

# Sustainable Business Models in the Fashion Industry

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## **Abstract**

Born sustainable companies are challenging the fashion industry by having sustainability at their cores and actions, yet this area is still under-researched. Thus, this thesis examines the subject of sustainable business models and how they are managed and operationalized by born sustainable SMEs in the fashion industry. Within this inductive, qualitative research, multiple case studies and archival research provided the data for the conducted thematic analysis.

After analyzing the data, it could be seen that these companies not only see their size as an advantage, but they also adapt their business models and operations to be sustainable and holistic. The prioritization of sustainability, educating customers through the introduction of different initiatives and the focus on collaborative relationships with stakeholders are essential aspects distinguishing born sustainable SMEs in the fashion industry. However, the lack of understanding of sustainability impairs the awareness of SBM and born sustainable companies. Furthermore, the sourcing of materials and the design of sustainable products represent obstacles in their operations.

Therefore, the study derived implications for managers. Long term collaborative relationships in the supply chain are an effective means to ensure sustainable development and increasing transparency in the business operations. To face the issue of a consistent definition or model of SBM, companies should communicate their clear understanding of sustainability and the actions they derive from it. Hence, the role of companies to increase awareness and educate their consumers should be reflected from different perspectives in future research.

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## List of Abbreviations

BM	Business Model(s)
BMI	Business Model Innovation
COC	Code of Conduct
CSR	Corporate Social Responsibility
GFA	Global Fashion Agenda
MNE	Multinational Enterprises
NGO	Non-Governmental Organization
SBM	Sustainable Business Model(s)
SBMI	Sustainable Business Model Innovation
SME	Small Medium Enterprises
SSCM	Sustainable Supply Chain Management
SVC	Sustainable Value Creation
TBL	Triple Bottom Line
TRM	Total Responsibility Management
VC	Value Creation

# 1. Introduction

## 1.1 Background

Over the past several years, the consciousness about the climate emergency, human's actions and their impact on the environment have risen. Consequences of the climate change that humans feel have contributed to the awareness about how and where improvement is necessary. Earth and available natural resources are exploited quicker than they can regenerate. According to WWF's report (2019), humankind would need 2.8 Earths to be able to continue living their lives and sustain current lifestyles. Hence, society started to think about how businesses and lives could be adapted to become more sustainable. Although there is a long way before that might become a complete success, it can already be noticed that things are slowly improving. People and society started to realize that in many industries, change needs to happen. Moreover, in recent years, it could be seen that more and more companies from different sectors started to change and to implement sustainable development. The increased awareness of society and interest in supporting these new, conscious businesses contributed positively to that development and increased the need for a change.

The fashion industry's impact on the environment and the exploitation of natural resources is one of the highest. According to some studies, it is one of the most polluting industries in the world (Davis, 2020; Brewer, 2019). It is responsible for colossal water consumption, increased pollution from chemicals used in the factories and the production sides, and also for around 10 % of global carbon emission (McFall-Johnsen, 2019; Ro, 2020). Besides, the fashion industry has a negative social impact, which is caused by not providing employees with decent living wages, supporting illegal children labor or unnoticed bad conditions in the workplace (Mukherjee, 2015).

Besides globalization, big fashion retailers contribute to these adverse environmental and social effects by focusing on mass-production without consideration for these two areas. Furthermore, consumers contribute to the problem by adapting their consumption behavior accordingly. *“Fast fashion production, which is based on selling large quantities of cheaply produced goods has increased among consumers by 60% from 2000 to 2014”* (McFall-Johnsen, 2019). To

satisfy the growing number of orders, fashion companies have to produce more in order to be able to keep up with that demand. Nevertheless, producing sufficient quantities of goods requires not only more labor but also more materials, which increases the above mentioned unfavorable environmental and social impacts. These negative contributions of the fashion industry together with the overconsumption and the growing awareness about the climate emergency has led to the development of sustainable companies in the fashion industry, which are motivated to do business differently. They want to make a change and reduce the negative impact of the industry, limit unnecessary overspending and change consumers' perspective by introducing and following several different initiatives and solutions such as adapting the business model, transparent supply chain or offering activities like repairing workshops or swapping events.

## **1.2 Past Studies**

Some academic papers are focusing on the impact of the fashion industry and the topic of sustainability within fashion companies due to the industry's social and environmental impact, which results from cheap and fast production. Within that research, innovation in the business models together with value creation for different stakeholders are in focus, as they could provide a competitive advantage for the sustainable fashion companies over fast-fashion retailers (Pedersen et al., 2018). However, these studies do not focus on the born sustainable companies of small and medium size, their challenges, the meaning of different actions they undertake, how they differ or how the sustainable business models and sustainability are managed, implemented and adapted within.

The topic of environmental and social impacts of the fashion industry is well researched. In the literature, there are many papers reviewing how mass-production contributed to the deterioration of the environment and society. The papers also look at how these aspects could be managed by implementing sustainable business models or introducing innovation into their businesses (Pal and Gander, 2018; Pedersen et al., 2018). Also, sustainable business models are a popular theme in the literature, especially in the context of sustainable fashion. Many studies look at different sustainable business models and advantages they may have over the business

models represented by fast fashion companies. These articles look at different elements, such as trends, that may encourage fashion companies to change into these business models or the effect the implementation of them would have on other aspects of the business such as value creation (Todeschini et al., 2017; Pal and Gander, 2018).

Within sustainable companies in the fashion industry, the supply chain is an important research area. The supply chain and its development towards sustainability have been covered by the literature, especially the theory of sustainable supply chain management (SSCM) (Köksal et al., 2017; Seuring and Müller, 2008). Besides that, the topics of transparency and supplier management are also well-researched areas (Awaysheh and Klassen, 2010; Brun et al., 2020; Klassen and Vereecke, 2012). However, there are fewer studies that focus on SME companies in the fashion industry.

Another critical aspect of sustainability in the fashion industry relates to the potential opportunities, and barriers companies may face. Usually, these relate to the supply chain, business models or existing business practices what Pedersen and Andersen (2015) identified in their study. There is, however, limited literature, which is looking at the topic of born sustainable companies. The paper by Todeschini et al. (2017) is one of the few, which distinguishes born sustainable companies and briefly describes their characteristics and motivations. It underlines that sustainability is the key motivation for these types of companies, and how flexible and innovative they are in terms of sustainable business models and their initiatives. In addition, the paper also points out that usually, these companies are of small and medium-size and are not focused on mass-production like their fast fashion opponents.

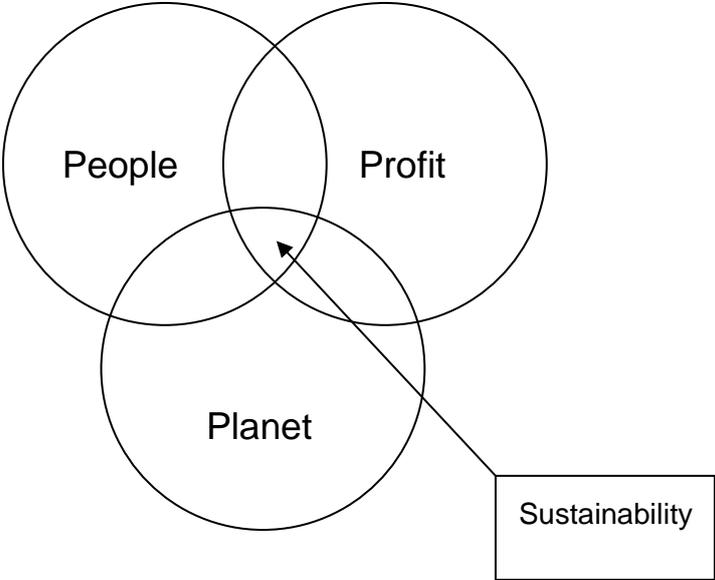
Looking at the literature, it can be seen that there are many studies on different topics, such as sustainability in the fashion industry or sustainable business models. There are also references to born sustainable companies but without a more profound examination of the dependency between the size and their sustainability level. However, the literature reveals not many studies, which would look at small and medium-sized born sustainable companies in the fashion industry and how these companies are managing, implementing and adapting sustainability in their operations to suit them, the environment and society in the best way. Therefore, this paper is set to help in filling the gap. It will carry out the research related to the above mentioned

small and medium-sized born sustainable fashion companies and their approach to sustainability in their businesses.

### 1.3 Research Question

This study focuses on small and medium-sized born sustainable companies. As they base their motivations and operations on sustainability, this paper is going to examine how these companies understand sustainable business models, manage them and navigate in their operations, processes and actions. Since these companies are under-researched, looking at these elements will give recipients a clearer picture and understanding of them.

Sustainability and sustainable business model (SBM) are two complex concepts that could be adapted and understood differently as there is no general approach to them. In the literature review chapter, this complexity and different approaches regarding SBM will be presented. One of the most common approaches to sustainability is represented by the Triple Bottom Line (TBL).



**Figure 1** Triple Bottom Line Approach, adapted by Evans et al. (2017)

TBL is a framework, which recommends that in order for companies to be sustainable and create sustainable value and sustainable business models, they have to focus on the environment equally, society and economy rather than prioritizing profit over the other aspects (Evans et al., 2017). This framework is often used as a base for further studies in the area of sustainability. Within this study, TBL is going to be deployed to analyze sustainable business models and sustainable value creation in small and medium-sized born sustainable companies.

Recently, a relatively new types of smaller sized companies in the fashion industry started to gain popularity among customers. Namely, truly sustainable brands, also known as born sustainable companies, whose main motivation is conscious development and reduction of negative environmental impact, are not only on the rise but they are also achieving highest scores in the different sustainability rankings. However, the topic of these companies in the literature remains limited and under-researched, which prompted the focus of this study. Therefore, this study will focus on born sustainable companies as they represent and follow sustainability in all aspects of their businesses and operations. It is their primary motivation for running a business.

With this study, the researchers want to get a better understanding of the values that small and medium-sized born sustainable companies follow in their businesses, operations and partnerships. This paper will also look at these companies' motivations to run sustainable brands and features they are characterized by such as their understanding of sustainability, initiatives they undertake or approach to the management of the supply chain. This paper will focus on these elements as they seem not only to be different from the ones presented by bigger fast fashion firms, but they also distinguish born sustainable companies on the market from the competition. Another element that will be examined and looked at more closely is how these companies perceive, manage and navigate both sustainability and sustainable business models to suit them best. As recent efforts in the field reveal, these areas seem to be under-researched. Therefore, by looking at the above aspects relating to the sustainable business models and both characteristics and motivations of the born sustainable companies, this study is aimed at answering the following research question:

*“How are sustainable business models managed and operationalized by born-sustainable SMEs in the fashion industry?”*

This research question, as well as the whole study, will be based on qualitative research and data collection. The primary data that will be collected is going to come from the semi-structured interviews and written replies from small and medium-sized, European born sustainable companies. Additionally, archival research, with sustainability reports from two different, official organizations will be used as secondary data in this paper to support the primary data.

## **1.4 Structure**

This paper will follow the coming structure. It will start with the literature review section. There, it will be looking at relevant theories and approaches relating to Sustainable Business Model and Sustainable Supply Chain Management, which will help in answering the above research question. Then, the paper will move into the methodology section, where the empirical approach to this study and data collection will be explained. After that, in the analysis part findings from primary and secondary data will be presented. Then, in the following discussion section, they will be discussed and compared to the literature. Here, the researchers will also reflect on future research and state encountered limitations in this study. Lastly, the paper will finish by concluding the research and giving strategic advice for future research in this area.

## **2. Sustainable Value Creation in the Fashion Industry**

As the topic of our study focuses on the small and medium-sized born sustainable companies and how they understand and adopt sustainable business models in this chapter, we will look at different literature and concepts relating to our research question. We will start by having a closer look at the concepts of both traditional and sustainable business models. Then, we will go through the literature relating to innovation and sustainability as it is seen as an essential factor in this area. Afterwards, we will move to the concept of sustainable value creation and how it differs from the traditional one. Lastly, we move to studies on awareness regarding sustainability. We see how it is perceived and what elements are important.

### **2.1 Sustainable Business Models**

In the beginning, we look shortly at the traditional business model, and afterwards, we move into the topic of sustainable business model, which is a significant part of this paper's research question. Prior to the Sustainable Business Model (SBM) was the traditional Business Model (BM). However, there is no one definition of these two concepts. Magretta (2002) believes that BM and strategy are two distinct concepts for companies. In some studies, traditional BM is perceived as a way to describe how companies are doing business and what steps they follow in the process (Magretta, 2002; Bocken et al., 2014). Also, it should be profitable and deliver value to the company's customers (Magretta, 2002; Teece, 2010). Others think about traditional BM as a tool with different elements that are used by companies to communicate and analyse its performance (Osterwalder et al., 2005). The latter approach to traditional BM is one of the most popular one known as the Business Model Canvas. It concentrates on a few different elements such as resources, costs, value for customers, partners or distribution channels (Osterwalder and Pigneur, 2010). According to the authors, these elements help understand and navigate businesses in the right direction.

The traditional business model in case of fast fashion companies is oriented towards mass-production to generate much profit. It is characterized by a rapid supply chain and production to meet the demand. The business models of these companies are seen as a quick strategy used

as a response to fashion trends by producing inexpensive and usually low-quality clothes (Jin et al., 2012). In our research, we are not focusing on the traditional business model and its elements from the business model canvas that relate to the whole organization and its operations. We focus on sustainable business models, which besides being based on the traditional BM, it is different from its last case.

Additionally, as mentioned above, there is no single and generally accepted definition, theory or graphic model representing SBM, but many different approaches and views on it which can result in a misunderstanding in that area (Todeschini et al., 2017). Similarly, a misunderstanding could also occur with the approaches to and the definition of sustainability. To better understand the concept of SBM, a person should look at different studies and theory about it. These different stands will be presented below.

Moraties et al. (2019) state that in their opinion, in order for an SBM to exist, it must be aligned with the company's business processes. Besides, SBM consists of two crucial elements according to them. The first element is sustainable value creation within a Sustainable Business Model, and the second one is the creation of the sustainable effect at the end (Moraties et al., 2019). They argue that both conditions are necessary and should be met as opposed to only one of the two because otherwise, it would not be an SBM. In the research, it is also emphasized that an SBM needs to be built around the company's overall idea to contribute to a better world and provide a positive impact (Moraties et al., 2019). Differently, Rauter et al. (2017) state that for them, company's SBM should consist of different elements called "building blocks", which are used to build the company and correspond to the sustainable development of the organization.

Another view is presented by Bocken et al. (2014), who emphasize the importance of lined up interests of all of the company's stakeholders in the conscious organization. For them, SBM should not focus only on the opinion of shareholders but on all stakeholders and all of their points of views, values or beliefs (Bocken et al., 2014). Bocken et al. 's theory is complemented by Stubbs and Cocklin (2008). They agree that SBM and its elements should refer to all of the company's stakeholders. They also express that people and planet should be thought of as stakeholders for the company rather than something different or unrelated, and they should not

be harmed (Stubbs and Cocklin, 2008). Bocken et al. (2014) also mentions environment and society as company's stakeholders.

Furthermore, Stubbs and Cocklin (2008) emphasize that besides society and environment, SBM also focuses on the company's economic aspect and profitability. In their opinion, SBM should consider the financial aspect as well and not forget about making a profit as it is crucial for any company (Stubbs and Cocklin, 2008). However, it is not the main reason for the existence of conscious firms, as it is in case of fast fashion companies that do not focus on sustainability (Stubbs and Cocklin, 2008). Nosratabadi et al. (2019) highlight that different companies also use SBM as a tool to achieve their sustainable goals. Also, Evans et al. (2017) state that SBM should be embraced by companies as it could help them achieve sustainable development.

Lastly, Ludeke-Freund (2010) presents SBM as the one that adds to both development and improvement of society, the environment and the whole company. Besides that, the author states that SBM is connected to the process of value creation. For him, a company could gain a competitive advantage over its competition by involving customers in the process of the mentioned value creation (Ludeke-Freund, 2010). Likewise, Teece (2010) states that a good business model will create and provide value to customers, which could act as the company's competitive advantage over its competition.

We can conclude that there are many different views and theories on Sustainable Business Model. Some similar to each other, some different. For us, a Sustainable Business Model serves for the company as its competitive advantage and focuses not only on making a profit, but it also looks at society and the environment. It creates and delivers different, sometimes not noticeable, types of value through innovation. The result of the company's efforts for the implementation of sustainable business models is increased awareness about sustainability.

## **2.2 Innovation and Sustainability**

Innovation is an important process for any company because when done correctly, it can be a competitive advantage over its competitors. In this section, we will look at how innovation and sustainability connect.

Innovation is defined by O'Sullivan and Dooley (2008, p. 5) as:

*“Innovation is the process of making changes, large and small, radical and incremental, to products, processes and services that result in the introduction of something new for the organization that adds value to customers and contributes to the knowledge store of the organization”.*

In addition to being a company's competitive advantage, innovation is seen as a factor responsible for the company's growth through the above-defined elements (O'Sullivan and Dooley, 2008). However, to achieve both growth and competitive advantage, innovation should be correctly managed by the company through an innovation management process that includes managing ideas, motivations, improving communication or defining future goals (O'Sullivan and Dooley, 2008). Nevertheless, innovation does not have to only refer to products or services offered by the company. It can also refer to allude to the company's business model and processes happening within it, such as supply chain or design process. What is also interesting to mention is that there are several different types of innovation like product innovation, process innovation or service innovation (O'Sullivan and Dooley, 2008). Each one of these types of innovation differs from another. It depends on the company, on which one it wants to focus its efforts.

Although innovation might bring a positive impact to the company, one must remember that it could also be a time-consuming and relatively expensive process to introduce changes, on which not all companies, especially smaller ones, can afford (Amit and Zott, 2012).

With the recent growing interest in consciousness and conscious companies, the topic of innovation also appeared concerning them. Innovation is no less critical when it comes to sustainability than to regular companies. Sustainability and innovation are two concepts, closely connected, especially in the context of Sustainable Business Models (SBM) or sustainable business practices. The two go together well as in many cases, innovation is thought of as one of the key elements responsible for shifting traditional Business Model (BM) to a sustainable one (Nosratabadi et al., 2019). Innovation is also a key element in further improvement of the already existing SBM (Nosratabadi et al., 2019). Also, Evans et al. (2017) state in their paper

that sustainability in the business can be achieved through the innovation. However, as mentioned in the Sustainable Business Model section, there is not one general approach or theory on how innovation within SBM should be structured and how they should look like in order to be successful and bring expected results to the company (Todeschini et al., 2017; Boons et al., 2013; Pedersen et al., 2018).

With many social, environmental, financial and other types of problems, companies began to experiment with BM to overcome these sustainability challenges (Pedersen et al., 2018; Schaltegger et al., 2016). That resulted not only in developing many new SBM but also in increased levels of innovation in companies to respond to these challenges and in the actions, they undertake (Pedersen et al., 2018). These obstacles and new developments led to significant growth of new concepts relating to sustainability and innovation. One of these concepts is Business Model Innovation (BMI), which in recent years has seen a rise in popularity and is closely related to the topic of both BM and SBM (Pedersen et al., 2018).

BMI is based on the development of new ways to not only produce value but also to provide it to stakeholders by adapting traditional business methods (Pedersen et al., 2018). Lindgardt et al. (2009) see BMI as a remodelling of two or more elements from traditional BM that bring value to stakeholders in a new way. They also believe it can provide companies with a competitive advantage over their competition (Lindgardt et al., 2009). Amit and Zott (2012) also emphasize the importance of BMI as besides it being a company's competitive advantage. They see it as a company's powerful way to distinguish themselves that could not be as easily copied by competition. Therefore, it is helpful and useful for brands to represent BMI. Additionally, BMI is important as in the company's future, it can be a source of potential value (Amit and Zott, 2012).

