social Responsibility and eco-friendly sustainable brands. The framework of Greening Goliaths and Emerging Davids, which explores sustainable approaches of firms, is introduced. Finally the research question is presented with a description of the purpose and brief limitations are addressed. An outline of the study concludes the chapter and provides an overview of the paper.

1.1 Background

The fashion industry is one of the oldest and today one of the largest industries globally. Fashion, in terms of apparel, used to be reserved for the elite as a form of self-expression and class distinction. However since the industrial revolution continuous advancements in textile production have exploited the industry bringing fashion to the masses. As trivial as fashion may seem to some, clothing is a basic human need and the fashion industry is anything but trivial, valued at $1.7 trillion U.S. dollars in 2012 (Fashion United, 2015).

Since the industrial revolution production in the apparel industry has shifted from the western world to developing countries due to rising labor costs and increased environmental regulations (Dickson & Eckman, 2006). In 2014 developing countries exports in textiles and clothing amounted to $331 billion U.S. dollars, to give you an idea of the amount of production taking place this represents 8.3 percent of world trade in manufactures (World Trade Organization, 2015). However developing nations lack strong environmental and social legislation standards, which contributes to the dark side of the fashion industry. (Kozlowski, 2012)

Environmental issues include the burning of fossil fuels for production, laundering and agricultural machinery, toxic chemicals used to treat materials and toxic chemicals released in water waste and water consumption from cotton crop cultivation and laundering (Allwood, Laursen, Malvido de Rodriguez & Bocken, 2006). Also included is the increasing amount of textile waste, according to the U.S. Environmental Protection Agency, in 2012 Americans generated an estimated 14.3 million tons of textile waste, that is more than 31 kilograms per person. (U.S. Environmental Protection Agency, 2014) The increasing amount of textile waste can be attributed to the emergence of fast fashion retailers, that allure mostly young women to buy the latest trends at low costs, the trends go out of style, the clothes are made of poor quality and the low costs make it easy to discard therefore the textiles end up in landfills (Kozlowski, 2012).

Fast fashion retailers such as H&M produce more clothing in less time than ever before. This is achieved by utilizing and exploiting workers in developing countries that have little or no labor standards leading to very poor working conditions. (Kozlowski, 2012) The press harshly criticized H&M back in 2010 after a fire broke out in one of their supply factories in Bangladesh killing 21 employees. The fire occurred during the night, the fire exits had been blocked and the fire extinguishers were not functioning properly.
Employees were working late to meet a quota, which is a common occurrence for suppliers of fast fashion companies because the design-to-store turn around time is often less than a month and the demand in quantity is so high. (Hickman, 2010) News of this deadly incident spread across the globe leading to consumers boycotting the affordable apparel company and shining light on the horrible working conditions in the factories where most of our clothes are produced. Incidents like this publicize the harsh reality of the social impacts of the fashion industry. These include worker rights violations such as; unsafe working conditions, the use of child labor, low wages, extended working hours and the suppression of labor unions, all that are commonly found in outsourced production in developing countries (Allwood et al., 2006).

The geographical distance between consumers and the outsourced production in the fashion industry has played a role in societies late concern to the ethics of the industry. As the saying goes, “Out of sight, out of mind.” However the increased news coverage of workplace disasters specifically at the supplier factories in developing countries for large multinational enterprises such as H&M has sparked a long awaited awareness of the unethical operations of the industry (Bader, 2013). Additionally in recent years our global society has grown more environmentally, socially and ethically conscious and consumers have begun to show interest in the environmental and social impacts of the fashion industry (Kozlowski, 2012). Allwood et al. (2006) explains that companies today face three forms of pressure from their consumers: stakeholder expectations, customer loyalty and ethical pressure. This newfound ethical pressure introduced CSR and sustainable brands into the fashion industry. Hockerts and Wustenhagen (2010) suggest that as the awareness of sustainable development grows in society, they expect that society will increasingly realize the value of natural and social resources boosting their economic value. As a result firms will have to internalize costs that formerly have been borne by society. This change is called the sustainability transformation of an industry. (Hockerts & Wustenhagen, 2010)

1.2 Problem Discussion

The development of society’s stronger ethical profile has forced businesses to acknowledge their environmental and social impact. We have acknowledged that there are two approaches a company can take towards sustainability within the fashion industry, these two approaches will be the basis for this paper. The first approach is common amongst larger, older, more established companies and is known as Corporate Social Responsibility (CSR) whereby the firm’s sustainability initiatives have been developed separately and are not directly linked to the core business strategy. CSR is defined by the European Commission as, “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis...in other words, companies taking responsibility for their impact on society” (European Commission, 2015). CSR is nothing new, however it is an emerging topic within the fashion industry that is beginning to play a more significant role in firms operations. Allen and York, a sustainable recruitment company, explains the challenges fashion companies face in controlling their global operations whom work hard to enforce their global corporate standards for labor, safety, sustainability and so forth are adhered to and maintained throughout their supply chain however this is a great challenge (Allen & York, 2015). Nevertheless fashion companies are investing in CSR, which ranges from improving working conditions and wages to using eco-friendly materials, reducing packaging waste and lowering CO2 emissions from transportation and production (Kozlowski, 2012).
A second approach to sustainability within the fashion industry is sustainable brands. The fashion industry, as part of the design industry as a whole, was late to implement eco-friendly, sustainable alternatives but the increased awareness over the past fifteen years from educational institutions and consumers has created this new market. (Sue, 2008) As opposed to a firm adopting CSR separate from their core business strategy, sustainable brands position themselves to grow consistently integrating economic, environmental and social sustainability values throughout all business actions; from operations and supply chains to products, clients and partners. (Ribeiro, 2010) According to Hustvedt and Dickson (2009) the consumer demand for environmentally friendly apparel increases when consumers become aware of the typical production process of most overseas clothing. Moreover, recent studies have shown stakeholders increasing demand for Green Fashion can be seen as a way of reaching a new type of consumer and can enhance the brand image of a company (Caniato, Caridi, Crippa & Moretto, 2010).

To date research covers mostly the pros and cons of CSR initiatives and sustainability in the fashion industry. Such research includes investigating the validity of fashion firms claiming to operate with CSR. However this paper seeks to analyze the two aforementioned approaches to sustainability and apply them within the conceptual framework presented by Hockerts and Wustenhagen (2010), which explains the sustainable transformation of an industry. In their framework they define two types of sustainable firms; Greening Goliaths and Emerging Davids and their reliability on eachother for the sustainable transformation of an industry. Greening Goliaths are usually the more established firms with a larger market share that expand their product lines to include environmentally friendly options and begin to take steps towards more sustainable business actions to meet stakeholders demands. Emerging Davids on the other hand are sustainable start-ups with a smaller market share that focus their business around sustainability and spark the sustainable transformation of an industry. (Hockerts & Wustenhagen, 2010) This conceptual framework has been chosen to be applied to the fashion industry, which to our knowledge has not been done before. Previous research has applied this concept to other industries such as the food industry, which had a sustainability revolution over the past ten years in which we have seen an increase in organic and fair trade items. As the fashion industry is becoming more sustainably minded it was only natural to apply this framework to better understand the sustainable transformation of the fashion industry.

1.3 Research Question and Purpose

The investigation initially set out to research CSR in the fashion industry when it was discovered that there are many different approaches to environmental and social sustainability within the industry and the term CSR is too broad to incorporate all types of sustainable actions. Therefore we acknowledged that CSR activities and a sustainable brand are two different approaches to sustainable fashion. Throughout this paper we will refer to the following two approaches of sustainability within the fashion industry;

- A firm that adopts CSR initiatives separate from their core business strategy.
- A firm whose entire business strategy is focused around environmental and or social sustainability, this is coined a sustainable brand.

The purpose of this paper is to analyze the two aforementioned approaches to sustainability and apply them to the concept of Greening Goliaths and Emerging Davids in order to better understand the sustainable transformation of the fashion industry. This derives the research question;
How can the concept of Greening Goliaths and Emerging Davids be applied to better understand the sustainable transformation of the fashion industry?

Due to the vast size and variety of markets within the fashion industry, this study is limited to the apparel industry.

1.4 Outline of Study
This thesis consists of six chapters. The first chapter is an introduction to the fashion industry and the problems that brought about its harmful environmental and social impacts. The two approaches to sustainability that will be studied throughout the paper are introduced; CSR and sustainable brands. As is a conceptual framework that highlights two approaches of sustainable firms; Greening Goliaths and Emerging Davids and their reliability for the sustainable transformation of an industry. The first chapter concludes with our research question and purpose. The second chapter consists of relevant theories and concepts that are used in order to understand and explain sustainability, CSR in the fashion industry and the sustainable transformation of an industry. We begin with general sustainability theories, which include Stakeholder Theory and the Triple Bottom Line, these theories are presented to provide a basic understanding of sustainability and CSR however they will not be elaborated on or applied in the analysis due to the fact that this paper seeks to focus on the conceptual framework of Greening Goliaths and Emerging Davids. Next, the concept of Greening Goliaths and Emerging Davids is presented and followed by the co-evolution for the sustainable transformation of an industry. The third chapter presents our methodology, which explains and motivates how our research is conducted. A conceptual model is presented to give an overview of how our theory and empirical findings correlate. The fourth chapter consists of an empirical case study in, which we investigate apparel companies; H&M and Reformation, to understand the role of sustainability within the companies. The fifth chapter analyzes the empirical findings to explore how the two companies apply to the concept of Greening Goliaths and Emerging Davids and furthermore the role they play in the sustainable transformation of the industry. The findings are interpreted in conjunction with the results from an interview with an expert of sustainability in the fashion industry. Finally the sixth chapter presents our conclusions in order to answer our research question and concludes with suggestions for further studies.