A subset of BMI is sustainable business model innovation (SBMI), which is a relatively recent concept that combines SBM and BMI in relation to sustainability and the above-mentioned challenges and problems (Bocken et al., 2015). They define SBMI as:

*“(...) innovation to the way business is done by generating competitive advantage through superior customer value while contributing positively to the company, the environment and society and minimizing harm”* (Bocken et al., 2015, p. 68).

Another approach is taken by Yang et al. (2016). They think that SBMI can be achieved by a company, which can identify unprovided value in their BM and change it into new, sustainable value opportunity and new BM with higher sustainability value. Boons et al. (2013) argues that because of many social, economic, environmental and political challenges, companies started to look for a way to find solutions to these problems such as SBMI. They believe that the solutions are guided by turning challenges into opportunities, what could be done by innovation and differentiation. They believe that BM should be innovated and adapted to overcome the above problems both within the company and its environment (Boons et al., 2013).

On the other hand, Todeschini et al. (2017) see trends among consumers as opportunities for companies to change to SBM and innovation. Among mentioned trends and drivers are customer awareness, technological innovation, circular economy, sustainable new materials or recycling (Todeschini et al., 2017). Innovation pushed by things is also seen by Pal and Sandberg (2017). They emphasize that supply chain and technology are two popular areas in the fashion industry and in sustainable companies where innovation happens.

Lastly, innovation is important as failing to implement it could result in the competitive advantage of the opposition and opening of new opportunities for them (Pedersen et al., 2018). Tecee (2010) and Bocken et al. (2015) also agree that innovation, especially in regard to BMI and BM, is increasing the company's competitive advantage. Therefore, it is vital to have this advantage, especially for fashion companies, which operate in a aggressive environment.

Innovation is connected with sustainability as through implementation of that process into the traditional business model, and it could contribute to the change into a more sustainable one. We see innovation in the SBM mostly as a way to adapt its business to create and provide new types of values for all stakeholders but also as a company's competitive advantage that could differentiate it. In the next sections of this paper, we will be looking at how born sustainable companies use innovation in their businesses.

## 2.3 Sustainability and Value Creation

To follow the topic of SBM and innovation, value creation is introduced as it is related to the previous chapters. The term 'value creation' (VC) refers to companies' actions, which are aimed at increasing the company's value for the offered products and services (Galindo-Martin et al., 2020). This process, as mentioned in the previous section, is connected with innovation and the company's competitive advantage as value creation influences the scale of that advantage (Morgan et al., 2018). The process of value creation is not only crucial for the company but also for customers as they are usually the ones, at which it is directed to ensure that they chose a particular company and its products over the other (O'Cass and Ngo, 2011). A good company, which has a competitive advantage is the one that can identify, which type of value the consumer is looking for and be able to provide him with it (O'Cass and Ngo, 2011).

As the number of companies in different industries is increasing, they all try to differentiate themselves and get the customers attention. Hence, many brands became customer-oriented in recent years, and through different actions, they want to gain customers loyalty (Cossio-Silva et al., 2016). The introduction of the value co-creation process is one of these actions, which is aimed at collaboration between the company and customers, who are active participants in the process (Cossio-Silva et al., 2016; Rozenes and Cohen, 2017). The concept of value co-creation is based on innovating and working on new ways to support each other for both parties in the process of the creation of that value (Cossio-Silva et al., 2016). That can be achieved by sharing customers' knowledge or skills with the company to help them create new value within their company or offered products and services (Cossio-Silva et al., 2016).

Sustainable companies should also consider the value creation process within their companies not only to gain a competitive advantage over their competitors and differentiate themselves but also to be able to provide customers with high-value products that should combine different types of values (Badurdeen and Jawahir, 2017). Looking at the literature, we can see that the concept of SBM is closely connected with value creation, which is crucial for any business. The connection between those two things is known as Sustainable Value Creation (SVC). Pal and Sandberg (2017) describe Sustainable Value Creation as presented below:

*“Sustainable value creation, in this context, refers to the approach that creates long-term value for stakeholder(s) by generating all types of values associated with economic, environmental and social developments, without compromising with one at the cost of the other” (Pal and Sandberg, 2017, p.2).*

They explain that the concept of SVC is still growing, and it is moving from only being strictly associated with the economic value (Pal and Sandberg, 2017). Pal and Sandberg (2017) highlight that sustainable value creation refers not only to economic value, but it is instead focusing on all types of value, mostly social and environmental ones, and for all different stakeholders. The mentioned value for various stakeholders and the consideration for social and environmental value can be seen as a reference to Stubbs and Cocklin’s viewpoint (2008). Also, Freudenreich et al. (2020) agree that the concept of SVC should focus on wide-ranging groups of stakeholders rather than only customers.

Nowadays, sustainable companies try to achieve SVC by introducing many different initiatives and trying to improve their business model (Pal and Sandberg, 2017). One of the areas where companies especially try to improve their performance and make it more sustainable to create a better value is in their operations. Sustainable organizations try to introduce a number of sustainable initiatives to create sustainable value for its stakeholders such as circular economy, upcycling or recycling. Recycling, which is one of the most popular initiatives, relates to the innovative process of modifying waste materials from already existing products to create new ones (Todeschini et al., 2017). A circular economy is seen as a strategy or an approach that not only is becoming more and more popular, but it can also help companies achieve sustainable, environmental and economic development through material cycles (Korhonen et al., 2018). Lastly, upcycling, for example, focuses on using waste materials to create new types of products (Todeschini et al., 2017). It is usually seen as the process, which adds more value or new qualities (Bridgens et al., 2018). Among other initiatives are repairs, slow fashion, sharing and many more. Together, with the above-explained initiatives, they are aimed not only on SVC but also on knowledge sharing and collaboration of different parties (Pal and Sandberg, 2017). That approach is also seen in the study by Todeschini et al. (2017), who talk about born sustainable companies and how they are committed to SVC by promoting and following social and environmental values.

Yang et al. (2016) present sustainable value as the one that focuses on the equal combination of environmental, social and economic value form rather than just the first two. This is important and interesting as not only is the economic value necessary for the company's existence, but it is also omitted by the majority of the studies on SVC.

Another view on value creation is presented by Sandberg et al. (2018). They explain that besides social and environmental value, the economic value should be considered as well as other values, which not necessarily are connected with the earlier ones such as customer value. They believe that the correct approach and the process of VC can build a company's competitive advantage over its competitors (Sandberg et al., 2018). That belief is also demonstrated by Freudenreich et al. (2020), who agrees that SVC provides companies with a competitive advantage. Besides, Sandberg et al. (2018) emphasize the relevance of customer value that relates to customer satisfaction and loyalty, which should not be forgotten among other types of values typically associated with SVC.

Lastly, Moratias et. al (2019) see the process of creating value as one of the essential parts of sustainable business models and companies. For them, SBM consists of two vital elements, one of them being SVC within business models, as mentioned in the Sustainable Business Model section. Similarly, Tecee (2019) also states that a good business model, both traditional and sustainable, will create value and deliver it to the customers, and at the same time collect the right amount of their revenue for this.

For us, SVC refers not only to the environmental, social and economic value, but it can also create other values for all of its stakeholders. Also, all values are equal, with no superior value over other types. In the other part of this paper, we examine what value is created by the studied companies, how they create them and perceive.

## **2.4 Increasing Awareness about Sustainability**

The growing understanding about the impact of business practices on different areas, such as the environment, has contributed not only to the introduction of sustainable practices but also to the increase in awareness about sustainability among different stakeholders. According to Todeschini et al. (2017), growing awareness about sustainability made consumers more conscious. That resulted in the growing demand not only for green products but also for a change in the business model and practices deployed by companies.

In their study, Ghosh and Galberth (2013) state that awareness about sustainability can be a deciding factor, which can impact consumer purchasing decisions. They explain that consumer's willingness to pay a specific price for the product can be dependent either on the high or low level of sustainability awareness. Moreover, high or low awareness can affect the differentiation between different products or companies (Ghosh and Galberth, 2013). This is already visible in the fashion industry where sustainable products are priced higher than the ones from fast-fashion brands.

Sustainability has become more popular in recent years. One of the ways for sustainable companies to increase it is through sharing the knowledge they have on that topic and practices (Pal and Sandberg, 2017). Hence, many companies found it necessary to introduce different practices or initiatives to increase consumers' consciousness and educate them about that topic. For example, through sharing knowledge and educating customers may learn how to care for garments after purchase to not contribute negatively to the environment through, for example, washing it too often.

In order to raise the level of awareness, companies are trying to undertake different initiatives. Few examples could be found on this topic in the literature and are discussed below. One of the popular initiatives among companies is the use of different certifications and official assurances regarding their business practices (Todeschini et al., 2017). Usually, they are aimed to communicate stakeholders with the information that business is credible and practices were undertaken by the company are in agreement with the environmental and social value they adhere to, such as good working conditions or the use of non-toxic materials during the

production process (Todeschini et al., 2017). Many fashion companies use different certifications. However, there are many of them, and often consumers are not aware of what they stand for, which can mistakenly make them think that for example a company is engaged in increasing working conditions, whereas the certification solely focuses on using less toxic chemicals.

Another popular type of knowledge sharing is through circular economy practices such as recycling, repairing, reselling, sharing and others (Todeschini et al., 2017). Also, clothes swapping events are seen as the ones that raise awareness (Morgan and Birtwistle, 2009). Besides that, trends like slow fashion or possession of capsule wardrobe, with only a small number of key elements, are among popular, sustainable trends set to increase customer awareness as seen by Todeschini et al. (2017).

Lastly, small and medium-sized companies, who are focusing on and implementing sustainability are increasing the level of awareness in this area. Todeschini et al. (2017) emphasize that start-ups and small born sustainable companies, which base their work on innovation, value creation and a collaborative approach, are the best examples of truly sustainable businesses that want to educate consumers through their practices. According to them, these born sustainable companies not only believe that social and environmental values are the key when it comes to sustainability. For them, these are also their primary motivation towards their work and a change they try to make happen. Additionally, by improvising with different initiatives and trends, such as the above examples of the circular economy, they want to raise awareness and address issues, which relate to the topic of sustainability, so that their consumers can make better choices (Todeschini et al., 2017).

In their study, Walley et al. (2010) look at different types of sustainable companies. They differentiate four different types of green entrepreneurs - "Visionary Champion", "Innovative Opportunist", "Ethical Maverick" and "Accidental Enviropreneur". All these types differ from each other in their motivation as to why they focus on sustainability. However, the "Visionary Champion" type of companies could be a reference to the above mentioned born sustainable companies by Todeschini et al. (2017). According to the study, the "Visionary Champion" type of company is one that embraces a transformative direction and focuses their motivation and

operations on sustainability (Walley et al., 2010). These companies have a vision of a sustainable future and want to adapt their structure and actions accordingly to suit that vision. A similar point of view is shared by Masurel (2007). He emphasizes that small and medium-sized enterprises are more flexible in their approach to sustainability; therefore, they can better respond and adapt to the environmental and social challenges within the area of sustainability compared to larger firms.

Companies want to increase awareness about sustainability and the impact that the fashion industry has on different areas. They also believe that it is their role to educate their consumers about sustainable consumption and practices. However, their view, unfortunately, is not represented enough in the literature as there is a limited amount of studies on the topic of consumers' sustainable understanding, companies' role in creating awareness, sustainable education and the value that goes with these sustainable actions undertaken by companies. Therefore, more research is needed in this area to understand how awareness and sustainability work together fully.

### **3. Adapting Business Processes through Sustainability**

The implementation of a sustainable business model and the focus on sustainable value creation have practical consequences for the processes along the value chain. In this chapter, the changes and implementations for certain business processes will be examined. Since the fashion industry focuses on consumer goods that are labor intensive and can be outsourced, the supply chain is a key asset for implementing sustainability. Therefore, the supply chain, ranging from sourcing to the end consumer, is the prevailing topic. Firstly, the traditional supply chain in the fashion industry and sustainable supply chain management (SSCM) will be introduced in the first chapter. Secondly, social issues and transparency in a sustainable supply chain are outlined. The third chapter focuses on the design and buying processes, which are crucial steps within the supply chain for the fashion industry. The last chapter reflects on a holistic approach towards sustainability.

#### **3.1 Sustainable Supply Chain Management (SSCM)**

To follow the adjustments that SSCM has on the value chain, the traditional supply chain processes in the fashion industry have to be introduced shortly. Afterwards, SSCM and its related topics are presented.

A supply chain includes component or raw material suppliers, manufacturers, wholesalers or distributors, retailers and customers. All different stages are connected through a flow of information, products and financial resources. The aim is to provide the customer with a desired product or service. The supply chain has to be managed by one of the stages or by an external organization (Chopra and Meindl, 2015). Between the stages, the process of a supplier marketing their products, the buyer ordering products and the supplier providing them, always takes place. It should be noted that the supply chain of each company can be different and does not necessarily include all stages (Chopra and Meindl, 2015).

Supply chains in the fashion industry are nowadays characterized by outsourcing to developing countries, high flexibility and responsiveness, low costs, short lead times and are becoming increasingly global, which leads to high complexity (Brun and Castelli, 2008; Moretto et al.,

2018). This is the result of a consumer demand that is trend-driven and price-sensitive (Köksal et al., 2017). Fast fashion retailers like Zara are known for a design-to-sale time of 3-4 weeks, the average in the fashion industry used to be around six months. But usually only a part of the supply chain is managed by the retailer and parts are outsourced. The supply chains stretch across the whole globe and involve a lot of different partners and tiers. Often, the supply chains are dynamic multi-tiered networks (Choi and Cheng, 2015; Köksal et al., 2017; Turker and Altuntas, 2014). These big retailers have a lot of power in the supply chains, which increases the competitiveness. Furthermore, the supply chain in the fashion industry is increasingly demand driven (Brun and Castelli, 2008; Christopher et al., 2004; Köksal et al., 2017).

These characteristics are not aligned with the long-term perspective of sustainability as they lead to negative social and environmental impacts around the world. This is why a sustainable supply chain is a challenge for many fashion companies (Moretto et al., 2018). The previously introduced concept of the triple bottom line (TBL) can also be adopted to supply chain management. The economic pillar in supply chains focuses on the financial bottom line. There are two perspectives on the financial impact of sustainability on the supply chain. The first perspective considers the companies responsible to make up for the unpaid costs of exploiting natural resources and it has a negative effect on the profit of the company through higher costs. The second perspective views SSCM as a positive impact to processes and product quality, which increases the value for stakeholders. It can enhance innovation and value creation, therefore it has a positive impact on the financial bottom line (Khurana and Ricchetti, 2016). The social pillar includes the workforce of the supply chain, the customers and the society. Labor standards and working conditions are of concern in developing countries (Khurana and Ricchetti, 2016; Turker and Altuntas, 2014). The environmental pillar focuses on the impact of the company on the environment including air, land, water and ecosystems. The consequences of environmental issues also affect the social pillar (Köksal et al., 2017; Seuring and Müller, 2008; Turker and Altuntas, 2014).

The following definition of SSCM is the one we use within this study:

*“Sustainable SCM is the management of material, information and capital flows as well as cooperation among companies along the supply chain while integrating goals from all three*

*dimensions of sustainable development, i.e., economic, environmental and social, which are derived from customer and stakeholder requirements” (Köksal et al., 2017, p. 3)*

Stakeholder groups and customers play a bigger role for SSCM than for traditional supply chain management. The main stakeholder groups are the customer, governments, competitors, investors, NGOs or multiple stakeholder initiatives for example the Clean Cloth Campaign or Fair Wear Foundation (Köksal et al., 2017; Seuring and Müller, 2008; Walker and Jones, 2012). This definition extends the TPL through pressure from external groups, which can be seen as triggers for SSCM. According to the literature review by Seuring and Müller (2008) customers, governmental control and NGOs are most influential for companies. The latter can damage a company's reputation through uncovering environmental and social grievances. Other forms of pressure are legal regulations, reputation loss, gaining competitive advantage, responding to stakeholder groups and customer demands. This pressure is usually passed on to the suppliers (Seuring and Müller, 2008). But to achieve sustainability in the supply chain, companies tend to take responsibility for a longer part of the supply chain, than they would have to for economic reasons. (Seuring and Müller, 2008).

The internal perspective of SSCM regards the supplier management of risk and performance (Cousins et al., 2004; Seuring and Müller, 2008). There are many barriers for companies to implement it. The bigger coordination effort and complexity lead to higher costs along the supply chain, which can stop companies from changing their traditional processes. Furthermore, an insufficient communication along the supply chain does not support the adjustment to a sustainable supply chain. Supply chains in the fashion industry are usually global and multi-tiered, which makes efficient communication difficult (Moretto et al., 2018; Seuring and Müller, 2008). Furthermore, Walker and Jones (2012) identified more internal barriers. There can be a lack of management commitment and strategic issues regarding the resources and procurement processes (Walker and Jones, 2012). But there are also supporting factors of SSCM within organizations. Especially the communication along the supply chain is enhanced, because companies take control of a longer part of their supply chain and can communicate their standards regarding SSCM to more suppliers. It is crucial for companies to develop these standards in order to develop supplier evaluation schemes. These are necessary to implement and manage SSCM and monitor, evaluate, report and sanction the suppliers. These set the

minimum requirements regarding social and environmental issues (Seuring and Müller, 2008). Besides that, SSCM can be a competitive advantage as it helps to reduce the reputational and environmental risk, communication and it helps to improve the quality of the products and services (Cousins et al., 2004; Walker and Jones, 2012).

After reflecting on the common practices and characteristics of supply chain management in the fashion industry, it is visible that sustainability constitutes challenges. SSCM defined by Seuring and Müller and Köksal et al. (2008; 2017) corresponds with our view and definition of sustainable supply chain management in the fashion industry. Externally, taking responsibility for a longer part of the supply chain and taking other stakeholder groups and especially customers into account agrees with our approach to SSCM. Internally, taking control of more suppliers and the way it affects the cooperation between partners will be further discussed.

### **3.2 Social Issues and Transparency in SSCM**

It should be noted that within the sustainable supply chain management literature the environmental issues are more discussed than the social issues that arise along the supply chain despite being part of the scope of SSCM (Köksal et al., 2017; Seuring and Müller, 2008; Walker and Jones, 2012). Within this study the social issues that arise within a supply chain are presented as well. Besides that, transparency regarding the fashion industry is closely connected to social issues along the supply chain.

The social issues in the fashion industry regarding the supply chain are important, because the industry is known for example for not paying their workers a living wage, child labor, denying workers the right to form and join unions, not protecting their workers from harm at the workplace to name several (Perry and Towers, 2013). According to Klassen and Vereecke (2012) social issues in SSCM focus on human safety and welfare, community development and protection from harm. They separate social issues into individual-level issues for example human safety and welfare, and community development on a societal level (Klassen and Vereecke, 2012). The social issues within Corporate Social Responsibility (CSR) categorize social issues into wages, working hours and working conditions (Perry and Towers, 2013). This

perspective leaves out the community development aspect. Another categorization of social issues in the supply chain is the differentiation between an internal level, which is within the firm's direct control and operations. And an inter-firm level that includes the external partners that have a strong economic connection to the company for example suppliers, consumers and buying companies (Klassen and Vereecke, 2012). This shows that social issues in the supply chain affects all management practices throughout the organization (Awaysheh and Klassen, 2010).

One common practice for companies that have supply chains in developing countries is the adoption of the international labor practice standards SA8000 (Social Accountability International, 2020). There are many different international standards regarding various topics of sustainability, ethical and social issues. The SA8000 has been named many times in the literature. This is why, it will be shortly introduced to show the contents of a commonly used practice in SSCM. It includes basic requirements regarding workforce practices in international operations and multiple tiers of suppliers. Specifically addressing “*child labor, forced labor, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, compensation and related management systems*” (Awaysheh and Klassen, 2010, p. 3). But implementing these standards across all international suppliers is complicated. Some companies do not have enough influence on all of their suppliers in the supply chain, especially not in multitier and global supply chains. Cultural norms and expectations for improving human potential vary by country, industry, customer segment and marketplace. Furthermore, the distance between suppliers has increased, which can complicate the implementation of standards (Awaysheh and Klassen, 2010). Another concern with implementing international standards and codes of conduct is the global competitive environment that focuses on price. This means that implementing these standards is not rewarded economically, that is why more effective regulations should be implemented globally (Barrientos and Smith, 2007). Besides that, the big amount of different international standards can also be confusing or overwhelming for companies and suppliers.