2 THEORETICAL AND CONCEPTUAL FRAMEWORK

In order to answer our research question a general understanding of CSR was required. Therefore this chapter describes the theories that provide the basis of CSR; Stakeholder Theory and Triple Bottom Line. To fit our chosen industry the next step was to apply CSR to the fashion industry. Lastly the conceptual framework of Greening Goliaths and Emerging Davids is presented and their co-evolution in order to understand the sustainable transformation of an industry. This creates a platform for the analysis of this paper.
2.1 Corporate Social Responsibility

CSR has been frequently debated over the last couple of years and finding a general definition has been a struggle due to the many concepts that are included into CSR. For example sustainability, sustainable entrepreneurship and ethical businesses are three concepts that are included into CSR (Kozlowski, 2012). According to Dickson, Loker and Eckman (2009) the concept of CSR was first used in business literature in the 1950’s by Howard Bowen and later Freeman (1984) developed the most classical view of CSR, the stakeholder theory. This view includes a wide selection of stakeholders such as labour rights organizations, industry associations, consumers, workers, shareholders and investors. CSR is today more commonly referred to as a company voluntarily integrating social and environmental initiatives into their business models and relationships with stakeholders (Kozlowski, 2012).

2.1.1 Stakeholder Theory

In 1984 stakeholder theory developed as a new measurement system from the shareholder value that was popular during the 1980’s and which traditionally used shareholder return to measure overall performance of the company (Hubbard, 2006). The aim of stakeholder theory is to define the objectives and attain a balance between the different demands of the stakeholders. Freeman (1983) explains the CSR Model, which includes the external influences the company may have that are often identified as regulatory or interest groups concerned with social and environmental issues. Managers have the role to balance and meet the demands from both groups in order to achieve the business objectives. Research has shown that businesses with excellent strategic performance realize that balance and co-operation of the different stakeholders is necessary for business excellence. In addition research shows that non-investing stakeholders must be considered in the strategic planning which emphasizes the role that stakeholder theory plays in the behaviour of management within a business. (Roberts, 1992)

Freeman (1994) framed two questions that stakeholder theory asks managers. The first question, “What is the purpose of the firm?” in which he aimed to encourage managers to create and share the meaning behind the values that bring stakeholders together to generate great performance. The second question, “What responsibility does management have to stakeholders?” asks managers to define how they want to do business in relationship to the stakeholders so as they know what is expected. Jim Collins (2001) explains the importance of managers to understand the core of stakeholder theory and use it in order to create a successful business. An important aspect to highlight is that they should rather create value and long-term relationships than having profitability as the fundamental driver (Freeman et al., 2004).

Stakeholder engagement contributes to the advancement of a company's environmental and social sustainability. Motivation behind fashion companies adopting CSR can stem from their aim to satisfy stakeholders. Idealistic stakeholders who are strongly committed to the sustainability of the industry support sustainable brands. Hockerts and Wustenhagen (2010) explain stakeholders toll on the shift of an industry towards a sustainable future, “In the early stages of an industry's sustainability transformation, market incumbents often react to pressure from stakeholders concerned about sustainability through incremental process innovation, e.g. by adopting sustainability communication and management systems in an attempt to better understand the issues they are facing as well as to demonstrate to stakeholders that they are sincere about their concerns.” This emphasizes why large multinational enterprises in the
fashion industry have begun to adopt CSR into their business operations (Hockerts & Wustenhagen, 2010).

2.1.2 Triple Bottom Line
Businesses in many industries are increasingly confronted with environmental and social challenges. Rather than just focusing on short-term profits, stakeholders expect firms to meet a triple-bottom line of economic, environmental and social value creation (Elkington, 1997). In the early 1990’s John Elkington introduced the Triple Bottom Line (TBL), which describes the interaction of the financial, social and environmental aspects of a company (The Economist, 2009). The purpose of TBL is to simplify the measurement of the organizational performance so as for companies to get a clear overview of all the costs involved in the operations. Previously the measurement tools used by companies only considered the economic aspect but an increased public demand of businesses responsibility for more than just the economical value set the foundation for TBL to emerge. TBL developed from the previously mentioned stakeholder theory and considers a wider perspective of the stakeholder affected by the organization. Since its introduction, TBL has carried an important role for our society as the global interest for the environment, innovation and sustainability has increased rapidly. Today businesses rather than governments and non-governmental organizations (NGOs) are the leaders of the ongoing global cultural and environmental revolution. (Elkington, 2004)

Elkington (2004) argues that corporations should be focusing and combining three different bottom lines that generally are separate. In compliance with the stakeholder principle the TBL increases the range of values and standards for organizations. The first bottom line, financial performance, shows how a corporation balances its finances such as profits and losses. The second bottom line, social performance, focuses on social responsibility actions throughout operations referring to the impact on society and communities in which the company operates. The third part, environmental performance, refers to measuring the amount of resources used in the practices and how environmentally friendly the organization’s practices are, i.e. the by-product created by the practices. (Elkington, 2004)

Sitnikov (2013) explains that by using the TBL companies are able to gain a more broad perspective when measuring their business performance. TBL can also be referred to as the 3P’s, people, planet and profit. The first P, people, refers to human resources and favorable business conventions for both employees and the population. The second P, planet, refers to natural resources and sustainable environmental conventions. The third P, profit, refers to the remaining economic value after subtracting every cost of a business. A business applying TBL cannot explain profit separately (only economic revenue or expenses) but has to include both environmental and social aspect into the profit of the business. (Sitnikov, 2013)

As there is no definition of TBL reporting it is often recognized as sustainability, in which companies create sustainability reports to measure and present their efforts (Sitnikov, 2013). The TBL framework has also lead to the emergence of sustainable development, which is defined by Hockerts (1999, p.32) as both meeting the stakeholders needs and the needs for the future of the business. Sustainability is a concept, which incorporates all three areas of the TBL framework so as that the performance in one area affects the other two areas (Hubbard, 2006).
2.2 Corporate Social Responsibility in the Fashion industry

As for the apparel industry Dickson and Eckman (2006) explained that CSR and social responsibility are relatively new terms. In their study to define socially responsible business according to its meaning to scholars in apparel and textiles, it was discovered that the most significant difference in comparison to those in business literature was, “The numerous people/society-related issues that were specifically related to social responsibility” for the apparel industry the environment was included under the umbrella of social responsibility (Dickson & Eckman, 2006). Elizabeth H. Creyer (1997) stated, “Having a corporate ethics policy also seems to facilitate the process of recovery after an ethical scandal - although firms may wish otherwise, unethical acts do occur and do not often go unnoticed.” Emphasising the importance of CSR not only from a preventive point of view but also from a recovery point of view due to the last decade’s fairly prevalent media coverage of working conditions in the fashion industry, which has raised concerns (Dickson & Eckman, 2006).

2.3 The Conceptual Framework of Greening Goliaths and Emerging Davids

Sustainable movements have begun to emerge more and more as pressures on industries are constantly increasing. Hockerts and Wustenhagen (2010) conceptualized that there are different types of sustainable firms on the market, large incumbents and small start-ups both of which play a role in the sustainable development of an industry. Hockerts and Wustenhagen (2010) coined two terms to categorize these types of sustainable firms; Greening Goliaths and Emerging Davids. Additionally they address the reliability between the Goliath and David for the sustainable transformation of an industry. The interaction between the two resembles a co-evolution, which describes “The simultaneous evolution of two species that mutually depend on each other.” (Hockerts & Wustenhagen, 2010)

Figure 1 below offers a chronological description of the different stages of both a Greening Goliath and Emerging David throughout their lifecycle. The figure will be thoroughly explained in the subsequent sections, which characterize both an Emerging David and Greening Goliath.
2.3.1 Emerging Davids
Emerging Davids are defined by Hockerts and Wustenhagen (2010) as smaller firms that tend to be more recently founded and have a smaller market share, they aim to provide economic social and environmental value and tend to kick off sustainability transformation. Environmental objectives are at least as important as economic objectives for Davids who are the creators or the bioneers of environmental products on the market. Their status as newcomers allows them more credibility in claiming to be a part of the solution to the sustainable transformation of the industry rather than the incumbents who caused the problem. (Hockerts & Wustenhagen, 2010) Cohen and Winn (2007) explain that Davids change market equilibria and the playing field for everyone in the industry by internalizing costs that are usually externalized and cause social and environmental harm, this development can be seen under External Costs in Figure 1. Asking customers to pay a premium for socially and environmentally premium products can internalize costs.

Although their actions are arguably important there are a number of limitations to the impact that small firms can have on the sustainable transformation of an industry. Davids are generally a niche player in the market as a whole because despite their high level of commitment to environmental and social sustainability they attract only a select number of consumers who share the concern of sustainability and fail to attract the mass market. Additionally Davids are hesitant to lower standards that may lead to attracting more customers because supportive idealistic stakeholders are so strongly committed to the
firm's sustainability mission. Yet not all Davids fail to reach the mass market for instance there is such thing as Emerging Davids becoming Goliaths, which is known as a high-growth David, this can be seen in the Take-Off and Maturity stages in Figure 1. High-growth Davids are able to combine the product innovation of Davids with the process innovation that Goliaths are typically good at which allows them to extend their market share and achieve profitable growth. (Hockerts & Wustenhagen, 2010)

2.3.2 Greening Goliaths

Greening Goliaths are defined as “Large incumbent firms who tend to be older and have a relatively high market share.” These firms began without any emphasis on environmental or social sustainability within their business plan and have grown to develop these initiatives as a response to increased market and stakeholder demands. (Hockerts & Wustenhagen, 2010) Schaltegger (2002) addresses that Goliaths are companies that engage in sustainability through eco-efficiency or corporate social responsibility initiatives.

Goliaths are challenged by Emerging Davids when it comes to innovation of the sustainability of the market however they are quick to copy the Davids new environmentally friendly products as soon as they are released on the market. An example of this could be a line extension to capitalize on the growing trend; this is seen in the Early Growth stage in Figure 1. Hockerts and Wustenhagen (2010) classify Goliaths as market incumbents in the following statement, “While bioneers or social bricoleurs kick-off sustainability transformation, they are usually followed quite quickly by some market incumbents once early growth picks up. These would usually be leading premium brands who offer line extensions to capitalise on the growing trend.” (Hockerts & Wustenhagen, 2010)

The late entering Goliath often brings process innovation to the industry, as they tend to be more cost driven. This could on one hand positively contribute to the sustainable transformation of an industry due to the fact that the sustainable and eco-products reach the mass market, this is achieved during the Maturity stage of growth seen in Figure 1. Moreover Goliaths are likely to reduce other sustainability impacts through their process innovation. Goliaths have a tendency to invest in more encompassing sustainability management systems thus they address multiple environmental and social issues where sustainability startups tend to focus on only one or two issues. By employing tools such as environmental and social management and reporting systems, market incumbents find it easier to develop a broad sustainability performance. (Hockerts & Wustenhagen, 2010)

The cost-conscious Goliath who aims to bring eco-products that typically ensure a higher price to the mass market faces an increased pressure to lower the sustainability criteria that the David enshrines. As Hockerts and Wustenhagen (2010) explained, “To some extent, the price of gaining more breadth may be to lose depth in terms of sustainability quality.” Once this stage of development is reached, the David recreates new high-end market niches and the Goliath follows as they see a growth opportunity, which implies that the transformation cycle starts all over again. (Hockerts & Wustenhagen, 2010)
2.3.3 The Co-evolution of Davids and Goliaths

Hockerts and Wustenhagen (2010) explain the important role that both the Greening Goliath and the Emerging David have in the sustainable transformation of an industry. They highlight the interaction between the two and how they co-evolve during the ongoing process of the sustainable transformation of an industry. This is represented in Figure 2, which will act as the main figure for the analysis of this paper. Moreover the figure describes what the David and Goliath aim for and how the different goals may simultaneously transform the market. (Hockerts & Wustenhagen, 2010) The figure can be read with the vertical axis representing a firm’s environmental and social performance whereas Emerging Davids begin with a high position and Greening Goliaths with a low position. The horizontal axis represents a firm’s market share where Emerging Davids begin with a low position and Greening Goliaths tend to have a high market share. The black circles in Figure 2 below represent the initial stages of a Greening Goliath (Market incumbent) or Emerging David (Sustainability Start-up). As these firms continuously improve their sustainable actions and increase their market share, their position shifts to the top right of Figure 2, which represents the sustainable transformation of an industry.

![Figure 2- Co-Evolution of Sustainability Startups and Market Incumbents Towards the Sustainability Transformation of an Industry (Hockerts & Wustenhagen, 2010)](image)

In the first stage of transformation Davids are in a position with high environmental and social performance but low market share. Usually Davids in this stage are defined as sustainable startups that launch a sustainability innovation on the market. These niche firms rarely grow beyond the small niche market, however some Davids strive for increasing the market share. (Hockerts & Wustenhagen, 2010)

Additionally the David can inspire the Goliath who enters the new niche market in the second stage of transformation. A Goliath, a market incumbent, in this position often has a large market share but very low environmental and social performance. The Goliath in this stage usually follows the David from stage
one once the growth picks up. As mentioned earlier this could be done through a line extension or a newly discovered organic or fair-trade niche for themselves. (Hockerts & Wustenhagen, 2010)

In the third stage of transformation, the high-growth David starts to take a larger stake in the market and professional investors start to show interest in the firm. The David tries to combine the better of the two worlds by orchestrating their great product innovation with the process innovation of the Goliath. The David is no more interested in staying small but rather aims for profitable growth and larger market share. The Goliath in this third stage of transformation has observed and understood the niche market of the David and aims for extending it through more professional management. (Hockerts & Wustenhagen, 2010)

In the fourth stage of transformation the maturity of sustainability tends to extend to the mass-market brands as they see a market potential and growing competitive advantage. Once the Goliath has taken the largest market share in the niche market, the David starts with a new market niche and the sustainability transformation continues. (Hockerts & Wustenhagen, 2010)

3 METHODOLOGY

In this chapter a detailed description of the research procedure is presented. The research selection, approach and strategy are motivated and explained in the Synopsis of Research. The operationalization of our research is presented in the Conceptual Study Model to help the reader to better understand the research process.

3.1 Selection of Research Topic

Our combined interest of CSR and fashion led to our selection of research topic. Upon initial research it was realized that CSR and sustainable brands were two different approaches to environmental and social sustainability within the fashion industry. Our curiosity of the two approaches and our previous knowledge on the conceptual framework, how the reliability of Greening Goliaths and Emerging Davids can lead to the sustainable transformation of an industry, was an appropriate framework to aid our research. Therefore we set out to apply this framework to the fashion industry. Both our background in International Business and our nationalities, Johanna is Swedish and Olivia is American, led us to investigate a Swedish firm; H&M and the American sustainable-minded brand, Reformation for our case study.

3.2 Research Approach

For the purpose of this research a qualitative approach was chosen, as our research question was explorative in nature and required an evaluation through words. The research was carried out through an interpretive and analytical procedure in order to conceptualize and analyze our empirical findings from text and documents to arrive at our conclusions. Moreover a holistic perspective was used for the data collection followed by our interpretation. This led to a generalization by comparison of sustainability
characteristics, which allowed us to apply the selected companies to our conceptual framework in our analysis. (Ghauri & Gronhaug, 2002, p.86-87)

Our model seen in Figure 3, which was adopted from Noor (2008) was constructed to describe the synopsis of the research method and contains three stages: preliminary, analytical and conclusion, which were created to structure the case study research. We chose to use a comparative holistic case study as we were looking for general explanations to explore how the two different firms characteristics apply to the conceptual framework of Greening Goliaths and Emerging Davids. Therefore the comparative case study does not measure specific variables between the two companies but rather analyzes the holistic characteristics of each firm. (Ghauri & Gronhaug, 2002, p.178)

![Figure 3 - Synopsis of Research Method (Authors Illustration)](image)

The construction of our model started in the preliminary stage with researching the objectives of possible research areas. This was followed by a simultaneous review of theoretical frameworks of CSR and sustainability and the conceptual framework of Greening Goliaths and Emerging Davids. Upon review of the theoretical and conceptual frameworks we selected the companies for our case study. Two companies with different approaches to sustainability were chosen in order to conduct the analysis and fulfill the purpose of this paper. H&M was chosen because it is a multinational enterprise with a large market share with several CSR initiatives that are separately applied to their business. The second company, Reformation, was chosen because it is a newer company with a smaller market share and operates as sustainably as possible. Due to the time constraint we chose to focus only on two companies, which portrayed the characteristics of our conceptual framework. The second step is the analysis stage of the research, which contained secondary data collection of the two chosen companies, H&M and Reformation, in order to understand their approach to sustainability. Primary data was collected through an interview with Jonas Larsson a professor at Borås University of Textiles whom is an expert in CSR
and sustainability within the fashion industry. This led to a data analysis whereby the selected companies characteristics of sustainability allowed us to place them into Figure 5. Representing their status as a Greening Goliath and Emerging David and furthermore highlighting their potential to continuously develop into a High-growth and Environmental David for the sustainability transformation of the fashion industry. The third stage, the conclusion stage, presents our conclusions and suggests further research.