The study of Awaysheh and Klassen (2010) identified four socially responsible practices in regard to suppliers. The supplier human rights, supplier labor practices, supplier code of conduct (COC) and supplier social audits. These are practices that together address social issues

holistically. The supplier COC analyzes the specific procedures that organizations have in place and ensures that suppliers follow the rules. The social audits look at the monitoring between the company and their suppliers and how much they follow them (Awaysheh and Klassen, 2010). Furthermore, the study identified three factors that are crucial for supplier socially responsible practices. These are dependency, distance and transparency. Within this concept, distance in the supply chain concerns the geographical, cultural and organizational distance. Hence, global and fragmented supply chains that operate within development countries have a higher distance than for example a supplier located within Europe (Awaysheh and Klassen, 2010).

Firstly, we will look into transparency and afterwards into dependency in SSCM. Due to the nature of supply chains in the fashion industry, transparency is a crucial theme. Big companies with long supply chains often do not know all their suppliers and do not have the information who made the garments (Brun et al., 2020). This worsens the traceability and transparency in supply chains, especially regarding sustainability. There is a lack of trust between consumers and fashion brands due to a lack of transparency and continuing scandals about abuse of workers' rights and environmental failures (Brun et al., 2020). The high complexity in supply chains have led to this lack of transparency regarding upstream suppliers. The demand for more transparency in the fashion industry is rising, but many companies are not providing the necessary details (Brun et al., 2020; Svensson, 2009). Consumers demand details and visibility from the brand or retailer, hence they are responsible and can lose legitimacy. NGOs are especially campaigning for transparency in the fashion industry, the most known is [fashionrevolution.com](http://fashionrevolution.com). They demand companies to make their supply chains visible for the public, hence they empower the consumers and increase the pressure on the companies (Brun et al., 2020)

By aiming to reduce the risk that transparency in SSCM obtains, a greater control throughout the supply chain can be an approach to minimize it. Especially, companies that have a powerful position in their supply chain and hence more responsibility implement that. Klassen and Vereecke (2012) identify vertical integration, contracts and audits as tools for greater control. Outsourcing and decentralized management, which is common in traditional supply chains provide greater flexibility and lower operational costs, but they are not supporting transparency

and responsibility (Klassen and Vereecke, 2012). Besides that, centralized control can increase the quality of products. When it comes to costs, centralized organizations can have an advantage in their total costs, if they monitor effectively and lower the risk regarding transparency (Klassen and Vereecke, 2012). Therefore, transparency relates closely to dependency in supply chains.

Dependency reflects the relationship between suppliers, manufacturers and retailers or brands. The high competition and fragmentation in the fashion industry increases the dependency of a company to its suppliers. There can also be an imbalance of dependency if there is one party that has more power (Awaysheh and Klassen, 2010). Therefore, collaboration in supply chains is crucial to reach socially responsible practices. The cooperation takes place between suppliers, customers and other stakeholders along the supply chain (Klassen and Vereecke, 2012). A collaborative relationship can only be established through transparency between stakeholders (Brun et al., 2020). A collaborative partnership is in place when more than one organization works together and the goal of their collaboration reaches further than only coordination (Chan et al., 2004).

According to Vereecke and Muylle (2006) there are different levels of cooperation. They can solely focus on operational and transaction efficiency to structure and process integration that have one strategic goal for the involved organizations (Vereecke and Muylle, 2006). Collaborative relationships along the supply chain can enhance the operational performance of companies, if they focus on information exchange and structural collaboration (Vereecke and Muylle, 2006). Specifically, the following tasks can include collaboration relationships in the supply chain: “(...) *organize collaborating organizations, collect and send information, schedule collaborating activities, determine demand allocations, monitor performances, and manage changes.*” (Chan et al., 2004, p. 3). Furthermore, agreements that are beneficial for all parties and have a long-term perspective are collaborative relationships (Monczka, 2002).

We reflected on social issues in the supply chain in the fashion industry, because our definition and understanding of a sustainable business model includes social issues as well. Furthermore, social issues in the supply chain are connected to transparency and dependency. To increase transparency along the supply chain and address social issues, collaboration across partners are

crucial according to the literature. This also reflects our point of view, especially collaborative relationships that focus on long-term structural collaboration can enhance transparency efforts. The use of codes of conduct and international standards in global supply chains is a common instrument, but we are critically assessing the effectiveness and implementation of them.

### **3.3 Adapting the Design and Buying Processes**

The design process is a key element in the fashion supply chains. It directly influences the sourcing process at the beginning and from there on the whole supply chain. Between the design process and the supply chain is the buyer or buying organization. Hence, we will look at both instances. First of all, the designers can influence the whole product lifecycle regarding sustainability (Kozłowski et al., 2019). According to Kozłowski et al. (2019) the designer's role should expand into ethical and sustainable areas. In traditional supply chains, the designer has limited power on the process and activities. Fashion design is a traditional practice and a highly creative process that involves the design, cutting, assembly and finishing (Pal and Gander, 2018).

Within the fashion industry, the design of clothing is a competitive advantage and a unique and trend-driven design can be decisive for their success. It is institutionalized in many fashion companies. Therefore, changing design processes and the orientation away from trends and towards sustainability are challenging (Pal and Gander, 2018). Designers are often left out of sustainable business development in the fashion industry. Often, they are not included in the development of initiatives and strategies for sustainability (Claxton and Kent, 2020). The design function assigns the fabric to the garment, hence they can mainly influence the sourcing of the materials. Therefore, they are a crucial step in the process of sustainable development for fashion companies (Claxton and Kent, 2020).

Two approaches that have been frequently named by literature are design for longevity and a circular product lifecycle (Kozłowski et al., 2019; Pal and Gander, 2018). This challenges the current role of designers and expands their task areas into considering consumption patterns (Kozłowski et al., 2018). Designing for longevity and implementing durability regarding

garments and aesthetics is the key role of designers regarding sustainability (Claxton and Kent, 2020). They have to consider lifestyle and consumer behavior in order to design clothing for longevity or a circular product lifecycle. The consumer stage in the product life cycle has an effect on the environmental impact of the product. This is where design and customers can work together to have a positive impact. The consumer behavior regarding fashion consumption has to change and consumers have to understand the effects that their decisions have on environmental and social issues along the value chain. Consumer behavior regarding sustainability in fashion is under researched (Kozlowski et al., 2018). If designers and consumers communicate and cooperate, the products would include more final user needs, which leads to a lower environmental impact according to Kozlowski et al. (2018). The product features would be more aligned with the needs of the consumers and also include aspects of the after-use stage for example repairing, recycling, upcycling to name a few. An engagement by the designer to understand and change the consumer behavior would build a relationship between the customer and the brand, enhance a circular economy and create more closed loop products (Kozlowski et al., 2018).

Kozlowski et al. (2018) stress in their study, which focuses on small sized fashion companies, that sourcing was the most challenging process. Sustainable suppliers are often of smaller size and do not have a great visibility online or offline. Another issue is the need for smaller quantities of SME fashion companies. Many factories have minimum quantities in order to be able to place an order at them. Most of the participating designers in this study have experienced the problem. Small companies do not have the financial resources and the demand to meet those volumes (Kozlowski et al., 2018).

Another important role throughout the stages of the supply chain is the buying function. They implement the design ideas or prototypes into orders and are the interface between the retail company or brand and the suppliers (Chopra and Meindl, 2015). Hence, they obtain a lot of power in the market, especially buyers from large retailers or brands. Usually, a top-down approach between the buyers and suppliers is enforced in the operations. Also, for implementing a sustainable supply chain, brands and retailers force the suppliers and also their manufacturers to comply with new codes of conducts, follow with audits or implement CSR activities. The suppliers and manufacturers have to follow the guidelines, or they face losing

their business (Dickson and Chang, 2015). Due to an asymmetric relationship between retailers or brands and their suppliers, long-term relationships are critical to sustain (Talay et al., 2018).

Certain buying practices are barriers to a sustainable supply chain. The fashion industry is a competitive and demand-driven market; therefore, buyers often demand shorter lead times, flexibility to meet demand of the consumers and built pressure to reduce costs. These practices can be in place at the same time as code of conducts (Perry and Towers, 2013). Short lead times and flexibility make planning for the suppliers difficult and often cancellations take place due to the demand-driven market, which leaves the affected workers often without payment. Reducing costs is always a goal of a company, but the labor costs should still cover a living wage. This is the nature of a global competitive environment and according to Barrientos and Smith (2007) will only change if the implementation of labor practices will be rewarded economically.

Lund-Thomsen and Lindgreen (2014) describe a new paradigm that builds on cooperation instead of compliance by helping factories and workers and improve monitoring. Even though it would benefit the workers and factories, the power relationship would not change, and the buyers would still have more power than the suppliers and workers in global value chains (Lund-Thomsen and Lindgreen, 2014). The worldwide competition and the possibility to just move to a country with lesser protection for workers and better conditions for the buyers is one of the reasons for this (Lund-Thomsen and Lindgreen, 2014).

One approach suggested by the literature is the change from asymmetric relationships to collaborative relationships (Dickson and Chang, 2015; Perry and Towers, 2013; Talay et al., 2018). If the buying and design function integrate sourcing with the product development stage, suppliers would benefit from it, because there would be less uncertainty and less cancellations (Perry and Towers, 2013). Dickson and Chang (2015) state that commitment-oriented relationships enhance the implementation of CSR activities. Such a cooperation facilitates a better flow of information, development of best practices and problems can be solved together (Dickson and Chang, 2015).

In conclusion, the design function influences the product features and can therefore be a crucial instrument for sustainable development. There is literature on this topic, but compared to SSCM and SBM, it is less and therefore interesting to look at further. We think that the change from a trend-focus towards sustainability in design is an important challenge also for born sustainable companies, because they also operate on the fashion market and have to provide products that customers endorse. Furthermore, including the after-sale and after-use stage into account enhances the environmental impact of the product.

According to the literature, sourcing for small companies is difficult compared to big companies due to smaller volumes and minimum demands of suppliers. This constitutes a barrier for born sustainable companies of small and medium size to develop their business. Besides that, the buying function is linking the company and their suppliers. Therefore, we also come back to a collaborative relationship between them to implement sustainable development. But the asymmetric power relationship between suppliers and buyers might still remain despite more cooperation.

### **3.4 Holistic Approach towards Sustainable Value Creation**

Throughout the chapters regarding SSCM, social issues and transparency, and buying and design in sustainable supply chains, collaboration, cooperation and commitment-oriented relationships are recurring topics. Collaborative relationships with various stakeholders are in place when more than one organization works together and the goal reaches further than only coordination (Chan et al., 2004). Collaboration relationships along the supply chain can enhance the operational performance of companies, if they focus on information exchange and structural collaboration (Vereecke and Muylle, 2006).

This connects to the theory regarding SBM and sustainable value creation. According to Bocken et al. (2014), having aligned interests with all of the company's stakeholders in the sustainable value chain is important. For them, SBM should not focus only on the shareholders but on all stakeholders and all of their viewpoints and values (Bocken et al., 2014). Also, Stubbs and Cocklin (2008) agree that SBM and its elements should refer to all of the company's stakeholders. Furthermore, sustainable value creation focuses on the creation of long-term value

for stakeholders regarding economic, environmental and social developments (Pal and Sandberg, 2017). Also, Freudenreich et al. (2020) agree that the concept of SVC should focus on wide-ranging groups of stakeholders.

Now, we are going into detail about theories that address this holistic approach further. Waddock and Bodwell (2002) extend the concept of CSR into Total Responsibility Management (TRM). Corporate Social Responsibility is often defined by each company to match its business impacts. It mainly concerns social and environmental welfare and it is a quite broad term derived from sustainable development (Moon, 2007; Šmida and Sakál, 2014) TRM goes beyond this approach and consists of three layers: inspiration, integration and innovation (Dickson and Chang, 2015; Waddock and Bodwell, 2007). The study of Dickson and Chang (2015) applies the concept of TRM to the fashion industry.

Inspiration in TRM focuses on vision setting and leadership systems. Companies establish their own values and vision about responsibility, which are influenced by the international standards. The leadership of the company makes a commitment to these values and visions and implements core values that realize it into activities (Waddock and Bodwell, 2007). Another aspect of inspiration is the stakeholder engagement process: *“Stakeholder engagement means developing dialogue, communication and mutuality with important stakeholders to inform operating practices and strategies”* (Waddock and Bodwell, 2007, p. 16). Hence, it enables companies and stakeholders to build transparent relationships. The main stakeholders in this approach are the employees, company owners, suppliers and customers (Waddock and Bodwell, 2007). Dickson and Chang (2015) found that within the fashion industry, external stakeholders are not considered when defining core values. This explains the common approach in the industry to pressure stakeholders for example in the supply chain to follow the CSR guidelines developed by the company alone and not through establishing a collaborative approach (Dickson and Chang, 2015)

After defining their core values and vision, integration starts through setting up a strategy that encompasses them. The strategy has to address the goals, vision and ways to achieve them in a responsible way. Furthermore, treating human resources in a responsible way is part of integration. In- and outside of the company, stretching from employees in the company to

employees of their suppliers. Some key elements of treating them responsibly are working conditions, living wage, training, meeting at least internationally agreed labor standards to name a few (Waddock and Bodwell, 2007). To ensure the realization of responsible human resource standards, management systems have to be adopted accordingly across all channels, departments and information systems (Waddock and Bodwell, 2007). For example, education and rewards are crucial instruments to ensure that employees understand social responsibility and the ways they can make a positive impact (Dickson and Chang, 2015).

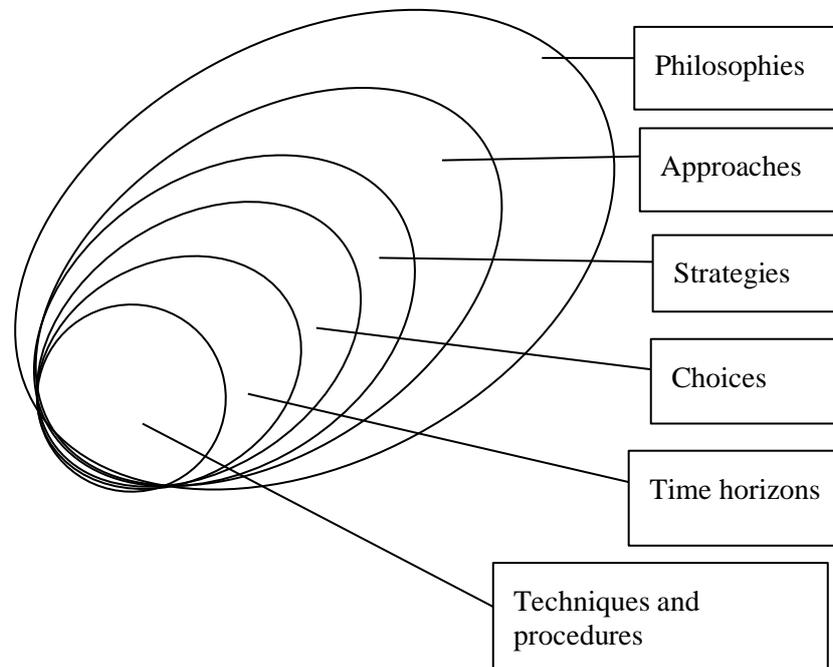
The last topic of TRM is innovation and should ensure that a continual organizational learning and development takes place. Measurement and accountability systems provide the data to analyze the development measure to the extent to which their stakeholders follow the company's codes of conduct and they can learn and react appropriately (Waddock and Bodwell, 2007). Another aspect of innovation, especially regarding the fashion industry, is transparency. Stakeholder engagement enhances the level of transparency (Dickson and Chang, 2015).

In conclusion, the TRM approach is an extension of collaborative relationships between stakeholders that focuses on inspiration, integration and innovation. For us, a holistic approach towards sustainability in all operations of the company is part of a sustainable business model. This topic is not represented enough in the literature as there is a limited amount of studies on it. Therefore, more research is needed to look at the connection between a holistic approach and SBM.

## 4. Methodology

### 4.1. Methodological Approach

In this chapter of our paper, the theoretical analysis of the used methods will be presented and explained more accurately with relation to researchers' field of studies and this paper's topic. This section will consist of the following sections: Research Philosophy, Research Approach, Research Purpose and Research Strategy. This project is going to use and follow the research 'onion' and its layers in the methodology section.



**Figure 2** The research 'onion' adapted by Saunders et al. (2012, p.160)

#### 4.1.1 Research Philosophy

Before choosing one research philosophy, we compared all of them, and after careful consideration and comparison, we decided that interpretivism Principals suit our paper and research question the best. We also looked at all three approaches to philosophies -

Epistemology, Ontology and Axiology, and decided that an epistemological approach to interpretivism represents our point of view in the closest way as it looks at the nature of the knowledge and concepts of truth, belief or justification (Saunders et al., 2012). However, we also considered the ontological approach as few elements, such as multiple meanings, seemed similar to what we look at in our study.

In Interpretivism, the researcher must understand and appreciate differences between people as “social actors” (Saunders et al., 2012). The mentioned term “social actors”, refers to humans and their part in human life. It is essential as it focuses on humans and their ability to interpret different social roles by the set of meanings (Bell et al., 2018). As researchers, we focus on that ability to interpret as that would allow a contribution to the research. Moreover, our research looks not only at interpretations but also at different stories and perceptions to conclude the study with new understandings and valuable contributions.

Another aspect that drew us towards interpretivism was our inductive research approach. Besides, interpretivism emphasizes conducting the study among people rather than objects which are followed by us and reflected within our research as our main subjects of information were people working in the born sustainable small and medium-sized fashion companies (Saunders et al., 2012).

Lastly, interpretivism looks at qualitative methods of analysis. It focuses on the in-depth understanding and study of the small, chosen sample that allowed us to proceed with our research with the first idea of data collection, which we had in our minds (Bell et al., 2018). Therefore, this philosophy compliments interviews, which are the primary data collection method we decided to focus on and follow in our research.

#### **4.1.2 Research Approach**

Within our qualitative research we deploy an inductive approach, therefore theory follows data (Bell et al., 2018; Saunders et al., 2012). This means that firstly the collection and analysis of data took place and afterwards existing theory was studied. On the contrary, within a deductive research approach a hypothesis is constructed based on existing theory and then tested through

data collection and analysis (Bell et al., 2018; Saunders et al., 2012). But a theoretical sensitivity is necessary for an inductive approach as a broad familiarity with existing theories is crucial for developing research questions and narrowing down the topic and scope of the research project (Timmermans and Tavory, 2012). An inductive approach allows to develop a deep understanding of behaviors and situations. Thus, a small sample is often sufficient for an inductive approach in qualitative research. Therefore, the context of problems can be studied more detailed through a smaller sample (Saunders et al., 2012). Furthermore, an inductive research approach is flexible in its structure, hence changes in the research process are possible. This also enables more alternative explanations for observations in comparison to a deductive research approach (Saunders et al., 2012).

As our aim is to research how born sustainable SMEs companies manage SBM and navigate it in their operations, an inductive approach that allows examining the values, motivations and characteristics, is the most effective research approach. This allowed us to gain a deep understanding of sustainable business models in the fashion industry through a small sample (Bell et al., 2018; Saunders et al., 2012). Throughout our data collection, we reflected upon the data and information that was given to us, and this guide our next steps in the process of collecting data. Going back and forth enriched our research project by analyzing and observing possible differences and patterns within our data sets (Bell et al., 2018).