### 3.3 Research Strategy

The theories have been chosen to shape the approach to the data collection, which began with facts acquired through secondary data collection of H&M and Reformations sustainability actions. This helped us to explore how the two firms sustainability approaches apply to the conceptual framework of Greening Goliaths and Emerging Davids. From this we were able to explore the ongoing process of the sustainable transformation of the fashion industry, a method that can be referred to as an inductive approach. Inductive research is based on empirical evidence from which we draw conclusions and as Ghauri and Gronhaug (2002) state is perhaps the first step in scientific methods. We would like to add that inductive conclusions are based on empirical observations and we can never be 100 percent sure of the conclusions. Additionally our research is of deductive nature specifically in the analytical and conclusion chapters, where the key factors for the sustainable transformation of the fashion industry were predicted through logical reasoning of our theory and empirical findings. (Ghauri & Gronhaug, 2002, p.13)

### 3.4 Choice of Theories, Concepts and Literature

The theories used in the paper were sourced from a variety of primary sources in the form of scientific articles and textbooks. Triple bottom line and stakeholder theory, were chosen because they are the basis of sustainability and the reason behind why firms adopt CSR policies. Understanding these theories will allow us to better understand why H&M and Reformation have adopted sustainability into their business strategy. Among several scientific articles and literature referred to in this paper, R. Edward Freeman was the most contributing source for our paper. Additionally “Cannibals With Forks: The Triple Bottom Line of 21st Century Business” written by John Elkington has been used to utilize a deep understanding and explanation of the theory. As triple bottom line and stakeholder theory can be seen as the building blocks of sustainability they were addressed to provide the reader with a general understanding. However they were not address in the analytical chapter of this paper as the main focus is on our conceptual framework of Greening Goliaths and Emerging Davids.

Greening Goliaths and Emerging Davids are the terms used to describe two types of sustainable firms, which were coined, by Kai Hockerts and Rolf Wustenhagen. The majority of this concept was sourced from their article, “Greening Goliaths versus emerging Davids — Theorizing about the role of incumbents and new entrants in sustainable entrepreneurship” but also the article by Herbert Kotzab, Hilde Munch, Brigitte de Faultrier and Christoph Teller, “Environmental retail supply chains: when global Goliaths become environmental Davids” was found to be of great significance. This theory was chosen as their approach to sustainable firms was very interesting but as mentioned earlier, the concept of Greening Goliaths and Emerging Davids has not to our knowledge been applied to the fashion industry. Therefore it became the main purpose of this paper, to apply this theory to the fashion industry through a case study of two firms.
3.5 Data Presentation and Analysis

The conceptual model seen in Figure 4 provides a guidance of activities that will follow in the empirical findings and discussion chapters. It was constructed to provide a clear overview of how the theoretical framework connects to the empirical case study, how the case study was carried out and the concept of Greening Goliaths and Emerging Davids was explored. The initial stages covered the introduction to sustainability in which it was understood that the two theories Triple Bottom Line and Stakeholder theory were the driving force behind sustainability efforts taken by the two chosen fashion companies, H&M and Reformation.

After the empirical case study we entered the analytical stage where we explored how the two cases apply to the framework of Greening Goliaths and Emerging Davids. Additionally our interview with Jonas Larssson, a professor in fashion sustainability at Borås University of Textiles in Sweden, was incorporated to better understand and analyze our findings. This lead to the exploration of how both companies can develop to shift towards the sustainable transformation of the industry. Which was based upon Hockerts and Wustengahen (2010) who determined that the sustainable transformation of an industry requires policymakers to understand the importance of Greening Goliaths and Emerging Davids, rather than single-mindedly focusing on only one of these paths.

![Figure 4- Conceptual Study Model (Authors Illustration)](image-url)
3.6 **Choice of Data Collection**

Both primary and secondary data were sourced in order to conduct and analyze our research. The majority of the data collected was secondary and only when this was exhausted was primary data taken into consideration, as is suggested by Churchill (1999, p.215). Originally it was our intention to conduct interviews with representatives from each company, these were requested but not manageable at this point in time, however the companies’ websites provided the necessary information to conduct our research. The specific choice of data was collected in order to fulfill our purpose of exploring how the firms apply to the concept of Greening Goliaths and Emerging Davids in order to investigate the sustainable transformation of the fashion industry.

### 3.6.1 Secondary Data

Secondary data was chosen for the basis of our case study and was sourced from the web as the Internet has become a key resource for communicating information and provides easy accessibility. The two companies sustainability efforts were thoroughly investigated by reading as much available information as the time frame allowed. CSR information for H&M was collected from the company’s global sustainability website and sustainability reports from 2008-2012 as this when the company began to focus on sustainability issues. The information provided on Reformations website regarding their operations as a sustainable brand was read in its entirety. Additionally media reports, previous theses and previous interviews were important sources of secondary data that were used in addition to the companies websites to obtain unbiased information on the two companies. It is important to note that the reported information may not be a complete reflection of each brand's sustainability efforts because this information is voluntary for each company to publish. Not all sustainable information may be available on the company websites however it can be inferred that the company's actions and values align with the information and efforts presented.

### 3.6.2 Primary Data

Primary data was chosen to support our secondary findings. The primary data was sourced in the form of a semi-structured phone interview with Jonas Larsson a professor at Borås University of Textiles in Sweden. A phone interview was chosen because of the flexibility and geographical distance between Jonas and us. A semi-structured interview refers to an interview where the topics and questions to be answered are determined before hand yet the informant is given almost full liberty to discuss their reactions (Ghauri & Gronhaug, 2002, p.13). This was an advantageous strategy of ours in order to allow Jonas, who has great knowledge of sustainability within the fashion industry, the ability to ask and answer subsequent questions and in turn enrich our data. The 45-minute phone interview covered general questions on sustainability within the fashion industry. The questions were kept general to avoid any bias towards the chosen companies in our case study. The knowledge gained from the interview was used to support our analysis and at times it presented an opposing view from the information presented by the companies, which made for an interesting analysis. Through this collection of attitude and opinion data we were able to gain an expert's knowledge of the research subject.
3.7 Reasonableness, Credibility and Conscientiousness
For this research, we have strived to retain reasonableness and credibility and conscientiousness as recommended by Patel and Tebelius (1987, p.81-82). Due to the fact that the data collected regarding the companies in our case study was secondary we were aware of the risk of it being biased. Therefore we conscientiously read, reflected and distanced ourselves from the ideas presented. We also made a point to research and include additional sources apart from the company websites in order to gain an alternative neutral perspective. As the concept of Greening Goliaths and Emerging Davids to our knowledge has not yet been applied to the fashion industry, it was possible to maintain neutrality throughout our discussion. Conscientiousness was carried out in our research for example when interviewing Jonas the questions asked were not related directly to our companies but rather to the fashion industry as a whole. This allowed us to have a completely unbiased conversation about sustainability within the industry. Continuance of honesty, commitment and interest has been a priority throughout this research in order to obtain a trustworthy result.

4 EMPIRICAL CASE STUDY: REFORMATION AND H&M
This chapter provides an empirical case study of two selected companies: Reformation and H&M. The specific data was collected as it best provides an understanding of each companies approach to sustainability. With this information we will be able to interpret how the companies can be applied to the conceptual framework of Emerging Davids and Greening Goliaths.

4.1 REFORMATION
4.1.1 General Information of the Company
Reformation is a fast-fashion eco-friendly sustainable brand headquartered in Los Angeles, California. Founder and CEO, Yael Alfalo, created Reformation in 2009 after nearly ten years in the fashion industry. It wasn’t until a trip to a supplier factory in China that she realized how polluting the fashion industry is, specifically the harmful effects that production and manufacturing of clothes have on the environment. In an interview with the New York Times in 2014 Alfalo explained her revelation, “I realized I could build a business that solved these problems” (Koblin, 2014). This is when Reformation completely shifted directions from repurposing old vintage dresses and a small scaled operation of new designs to that of a sustainable brand. Reformations sustainable values are shared by all stakeholders and provide a mutual benefit. Through their business actions Reformation aims to inspire partners and communities alike to act environmentaly and socially conscious. The sustainable heart of the brand provides that profits are a result rather than a driver in the process of the value creation. Additionally Reformations business model is based on the triple bottom line theory, which places an equal emphasis on economic, environmental and social sustainability. Owning their own factory means they are able to turn a design into a dress in less than a month and control any inventory problems. If yellow is not selling they go downstairs to the factory and stop all yellow production, owning their own factory is not only about environmental and social sustainability but also can greatly improve economic sustainability (Koblin, 2015).
In 2013 Reformation had an annual revenue of $9 million USD, which grew to $25 million USD in 2014 and is expected to continue growth this year. With celebrity clients that include Rihanna, Taylor Swift and model Karlie Kloss Reformation has managed to create an eco-friendly brand for cool girls. The most popular sales include their summer dresses, crop tops and A-line skirts that range from $80-$300. (Koblin, 2014) However Reformation introduced a more affordable line in January 2015 called Obvious. With prices ranging from $28-$178 Alfalo explained that she was inspired to create a lower-priced point collection to satisfy customers who commented on Reformations instagram that they loved the designs, they just wished they could afford it. The name Obvious stems from the idea behind the collection to create cute and clean designs that you would want to buy at any price point but it is so affordable that the customer thinks, “I’m obviously getting this” it takes the pain out of decision making. (Fernandez, 2015)

4.1.2 Fundamental Attitude Towards Sustainability
At Reformation fashion and sustainability coexist. Reformation operates with a sustainable mindset throughout all aspects of the business. In their multipurpose factory in downtown Los Angeles they design and manufacture under the same roof. Everything from the initial sketch to the cut, sew, quality control, photo studio, e-commerce operations and shipping are all only a few feet away. Owning their own factory means they have complete control over how their employees are treated and the conditions in which they work, it also means that they know where their materials are being sourced. In fact Reformation places a great emphasis on sourcing materials because traditionally the textile industry is one of the most chemically dependent industries worldwide and the number two polluter of clean water. Reformations designs are made from three types of material, 65 percent new sustainable material, 20 percent repurposed vintage clothing and 15 percent deadstock fabric from fashion houses that over ordered. (Our Stuff, 2015)

Reformation goes to great lengths to educate consumers on the environmental and social impacts of the fashion industry. Whether it is through posting facts on their social media outlets with a solid 225,000 followers or through their Impact of Fashion section on their e-commerce site, Reformation brings awareness to the people. (Impact of Fashion, 2015) Hustvedt and Dickson (2009) stated “Acquisition of environmentally friendly apparel increases when consumers understand how apparel production affects the environment.” So raising awareness is not only a good way to position Reformation as the better alternative to traditional fashion brands but educating the consumers can have a lasting effect that may change their habits and in turn help our environment.

4.1.3 Social Sustainability Activities
Owning their own factory means Reformation knows where their clothes come from. They are able to ensure that ethics, quality and sustainability are upheld. The factory pays fair wages and offers health insurance to all employees. They provide a safe, clean and fun workspace that includes a company garden, ping-pong tables and a basketball hoop. (Factory Tour, 2015)

In 2015 Reformation began a new program that gives each employee one paid day-off a month to volunteer encouraging employees to positively impact their communities. Company-wide service days are also integrated throughout the year to promote community improvement. In addition to their charitable donations Reformation has Sustainability-focused collaborations which include their No Red Carpet
Needed Collection which donated 25 percent of proceeds to promote sustainable education at the MUSE school in California. (Factory Tour, 2015)

4.1.4 Environmental and Ecological Activities
At the heart of the company is the environment. Reformation incorporates green solutions to improve environmental sustainability throughout all of their business actions. They recycle, use eco-friendly packaging, use clean energy, use energy-efficient fixtures and appliances, use recycled hangers, eco-friendly tote bags, unbleached/chlorine free paper products, organic and sustainable kitchen products, 75 percent recycled paper content, soy-based inks, recycled/sustainable office supplies and non-toxic janitorial products. (Factory Tour, 2015) This long list of activities shows Reformations dedication to truly reducing their businesses environmental footprint. Reformation also knows that it is impossible to be a completely sustainable business, but they strive to be better.

Choosing the right materials is a big factor in Reformations environmental sustainability efforts. Reformation believes that cotton has some of the most environmentally harmful impacts of all fabric. Therefore they use Tencel as an alternative to cotton. Manufactured by Austrian company Lenzing, whom uses 100 percent renewable energy and nontoxic solvents in their manufacturing process, Tencel is a semi-synthetic fiber with properties almost identical to cotton. However Tencel is manufactured from Eucalyptus trees that quickly grow on low-grade land using zero pesticides and insecticides. Lenzing estimates its water use for producing a pound of fiber at 80 percent less than cotton. In addition to Tencel Reformation uses other more environmentally friendly materials such as Viscose, which is also sourced from Lenzing. (Our stuff, 2015)

As mentioned earlier the number of textiles entering landfills is steadily increasing and according to Reformation textiles account for almost 6 percent of trash entering U.S. landfills each year. To help make a difference and divert these materials from landfills Reformation sources their deadstock fabric from over ordered fabric from local designers and fabric warehouses. Additionally they repurpose vintage clothing to prevent it from ending up in landfills. Reformations website states that remanufactured clothing can save more than 5897 kilograms of CO2 emissions a year. (Our Stuff, 2015)

Up to two thirds of a garments footprint occurs after purchase. Therefore Reformation dedicates a portion of their website to a section labeled Wash Smart where they teach consumers what they can do to promote environmental sustainability after they purchase the product. This includes providing alternative thinking to washing and drying garments. For instance one out of the box solution to clean denim is to freeze it, which kills the bacteria and odors. Line drying is promoted, as is Green Dry-cleaning. Lastly they emphasize that as mentioned earlier, according to the EPA Americans throw away 31 kilograms worth of clothing a year. Reformation stresses the simplicity in donating clothing to charity and recycling. (Wash Smart, 2015)

4.1.5 Carbon Footprint
For Earth Day this year Reformation launched an environmental impact scale called RefScale. Every garment for sale on their website now has a globe icon next to the product description. By clicking this icon you are given the statistics of the CO2 and water that it took to make this exact garment and then
they are compared to the industry standard of similar items to show the total amount of water and CO2 emissions that are saved by purchasing a Reformation product. The equation follows the entire lifecycle of the clothes, from growing the textile fibers, making the fabric, dying the material, transporting the material, manufacturing, packaging, shipping, garment care and post-use recycling. (Our Stuff, 2015) It is a nice idea however we would like to point out that it currently only measures water and CO2 and it is unclear where Reformation is getting their statistics of the industry’s standard emissions. However it is a step in the right direction in adopting transparency and helping consumers understand how their purchase is affecting the environment. Additionally just because they are using less water and CO2 does not mean their business is not affecting the environment therefore Reformation invests in replacing what they use and spend. For example in exchange for the emissions and water used to make their clothes they plant forests to naturally capture the CO2 from the air and they also invest in clean water solutions (Our Stuff, 2015.) According to Racked.com Reformation plans to eventually include waste, toxicity, and fair labor into the RefScale (Chapin, 2015). In addition to their RefScale Reformation states on their website that at the end of the 2015 year they will publish the totals for all the resources they used, saved, and offset. (Our Stuff, 2015)

4.1.6 Sustainable Supplier Relationships

Reformation aims to source all raw goods locally and domestically regardless of cost however this is not always possible as fabric weaving equipment for delicate wovens left the U.S. a few decades ago. However they are working to be able to one day internally work with this technology. Currently half of their raw goods come from the U.S. and the remainder from overseas in China and India, they also partner with fabric mills to develop fabrics with much lighter environmental footprints compared to conventional materials such as cotton and polyester. (Our Stuff, 2015)

All of their cutting and sewing is done in Los Angeles. Reformation currently manufactures 70% of their own products in their Los Angeles factory and the remaining 30% is sent to another manufacturer in Los Angeles. All of their suppliers are screened for negative environmental and social practices. They seek to only work with those whom use eco-manufacturing and fair and safe labor practices. They invest in their suppliers both domestically and abroad to improve their sustainability programs. (Our Stuff, 2015)

4.2 H&M

4.2.1 General Information of the Company

H&M was founded by Erling Persson in 1947 in Västerås, Sweden. The store was by this time selling women’s clothing only and the name of the store was Hennes. A couple of years later, in 1968 the founder and owner, Erling Persson, wanted to expand and bought a hunting and fishing equipment store called Mauritiz Widforss. When the acquisition went through the company changed to Hennes & Mauritiz (H&M) and they started to sell men’s and children’s clothing. Six years later, in 1974, H&M was listed on the Stockholm Stock Exchange and during the following 20 years H&M expanded on the European market. In the year of 2000 H&M entered the American market by opening the first store in New York. During the same period of time H&M continued to expand on the European market and in 2007 the first store was established in the Asian market. Additionally H&M has introduced designer collaborations starting with Karl Lagerfeld followed by 16 other designers. (Our History, 2015) Today H&M comprises
six different brands within the H&M Group operating in more than 3,600 stores worldwide. The brands included in the H&M Group are, apart from H&M itself, Monki, COS, Weekday, &OtherStories and Cheap Monday. The H&M design team creates affordable, sustainable-minded fashion for everyone. In the business concept H&M defines sustainability as an important element and considerable resources are devoted to increasing sustainability. (The H&M Group, 2015)

4.2.2 Fundamental Attitude Towards Sustainability

Karl-Johan Persson, the CEO of H&M, addresses sustainability as follows, “At H&M, we have set ourselves the challenge of ultimately making the fashion sustainable and sustainability fashionable. We want to help people express their personality and feel proud of what they wear. I’m very excited to see the progress we’ve made so far and how this will help us to make you an even better offer - and create a more sustainable fashion future.” The importance of sustainability at H&M has created what they call H&M Conscious, which is the company’s promise to bring more sustainable choices, in other words fashion that is good for both people and the planet. H&M Conscious includes seven CSR commitments whereby H&M strives to make a change. These commitments include different actions, called Conscious Actions, which H&M works with in order to fulfill the commitment. (About H&M Conscious, 2015)

In 2002 H&M started their CSR Reporting due to the size of the company and consumer demand (H&M Sustainability, 2015). This is founded in the stakeholder theory whereby it is said that managers adopt CSR “To serve the needs of all those being affected or affecting the firm” (Brito, Carbone and Blanquart, 2006). To serve the need of those being affected H&M started to educate their employees in CSR through the involvement in Global Report Initiative (GRI) and Organization for Economic and Cooperating Reporting (OECD) initiatives for multinational enterprises. H&M started to balance between the different demands of the stakeholders, which is the aim of stakeholder theory. In 2009 they launched their new sustainability strategy where sustainability took part in their core business (CSR Report, 2008). The commitment to CSR and sustainability has increased and developed over the years and is today incorporated into the business strategy. This is founded in the triple bottom line (TBL) theory, also know as “People, planet, profit” which is the basis of H&M’s sustainability reporting. According to Sitnikov (2013) a business applying TBL cannot explain profit separately but has to include both environmental and social aspect into the profit of the business, which is applicable to H&M and their sustainability reporting today.