### **4.1.3 Research Purpose**

During our research, we wanted to get a better understanding of how born sustainable companies are managing and navigating sustainable business models in their operations. We wanted to focus on small and medium-sized born sustainable companies from the fashion industries. Therefore, we decided that the exploratory purpose suits our study the best as it is focusing on the understanding mentioned above problem (Saunders et al., 2012). Exploratory research can be conducted in three main ways: the search of the literature, the interviews with knowledgeable people from the researched area and focus groups (Saunders et al., 2012). We followed the first two ways as they were the most suitable for our research question and allowed us to understand our study better.

Exploratory study suited our research as similarly to our study, and it concentrates on the quality information from interviews (Saunders et al., 2012; Bell et al., 2018). Exploratory research is usually represented by the questions starting with either “*How*” or “*What*” to gain insight into the studied topic (Saunders et al., 2012). In this paper, we used “*How*” in our research question, which matches the exploratory purpose of our study. Also, during data collection, we tried to ask questions following the exploratory purpose to research the central phenomenon of this paper and get a better understanding of it (Saunders et al., 2012).

In addition, one of the advantages of the exploratory study is its flexibility and adaptivity to changes that may occur (Saunders et al., 2012; Bell et al., 2018). That aspect turned out to be important in the case of our study as we had changed the direction of our research from the primary one, we had. In the beginning, we had a very general and broad idea of what we wanted to look at. We wanted to explore the relationship between sustainability and creativity in fashion companies. However, with more research and new information we discovered during the conducted interviews, we decided to be flexible and adapt our research and focus it on the sustainable business models of small and medium-sized born sustainable fashion companies due to the new data and insights that we discovered. Due to the exploratory purpose of our paper, this action was not a problem as it mentioned the possibility of the broad research becoming narrower and being flexible to changing course as mentioned above (Saunders et al., 2012).

#### **4.1.4 Research Strategy**

Our research strategy is built up on primary and secondary data, therefore we deploy a multi-method qualitative study (Saunders et al., 2012). We decided to incorporate both sources of data into our research to enrich our findings.

To gain a deep understanding and detailed insight, a case study is a suitable research strategy for gaining primary data. Through a case study real-life settings and context of the phenomenon can be studied in depth. It aims to learn and generate descriptive knowledge of situations (Bell et al., 2018; Eisenhardt, 1989; Saunders et al., 2012). A case study can provide descriptive

knowledge, test theory or generate novel theory (Eisenhardt, 1989). This mode of research also allows combining multiple data collection methods for example interviews, observation or documentary analysis (Eisenhardt 1989; Saunders et al., 2012). For case studies an inductive research approach is common as the researcher will not be biased by existing knowledge while collecting data (Bell et al., 2018; Timmermans and Tavory, 2012). A case study can lead to a big amount of data and information, therefore a well-defined focus was crucial for our research (Eisenhardt, 1989). After narrowing down our topic and discovering interesting knowledge through the conducted interviews, we gained a well-defined focus. By clarifying that our focus lies on sustainable business models and their operations in the fashion industry, we could guide our research strategy into this direction and not lose focus of it, while collecting data (Eisenhardt, 1989).

A case study can provide answers to research questions with “*why*”, “*what*” and “*how*” as the interrogative (Saunders et al., 2012). Our research focuses on how sustainable business models are managed and operationalized by born sustainable SMEs in the fashion industry and a case study with multiple units of analysis can explore this phenomenon (Bell et al., 2018). Another mode of a case study is a single case study that only focuses on one organization, one event or one location (Bell et al., 2018). There are different types of cases; an intrinsic case focuses on gaining knowledge of one situation or phenomenon in detail. Another type is the instrumental case, in which the researcher tries to understand a broader phenomenon and draw generalizations from it (Bell et al., 2018). For our research, multiple cases were chosen to explore our research topic. Despite the possibility of drawing generalizations of case studies, it should be acknowledged that case studies are more suited to learn from the uniqueness of each case. As we use more than one case in our study, comparing and contrasting each data unit enriches our study (Bell et al., 2018).

On the one hand, case studies can provide results that are too rich in detail and too complex, which makes it difficult to achieve generalizability and simplicity. On the other hand, they allow to generate novel insights, which can show new perceptions. Furthermore, results of case studies are often empirically valid, because the focus is on the data and the evidence from the beginning (Eisenhardt, 1989). As we have limited time frames to conduct our research project

of around seven months, our case study was cross-sectional and not longitudinal. Data was collected over a short period of time between February and April 2020 (Saunders et al., 2012).

Combining primary and secondary data enriches our study, because the secondary studies were collected over a longer period of time and the institutions that we chose have a great academic approach. Hence, it will help us to put our findings in a more general context (Saunders et al., 2012). Therefore, we incorporate secondary data. It supplements our primary data that we derive from the case study. This enables us to use a large amount of data that we can access quickly and publicly. Thus, secondary data is collected for a different purpose, we incorporate it in our research and ensure coherence through selecting studies and reports that are also aimed at the current sustainability status and changes in the fashion industry (Saunders et al., 2012). Besides that, these studies and reports have been conducted over a long period of time and with more resources available than our case study.

## **4.2. Data Collection**

### **4.2.1 Interviewing**

In this exploratory study, interviewing knowledgeable people from the research area is the primary data collection method. Interviews allow researchers to get an in-depth understanding of the topic and provide rich and detailed data (Saunders et al., 2012). To gain data of the participant's explanations, motivations, values and perceptions, semi-structured interviews implement that purpose. That is also why interviews are the chosen primary data collection method, because ethnography and participant observation focus on observing behavior (Bell et al., 2018).

Due to the lack of standardization of semi-structured interviews, reliability is of concern as each researcher could recognize different information. There is also some level of bias and error associated with interviewing. In order to avoid interviewer bias, we stuck to short and clear questions and stayed neutral to the interviewee's responses. Besides that, we have to trust interviewees that they are answering the questions in a truthful way and with good intentions (Bell et al., 2018).

At the beginning of our data collection, we conducted six interviews in total with different fashion companies from Europe, including five fashion brands and one secondhand store. After gaining more knowledge and adapting scope of our research and our research question we decided to leave out two companies that no longer matched our research question and the scope of the study. These companies - one fashion brand, Gant, and one secondhand store, Traid, did not correspond to our research. Gant has a size that cannot be categorized as small or medium as they are bigger. We contacted them at the beginning, when our focus was not yet clearly set on SME companies. Besides that, the answers they provided were mostly content from their website. Traid is a secondhand store in London, but it operates as a NGO. Their insights were interesting, thus their goals and strategy differentiate from the other case companies. Therefore, they did not represent the correct segment of small and medium sized born sustainable companies. Therefore, out of the six interviewed companies we moved forward with four that matched the question and profile of our study. In total we asked around 60 companies to participate in our study. We contacted them either through email or the LinkedIn platform, which enabled us to contact the people from the correct departments for our study. Unfortunately, due to the Covid-19 situation we were not able to conduct the interviews with the chosen and agreed companies in person as we initially planned.

To conduct semi-structured interviews, an interview guide was created. In comparison to structured interviews, the researcher has more flexibility and can adapt more to the interviewee. As we are knowledgeable on the research topic, we noted specific topics that we want to address with the matching questions. However, during our interviews we had to adjust the interview guide to gather the most insightful data from the participants (Eisenhardt, 1989). Semi-structured interviewing allows us to pick up on topics the interviewee states or follow their narratives (Bell et al., 2018). We ensured this by asking clear questions and giving them time to finish and think about their answers. Listening attentively to them and being competent in the topics allowed us to gain rich and detailed data in the semi-structured interviews. Before each interview, we thoroughly informed ourselves about the organization in order to be knowledgeable and ask correct questions (Kvale, 1996).

The interviews with Nudie Jeans and Fabric for Freedom took place using Skype as they are not located in Denmark where we were based and due to the Covid-19 situation. During in-person interviews, non-verbal cues are easier to note and going to the organization's site can also provide more insights as the conversations in between interviews can entail interesting information. But using Skype allowed us to conduct interviews with companies located in two different countries without having to use much resources.

We engaged with Antiform and EcoAlf through written email replies to a small number of questions that were sent to them by email. They did not have the resources to conduct in-person or Skype interviews with us. The questions, for which we received written replies, were also included in the semi-structured interviews we conducted with the two remaining companies, which answered more questions (around 20 - 30 questions). Both companies offered us to contact them in case we needed clarification on their answers, however, it was not necessary as the companies' replies were clear to us. By deploying two different types of primary data collection, ensuring cross-case comparability is difficult. We tried to increase it by choosing a small number of questions out of the interview guide. It would not have been possible for Antiform and EcoAlf to answer the full interview guide by email. It should also be noted that the questions in our interview guide are open questions and therefore we did not send them a questionnaire but stuck to a semi-structure as the companies had a scope to state their explanations and narratives (Saunders et al., 2012).

Moreover, written replies allowed us to quickly and effectively obtain data and analyze it. However, the disadvantage of receiving written replies instead of having a full interview is that often researchers are given short answers that sometimes might not be very in-depth, and this type of communication is less personal and recipients could more easily make untrue statements (Bell et al., 2018). We, however, adopted the belief that interviewed companies were honest in their answers. During collecting the primary data, we noticed that topics started to repeat and that the interviewees focused on similar themes. Therefore, we reached theoretical saturation in the data collection for certain topics, which will be in the analysis chapter.

## 4.2.2 Archival Research

Although we used interviews as our primary data collection method, we also decided to conduct archival research as our secondary data collection method. To be precise, we used documentary secondary data. It not only provides researchers with a tremendous amount of information but also allows the use of both recent and historical documents and records such as reports, proceedings or newspapers (Saunders et al., 2012; Bell et al., 2018). As archival data was our secondary data collection method, we used it to enrich the obtained information from interviews and to get a better understanding of the studied topic and changes that occurred around it (Saunders et al., 2012).

We focused on Global Fashion Agenda studies, which were conducted in collaboration with the Boston Consulting Group and McKinsey studies, which were conducted in collaboration with The Business of Fashion, related to fashion and sustainability, such as “*Pulse of Fashion*” or “*The State of Fashion*” (Amed et al., 2019, 2020; Berg et al., 2019; Lehmann et al., 2018, 2019). We decided to use these two sources as they focus on the topic that is significant to this paper, and they are a coherent representation of our approach. These studies are longitudinal and were conducted over a more extended time than it was possible for our project (Saunders et al., 2012; Bell et al., 2018). Therefore, we could spot the changes that occurred over a more extended period of time than this research was conducted. We also used high quality and insightful data from two respectful organizations - McKinsey and Global Fashion Agenda, Boston Consulting Group and The Business of Fashion (Saunders et al., 2012). We accessed the mentioned resources in an unobtrusive way (Saunders et al., 2012). It means that we collected data without the need of asking people to provide us with the needed information, but instead, we found relevant data by ourselves.

On the other hand, archival research could also have some disadvantages such as data could be presented by the company in a way, which puts them in a good position (Saunders et al., 2012; Bell et al., 2018). Fortunately, that is not the case for the two organizations we chose as our secondary data source as we looked at the reports between 2017 - 2020 however, researchers must ensure that before using such data. There is also a possibility that archival research could use different definitions for data variables, what could make the data and reports not objective

and incomparable (Saunders et al., 2012; Bell et al., 2018). We ensured that this possible disadvantage was not the case for both McKinsey and Global Fashion Agenda, and that both organizations used correct definitions, which were relevant for this paper. The use of secondary data allowed us to enrich our analysis and get a better understanding of the studied topic.

The tables (Table 1 and Table 2) below pictures different types of data collection methods we used in our research. It should be noted that the page numbers are based on 2275 characters per page.

**Table 1** Primary Data Sources

<b>Name of Company</b>	<b>Date of data collection</b>	<b>Interview Partner/Respondent</b>	<b>Position</b>	<b>Company size</b>	<b>Page Numbers of Transcripts</b>
Interviews					
Nudie Jeans	06.03.2020	Sandya Lang	Sustainability Manager	Medium	11
Fabric for Freedom	23.03.2020	Esther Knight	Founder and CEO	Small	9
Written Replies					
EcoAlf	13.04.2020	Only Company's name should be stated	Sustainability - Supply Chain Specialist	Medium	3
Antiform	24.02.2020	Lizzie Harrison	Founder and CEO	Small	5

**Table 2** Secondary Data Sources

<b>Name of Organization</b>	<b>Name of the Study</b>	<b>Year of the study</b>	<b>Page Number of Transcripts</b>
Global Fashion Agenda and The Boston Consulting Group	Pulse of Fashion Industry Update	2019	4
Global Fashion Agenda and The Boston Consulting Group	Pulse of Fashion Industry	2018	5
McKinsey & Company	Fashions new must have, Sustainable sourcing at scale	2019	7
McKinsey & Company and The Business of Fashion	The State of Fashion	2020	5
McKinsey & Company and The Business of Fashion	The State of Fashion	2019	6

### **4.2.3 Sampling**

To collect the necessary data through interviewing, we decided to choose a small sample to gain a rich understanding of each case (Saunders et al., 2012). Sampling is a helpful step in our research to ensure that we collect the right amount of data and only consider subgroups of certain cases. As we conduct qualitative research with an inductive approach, we cannot make statistical inferences about the population. We conducted non-probability samples, because we choose each case from the population, thus it is not possible to generalize based on statistics (Saunders et al., 2012).

The selection of the samples is based on the research question and objective of our research project. We want to gain knowledge about how sustainable business models are managed and operationalized by the born sustainable SMEs in the fashion industry. Therefore, we choose

certain companies from the fashion industry that have sustainability at the core of their strategy from the beginning. This was possible through extensive internet research and knowledge about the fashion industry. This is defined as purposive or judgmental sampling, because we reached out to the CEO's, founders or sustainability managers of each company as they have the most knowledge about sustainability and value creation in their organization (Bell et al., 2018; Saunders et al., 2012). In conclusion, we were able to have a sample size of four companies that fulfill all our criteria and could provide their extensive knowledge.

### **4.3 Data Analysis**

While collecting the data, the analysis of it started. The chosen method in this study is thematic coding. This method is characterized by the search for pattern and themes in the data sets. This means that we were looking at the actual given terms and phrases in the transcripts and their meaning. We chose this method as it is a logical and systematic approach towards the data analysis, which is not tied to a particular philosophical approach. It is solely an analytical technique. Therefore, thematic coding works for deduction and induction as well as small and large data sets (Braun and Clark, 2006).

This rigorous analysis starts with the familiarization with the data sets and continues throughout the study. While conducting the interviews, we already became familiar with themes and pattern. We discussed each interview together and took notes of the main themes after each interview. Through the process of transcribing each interview, the familiarization with our data sets increased (Braun and Clark, 2006; Saunders et al., 2012)

The method to manage our data is Coding. Codes are defined as “(...) *labels that assign symbolic meaning to the descriptive or inferential information compiled during a study.*” (Miles et al., 2013; p. 71). The codes are usually a word or short phrase and are attached to parts of the transcription of the interviews. The codes are developed after going through the transcripts and interviews again (Miles and Huberman, 1994). Within qualitative research, data sets are usually large and content complex, hence coding is a method to manage those complex data sets as it makes those words or short phrases available for further analysis. The familiarization with the

data sets enhanced the process of finding the correct codes once we started coding as we already had some terms in mind from the interviews (Braun and Clark, 2006; Saunders et al., 2012).

As we gathered a certain amount of data through the interviews and the archival research, it was necessary to use a program that allows us to keep an overview and deploy coding of the data sets. *Nvivo* is a software for academic use and allows users to upload different forms of data from transcripts and pictures to videos and voice recordings. Hence, we uploaded the interviews and the secondary data sources. The whole data analysis process was conducted online as it was not possible to meet in person due to the Covid-19 situation and closed borders at that time. To still achieve inter-coder reliability in our data analysis, we individually coded five pages from the first interview at the beginning. We discussed the results afterwards to look at the alignment between our approaches and perspectives towards the data analysis. By discussing our differences and coming to a consent, we built more reliability and consistency in our coding approach.

Afterwards, we coded each interview together with *Nvivo* over *Skype*. This ensured that we are consistent over time and reach intra-coder reliability. We analyzed it jointly and assigned the codes after the principles that will be introduced in the next section. We discussed every difference and option at the spot and went back and forth. This allowed us to share our thoughts about codes and data parts and discuss them. This involved re-reading and re-coding the data parts. Working together closely and reminding each other to stay focused on our topic, enabled us to increase the internal validity of our analysis. It should be noted that validity within qualitative research is difficult to measure. According to Gioia, Corley and Hamilton (2013) the first necessity to develop a data structure is called the 1<sup>st</sup>-order analysis or 1<sup>st</sup> order concepts. In this phase, codes are assigned to data parts and there is no attempt to form categories (Gioia et al., 2013). This is similar to the thematic analysis, that describes this step just as Coding and solely focuses on assigning codes to phrases or words (Saunders et al., 2012). These are two different approaches to data analysis, but we see similarities in them.

There are different methods to define and name codes (Miles et al., 2013). We chose the elemental methods and they include descriptive coding, In Vivo coding and process Coding. The first method we employed is descriptive coding. It summarizes this part by assigning a

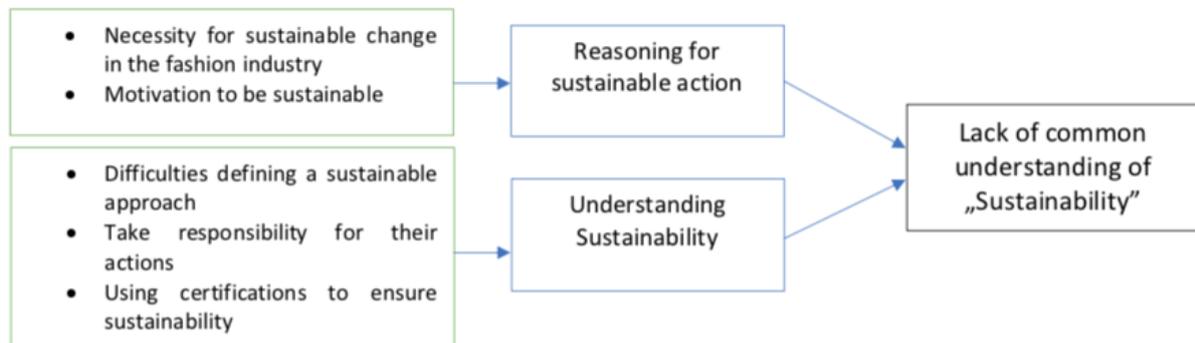
noun or short phrase to it. For example „*local production*“ and „*innovation through sustainability*“. The second method that we used is In Vivo Coding. The participant's own language is used to code the data section. For example „*aligning values with partners*“ and „*motivation to be sustainable*“. The final method used is process coding. Gerunds are chosen describing an action, change or implementation that takes place in the data. For example „*using certifications to ensure sustainability*“ and „*adapting buying process to sustainable acting*“.

In the next step the 2<sup>nd</sup> order analysis that results in 2<sup>nd</sup> order themes take place according to Gioia, Corley and Hamilton (2013). Similarities and differences within the 1<sup>st</sup> order concepts are looked at. The 2<sup>nd</sup> order themes are given names and descriptors and at this point we treat ourselves as knowledgeable agents to recognize multiple levels reaching from a level of informant codes to an abstract level as well as a theoretical level of themes and the larger narrative (Gioia et al., 2013). Within thematic analysis, the codes are grouped into analytical themes and main themes (Braun and Clark, 2006; Saunders et al., 2012). Hence, both approaches are similar, whereas thematic analysis focuses more on the analytical technique itself and 2<sup>nd</sup> order themes are part of a bigger concept. That is why, both methods fit our research.

After developing the 1<sup>st</sup> order themes in the primary data sources, we started analysing the secondary data sources. The reports and studies are extensive and by having the first order themes, we were able to have a clear focus. The secondary data was used to extend and enrich our data, therefore the 1<sup>st</sup> order themes were developed further during analyzing the secondary sources. Once, we reached a point that the codes and themes matched and made sense, we reached theoretical saturation in the data analysis (Bell et al., 2018; Glaser and Strauss, 1967). After this we identified aggregate dimensions or main themes of our 2<sup>nd</sup> order themes, we developed our data structure. The full coding tree can be found in the appendices. We identified four main themes.