In 2010 H&M changed their sustainability strategy to what they call Conscious Actions where the seven CSR commitments were stated for the first time (Sustainability Report, 2010). In the same year H&M became the largest consumer of organic cotton, and they continued to work with sustainable materials and released an eco-fiber Garden Collection. Due to the lack of response to the Garden Collection H&M revised their approach to an eco-friendly fashion line and in 2011 H&M launched their first Conscious Collection with clothing made of organic cotton, Tencel and recycled polyester. The Conscious Collection has continued to grow and a new line is released every season. (Sustainability Report, 2011) Continued strategies include the Global Clothing Collecting Initiative that started in stores in 2013 to promote textile recycling (Provide Fashion for Conscious Customers, 2015).

H&M is committed to provide fashion for conscious customers, which means that they offer the products that customer want, at the price customers expect, and with the smallest possible impact on the
environment. In order to fulfill this commitment H&M has created Conscious Actions, which contains goals that the company strives to fulfill, and continually works with. H&M has been working on finding alternatives to harmful materials, finding environmentally preferable production processes in the scope of their “conscious” product label, ensuring that all stores provide garment collecting opportunities, inspiring customers to practice conscious garment care and involving customers and employees in community work. Currently H&M is working with both the use of cotton from only sustainable sources and certified sources of wool and down. H&M is working to set an industry standard for product sustainability while rolling out new sustainability training for all employees. The fashion industry is far from sustainable but H&M is working on increasing the use of sustainable materials as well as replacing solvent-based glues in production of shoes and accessories. (Provide Fashion for Conscious Customers, 2015)

The CEO himself sums up the sustainability efforts and fundamental attitude as, “At H&M, we think of sustainability as a word of action. It’s an ongoing journey full of heart, drive and passion with sincere direction, constantly pushing the boundaries. We take a long-term view of our business. Looking beyond short-term profits and investing in sustainability makes good business sense – and is quite simply the right thing to do.” (Sustainability Report, 2012)

4.2.3 Social Sustainability Activities

H&M is committed to choosing and rewarding responsible partners focusing on 25 Conscious Actions. Garment production is the first step towards the sustainable transformation of the industry. H&M’s global operations mean “It is not a question of being present rather acting consciously”. H&M aims to create a better livelihood for their garment workers, and to create a positive impact in the communities in which they operate in respect to both the planet and people. Therefore H&M promotes better working conditions and environmental consciousness throughout the whole value chain, from individual factories to promoting systemic change in the entire industry. H&M strives for fair living wages and decent working hours for all garment workers through their goal to work systematically to strengthen industrial relations and collective bargaining. The key to lasting change according to H&M is to cooperate with different stakeholders and partners. H&M aims for being a good partner likewise by providing training, support and rewarding good sustainability performance. (Be Ethical, 2015)

Moreover H&M commits to strengthen and contribute to the communities of their value chain operations. H&M strives for shared values amongst colleagues, customers and local communities and believes it is vital to engage both customers and colleagues in the process on improving community issues. This is accomplished through a specially designed collection called the Conscious Collection, additional in-store campaigns and garment donations. Furthermore H&M has the H&M Conscious Foundation which is an independent foundation working with long lasting changes for the people beyond the value chain. H&M has nine Conscious Actions in their sustainability strategy committing to strengthen and contribute to communities. Every year H&M works with creating and contributing to employment opportunities, empowering children’s education, and improving health and safety through the All for Children Project and to develop and introduce new community development strategies. Through a membership with Better Cotton Initiative (BCI) H&M can train cotton farmers to grow cotton with less impact on the environment and improved livelihood. The H&M Conscious Foundation is also working with providing safe water to over 500,000 people in countries where they operate. For example, through cooperation with WaterAid, an international non-governmental organizations working with improving access to safe water, hygiene
and sanitation, H&M has helped approximately 400,000 people in Bangladesh, India, Pakistan and Ethiopia. (Strengthen Our Communities, 2015)

### 4.2.4 Environmental and Ecological Activities

H&M is committed to reduce, reuse and recycle as much as possible. Everything from packaging to hangers, shopping bags and the Garment Collecting Initiative but still too many clothes ends up in landfills. According to the Environmental Protection Agency (EPA) 5 percent of landfills in the US consists of textiles whereby 95 percent of the textiles could have been reused or recycled. Therefore H&M aims for making garments with low-impact materials while reducing waste, minimizing the need for land, water and chemicals. For example recycled polyester does not need any of the world’s oil resources but instead can be made from PET bottles that otherwise might end up in the landfills. In 2014 H&M used recycled polyester that equated to 40 million PET bottles which represents 0.2 percent of the material consumption in the industry. One goal of 2015 is to make 300 percent more garments from recycled fabric using collected garments and increasing the garments made from recycled fabric by 20 percent. There are several challenges to this for example, import barriers on used clothing and technological challenges that currently do not make it possible for more than 20 percent of textiles to be recycled without a quality loss. H&M is investing in technological development in order to overcome this challenge. (Reduce, Reuse, Recycle, 2015)

Additionally H&M commits to use natural resources responsibly. According to the United Nations the planet will need 30 percent more water in 2030 and as the textile industry is the second largest consumer of water after the agricultural industry therefore the water demand for manufacturing is expected to increase by 400 percent between 2000 and 2050 (UN Water Development Report, 2015). H&M is committed to conserving water, soil, air, species and additionally ensuring fair usage. Within their Conscious Actions H&M strives among other things to install water-efficient equipment in all stores, warehouses and offices, ensure appropriate wastewater treatment for all supplier factories with wet processes and reduce water use and withdrawal at supplier factories with wet processes. For example, in 2014 the first Conscious Denim collection was introduced by H&M due to the fact that producing denim requires significant amounts of water which H&M limited through innovative production methods. H&M helps cotton farmers and fabric mills to reduce their water impact and make conscious fabric choices from the start. Currently H&M is conducting research where they aim to form a powerful foundation for better water management in Bangladesh. Finally, they work towards minimizing the hazardous chemicals used and improving the supplier’s knowledge of chemical management. (Use Natural Resources Responsibly, 2015) H&M is involved in a project is called Road Map to Zero which includes 18 companies with shared commitment to help lead the industry towards zero discharge of hazardous chemicals by 2020 (About ZDHC, 2015).

### 4.2.5 Carbon Footprint

H&M works to be climate smart, which is known as one of the largest challenges of our time. H&M works with using renewable energy in their stores, offices and warehouses wherever this is possible. A problem H&M faces is CO2 emissions from transportation however they have set standards, which all partners have to fulfill. H&M has a cooperation with Clean Shipping Index who measures and keeps track of the environmental performance of every partner. In an effort to minimize their carbon footprint H&M
strives to avoid using air and road transportation whenever possible. In 2012 approximately 90 percent of the transportation from suppliers to distribution centers was via rail or sea, which is seen as a more environmentally friendly alternative. In 2015 H&M aims to reduce emissions by 50 percent. (Be Climate Smart, 2015)

Additionally H&M looks at the product lifecycle, which has one of the most significant climate impacts that occurs outside of their operations. For this reason H&M works with helping their partners and inspiring the customer to make climate-smart choices to reduce the environmental footprint of a garment. Another way to reduce climate impacts is to look at the value chain, involving the suppliers in cleaner production programmes such as Better Mills Initiative and SAVE the energy efficiency has improved and reduced emissions. Currently H&M is developing a reporting method so as to measure and report the emission reduction in the value chain from the usage of sustainable materials to the Garment Collecting Initiative and suppliers. (Choose and Reward Responsible Partners, 2015)

### 4.2.6 Sustainable Supplier Relationships

The H&M Group does not directly own their factories. They buy the products from independent suppliers that they have partnered with for many years. The goal of H&M is to create long-term sustainable improvements in not only the supply chain but also to the garment life cycle and the communities where they operate. (From Idea to Store, 2015) Being ethical is about doing the right thing in the means of respecting human rights, embracing diversity, taking a clear stance against corruption as well as respecting the regulations and laws in the countries in which H&M operates. The commitment to be ethical is part of their corporate values and whether you are a customer, colleague, partner or stakeholder H&M aims for mutual respect, integrity, transparency and honesty. Therefore H&M has created their Code of Ethics, which ensures that the commitment is fulfilled. In order to be ethical H&M has 17 Conscious Actions where they strategically work with detecting violations of their Code of Ethics, ensure all the concerned colleagues and suppliers have signed the Code of Ethics and received dedicated training to increase the compliance level of all safety standards globally. The Code of Ethics states “Zero tolerance on corruption and demands compliance with all relevant laws and our own business principles”. (Be Ethical, 2015)

Furthermore since 1997 H&M has had a Code of Conduct, which is the basis of making the supply chain more sustainable. The Code of Conduct covers eight areas: Legal requirements, a ban on child labour, health and safety, workers’ rights, housing conditions, environment, systems approach and monitoring and enforcement. Every factory must work towards full compliance of the Code of Conduct, which is monitored regularly to assess the level of compliance. The Code of Conduct is mandatory for every business relationship of H&M and is based on International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work and the UN Convention on the Rights of the Child. Additionally it demands that local legislation is observed. H&M provides an implementation guide for suppliers so as the areas covered in the Code of Conduct are understood. (Code of Conduct, 2015)
5 ANALYSIS

The following section is dedicated to analyzing the empirical findings and exploring how the selected companies apply to the Greening Goliaths and Emerging Davids framework. Furthermore it explores the co-existence of the Greening Goliath and the Emerging David for the sustainable transformation of the fashion industry.