The difficulties in the data analysis lied in deploying an inductive or deductive approach for us (Saunders et al., 2012). Therefore, we had two rounds of data analysis, this means we reworked our complete data structure. The first one was guided by deduction and the second one by induction. For the first approach, we deployed deduction to structure and name our codes.

Looking back this happened, because we were overwhelmed with our data at the beginning, which is a problem within qualitative research as the data sets can become quickly large and are content rich (Bell et al., 2018; Saunders et al., 2012). Therefore, we let theory guide us and tried intensively to fit everything into categories and definitions found in the literature. Especially, the different types of values of the TPL were our guiding principles. This did not work for our data sets as they go further than value creation. This was a crucial step in the data analysis and for the focus of the study as well. Through being guided by an inductive approach and the data sets themselves instead of theory, we were able to build a data structure that matches and presents our findings. This represents an issue within qualitative research, because data sets can be interpreted in different ways depending on the researcher (Bell et al., 2018; Saunders et al., 2012). Hence, two researchers enrich qualitative research in our opinion.



**Figure 3** Excerpt of the Data Structure

## 4.4 Research Considerations

Reliability and validity in qualitative research are difficult to measure compared to quantitative research. But the quality of academic research papers is usually assessed by them. An alternative to reliability and validity could be trustworthiness and authenticity as proposed by Guba and Lincoln (1994). We achieve trustworthiness through combining the perspectives of two researchers and continuously discussing them. We demonstrate authenticity by showing all our steps and struggles throughout the research project and especially in the methodological chapter.

Research ethics are another aspect, which needs to be considered in this study. They refer to the appropriate behavior that is shown in the conduct in relation to the main subject of the study (Bell et al., 2018; Saunders et al., 2012). Different cultural influences and norms led to the development of lists with principles of ethical research, also known as codes of ethics, which arose to overcome these differences (Saunders et al., 2012). Some of the most popular principles refer to privacy, safety or confidentiality of the subjects. Researchers should also consider ethical issues, which may arise during the data collection process. That is especially relevant in case of interviews as they are based on the interaction between people. Among the most relevant and common ethical issues at this stage are avoidance of harm, right to confidentiality or withdrawal, right to privacy, safety or maintenance of objectivity (Bell et al., 2018; Saunders et al., 2012). During primary data collection in this study, we, as the researchers, asked our subjects about anonymity and confidentiality in this research. In addition, the participants were not pressured to respond to the asked questions in any certain way. We also respected their timeframe for the interviews. As analysts of the research we tried to maintain objectivity of the collected information and avoided any harmful or unsafe situation for both parties.

Furthermore, the chosen research strategy is the case study, which is criticized for containing bias towards verification (Flyvbjerg, 2006). The criticism is voiced towards subjectivity in case studies. You can argue that there is a tendency that the researchers' notions and judgement influence the case study, which results in doubtful scientific value. The quality of the case study is seen less rigorous than quantitative methods, yet case studies have their own rigor as seen in the data analysis chapter and are closer to real life situations. According to Gioia, Corley and Hamilton (2013) rigor in qualitative research can be established by a structured approach to the analysis. Especially the final data structure allows researchers to evaluate the data from a theoretical point of view (Gioia et al., 2013). We have shown rigor in our research by clearly stating our data structure and the process from the data to themes. Flyvberg (2006) states that a number of researchers have agreed that often their assumptions have been revised rather than confirmed by the case study. Furthermore, subjectivity and bias can also be found in quantitative methods as the influence of the researcher is also evident there (Flyvbjerg, 2006).

## **4.5 Case Presentation**

Below, we decided to present companies with which we conducted our interviews with and collected primary data. We collaborated with four different companies that focus their business on sustainability in the fashion industry and can be categorized as born sustainable. Their size ranges from small to medium sized and all are located in Europe. We collected the data through different methods that have been explained in the methodology section. Now we are introducing the companies in this chapter and the analysis will follow in the next chapter. All the information is from their websites and online shops. Therefore, it is not part of the analysis as the information is presented by the companies themselves.

### **4.5.1 Antiform**

Antiform – Made in England is an online shop that offers locally produced fashion for women. The products are also sold at different occasions, events and pop-up shops. It was founded in 2007 by Lizzie Harrison in Bristol. The company works with local designers, researchers and communicators. They do not only offer fashion, but also educational services for example lecturing, undertaking research, consultancy and lecturing about sampling and ethical production. Besides that, they offer creative services like installation work for project and freelance design work (Antiform, 2020).

Antiform's assortment includes tops, knitwear, dresses, skirts, trousers, accessories and leggings for women. They publish new collections that have unique themes for example a fisherman knit collection or Yorkshire Tweed collection. Their designs and products are influenced by local design and culture. The materials, workmanship and production are locally sourced within the UK. Furthermore, Antiform also aims to produce and source as close as possible to their studio in Bristol. According to their webpage, they focus on ethical and sustainable design and the use of reclaimed materials for their products (Antiform, 2020). On their online shop they also offer a blog about lifestyle, events and news about sustainable fashion, and about their collections and events they are involved in.

## 4.5.2 Nudie Jeans

Nudie Jeans is a Swedish company that was founded in 2001 by Maria Erixon and Joakim Levin. They offer mainly denim products like jeans, shorts and denim jackets but also offer all other clothing categories not made from denim like pants, jackets, shirts, tees, knits, sweatshirts, kids, underwear, accessories and objects for men and women. They are based in Gothenburg in Sweden and around 65 employees work in the Headquarter. Nudie Jeans has offices in New York, Sydney, London, Amsterdam, Kaiserslautern, Oslo and Stockholm with around 210 employees in total (Nudie Jeans, 2020).

From the beginning environmental awareness and human rights are important values for the company. Right now, sustainable and ethical production, human rights, upcycling and closing the loop are still defining themes for the Swedish company. Since 2012, all jeans are made from 100% organic cotton, which has also been incorporated before (Nudie Jeans, 2020).

One part of closing the loop and upcycling is their promise of lifetime free repairs. Nudie Jeans has many repair shops in their stores, mobile repair tours and also repair partners. They fix them if possible, resell them as secondhand jeans or donate them to the Nudie Jeans recycling program in which the used denim is recycled into their raw material. In 2018, they reported the reparation of 55173 pairs of jeans on their website. Another initiative to be more sustainable is their use of raw denim. Nudie Jeans suggest to not wash the denim too often, especially in the beginning to get a unique pair of jeans with strong colors. This reduces water waste (Nudie Jeans, 2020).

In 2018 they won the sustainable fashion award 2018 from jakandjil in the criteria innovation, design, technical quality and sustainability (Jakeandjil, 2020). Nudie Jeans is also donating parts of their profit to NGO's for example Idesam. Furthermore, improvements in 2019 according to their website are a mobile repair tour, transitioning to vegan leather back patch on jeans, the use 100% organic cotton in all their products, the opening of more repair shops and more nudie jeans repair partners around the world (Nudie Jeans, 2020). They offer numerous information, reports and stories on their website about their company and sustainability.

### **4.5.3 Fabric for Freedom**

Fabric for Freedom is also an UK based company that was founded in October 2019 by Esther Knight. It is an online shop that also is involved in events and pop-up stores, where they sell their products. They offer clothing, accessories, upcycled and vintage items, underwear and lifestyle products, which are also sustainable for example reusable shopping bags. Their products are focused on women. They also have a blog section called the journal, where they post about sustainability, trends and the NGO's that they work with (Fabric For Freedom, 2020).

For the brand, good fashion is sustainable and ethically produced. They want to offer appealing designs that are modern, environmentally friendly and respectful to garment workers. Besides that, Fabric for Freedom collaborates a lot with NGOs like A21 campaign and freeset global. They show their social commitment on their online shop and in the journal (Fabric For Freedom, 2020). Fabric for Freedom changed its name from its original one to Fanfare. Although we refer to the brand in this study as Fabric For Freedom it is necessary to highlight the occurred change.

### **4.5.4 EcoAlf**

EcoAlf is a fashion company that focuses on the use of recycled materials especially the use of old plastic bottles. It was founded in 2009 by Javier Goyeneche in Madrid, Spain. In 2020 they have around 90 employees. Their aim is to be truly sustainable and hence all their clothing and accessories are 100% made from recycled materials. It has an online shop and also has retail stores in Madrid, Berlin, Barcelona, Malaga, Amsterdam, Tokyo and other points of sale in wholesale shops. They offer clothing, footwear and accessories for men, women and children (EcoAlf, 2020).

They claim their DNA to consist of sustainability, innovation and sustainable design. Furthermore, compromise, coherence and transparency in their company and decisions are guiding principles. Their sustainability efforts focus on recycled materials like recycled bottles, nylon, cotton, wool and used tires. Recycled materials have even less environmental impact than organic fibers, which is the given explanation for their approach. Until now, they have recycled around 200 millions tons of plastic bottles. They engage in different collaborations with brands

for example Camper, Sybilla, Starbucks, Swatch, Cool Hunting, Goop, Apple and Barneys. They have won multiple awards for their sustainability initiatives. IN 2018 it was Peta Award for the 100% VEGAN Collection FELDER FELDER, Britain and the Gold Medal of the Red Cross, Spain (EcoAlf, 2020).

One of their main sustainable non-profit initiatives is called The Foundation. It is a project that started in 2015 to upcycle the oceans by collecting waste from the oceans that can be upcycled to yarn. They work in Spain and Thailand. They also focus on also enhancing the environmental awareness for waste and pollution of the oceans and work with scientists for this cause as well (EcoAlf, 2020).

**Table 3** Case Companies.

<b>Company</b>	<b>Size</b>	<b>Location</b>	<b>Year of Foundation</b>	<b>Number of stores</b>
Antiform	small	United Kingdom	2007	Present in 24 spaces/stores
Nudie Jeans	medium	Sweden	2001	33 stores
Fabric For Freedom /Fanfare	small	United Kingdom	2019	No physical store
EcoAlf	medium	Spain	2009	17

Sources: (Antiform, 2020), (Nudie Jeans, 2020), (Fabric For Freedom, 2020), (EcoAlf, 2020)

## 5. Analysis

This study follows an inductive research approach throughout the methodology and analysis. Our methodological approach is defined by a case study, which consists of four case companies. Furthermore, after transcribing the data we analyzed it. To derive the codes, an inductive coding strategy was used. This means that we were guided by the data sets to categorize and define the codes.

The themes are derived from the data that we collected through semi-structured interviews and written replies from the case companies. The data is enriched with secondary data from studies conducted by The Global Fashion Agenda and McKinsey. We introduced the most relevant theories from sustainable value creation, sustainable business models and awareness about sustainability to adapting supply chain and creative business processes. In this chapter, these themes will be further examined from an empirical perspective.

In the last chapter, we introduced the case companies with the information they provide on their websites. It is clear that the case companies do not fit the traditional business model in the fashion industry, which is characterized by outsourcing, short lead-times, a strong trend focus and other characteristics. Antiform, Nudie Jeans, Fabric for Freedom and EcoAlf have been founded with a strong focus on sustainability. That is why, we define these companies as born sustainable within this study. They all are young companies with a small to medium size that prioritize sustainability. Hence, they never had the issues that fast fashion giants like H&M lately face regarding sustainability. Their sustainability goals and their starting point to reach them is different compared to traditional companies in the fashion industry.

From analyzing the data, we identified four emerging themes that we are reflecting on. Firstly, a lack of understanding of sustainability was determined. Secondly, the conditions and implications of sustainable business development. Thirdly, the impact of sustainability on operations for the case companies will be explained. And lastly, the challenges within Sustainable Business Models for born sustainable companies will be presented.

## **5.1 Lack of common Understanding of “Sustainability”**

This chapter starts with the difficulties defining a sustainable approach and the lack of a common language following the use of certifications and the necessity and their motivation to be sustainable.

The term sustainability is used frequently within different theoretical themes and within different industries. Therefore, it has different definitions, associations and can imply different actions. Even within the fashion industry, it has different definitions and includes different topics for example grouping ethical issues with the term sustainability or separating them. Consequently, companies have different goals towards it. Furthermore, there is no clear scope defined from an academic perspective. Numerous scientific papers have been published that focus on sustainability in the textile and apparel industry. But there is a lack of a common understanding.

Defining the concept of sustainability or sustainable business model can be harder than one might think. Not having one, generally accepted definition of these concepts among a number of different views and theories lead to lack of understanding and can create both issues and confusion for companies and stakeholders rather than clarification as seen by Todeschini et al. (2017). The lack of a common understanding of the term sustainability is also an issue for all case companies. They are all four born sustainable companies, which means that they focus on sustainability in their actions and values.

One of the challenges the case companies are facing starts with the definition of a sustainable approach itself. This affects their strategy, core values, motivation and operations. The general definitions or approaches can be very broad, hence it is difficult for companies to define sustainability in their organization and they have to define it for themselves and their organization individually. Fabric for Freedom is the only company that did not discuss this topic in the interview. And Antiform has a different approach to it than EcoAlf and Nudie Jeans. Antiform is seeing themselves as a research tool that can help to redefine what fashion and sustainability can mean.

*“I don’t feel that we’ve found a perfect solution or approach to really thinking about sustainability and i wanted to keep the business really lightweight so that we could keep do aligning what we do” (Antiform)*

This is quite a unique way of defining a sustainable approach within this study. Antiform is the smallest company within our data set. This shows that a smaller size increases the flexibility and adaptation towards sustainability. Besides that, Antiform admits that even as a born sustainable company, they do not have found one perfect solution.

For EcoAlf defining sustainability is a process, which is complicated and new. Their approach is characterized by constant rethinking of what sustainability means in their company.

*“Well I think it is clear that the sustainable way is much more complicated than the conventional one, as in many cases this way is not created and you have to find it. Also, because as I mentioned, sustainability is a constant rethinking of what you are doing and how you are doing it, so it requires this extra effort. From EcoAlf we try to communicate constantly, but maybe a difficulty is reaching more people.” (EcoAlf)*

The term sustainability within the fashion industry has no exact definition, which makes it difficult for the case companies to implement it in their organization. Hence, there is no clear process to follow to achieve sustainability within the companies from the beginning. Therefore, talking about sustainability and communicating to customers remains a challenge for EcoAlf and Nudie Jeans as sustainability is defined differently or individually. For fast fashion companies the fashion-trend focus, and low-price points are their competitive advantage and unique selling proposition when communicating with the consumer. For born sustainable companies their sustainable products and low impact on the environment accounts to their USPs towards the customers. Communicating their efforts and results to the audience is a challenge especially, if the sender and recipient have different definitions of sustainability. The interviewee of Nudie Jeans describes it:

*„I think we have come to the phase now that more and more companies are reporting on their sustainability activities. but as you know there is so many different labels and different way of talking about sustainability so it's really difficult to consumers.“ (Nudie Jeans)*

This issue is also discussed in the study “Fashions new must have, Sustainable sourcing at scale” conducted by McKinsey (Berg et al., 2019). The fashion industry lacks a joint vocabulary and understanding. There are initiatives in place for example the Higg Index, but this is not enough to make up for the lack of a common understanding, which also leads to a lack of standardization. The industry requires objective criteria to measure sustainability (Berg et al., 2019).

*“No common language for sustainable fashion Sustainability is likely to be one of the predominant themes of the fashion industry in the years ahead, but the topic is complex and multifaceted. To begin with, there is no common language to define sustainable fashion.” (Berg et al., 2019, p. 12)*

Therefore, communicating sustainability remains a challenge as well. Consumers are struggling to identify actual sustainable action according to the study (Berg et al., 2019). They demand the companies to communicate better about their sustainability efforts. The focus should be on simplifying the communication as not all consumers have a deep knowledge about production standards in the fashion industry (Berg et al., 2019).

The “Pulse of Fashion 2019” study by the Global Fashion Agenda also sees the communication about sustainability as an improvement (2019). Taking action about social and environmental issues is not enough, communicating about it correctly is also crucial.

*“Improving social and environmental conditions in their value chains is becoming a table stake for brands. Not only is taking action inevitable, communicating about the actions is also essential. Brands need to understand how to target the right consumers with their communication regarding their efforts to address social and environmental issues.” (Lehmann et al., 2019, p.14)*

According to the study, this means that brands should focus on consumer segments. Especially the broad middle ground should be targeted as they make up a large part of consumers. But they also note that they estimate that 35% of all consumers are resistant to sustainability. This way, they can enhance their messaging through providing relevant information and in a way that the consumer understands (Lehmann et al., 2019).

One way that the case companies try to ensure and communicate sustainability is the use of certifications. There are numerous certifications for sustainability. There are many different international standards regarding various topics of sustainability, ethical and social issues (Awaysheh and Klassen, 2010). There are certifications focusing on organic cotton or the use of less chemicals. There are different certifications that prioritize working conditions and many more. Implementing these standards across all international suppliers is complicated (Awaysheh and Klassen, 2010).

The difficulties with a clear definition of what the term sustainability in the fashion industry reflects in numerous certifications on different national levels. Certifications help to gain credibility for sustainable actions, but they are not fostering a common understanding for sustainability. Furthermore, the impact of certifications on the operations was not stated by the case companies. The use of certifications and other official documents was discussed by Nudie Jeans and Fabric for Freedom. Antiform and EcoAlf did not state whether they have certifications in place. Using these kinds of authentications confirms the high standards of production and products. Nudie Jeans and Fabric for Freedom started joining organizations to show that their processes and standards towards sustainability are credible.

*“So... there is certifications in place, so we use gotcertifiedorganiccotton, which means that we know that the whole supply chain has been investigated by a government body. So there is various certifications that you can use” (Fabric for Freedom)*

This aligns with the literature about certifications and organizations. The use of these official assurances by companies, especially small and young ones, can help them communicate the credibility of their business practices, however that does not necessarily contribute to better understanding of and defining sustainability (Todeschini et al., 2017). Especially the big

amount of different international standards can also be confusing or overwhelming for consumers, companies and suppliers. It is difficult to agree on the term sustainability and the implementation it has for companies, but all four born sustainable case companies agree on the necessity for a sustainable change in the fashion industry.

One of the most significant problems that the case company's acknowledged is that change needs to happen within the fashion industry due to its impact on the environment.

*“We start to kind of really feel the first climate change so I think it is completely necessary whether it’s fashion companies need to be more sustainable, we need to rethink actually how we’re doing fashion and we’ll probably dig into that a little bit more while we go through the questions but yeah, I think this is a really big question” (Antiform)*

Antiform and EcoAlf state that the above mentioned social and environmental consequences of the fashion industry’s practices are a motivation to become sustainable and try to improve the business model that is based on exploitation of the natural environment.

*“I believe that this value is at all levels. Of course the first one that comes to my mind is the environmental, using recycled materials lets the environment breathe. However, if the environment is cleaner, the society will suffer less diseases and will be healthier, and also can be confident that the planet that we will leave future generations will be at least as good as the one they found” (EcoAlf)*

The increasing relevance and urgency is also highlighted in the Global Fashion Agenda report:

*“For the industry as a whole, environmental and social matters are becoming a priority for an increasing number of companies. While in 2017 only 56% of executives in the Pulse Survey had multiple sustainability-related targets, 66% have now reached this level” (Lehmann et al., 2018, p.13).*

The necessity for change is something the case companies and sustainability organizations like the GFA can agree on. But how this change should look like and what sustainability should impact and include can vary.

## **5.2 Conditions and Implications of Sustainable Business Development**

First, the conditions for prioritizing sustainability will be explained. For this, the type of company that we focus on in this study has to be analyzed in detail. Therefore, the core values of born sustainable companies are displayed as well as the advantages of their smaller size. Afterwards, the implications of sustainable business development are introduced through the adaptation of internal processes and sustainable initiatives that are undertaken by the case companies.

The companies that participated in this study stated reasons why change needs to happen, but they also talked about different initiatives and approaches they are following. We define them as characteristics of born sustainable companies. The first and foremost characteristic of a born sustainable refers to the core values they follow and respect, such as offering innovative products that are meeting customers' expectations.

*“The industry is changing and hopefully the whole business model will change as well. Nowadays it is not enough to start a company offering an innovative product, it is mandatory that this product represents something else and the best way is through sustainability” (EcoAlf).*

Companies also need to really believe in their product and must think of new ways to innovate and add value to it to be able to differentiate.

*“And while I our business model within Antiform so far has been really interesting, we've really pushed the boundaries in lot of way i really think there's an opportunity to connect with that and to forward it even further so that's why i'm interested in the moment” (Antiform)*

The following characteristic, which was placed high by Nudie Jeans, was prioritizing sustainability over profit. When introducing a new feature or undertaking new actions, Nudie Jeans focused on doing it in an ethical and environmentally friendly way rather than the profit it could give them.

*“I think where we’re right now we benefit from the general discussion about sustainability of course because all the work we put over the last years has been sort of paying off now maybe, more than ever, but on the other hand we never really calculated on sustainability as a cost. It’s more of the..It’s the thing that we do so of course it’s gonna cost and we’re not gonna separate it from the...I mean for us it’s not an option to do it otherwise, another way” (Nudie Jeans)*

This statement shows the determination Nudie Jeans has to reach their goals in theory, but if they would not care about profit, they would not still be on the market since 2001. Profitability is crucial in the fashion industry. Although for conscious companies’ profit is not considered to be as important as sustainable development it is quite an important factor for the existence of every business. If born sustainable companies, which are the case companies for this study, want to be prosperous and stay in the game against profit-oriented giants, they need to consider profit and economic value in their business development and practices that is also raised in the discussion by (Stubbs and Cocklin, 2008).

Besides that, the findings also show that according to Nudie Jeans and EcoAlf the fashion industry is changing right now, and they benefit from the general discussion about sustainability. EcoAlf states that the industry is hopefully finally changing and Nudie Jeans highlights that they are also benefiting from the general discussion about sustainability. The interest and demand in sustainable products have risen in the past years. The findings show that this is beneficial for born sustainable SMEs.

Another condition that enhances prioritizing sustainability within a born sustainable company is the advantage of the smaller size that the case companies have. According to some theories, the small incumbents or new entrants in an industry that prioritize sustainability, are not only more flexible but also more successful implementing it (Masurel, 2007). This makes sense, as

big companies that exist longer have established processes. Hence, the willingness and possibilities are limited compared to new entrants that have a smaller size. Does this imply that only small or medium sized companies can be sustainable, and that size always influences the scope of sustainable initiatives?

This is an interesting circumstance, as the scope of this study focuses on born sustainable companies in the fashion industry. There are of course different sizes of sustainable companies, however, all brands interviewed for our study agreed that truly sustainable companies are usually of the smaller size. In addition, small companies in their view are more suitable to be truly sustainable in their approach and actions from the very beginning of their existence.

*“Yeah, i hope so. I think smaller companies has another challenge because they are smaller so of course they can’t do everything they want. It requires a lot of investment and resources. But on the other hand smaller companies have more of a position to do the correct thing from the start - to have a business model that is circular from the start” (Nudie Jeans)*

The above are also confirmed by the Global Fashion Agenda’s 2018 report, which describes one segment of companies as the sustainability champions, which are usually companies of smaller size and prioritize sustainability in their overall strategy. They make a lot of effort to align their activities to reach their sustainability goals. For them, sustainability is their key asset, hence they try to align all of their actions, strategies and products with it (Lehmann et al., 2018).

*“Having sustainability at the core of their brand appeal and their mission, these companies address sustainability holistically including it both into their core strategy and decision-making framework. While these Sustainability Champions tend to be of smaller size, their accelerated efforts put them among the Pulse Score leaders.” (Lehmann et al., 2018, p. 13)*

Prioritizing sustainability also has different implications for organizations within their processes and initiatives. The case companies are focusing their efforts on adapting their internal processes, specifically the design and buying process. The design process is a key element in the fashion supply chains. It directly influences the sourcing process at the beginning and from there on the whole chain. Between the design process and the supply chain is the

buyer or buying organization. The design function can influence the whole product lifecycle regarding sustainability (Kozłowski et al., 2019).

Born sustainable companies are aware that in order to be sustainable they need to change and adapt the standard approach to these processes as otherwise they would waste a lot of resources and maybe even not deliver the promised and suitable product.

*“In normal standard high street fashion, the way that you produce collections is that you design, you sketch everything up and then you find fabrics suitable for your sketches. With sustainability you have to work backwards. You have to find your fabrics first and then design around them, because quite if you just went with your design pack, you can’t find the fabric that suits your design” (Antiform)*

Within the fashion industry, the design of clothing is a competitive advantage and a unique and trend-driven design can be decisive for their success. Therefore, changing design processes and the orientation away from trends and towards sustainability are challenging (Pal and Gander, 2018). Interviewees also stated that they needed to communicate and explain the change to their stakeholders as some did not understand and were not happy with the resulting products after the sustainable initiatives were introduced to them.

*“So that have been quite an interesting process because we can’t guarantee that our clothing will be identical and we can’t do it in a really large quantities so buyers had to,..we had to develop kind of trust with our buyers where they understand they are going to get variations of similar product which is very different to how they used to buy” (Antiform)*

Global Fashion Agenda highlights in their Pulse of the Fashion Industry study (Lehmann et al., 2018) that design and development *“is a key function in the transition to a more sustainable footprint, as decisions here affect the entire value chain.”* (Lehmann et al., 2018, p.17). Furthermore, they noticed that there is a shift in accountability taking place towards design and product development teams. Their study also analyzed that design and development are amongst the highest priorities for companies in regard to sustainability. They also emphasized

that within the design process, an especially important aspect that should be looked into is the right selection of the used materials (Lehmann et al., 2018).

*“A range of decisions and actions taken within the design and development stage determine a product’s environmental and social performance. Most important is the selection of materials, which in turn affects not only the footprint within dyeing and processing but also end-of-use” (Lehmann et al., 2018, p.18)*

McKinsey likewise underlines that in order to improve their environmental impact and performance companies need to be ready to make sacrifices and overcome challenges associated with them in their processes and operations.

*“To be sure, scaling such efforts requires significant adjustments to the industry’s traditional mode of operating, swapping out the freedom of choice provided by virgin materials for the creative challenge presented by limited volumes or quirks and imperfections in the fabric or offcuts available” (Amed et al., 2020, p.57)*

All case companies are also going further than adapting their existing internal processes. All of them established initiatives in their companies to reduce the waste of resources. All of the interviewed companies named at least one initiative they offer and use in their shops. Among the most popular and mostly used ones, interviewed companies mentioned repairing, upcycling, sharing and recycling. However, it depended on the company and its core values, which one they focused their efforts on.

The reason behind introducing initiatives, like repairing, was a desire to show that through these different features, brands could contribute to the longevity and durability of the products. Furthermore, sustainable initiatives can create sustainable value for the organization’s stakeholders and can increase knowledge sharing and collaboration of different parties (Pal and Sandberg, 2017). Antiform, Nudie Jeans and Fabric for Freedom engage in repairing activities.

*“(...) I think where the transformation would be, we could have is to apply our skills back in that space of maintenance and repair to make sure the clothes we’ve put in circulation are lasting as long as possible” (Antiform)*

Nudie Jeans puts the most effort into repairing among the case companies. They offer a free repairing service for all their jeans in every shop. According to the interviewee, they repaired 63000 in 2019, which was an increase of 14% to 2018. Their guarantee and service orientation engage customers to repair their products.

*“I mean all our shops are repair shops. You can get your NJ repaired for free in all the shops regardless if you bought them at Zalando or whatever. That’s something that we offer for every pair” (Nudie Jeans)*

Regarding recycling activities, Nudie Jeans and EcoAlf describe that their efforts focus on using fewer natural resources.

*“It has been proved that used materials through a process of recycling, can be used again in textile products reaching very high quality standards. In this way we reduce the waste and the pressure on natural resources, so why not using them? (EcoAlf).”*

According to McKinsey’s State of Fashion report from 2020 recycling is a step that is relatively easy for companies to implement and they can follow a strategy to implement recycling. They see the companies in the responsibility to go further than that in order to reduce waste and to increase awareness to engage consumers in upcycling and recycling initiatives (Amed et al., 2020).

These actions are a way to encourage customers to be a part of a company's culture and contribute to the change that sustainable companies are trying to make. Another initiative is upcycling, which is closely related to recycling, but the difference is it focuses on finished products and creatively arranges them into something different. Recycling takes part when the used items are processed into their components. Antiform is the only case company that also

engages in sharing events. They organize sloth swapping events in the UK and focus on local communities that they are close to.

*“We have supported 2 big clothes sharing projects in the UK and they really came from consumers, who lived and worked near our studio who wanted to kind of buy sustainable fashion and be part of it but couldn’t afford the price tag of our clothing” (Antiform)*

According to McKinsey’s State of Fashion report from 2020, rental service and reselling, which is practiced by Nudie Jeans, are two initiatives with the growing interest and demand from customers’ side.

*“There is also increasing response to consumer demand for newer business models which tackle overconsumption, such as rental and resale, as predicted in last year’s report (“End of Ownership”)” (Amed et al., 2020, p.53)*

In conclusion, the small to medium size and setting sustainability as a core value, enables the prioritizing of sustainability over other goals of the companies. For the born sustainable companies that are part of this study, this is an obvious strategy to adapt their processes. The prioritization of sustainability above design requires a change in the buying and the design process. The sustainable material for the product becomes more important than the design aspect of it. Furthermore, the case companies participate in different initiatives that usually are not part of traditional fashion companies but are becoming more visible as a tool to reduce the waste of resources.

### **5.3 Impact of a Sustainable Business Model on Business Operations**

The prioritization of sustainability has consequences for a chain of business processes. In this chapter, the effects of a SBM on business operations are highlighted. The main focus of changes and adaptations regards the supply chain and the partners along the supply and value chain. First, the supply chain and the processes affected are shown. This includes a close relationship

towards suppliers, local production, costs associated with being sustainable conscious in the supply chain and not pressuring prices of suppliers. Afterwards, the relationship and interaction between stakeholders are introduced. This includes taking responsibility for actions, aligning values with stakeholders, providing value for all stakeholders and innovation through sustainability.

The case companies mentioned the improvement of the supply chain as a significant matter they are working on and try to reform. Sustainable supply chain management (SSCM) differs from traditional supply chain management (Seuring and Müller, 2008). Supply chains in the fashion industry are nowadays characterized by outsourcing to developing countries, high flexibility and responsiveness, low costs, short lead times and are becoming increasingly global, which leads to high complexity (Brun and Castelli, 2008; Moretto et al., 2018). SSCM focuses on integrating the TPL into the operations of the supply chain and includes cooperation among all stakeholder groups (Köksal et al., 2017; Seuring and Müller, 2008).

However, within this area each of the interviewed companies prioritized different aspects of the supply chain and concentrated their efforts there. The production chain includes the processes from sourcing the material, manufacturing the products and transporting them. Nudie Jeans, Fabric for Freedom and EcoAlf identify the supply chain as the part of their processes that still requires the most enhancement in regard to sustainability. It is the most time and resource intensive process for these companies:

*„Even if we are in the front some might say it's still in the supply chain I think. It's a lot of work. It's a never ending work I would say“ (Nudie Jeans)*

*“It is true that our main focus is the raw materials with which we produce our garments, as it represents the highest consumptions; but we implement other measures: such as trying to limit transport for raw materials till final product facilities. In relation to the processes in our operations that should change - I believe all operations should be very often reconsidered in order to be more and more sustainable.” (EcoAlf)*

One key factor within supply chains in the fashion industry is the lack of knowledge about all suppliers that are involved in the production. It is common for fast fashion retailers that they do not know all their suppliers and sub-suppliers. This is caused by outsourcing to developing countries, high flexibility and responsiveness, low costs and strong global orientation. Hence, the supply chains are complicated and not transparent (Brun and Castelli, 2008; Moretto et al., 2018). Often, the supply chains are dynamic multi-tiered networks (Choi and Cheng, 2015; Köksal et al., 2017). Therefore, overcoming these issues, but still being able to be profitable is a challenge for sustainable companies in the fashion industry.

One strategy we saw across all case companies is the close control of their suppliers. Conscious companies have less suppliers than fast fashion companies, which helps them to keep track of them. Keeping track of all suppliers including subcontractors is doable but complicated. The interviewees describe that they are not only keeping track and monitoring their suppliers, but also have close relationships with them. Having a real relationship with your supplier and knowing them helps the case companies to make their supply chain more sustainable. This goes beyond the relationship that companies often maintain with their suppliers. The interviewee of Nudie Jeans states that individual relationships and discussions with each supplier strengthen the relationship:

*“Our approach is very much individual so we have discussions with each supplier because each supplier have a different setting, different workforce and location, even if it is in the same countries it’s a lot of individual things that need to be discussed so it takes time. But it’s not impossible either but it’s an easy work either.” (Nudie Jeans)*

The shorter and clearer supply chains generate more transparency and trust, because the dependency between the brand and supplier increases. The supplier is more dependent on the brand as the order volume increases and the brand relies for more order and collections on the supplier. More information will be shared, through trust and a relationship with the suppliers. They are providing internal and sensitive information. According to Fabric for Freedom, less complexity enhances transparency as there are less suppliers and less steps:

*“I think it is the fact that with transparency, it’s less complex, we’ve got shorter supply chains, we’ve got clearer supply chains. So it is easier for us to make changes.” (Fabric for Freedom)*

Another learning provided by the interviewees in relation to the close control of suppliers is the supplier management. Finding new suppliers that meet sustainability demands and are open to develop a relationship with the company can be challenging for the case companies. But for them, local suppliers are a way to monitor easily and gain quicker response times. The distance between suppliers located in Europe is lower compared to suppliers in development countries. For Nudie Jeans, trust and transparency is the key to success:

*“(…) of course you need to have a strong collaboration with a supplier and the trust and transparency between us to be able to get that kind of information. Otherwise you will not because the supplier is like opening up a lot of details about their business model by doing this.” (Nudie Jeans)*

A closer partnership and greater collaboration within the supply chain is also discussed in the study “Fashion’s new must-have, Sustainable Sourcing at scale” by McKinsey and “Pulse of the fashion industry” by the Global Fashion Agenda (Berg et al., 2019; Lehmann et al., 2018). On the one hand, fewer suppliers help to enhance the cost and efficiency in the supply chain. On the other hand, they also encourage the implementation of sustainable acting. Strong collaboration and relationship between the brand or retailer and the manufacturer are essential according to the studies (Berg et al., 2019; Lehmann et al., 2018).

Another characteristic that was brought up is that when looking for new suppliers, the understanding of important values has to be the same. Especially the attitude towards environmental thinking should be shared. Nudie Jeans is even going further and is looking for suppliers that they can collaborate and improve the factories with:

*“When we’re looking for new suppliers it’s not that we’re looking for a perfect factory at once but we’re looking at collaborative attitude and understanding of the issue and so on.*

*And if you have that of course you can develop together and improve things together (...)"*  
(Nudie Jeans)

The selection of suppliers that implement sustainable measures will play a bigger role in the apparel industry, according to the study “Fashions new must-have, Sustainable Sourcing at scale” by McKinsey (Berg et al., 2019). The participants of the study stated that moving from one low-cost country to another one, which is a common process in the apparel industry, was one of the least important priorities regarding their supply chain. Furthermore, the study concludes that sustainability will become a top priority in supplier ratings (Berg et al., 2019).

*“Sustainability will play an increasingly important role in how apparel companies select their suppliers. Three out of five survey respondents said sustainability would be a very important factor in their supplier ratings by 2025—up from only one in five who say it is today.”*  
(Berg et al., 2019, p. 36)

Another significant factor mentioned by the majority of examined companies was local production. It should be noted that all case companies are located in Europe and local companies in this context means suppliers in Europe or close to it for example Turkey, Morocco and others. But it can also mean production in the country of the brand. In order to accomplish the above-mentioned improvement within the supply chain, changes need to happen and moving production from far countries to ones that are local to you is a big step towards sustainable development.

*“So, the whole shape of what we do is really around our process which involves trying to work with locally sourced materials and local micro manufacturing opportunities to create our fashion product”* (Antiform).

Fabric for Freedom states that having their production and suppliers local enables them to visit them regularly. It makes them more accessible and another benefit are the shorter lead times. Furthermore, Fabric for Freedom and Antiform are both British companies and specifically highlighted local production in their interviews. Antiform actually produces big parts of their products in Great Britain. In the 2020 McKinsey’s report we can also read about the growing

popularity of the local production as it is becoming more attractive for companies due to its advantages such as shorter lead times.

*“But the real prize is shorter lead times. By reducing time-to-market, companies can produce more closely in line with demand, reducing overstocks and increasing full-price sell-through” (Amed et al., 2019, p. 87)*

In addition, again in the McKinsey’s report we can read that nearshoring used to be more expensive than production in third world countries. However, this trend is changing and with smaller differences in regard to the price, companies might start to choose local production sides more often which would contribute to sustainable development.

*“European market, manufacturing labour costs are still higher than those in China, but the gap is shrinking: whereas hourly manufacturing labour costs in Turkey were more than five times higher than those in China in 2005, in 2017 the gap was only 1.6 times” (Amed et al., 2019, p. 87)*

Another aspect regarding the supply chain and business operations are costs. As shown above, a sustainable business model changes the supply chain and makes it more complicated. This has consequences for the costs that are involved in the supply chain management and hence for the whole business. According to Fabric for Freedom, the costs for starting a sustainable business are higher. Implementing sustainable standards is complicated and therefore more costly.

*“It makes it more complicated, it's harder to do and it's harder to find... it makes everything more expensive... So it means that we struggle more than normal companies that are starting up, it takes longer for us to do, because we've got higher start-up costs.” (Fabric for Freedom)*

Besides that, finding the right price for their products can be a challenge as well. It is difficult to adjust the price regarding what the customer is willing to pay and what is appropriate regarding the work that went into it.

*„I normally say like if you as a consumer are not willing to pay for the products like the real cost of it, someone else is paying it along the production chain. It's not more difficult than that so i think what we're..I am not even sure if we're on a right price level (...)“ (Nudie Jeans)*

The struggle with finding the right price range for sustainable products is shaped by the costs that arise along the production chain. Not pressuring suppliers to lower the prices is important for Nudie Jeans and Fabric for Freedom. Discussions about prices are common for all companies regardless of their focus on sustainability or not. However, there are differences in the pressure of these discussions, especially when there is an imbalance of dependency in the relationship (Awaysheh and Klassen, 2010). Pressuring suppliers to lower prices too strongly can result in a worsening of the quality of produced goods and that the supplier cannot sustain its costs.

*“I mean we do of course discuss prices with the suppliers, that's like a normal way of doing the business but it's not like we're pressuring to much on the prices because we know that that's also..everything has a cost to it and if we are pushing the prices we normally see decrease in the quality because then they maybe outsource something or so” (Nudie Jeans)*

The approach of thinking and caring about their partners along the value chain shows that responsibility for all their actions is part of a sustainable business model. Taking responsibility for all their actions and partners connects to the theory of having a holistic approach towards sustainability. This approach goes beyond CSR, which is rather individually defined by each company and it is a broad term (Moon, 2007). Taking responsibility for their actions was acknowledged by most of the case companies. Nudie Jeans, Fabric for Freedom and EcoAlf emphasized the significance of a sustainable approach to all of their areas of work and taking care of all of them.