5.1 Application of Reformation and H&M Towards the Sustainable Transformation of the Fashion Industry

Following our empirical case study we have applied Reformation and H&M to Figure 2. Our interpretation of their current position is symbolized by the new black circles in Figure 5 below. The white circle symbolizes the ideal position for the companies in order for the sustainable transformation of the fashion industry. To reach this position Reformation needs to increase their market share and H&M needs to increase their sustainability efforts within their core business. This process is explained in the following sections below.

![Figure 5 - Co-Evolution of Applied Companies Towards a Sustainable Transformation of the Fashion Industry](Authors Illustration Applied from Hockerts & Wustenhagen, 2010)

5.2 Reformation as an Emerging David

Upon first glance Reformation could be categorized as an Emerging David. It is a relatively new brand with a small market share that is focused entirely around sustainability. However classifying Reformation as an Emerging David does not exactly mean it is a good thing. By this we mean that as mentioned in the theoretical chapter, some Emerging Davids can become stuck in their environmental niche preventing growth towards the sustainable transformation of the industry. After analysing our empirical findings we understand that Reformation is still in the Early Growth stage of an Emerging David seen in Figure 1. That being said, their substantial increase in revenue over the past year combined with with increased brand awareness leads us to believe that they are not far from the Take-Off stage seen in Figure 1. This
growth is expected due to an increased market share as well as the efforts that they are taking in order to lower their prices. Reformations new line of more affordable fashions called Obvious proves their continued commitment to product innovation along with process innovation in order to make their environmentally friendly fashions more attainable to the average consumer. Reformations average price point of $80 to $300 is just too high to reach the mass market as a fast-fashion retailer. Through continued product and process innovation we believe Reformation will be able to move across Figure 5 to a medium sized market share.

Hockerts and Wustenhagen (2010) explain that David’s are generally a niche player in the market as a whole because despite their high level of commitment to environmental and social sustainability they attract only a select number of consumers who share the concern of sustainability and fail to attract the mass market. Reformation on the other hand has mastered their designs to attract high profile celebrity clients and has made a name for itself in the industry as the brand cool girls pick. (Koblin, 2014) At Reformation choosing sustainability does not compromise quality and design, this is perhaps their greatest advantage for gaining potential market share. If Reformation continues to grow at the rate is has over the past year it can be expected to reach the Take-Off and Maturity stages in Figure 1. Davids can be hesitant to lower standards that may lead to lower prices and in turn attract more customers but instead of compromising sustainability Reformation invests in supplier sustainability efforts and developing new technologies to eventually be able to lower prices. As mentioned in the theoretical chapter not all Davids fail to reach the mass market for instance there is such thing as an Emerging David becoming a Goliath, which is known as a High-growth David. Our hope is to see Reformation continue to shift to the upper right box of Figure 5 as their increased market share transforms them into a High-growth David.

High-growth Davids are able to combine the product innovation of Davids with the process innovation that Goliaths are typically good at which allows them to extend their market share and achieve profitable growth (Hockerts & Wustenhagen, 2010). As mentioned, Reformation is currently researching process innovation and is constantly searching for new suppliers and solutions to improve the manufacturing of their garments. However in our interview with Jonas Larsson (Personal Communication, May 5, 2015) he explained the current situation of the sustainability of the fashion industry as, “We have the technologies to produce with zero waste, we have the technologies that use minimal chemicals, we know how to set up value chains that have no overproduction, so we know how to manufacture in the most sustainable way yet it’s not done and that is the most frustrating thing.” He suggested that the lack of adaptation to these technologies is due to the industry’s old mindset. “Doing things cheap at a low price.” So if Jonas is correct, Reformation should be able to find these resources in order to improve their process innovation. In fact some claims on Reformations website raise a red flag, for instance the way they articulate the environmental impact of cotton and explain that Tencel is a much more sustainable material. However they only highlight the water consumption between the two materials. We mentioned this to Jonas during our interview in which he pointed us to the Materials Sustainability Index, which compares the environmental impact of materials. When comparing cotton to Lyocell (equivalent to Tencel) there was only a four point difference, which is very small (Material Sustainability Index, 2015). Therefore it is important to bear in mind that when collecting secondary data from company websites the information is generally presented in a way to enhance the appearance of their actions. This could be considered greenwashing, which is defined as, “When a company or organization spends more time and money claiming to be “green” through advertising and marketing than actually implementing business practices
that minimize environmental impact.” (Greenwashing Index, 2015) In this context one could argue that because Reformation implies that these technologies do not currently exist and leave the blame to researching new processes that they are greenwashing.

On the other hand Jonas (Personal Communication May 5, 2015) also mentioned that a solution to consumer education is to inform customers that by choosing this eco-garment they are contributing to sustainability. Previous research he conducted lead him to the understanding that just informing consumers of the unethical and unsustainable practices of the fashion industry did not hinder the expected response, and instead it was realized that the majority of consumers don’t actually care. Therefore it is suggested to take a more proactive approach and provide consumers with easy outlets to act sustainably. This includes placing an extra label on the garment that clearly states the garment’s environmental footprint. Which is exactly what Reformation has done with the RefScale. With the limited time and resources it is difficult to measure Reformations sustainable actions in terms of what is not being done and what can be done better however the heart of the company is sustainable and it is clear that they are doing more than most to truly minimize their impact on the planet.

5.3 H&M as a Greening Goliath

The concept of Greening Goliaths was introduced as large firms with high market share that start without any environmental or social sustainability and implement it into their corporate strategy step by step, which is the case of H&M. H&M is consider a CSR leader in the fashion industry today but this was not always the case as they had no sustainability initiatives when they started in 1947. As the market demand for environmentally and socially sustainable products increased so did the awareness within the company, i.e. H&M Conscious. Today H&M views business as not only being present but also acting consciously (H&M Sustainability, 2015). Meaning that their concern is no longer just about bringing fast fashion to the people but acting consciously to make a difference on the planet. A Greening Goliath is often seen to be influenced by an Emerging David, an environmentally and socially sustainable innovator, and later adopts the innovation in the form of a separate product line. This is clearly applicable to H&M as seen in the Early Growth Stages of Figure 1 when they developed their sustainable clothing line coined Conscious Collection.

After analyzing our empirical findings we would currently place H&M between the Take-off and Maturity Stage seen in Figure 1. Despite the environmental and social disasters that H&M has been involved in, their environmental and social engagement has according to Jonas (Personal Communication, May 5, 2015) made them one of the leading businesses in CSR in the fashion industry, next to Nike. Their commitment adds pressure for other companies to work with sustainability. Although sustainability has not always been part of the core business of H&M the work they do today is seen as industry changing which is what places them in the bottom of the top right box seen in Figure 5, symbolizing their high market share and high environmental performance. This position gives them room for improvement towards the sustainable transformation of the industry. Currently H&M is defined as a Greening Goliath and the next step we anticipate is H&M transforming into an Environmental David, which is a Greening Goliath aligning sustainability into their business strategy and placing just as much emphasis on the environmental and social aspects as well as the economic situation (Faultrier, Kotzab, Munch & Teller, 2011). For instance H&M continuously invests in research and development such as finding alternatives
to harmful materials and finding environmentally preferable production processes in the scope of their conscious product line. Additionally modern technology is addressed by Jonas (Personal Communication, May 5, 2015) as a key to the sustainable transformation of the fashion industry. Therefore modern technology is predicted to increase H&M’s opportunities to continue to move up to the top right corner in Figure 5 towards becoming an Environmental David. This transformation will shift H&M’s current location in Figure 5 to truly making them the leader in the sustainable transformation of the fashion industry.

5.4 The Co-Existence of Emerging Davids and Greening Goliaths for the Sustainable Transformation of the Fashion Industry

Emerging Davids and Greening Goliaths both have the possibility to contribute to the shift of the fashion industry being sustainable. The sustainable transformation of an industry requires policymakers to understand the importance of Greening Goliaths and Emerging Davids, rather than single-mindedly focusing on only one of these paths. (Hockerts & Wustenhagen, 2010)

Hethorn and Ulasewicz (2008) explained “Developing a transparent supply-chain and substituting more environmentally friendly materials are not enough to alter the current operational methods of the industry into one that is sustainable. New processes and concepts are needed to alter how apparel is designed, used, disposed, recycled, upcycled or reused; extending the lifespan of the products and the meaning they bring.” This can be seen as the role that Emerging Davids play in the sustainable transformation of the industry. They are able to develop and integrate new processes and concepts that Greening Goliaths then copy and offer to their large market share. Yet it is not 100 percent applicable in terms of our companies H&M and Reformation. As in our case the Greening Goliath H&M has begun shifting into an Environmental David, keeping their market share while increasing their environmental and social performance considerably as they have began to integrate sustainability into their core business actions.