*“For us I would say that sustainability is to take responsibility for our product. So everything is actually concerning a product. Like how it was designed from the start, how to use the material, what type of materials that we're using, so we want to take responsibility from the raw material stage throughout the production to consumer phase as well and beyond. So*

*we're trying to take responsibility for the whole life of the garment so that is the easy answer to what we mean with our sustainability work.” (Nudie Jeans)*

This shows that born sustainable companies take on a holistic approach towards a sustainable business model, which goes further than sustainable supply chain management. This also affects other stakeholders.

To reach sustainability goals and innovate internal processes, all partners along the value chain have to have similar goals as sustainability concerns all steps of value creation. This characterizes a holistic approach. Therefore, aligning values with partners is a topic we discussed with the interviewees. Partners can reach from suppliers and employees to investors. Nudie Jeans sees the selection of suppliers as crucial to reach their sustainability goals. The performance regarding sustainability is important, but companies could be good on paper, but not in reality.

*„(...) because it could be like a perfect factory on paper or like when we come to visit but if they're not into sustainability and don't want to improve things together with us then it's not the right supplier.“ (Nudie Jeans)*

For them, visiting the supplier and building relationships is important. Trust is seen as the basement for developing and improving together as well as sharing details about sensitive information required for transparency efforts. EcoAlf focuses its efforts towards their employees and wants them to share the same values and vision of sustainability. That is why they offer training to all new employees at the beginning.

*“Yes, any new member that enters the EcoAlf team has training for sustainability and must pass an exam. Therefore, we all share the same vision and mission and we bring them to our different departments.” (EcoAlf)*

For Fabric for Freedom, the moral values with investors have to be the same, otherwise they will not see the profitability of the work. The interviewee states that aligning on values is

crucial, but that it does not have to be all values. She specifies that Fabric for Freedom is attracting investors that are interested in sustainability more than other investors.

*“(...) investors that are not interested in sustainable fashion or sustainability in general or environmentalism don’t invest in environmental or sustainable businesses, because they are not interested in it, they don’t see the money and they don’t see the return.” (Fabric for Freedom)*

The case company EcoAlf prioritizes training for all new employees at their company including an exam. Not only aligning on values with business partners is a learning for the case companies, also creating value for all stakeholders is discussed. Creating value for all stakeholders can include customers, business partners and the company itself. EcoAlf, Nudie Jeans and Fabric for Freedom answered that all values, environmental, social, economic and educational values, are equally served through their sustainable actions. The value created through sustainability is aimed at customers and the company equally for Nudie Jeans and Fabric for Freedom. But value can be difficult to measure and different for every company.

Another learning that all case companies described is that sustainability initiatives can enhance innovation processes. Innovation is thought of as one of the key elements responsible for shifting the traditional Business Model (BM) to a sustainable one (Nosratabadi et al., 2019). Sustainability impacts the internal processes and can lead to innovation and improvement of internal processes. EcoAlf states that sustainability goals can be reached, through continuously reconsidering their processes. The CEO of Fabric for Freedom sees an advantage of being a small brand and born sustainable. They never had complex processes, therefore they can change quicker to given circumstances.

*“I also think that, because we are a smaller brand, we can adapt and move quickly in regards to the innovation coming out in sustainability.” (Fabric for Freedom)*

The interviewee also states that the infrastructure of sustainable fashion in Europe is at the beginning of the development. Hence, investment in textile and fabric areas could enhance innovation for further sustainable developments.

EcoAlf focuses on constant reconsideration in order to achieve sustainability in their business. Constant reconsidering of business processes is an enabler for innovation. It can be a competitive advantage for companies and can lead to transformation within the company, especially regarding sustainability (O’Sullivan and Dooley, 2008). Hence, EcoAlf’s approach also invests in innovation through this focus.

*“In relation to the processes in our operations that should change - I believe all operations should be very often reconsidered in order to be more and more sustainable. No part of the whole business can be excluded from this constant reconsideration.” (EcoAlf)*

Through mentioned continuous reconsideration of their internal processes, companies not only are innovative but they are also more adaptable to changes or issues they might encounter. That adaptability, especially in case of sustainable companies, also allows them to discover new opportunities in business development, which later on could result in creating different types of values for their stakeholders (Pedersen et al., 2018).

## **5.4 Challenges within a Sustainable Business Model**

This chapter focuses on the challenges that can arise within SBM according to the case companies of this study. First of all we look into the internal challenges that focus on SSCM, sourcing, transparency and ethical issues along the supply chain. Afterwards we reflect on the external challenge of increasing awareness about sustainability. Especially the trend-focus of consumers regarding fashion, the consumer awareness about sustainable consumption, educating consumers about sustainable consumption and a possible development of the fashion industry in the future are highlighted.

Within the supply chain, companies face all kind of issues ranging from safety work conditions, child labor and gender issues to the use of chemicals, sourcing garments and transparency efforts. For the case companies, the supply chain and the product sourcing are crucial for implementing sustainability standards. As these are the most resource intensive steps in the

production, hence the impact is the biggest. The sourcing of materials is at the beginning of the supply chain and big volumes of the raw materials are required. This makes it an important factor within the supply chain and sustainability. The sourcing process is directly influenced by the design process and closely intertwined with the buying function (Kozłowski et al., 2019). The case companies noted that it is difficult to source organic and sustainably sources raw materials. It should be noted that all case companies are SME sized businesses, which means that they require smaller volumes of materials compared to bigger counterparts. Many factories have minimum quantities in order to be able to place an order at them (Kozłowski et al., 2018). According to Fabric for Freedom, it also influences the design process as it makes it harder to find the desired materials:

*“It means that the design process is a lot longer, because quite often the fabric selections available are just not what we want for our designs. Often, we found that we can’t find fabrics that we need.” (Fabric for Freedom)*

*“(…)since the start but then of course it was a small company from the very beginning, it was difficult to work with for ex. organic materials with the volumes that we had at that time in a very structured way so I think that kind of work developed over the years.” (Nudie Jeans)*

Another challenge for the case companies within the supply chain is the transparency of the processes and suppliers. Many fashion companies have large and fragmented supply chains that make it difficult to keep track and have information about each step in the supply chain. Due to the nature of supply chains in the fashion industry, transparency is a crucial theme. Big companies with long supply chains often do not know all their suppliers and do not have the information who made the garments (Brun et al., 2020). This worsens the traceability and transparency in supply chains, especially regarding sustainability. The high complexity in supply chains have led to this lack of transparency regarding upstream suppliers. The demand for more transparency in the fashion industry is rising, but many companies are not providing the necessary details (Brun et al., 2020; Svensson, 2009). Providing information about the supply chain and the conditions is costly and complicated, but possible. The interviewee of Nudie Jeans sees the complexity within these processes as the challenge regarding transparency:

*“I think what most brands are challenged with today is the transparency. Like to keep track of all the suppliers, the subcontractors, the subcontractors of subcontractors.” (Nudie Jeans)*

Furthermore, trust is a key theme regarding transparency. The suppliers are opening up about sensitive information, which will be on display for a big audience in case it is shown in sustainability reports.

*“you need to have a strong collaboration with a supplier and the trust and transparency between us to be able to get that kind of information. Otherwise you will not because the supplier is like opening up a lot of details about their business model by doing this.” (Nudie Jeans)*

Transparency is also a key theme in the “Fashions new must-have, Sustainable Sourcing at Scale” study by McKinsey (Berg et al., 2019). Conscious consumers demand full transparency through the whole value chain. It is necessary to regain trust in fashion companies that have been lowered through certain business practices. The consumers are pushing the demand for more transparency and the subject is becoming more important (Berg et al., 2019).

*“The apparel industry is under increasingly urgent pressure to create transparency internally and share the information with consumers. Transparency, of course, is not an end in itself. It allows consumers to make more informed decisions at the point of purchase, helps to identify social or environmental issues and risks in the supply chain, holds all stakeholders accountable, and is a starting point for improvement. Authentic and provable information will require investments in traceability.” (Berg et al., 2019, p. 29)*

Transparency not only focuses on the sustainability of products, but also the ethical issues that can arise along the supply chain. There is a lack of trust between consumers and fashion brands due to a lack of transparency and continuing scandals about abuse of workers’ rights and environmental failures (Brun et al., 2020). With suppliers sitting in countries that have different laws regarding wages, born sustainable companies consider ethical issues in the supply chain as well. Maintaining good working conditions and living wages through the whole supply chain

becomes challenging, if there are no relationships to the suppliers according to the interviewee of Nudie Jeans. If consumers are not willing to pay for the products, someone along the supply chain will pay for it. Nudie Jeans is also discussing and fighting for better living wages in their production countries with their suppliers.

*“So we have a very fine sourcing policy where first of all we saying which countries we can source from. So we have no production and sourcing of materials in China or Bangladesh. And that’s also eliminates not only the issue of bad working conditions but also the possibility to visit often.” (Nudie Jeans)*

Ethical issues along the supply chain include the support of living wages for all workers. The social issues in the fashion industry regarding the supply chain are important, because the industry is known for example for not paying their workers a living wage, child labor, denying workers the right to form and join unions, not protecting their workers from harm at the workplace to name several (Perry and Towers, 2013). Nudie Jeans, for example, mentioned that they are focusing their efforts on the topic of living wages, which for them is the most important one.

*“But we decided quite early on to focus on wage issue because it is also much connected with everything basically around the worker. And of course we’re working with the other stuff as well through training and stuff like that but it’s not...living wage is such a special topic in a way so that’s why we decided to give it an extra focus” (Nudie Jeans)*

After focusing on the internal implications that are made, we also have to acknowledge the consequences and challenges these changes have for the external environment. It is difficult for born sustainable companies to follow current fashion trends and be sustainable as these two concepts are rather contradicting. There can be a gap between sustainability and the design aspect of fashion, but it depends on the company’s orientation how big or close this gap is. There is a different prioritization of the design aspect within the case companies. For Nudie Jeans, which produces mainly denim products and focuses on jeans, it is not as important to be trend-driven as denim and jeans are classical products. This is different for Fabric for Freedom as they have customers that are looking for aesthetics as well as sustainable fashion.

*“Just because people start worrying where their fashion comes from doesn’t mean they want...their taste changes overnight. We still want cool, sustainable, modern clothing and that is what we produce.” (Fabric for Freedom)*

It is a challenge to provide both to the customer, but we can see across the case companies that they focus on longevity instead of fashion-trends. To reach consumers to buy sustainable products, the awareness about sustainability can be a deciding factor, which can impact consumer purchasing decisions. The consumer’s willingness to pay a certain price for the product can be dependent either on the high or low level of sustainability awareness. Moreover, high or low awareness can have an effect on the differentiation between different products or companies (Ghosh and Galberth, 2013).

The awareness of consumers about sustainability is also a challenge for the interviewees. The participants see the awareness about sustainable and ethical fashion rising. Fabric for Freedom and Antiform see the customers asking for more information about production, supply chain and ethics, which raises more awareness. Reaching more customers and raising awareness about sustainability go together.

*“(...) the kind of growing awareness around the need for changes to our lifestyle is kind of leading this to sort of new lifestyle approaches to sustainability and buying ethical fashion is become part of that.” (Antiform)*

*“I’d say it is driven by the demand of the customer definitely. We see a change in why people are challenging... we got more awareness for sustainable fashion.” (Fabric for Freedom)*

As customers are the main reason and power behind many brands, their opinion and preferences are extremely important to take into consideration as it can be a factor for a company’s success. The Global Fashion Agenda report specified that consumers are changing their attitudes towards brands, which are not sustainable and are willing to support greener and more ethical ones.

The study “Pulse of the Fashion Industry” from the Global Fashion Agenda states that 38% of consumers are switching to brands that engage in sustainable initiatives and raise awareness about it (Lehmann et al., 2019). Credibility is a deciding factor for these consumers. Especially, young consumers are more willing to switch brands than older generations. This shows that sustainable business practices will develop further and brands will struggle that are not following them according to the study (Lehmann et al., 2019).

*“More than 50% of consumers plan to switch brands in the future if another brand acts more environmentally and socially friendly than their preferred one. The question is no longer whether it is necessary to improve sustainable business practices, but rather how long it will take before consumers stop buying from brands that do not act responsibly” (Lehmann et al., 2019, p. 11)*

As this study focuses on the fashion industry, the aspect of fashion trends and compatibility with sustainability is unavoidable. The fashion industry is highly trend-driven and fast-paced, therefore companies in the industry have to acknowledge them and cannot only meet the demands of the consumers regarding sustainability and awareness.

Especially, educating consumers about sustainable consumption increases awareness, which is a challenge for the case companies. EcoAlf, Fabric For Freedom and Nudie Jeans claim that they actively educate their customers about changing their consumption pattern and the production of the products they offer. The educational level is important for them. They state that society has to be aware about environmental problems and make conscious choices.

*“Well... the customers love fair products and we’ve got a few different customers. We’ve got customers, where we are educating them about sustainability. They didn’t really previously know about it. And so by shopping with us they start to become more educated on why it is important and what they need to do as consumers to reduce their overall consumption.” (Fabric for Freedom)*

*“From EcoAlf we try always to share with our consumers what we do and how you do it. In this way, we try to educate them and show them how they help the environment using sustainable fashion.” (EcoAlf)*

Nudie Jeans advises their staff in the store to educate customers about the products and the production, also about the production facilities. They aim to increase the value of the garment through informing them. The store staff is an important element at Nudie Jeans to influence the customer and teach them about buying more responsibly. Nudie Jeans emphasizes the education of their customers and the society. The staff in the store is crucial for this:

*“You know they talk about the products and the value of the...for increasing the value of the garment to make sure that customers understand that it’s not only people selling the garment.” (Nudie Jeans)*

The study “The State of Fashion, 2020” by McKinsey also sees the media in responsibility when it comes to educating consumers (Amed et al., 2020). There are already certain initiatives in place for example the HIGG index by the Sustainable Apparel Coalition. They help educating and informing the consumer to equip them to make better choices. The study also identifies transparency across the value chain as a successful implication to educate and emotionally engage consumers (Amed et al., 2020).

Furthermore, showing the customer how the future of sustainable fashion can look also helps to increase awareness. The participants of our study have different approaches for showing a possible future of the fashion industry, but they agree that constantly improving their processes and creating more transparency will be part of it. Antiform states:

*“The value that we can create is I feel is about trying new ways to think about what fashion is and what sustainable fashion might be in more radical ways” (Antiform)*

The interviewee of EcoAlf explains that also on an economic level, sustainability will benefit the people as a sustainable industry will create more jobs. Furthermore, Nudie Jeans is asking

for a clearer definition of sustainability in the fashion and textile industry for example through government regulations or national criteria.

*“So i think...I hope to see like in 10 years or so like a really big difference in terms of what is really a sustainability. Like more than a national criteria or something like that for more governmental institutions. That would be quite helpful I guess for the consumers but also for the brands. And it would also separate the one that are really sustainable and the ones that are just acting as sustainable.” (Nudie Jeans)*

Customers would get a better feeling, which companies are greenwashing and which are not. It would not only benefit the customers, but also for the brands. In conclusion, born sustainable companies in the fashion industry engage in educating consumers about sustainable consumption and feel responsible for it. Furthermore, these companies also have goals and visions for a more sustainable fashion industry.

# 6. Discussion and Future Research

## 6.1 Discussion

This part of the paper will focus on presenting the main findings from the analysis and comparison between them and the relevant literature from the earlier literature review section. We will be looking at how these two areas are relating to one another and discuss the derived results and dependencies. From the findings section, we identified five main themes, which below will be presented and critically analyzed and compared with the earlier examined literature. The discussion section of this paper will be looking at aspects such as lack of understanding of sustainability, educating about sustainability and initiatives in that area, challenges of sourcing, design process, control of the suppliers and holistic approach. As our discussion is quite extensive, we made an overview of the chapters and the topics that are discussed from the Analysis and the Literature Review.

**Table 4** Chapters and Themes in the Discussion

Chapters	Themes
1. Educating about Sustainability, sustainable initiatives and the company's role	<ul style="list-style-type: none"> <li>● Difficulties defining and communicating a sustainable approach</li> <li>● Lack of understanding of the term "Sustainability"</li> <li>● Company's role to educate about sustainability</li> <li>● Sustainable initiatives to increase awareness</li> </ul>
2. Size and Sustainability	<ul style="list-style-type: none"> <li>● Prioritizing Sustainability in overall Strategy of the company</li> <li>● Greater control and more transparency over their business for SMEs</li> <li>● Higher flexibility for SMEs</li> <li>● Less resources compared to bigger companies</li> </ul>

3. Challenges of sourcing for SMEs	<ul style="list-style-type: none"> <li>● Size makes sourcing more difficult</li> <li>● More born sustainable MNEs in the future</li> </ul>
4. Importance of design for born sustainable companies in the fashion industry	<ul style="list-style-type: none"> <li>● Sustainability engagement challenges traditional design process</li> <li>● Company's orientation determines difficulties between sustainability and design</li> <li>● Achieving longevity in products through design</li> <li>● Conscious consumption</li> </ul>
5. Supplier control or cooperation?	<ul style="list-style-type: none"> <li>● Less suppliers and local production enhance transparency</li> <li>● Establishing long-lasting collaborative relationships to achieve more sustainable supply chains</li> <li>● Challenging standards and COCs</li> <li>● Dependency and asymmetric relationships between suppliers and the company</li> </ul>
6. Holistic approach towards sustainable development	<ul style="list-style-type: none"> <li>● Taking responsibility for all of the company's actions</li> <li>● Sustainability and Innovation</li> <li>● Holistic approach being beneficial to implement and navigate in SBM</li> </ul>

### **6.1.1 Educating about Sustainability, Sustainable Initiatives and the Company's Role**

The first main theme, which has been distinguished based on our findings and has arisen from the conducted interviews was the topic of awareness and education regarding sustainability and the company's role in this area. Additionally, in this section, we will be looking at different initiatives used by companies to educate and increase awareness about sustainability.

Looking at different papers and studies on sustainability, we could see in the literature section that there are many concepts related to the topic of sustainability, which could lead to misunderstandings (Todeschini et al., 2017). Different authors emphasize that this topic is not only unclear, but there is also no general definition or official guidelines in that area that allows companies or authors to interpret these concepts the way they want. Hence, it should not come as a surprise that companies or consumers could misunderstand the concept of sustainability.

The McKinsey report agrees with the literature that there is no common language for sustainability, which is a complex topic that can cause confusion and lead to misunderstandings. Similar views on the understanding of sustainability could be seen both in the literature and secondary research. Also, it was expressed by three interviewed companies - Nudie Jeans, Antiform and EcoAlf. Unfortunately, Fabric for Freedom did not share their opinion on that matter.

From collected and analysed data, we see that in their opinion, defining a sustainable approach and communicating it to others without a clear understanding of sustainability is problematic. They feel that no official guidelines and different approaches to that matter not only in different companies but also in different countries contribute to confusion among consumers and to difficulties in differentiating different types of sustainable and not sustainable brands.

Especially communicating sustainability in the fashion industry seems like a difficult task as consumers usually do not have enough knowledge about this topic to distinguish truly sustainable fashion companies over brands that claim to be conscious when in reality they might not be. Therefore, companies undertake and introduce several initiatives, such as the use of different certifications, aimed at educating consumers and raising their awareness about sustainability.

One could question if the role of sustainable companies is to educate about sustainability and encourage consumers to more sustainable consumption or if they should just focus on running their business, which already aims to have a positive impact on the environment. But even if their role was to educate, could they do it without a clear understanding of what sustainability means?

Unfortunately, there is not much literature devoted to the role companies have in terms of educating consumers and raising their awareness.

Some studies show that consumers are interested in sustainable products and are becoming aware of the negative impact of the fashion industry, as this topic gained interest and became a trend in recent years (Pedersen and Andersen, 2015; Todeschini et al., 2017; Pal and Gander, 2018). Therefore, this trend led to the development of more conscious brands. However, with so many options on the market, it is hard to choose sustainable brands and products as some may represent greenwashing rather than true sustainability. Especially in the recent years with the growing popularity and interest in sustainability, even fast fashion brands, like H&M, started to introduce a 'green' line of products to convince consumers that they are trying to change and are conscious. Nevertheless, how real is their approach and can we talk about true sustainability in the case of these companies? That again, takes us back to the lack of understanding in this area, as to be able to distinguish what is a conscious option and what is a greenwashing trick, consumers and companies should have clear perception, definition or guidelines regarding sustainability and sustainable actions, which currently they do not, as seen in our data.