Hockerts and Wustenhagen (2010) described the transformation of an industry as an ongoing process. As seen in Figure 5 our Emerging David Reformation has not moved much, they are still in a niche market inspiring the industry towards change. Our Environmental David H&M has moved upwards by increasing their environmental and social performance as explained earlier. This development was possible for H&M as they understood the niche market and could extend it through professional management and their process innovation of their Conscious Collection. Due to their large market share H&M has the possibility to bring sustainable fashion to the mass-market. Gaining a competitive advantage and making a global environmental and social change is what drives H&M in their Conscious Actions as they continue to transform into an Environmental David.

6 CONCLUSION

This paper set out to investigate sustainability within the fashion industry. More specifically how the concept of Greening Goliaths and Emerging could be applied to help us better understand the sustainable transformation of the fashion industry. Through our findings it was discovered that Reformation’s low
market share and high sustainability efforts allowed us to categorize it as an Emerging David. Sustainability is at the core of the business and is implemented throughout all actions. Research and development for continued progress is currently underway. However their high price point could prevent Reformation from becoming a High-growth David. This transformation would be needed in order for their presence to contribute to the sustainable transformation of the industry as seen in Figure 5. Actions such as their new lower priced line, Obvious, is a step in the right direction. We firmly believe that it is possible for Reformation to improve their process innovation, which in turn would allow them to lower prices and gain a larger market share. The most important factor of Reformations sustainability comes from them owning their own factory which allows them not only to ensure safe and fair working conditions for their employees but also to control where their materials are being sourced from. We suggest that for H&M to truly improve their sustainability efforts it would be in their best interest to one day own their production however we understand that this is difficult for a company of their size.

H&M’s large market share and CSR initiatives initially lead us to categorize it as a Greening Goliath. H&M was founded approximately 70 years ago as a fashion brand with no thought given to sustainability. Upon increased awareness and stakeholders demands the company adopted CSR activities in 2002 separate from their core business. Following our research we recognized that sustainability is now being integrated into the core business and is something that they continue to invest and research. Therefore in Figure 5 H&M was defined as a Greening Goliath in the process of becoming an Environmental David, a company with a large market share and high social and environmental performance. As a CSR leader, H&M’s sustainable efforts continually drive the fashion industry to act consciously as their commitments add pressure on other companies.

We believe that both approaches to sustainability, sustainable brands and CSR activities together can lead the sustainable transformation of the industry. Reformation and H&M both are continuously researching new ways to improve product and process innovation. In order for Reformation to improve their contributions to the sustainable transformation of the industry they must find a way to increase their market share. H&M must continue to improve their CSR activities and continue to incorporate sustainability into their core business. To conclude we believe that for the sustainable transformation of the fashion industry there needs to be an increase of Emerging Davids on the market that bring both consumer awareness and process innovation. In turn more market incumbants need to adopt these new process innovations to become Greening Goliaths. With the increase of Emerging Davids and Greening Goliaths we believe this will propel more firms to become High-growth and Environmental Davids in turn transforming the sustainability within the fashion industry.

6.1 Suggestions for Further Studies
As this research was limited to two companies, it could be interesting to expand the research and investigate the top companies within the fashion industry that hold the positions of both High-growth and Environmental Davids in order to gain a more broad perspective on the ongoing sustainable transformation of the fashion industry. Additionally it would be interesting to investigate if there currently are any examples of sustainable transformations of industries, as despite their co-evolution there are still great challenges that both Davids and Goliaths face on this sustainable path.
REFERENCES


Appendix 1 - Phone Interview

Jonas Larsson- Expert on sustainability in the fashion industry

May 5, 2015, 1PM-1:45PM

1. How would you characterize the fashion industry in terms of sustainability?

   A: It is behind, the industry could do way more than what it is doing today. On the social side of sustainability a first step is to start treat people the way you want to be treated yourself. On the environmental side (difficult due to tradeoffs) companies should use modern technology to a wider extent than they are doing. Modern technology has already solved most of the problems that are existing today, for example produce with zero waste and lower chemicals. It is frustrating that we know how to manufacture in a sustainable way and yet we are not doing it. The industry can do better in all areas. The industry today is built on old structures and efficiency thinking and low price which is the reason why modern technology has not been adopted fully yet.

2. What is your general point of view on the current sustainability of the fashion industry? What do you think is most environmentally harmful impact from the fashion industry? What is not sustainable?

   A: Not all customers are satisfied; around 60 % are satisfied with what’s in the store, poor performance of mark downs. ⅓ of all garments that are produced are unnecessary garments. If what they say is true and 40 million people work in the fashion industry then ⅓ of all of those people produce garments that we don’t want: in other words there are 13 million people producing things that no one wants just because we want to be certain that we sell garments, ⅓ of sales are built on redundancy. This overproduction ends up on the sale racks, which is great for consumers but not economically or environmentally sustainable for the companies.

3. Do you think that CSR activities in the fashion industry contribute to the sustainable transformation of the industry?

   A: Yes I’m sure. Nike and H&M are leading the industry right now. Without them there would be very little action, for example SAC would not exist and a lot of investments comes from these companies. What Nike and H&M are doing they force other companies to work with sustainability, these companies use modern technology to some extent, but due to the size of the company it is not possible for the whole value chain to do it. Eg. Nike FlyKnit is very sustainable compared to other shoes they sell. H&M are working on more modern technology but the process takes a couple of years. H&M has almost complete control over their production right now. Their suppliers are well integrated into the machinery. It’ll be a long time before they start to have their own production.

4. Do you think that eco-friendly brands are able to impact the sustainability of the industry?
A: It does, the issue I find is that they are eco-friendly in a small part of the value chain. For example they have ecological cotton, but what happens when put the cotton in the normal production process. Is it certain that the dying colors are ecological? No, because you don’t use eco-dying colors because it is useless for the environment. You have to have dangerous heavy metals like quicksilver in order to pass on the color on the garment, and that makes it very difficult to make a 100 % ecological garment unless you have them in beige and natural colors. But it might be boring and no one would buy it. But, if there was a demand for it, then soon companies will figure this problem with dying colors.

5. How would you estimate the market potential of eco-friendly fashion brands?

A: As said in question four above, it is hard to be eco-friendly all the way due to for example dying is mostly not eco-friendly. Around five years ago three percent of the population made active choices regarding sustainability. In the fall of 2014 about 20 percent said they did active choices regarding sustainability, but we have to remember that this is something that they have asked people and everybody wants to look good. Not to hide is that it has increased a lot over the past 10 years. The most important thing is to have modern technology which will develop sustainability in the fashion industry.

6. Do you think it is important to educate consumers on the harsh realities of how their clothing is made, how unsustainable the industry is?

A: We are working on how to communicate the sustainability message because it is very hard for consumers to understand what is a sustainable choice. Very few customers take the next step to learn more about the social and environmental issues. I don’t know I did a study on this two years ago and it’s sad. The reality is that for instance the workers enduring unfair working conditions are so far away that the consumers don’t really care about them. Therefore the discussion we have in SAC (Sustainable Apparel Coalition - H&M is a founding member) is around how to be better how to teach consumers how to be better not just showing them the negative aspects. Teaching them to choose the right clothing, take care of it responsibly and dispose of it responsibly.

7. What are your thoughts on organic cotton? (It is our understanding that to grow organic cotton, water consumption is doubled compared to that of normal cotton. We read this on Reformations website where they explain their choice of using Tencel as an alternative to cotton, are you familiar with tencel?)

A: Well it is very difficult to generalize like that because there are so many different organic cotton’s and they grow in all different climates worldwide so the amount of water needed differs. I wouldn’t necessarily trust that source. If you look at the Material Sustainability Index and you are comparing just the amount of water used for production yes tencel is much better than cotton but the overall sustainability factor of tencel and organic cotton only differ by 10 percent which is very small. So i wouldn’t say that tencel is necessarily a more sustainable material because there are other factors than just water to measure sustainability, such as waste.
8. Do you think it is possible for a MNE adopting CSR initiatives to become an entirely sustainable brand? For example for H&M to incorporate sustainability in their core business strategy?

A: Well to start with no one is going to become completely sustainable. For sure they can become much more sustainable and they can by using modern technology and modern business models. Its not easy I would say because some technologies have a few years until it will be scalable to market sales but I would say that within ten years all the technology would for sure be available. Right now the technology is there but some is in lab scale some in in test scale, you can do a lot already but there are some things that are needed. I think that companies that are doing a great job with sustainability already are not separating CSR activities from other activities it’s an inherent part of their business.

9. How would you describe the sustainable development of the industry? For example how do you think Figure 3 applies to the fashion industry?

A: Well I definitely think that H&M and Nike and a lot of the large market incumbents are working together to change industry standards for instance with SAC.