Moreover, that causes problems and misunderstandings in this topic, which have a reflection in many other areas. From our findings, we can see that examined companies started to adopt this concept, for them and their customers, in the way that fit them best and in the way they see it. To help others understand this topic, they started to communicate it through different activities.

On the other hand, some studies that stress the importance of the initiatives undertaken by companies and highlight the role companies have to play in this area (Ghosh and Galberth, 2013). They point out that by using certificates or sharing knowledge companies are encouraging sustainable choices and increasing the recognition within that topic, what can educate recipients (Todeschini et al., 2017).

Although certifications might increase a company's credibility, we also have to remember that there are all kinds of different certifications and also labels as noticed by Nudie Jeans. Although they are an indication of sustainability to some extent, we have to remember they also can confuse due to the broad range of different types of certificates. The use of one of them might not necessarily mean that a company is entirely transparent or sustainable in their operations, which could be confusing for consumers, who might not know the meaning of these

certifications. Usually, these certificates are not explained on the labels or in the shops, and it is in the consumer's hands to learn more about different types of certificates and meanings behind them. Hence, it is essential to deepen knowledge in that area and education.

Besides certifications fashion firms offer other types of initiatives in order to raise consciousness (Pal and Sandberg, 2017). All of the interviewed companies said they provide at least one sustainable initiative within their companies such as repairs, recycling or swapping events. Nudie Jeans and Fabric for Freedom mainly focus on repairing clothes, Antiform on clothes swapping events and Eco Alf on the use of recycled materials. However, as discovered in our findings, focus on one of the above does not exclude the use of other types by companies as besides their main areas they also mentioned others like upcycling. Why could that be? Interviewed companies did not elaborate why they focus more on one initiative over the other but there might be few reasons behind that. One of the reasons behind that could be that initiatives such as swapping events or repairs are more interactive for customers and more focused on them, which could draw their attention more rather than upcycling, which they cannot really experience. Other explanations could also be connected with consumers and their perception of the upcycled clothes or the ones made from waste as being dirty and odious to wear as opposed to the new ones bought in the shop.

Looking at collected information, the main reasoning behind these initiatives is the reduction of the environmental impact the fashion industry has. However, they are also aimed at convincing consumers to change their buying behavior and to be part of the change that these born sustainable companies are trying to achieve through their operations and initiatives.

The growing popularity of these initiatives and events indicate that not only are they getting interested from consumers' side but the more they are offered and used, the more they contribute to the smaller environmental impact and the increase of awareness among their users. That is also confirmed by the literature, which explains that the use of sustainable initiatives, like the ones used by companies in this study, have an impact on the consumers purchasing decisions and it makes them more conscious in their future choices (Todeschini et al., 2017).

Although there is no literature dedicated to the scope of the sustainable initiatives, the immense variety of the offered and discussed ones allow consumers, in our opinion, to find something

for everybody - from recycling, upcycling, through swapping events and repairing to rental services and sharing. All these options make it hard to believe that there is room for anymore and new alternatives. Mostly because each one of these initiatives besides their advantages might also have their challenges, companies must consider.

Besides sustainable initiatives directed at customers, companies in this paper shared other examples of things they do to grow recognition about sustainable development. As born sustainable companies, our respondents, especially Nudie Jeans, emphasized the importance of sufficient and extensive training for their employees as opposed to fast fashion companies. They pointed out that employees not only know the company's history, but they also know and share information about suppliers, materials, how to care for the product or where and how they were produced. As staff have direct contact with customers, brands highlighted the importance of educating their staff and giving them enough knowledge to share it with others and that way, to increase the recognition of that topic. Another way to increase level of knowledge is through brands' websites, where they put detailed and transparent information about products, such as their origin, production, materials or tips on maintenance. This practice is used by all of the interviewed companies and is different from information shared by fast fashion companies, which do not share such precise information.

Producing articles from right materials and with high durability in mind along with these discussed sustainable initiatives not only contribute to smaller environmental impact, but it also gives more information and knowledge about conscious consumption and production. Although sustainable companies are not obliged to educate their stakeholders about sustainability, it is in their favour to do so as that gives them a competitive advantage. Additionally, educating consumers and increasing their consciousness could convince them to switch to sustainable consumption permanently what could positively impact their profitability and brand recognition. Also, educating consumers would benefit the environment, which is one of the main goals of many sustainable companies, including ones in this study.

Although educating about sustainability and providing different initiatives within that area is not a company's responsibility, it could act in its favor as it might provide a better understanding to the complicated and unclear topic of sustainability.

### **6.1.2 Size and Sustainability**

Other emerging themes we observed related to the size of the sustainable companies and if it had any relevance in this area.

Literature did not provide much research about the dependence between the size of the company and their sustainability level. Few articles focused on the truly sustainable companies, which were called either as born sustainable or Visionary Champion and are the main focus of this paper (Todeschini et al., 2017; Walley et al., 2010). Both terms, and studies in which they appeared, related to the companies, whose primary motivation and focus were on sustainability. They mentioned that usually, these types of companies were of smaller or medium size as that gave them the advantage of being more transparent and flexible in terms of their supply chain and operations. However, that topic could benefit from more in-depth research in that area to see if the size could be a deciding factor behind a company's approach to and achievement of sustainability as this aspect was not discussed.

Looking at our findings, we found out that smaller and medium-sized companies have some advantage over companies of bigger sizes and more global scope. All interviewed companies in this study agreed that truly sustainable brands are of smaller size rather than bigger. Why is that? Well, they mentioned that their size gives them greater control over their businesses and operations, which results in supply chains that are simpler and easier to adapt to the changes or obstacles. Often these born sustainable companies, which are of smaller sizes, are creating not only their companies but also their business models and values from the beginning with consciousness in mind. That gives these smaller businesses the possibility to do the correct thing from the beginning, as discussed by Nudie Jeans. Bigger companies are different as they usually have an already established business model that rarely is based on sustainability. They focus on high profit, seasonality and rapid supply chain rather than sustainability. Therefore, if they want to be more sustainable, they usually need to try to incorporate it into an already existing business model, what might not always be easy or possible to do.

Additionally, Global Fashion Agenda emphasizes in their 2018 report that smaller and medium size companies are called sustainability champions and they prioritize sustainability in their

overall strategy and actions and have the highest sustainability score in the report. Bigger sized companies, which focus on other aspects of their businesses, still try to incorporate sustainability into their operations as it is an element, which keeps on gaining significance. Usually they do not prioritize sustainability as much as sustainability champions, and therefore, their score is not as high.

On the other hand, companies of small and medium size might also experience difficulties, which are not a problem for bigger companies in that field. Although smaller and medium-sized sustainable companies are more transparent over their actions and businesses and could adapt their supply chain more easily, they usually have fewer resources due to their size. One of the challenges Antiform faces is sourcing the sustainable and correct materials for their products. In order to find the one that would be both sustainable and trendy, a lot of research is needed but also resources to buy it. However, it could be a problem since smaller companies do not always have the expected amount of money to spend on these materials and the process of research and development. However, that area will be explained more profound in the next section of our discussion. The mentioned monetary aspect is acknowledged by Nudie Jeans and Fabric for Freedom, who see a challenge for smaller businesses in resources and cost as they often do not have these as young businesses, which often at the beginning raise money from fundraising or other sources. In that way, bigger companies are better positioned than the smaller ones as they not only have more resources and are financially stable but also their design and research process look differently than in the sustainable companies, what again, will be presented in the further section of our discussion.

The emerging question then is, if there is a correct size of the company to achieve holistic sustainability? Well, there might not be a correct answer. More research and studies are needed to explore this topic and to get a better understanding of it. From our interviews and analysis, it is clear that each size of the company has their pros and cons. Bigger companies might have resources to adapt and change their businesses to be more sustainable but their size, complexity and profit oriented approach do not encourage that change nor they indicate it would be easy for them to implement it. Besides, if they were to be truly sustainable, they would need to communicate it to consumers and sufficiently justify why they might experience higher prices for goods they used to buy cheaper. But is it impossible for them to be truly sustainable? We

cannot exclude that it is impossible for bigger companies to be born sustainable ones as that aspect depends on many different elements as seen in our findings such as motivation or how their supply chain works and is managed.

Smaller and medium-sized companies might, on the other hand, have more flexibility to change and adapt their approach to sustainability. However, they could struggle to manage their resources as the majority of these firms are young. However, it is these companies that are genuinely sustainable in their way and show a holistic view and reasoning on sustainability. They consider sustainability from the beginning and base their whole business on it. Therefore, in our opinion, the size influences the level, in which a company is sustainable, but it would be interesting to see more studies on that topic and dependency in the future.

In our opinion, it is smaller rather than more giant-sized companies that are closer to achieving a holistic approach in that area. However, it would be interesting in future research to look at how the born sustainable companies will develop their role and how the dependence between their size and level of sustainability will evolve in the next years.

### **6.1.3 Challenges of Sourcing for SMEs**

We will follow the discussion about size and sustainability in regard to sourcing. Our findings point out that sourcing is a challenge for small born sustainable companies. Fabric for Freedom and Antiform mention the difficulty to source organic and sustainably sourced raw materials. Within the range of our study, these two companies can be categorized as small compared to EcoAlf and Nudie Jeans, which are medium-sized businesses. This circumstance is supported by the literature. Kozłowski et al. (2018) stress in their study which focuses on small sized fashion companies that sourcing was the most challenging process. This is due to the fact that they require smaller quantities. Many factories have minimum quantities in order to be able to place an order at them. Small companies do not have the financial resources and the demand to meet those volumes (Kozłowski et al., 2018). Despite the sourcing difficulties, small-sized companies are often defined as the ones that are truly sustainable according to Global Fashion Agenda (2018).

Hence, the question arises, if it is possible for small born sustainable companies to scale their sourcing and remain holistically sustainable? To answer this question, the case company Nudie Jeans is further examined. As previously stated, Nudie Jeans is a medium-sized company and within our study belongs to the case companies that are bigger than Fabric for Freedom and Antiform. In our opinion, they have the most established and best working sourcing and supplier network. We base this judgement on the following arguments. They can afford to have strong, individual relationships with their suppliers and even focus on development of the suppliers. Furthermore, when they look for new suppliers, they look for the same values and attitudes towards environmental thinking and collaboration. This shows that they can afford to choose their suppliers and have the resources to invest in them. Hence, they have established an effective supplier network for sustainable development.

This would suggest that if small born sustainable companies keep on growing, they can stay sustainable but provide bigger volumes and operate in more markets. Our findings suggest that, if born sustainable companies grow, they can overcome sourcing difficulties and remain sustainable.

One possible argument, why only small-sized companies are seen as sustainability champions is that born sustainable companies, that have sustainability at the core of their strategy, are a recent development in the fashion industry. That could be why we have not seen many born sustainable companies growing to a bigger size and will see more of them in the future. Sustainable companies in the fashion industry are not entirely new to the industry. There are companies that have been operating sustainable businesses for years, but mostly in niches. According to the case companies Nudie Jeans and EcoAlf the fashion industry is changing right now and they benefit from the general discussion about sustainability. The interest and demand in sustainable products has risen in the past years. This development could be a chance for born sustainable SME sized companies to scale their efforts and grow significantly. Therefore, we suggest that there will be more born sustainable companies that grow to a bigger size and have established sustainable sourcing in the fashion industry.

We conclude that sourcing is a challenge for small born sustainable companies. Furthermore, if born sustainable companies grow, they can overcome sourcing difficulties and remain

sustainable. By looking at the developments in the fashion industry, we suggest that there will be more born sustainable companies in the fashion industry that are bigger than SME sized companies.

#### **6.1.4 Importance of Design for Born Sustainable Companies in the Fashion Industry**

As we focus on SBM in the fashion industry, the design aspect of clothing is part of the value that companies need to address in some way. The challenges of sourcing sustainably raw materials influence the design process as it makes it harder to find the desired materials according to our findings. For Fabric for Freedom, the design process is extended as the search for the right fabrics takes longer. According to Antiform and Fabric for Freedom, they have to adapt their design process in order to be sustainable otherwise they would waste a lot of resources and maybe even not deliver the promised and suitable product. Antiform specifies that the way of producing sustainable collections is backwards to the traditional approach. This means that they start with the sustainable fabrics that they can source and then design around them.

The literature states that within the fashion industry, the design of clothing is a competitive advantage and a unique and trend-driven design can be decisive for their success. It is institutionalized in many fashion companies. Therefore, changing design processes and the orientation away from trends and towards sustainability are challenging (Pal and Gander, 2018). Usually, the design process starts with an idea and an analysis of the trends for the next season. This is the focus in a traditional design process within the fashion industry. Afterwards, the search for fabrics and other materials commences and production can pick up at one point. In our findings we could analyze that within a SBM in the fashion industry, the design process is different due to the difficulties and smaller offer of sustainable fabrics. Therefore, the challenges within the design process for SBM is the implementation of the desired design of the clothing while prioritizing sustainability through choosing from a smaller offer of sustainable materials.

Regarding fashion trends, there is a different prioritization of the design aspect within the case companies. The approach of Antiform leaves out the trend-driven aspect of fashion design as they cannot take it into account that much, if they start with the fabrics and not the design idea. For Nudie Jeans, which produces mainly denim products and focuses on jeans, it is not as important to be trend-driven as denim and jeans are classical products. This is different for Fabric for Freedom as they have customers that are looking for aesthetics as well as sustainable fashion. There can be a gap between sustainability and the design aspect of fashion, but it depends on the company's orientation how big or close this gap is. If sustainability and a design-aspect should be implemented into the products, the gap between those two is closer. Therefore, the company has to find a way to implement both. As discussed above, this extends the design process. If the trend-driven aspect of design is less important, less issues arise in the design process, because there are no struggles to start with the sustainable fabrics.

It is difficult for born sustainable companies to follow current fashion trends and be sustainable as these two concepts are rather contradicting. Current fashion trends change quickly, leading to fast fashion retailers like Zara having a design-to-sale time of 3-4 weeks nowadays. This means that fast fashion retailers are able to provide new fashion trends within weeks and this influences the consumer's behaviour, because the newest fashion items are available quickly and affordable. Consumers buy more often and bigger amounts of clothing, they might not like anymore after some weeks or months, and dispose of them afterwards. If the prioritization is on sustainability, longevity of the products is a key driver.

On the other hand, one might ask how different design process, sustainability and longevity of the products go together with profitability? Of course, in order to survive on the market companies, need to make profit. However, when looking at born sustainable companies, which put sustainability first and adapt other areas to it, we could have an impression that their actions are set to provide a different result such as increasing awareness about sustainability and the impact of the fashion industry. They do not necessarily want to encourage customers to buy more but rather switch to choose better quality products that will last longer, which is a different approach than the one used by fast fashion retailers, who focus on quantity rather than quality.

Nudie Jeans, for example, explains that profit does not necessarily have to be monetary for the company. They highlight that for them, sustainability is just the only correct way to do things and that they want to give consumers products made in a good way and with good materials. Also, EcoAlf points out that it is important to encourage conscious choices and that it is equally important as the company's economic level.

Born sustainable fashion companies focus on durability and quality in the products and for them, buying less contributes positively to the industry's environmental impact, which is one of the main motivations and qualities of these companies as opposed to the fast fashion retailers, who are profit oriented. In addition, born sustainable small and medium sized companies base their business model on producing less quantity of products but with high quality and durability to avoid creating waste. To do that, they also needed to adapt the mentioned design process. That way companies not only can control their expenses on the production but also products they create are more exclusive and environmentally friendly. This is opposed to their opponents, whose business model is based on producing a lot of quantities that if unsold could end up in the dump and increase waste caused by the industry.

As said earlier to be profitable and keep their place on the market companies must make a profit and should remember about it but they should also consider what consumers want. One might think that educating consumers or selling less but better quality could result in consumers being restrained from shopping. However, in our opinion and from our findings we deduct that conscious consumption is not necessarily connected with spending less or shopping less often but rather with choosing that mentioned quality and a more environmentally friendly option. It does not mean that customers will stop buying but they will be choosing conscious options rather than fast fashion ones. In addition, from our analysis we understand that the business model of born sustainable companies is constructed in a way to support not only such consumption but also this different design process or sourcing contrary to its opponent's, and in case of any challenges it can be adapted or modified.

Within our study, we can conclude that the degree to which extent born sustainable companies focus on trends and aesthetic design is very unique and depends on the customer they are serving. Although profit is not the most important aspect, born sustainable companies should

consider it when designing for longevity. Hence, the approach to the challenges of sustainability in the design process vary but the business model of these companies allow them to adapt when needed. The only connecting circumstance is that sustainable sourcing does influence the design process in some way.

### **6.1.5 Supplier Control or Cooperation?**

In this chapter, we will discuss the relationships between suppliers and the brand or retailer. Within this discussion transparency and collaborative relationships are also of interest.

Firstly, we look into transparency and its role regarding the relationship between suppliers and brands or retailers. The interviewee of Nudie Jeans stated that large and fragmented supply chains make it difficult to keep track of all of suppliers and provide sufficient information for the customers. The complexity of the supply chain processes is the main issue towards achieving transparency. Especially, the costs and changes that are necessary to achieve full transparency are a challenge according to the case company.

This corresponds with the literature on transparency in supply chains in the fashion industry. Big companies with long supply chains often do not know all their suppliers and do not have the information who made the garments (Brun et al., 2020). This worsens the traceability and transparency in supply chains, especially regarding sustainability. The high complexity in supply chains have led to this lack of transparency regarding upstream suppliers. The demand for more transparency in the fashion industry is rising, but many companies are not providing the necessary details (Brun et al., 2020; Svensson, 2009). To reduce the risk of transparency issues along the supply chain, greater control throughout it is one approach companies deploy (Klassen and Vereecke, 2012).

Transparency is a crucial advantage for companies that aim for sustainable development and especially born sustainable companies should provide it regardless of their size. One strategy that all case companies have implemented to increase transparency is the close control of suppliers. One advantage small and medium sized born sustainable companies have is that they have less suppliers from the beginning in comparison to large retailers that aim to increase transparency. They have a different starting point and changing existing, complicated processes

is quite difficult in our opinion. According to Fabric for Freedom, less complexity in the supply chain makes it easier to enhance transparency.

The interviewees describe that they are not only keeping track and monitoring their suppliers, but also have close relationships with them. Having a real relationship with your supplier and knowing them helps the case companies to make their supply chain more sustainable and traceable. They state that having a real relationship with your supplier and knowing them helps the case companies to make their supply chain more sustainable.

A collaborative relationship is in place when more than one organization works together and the goal reaches further than only coordination (Chan et al., 2004). According to the literature collaborative relationships along the supply chain can enhance the operational performance of companies, if they focus on information exchange and structural collaboration (Vereecke and Muylle, 2006). The findings from our interviews correspond with the literature on enhancing operational performance. One argument is that more information is shared, through trust and a relationship with the suppliers. They are providing internal and sensitive information. One interviewee state that they establish relationships with each supplier through individual discussion, because every supplier is unique and has a different setting. Especially, the location and workforce are important differences of each supplier. By looking at the literature and our findings, we can conclude that collaborative relationships have a positive effect on transparency efforts. But the question that arises is: Are these relationships characterized more by control or cooperation and why is it important?

Control in supplier relationships is visible in the data from our interviews. Fabric for Freedom describes that having local production enables them to check on the facilities more often and makes them more accessible. Also, for Nudie Jeans, local suppliers are a way to monitor easily and gain quicker response times, which is an advantage for the companies. So, by having less suppliers with little distance, the control of the retailer or brand towards their suppliers increases. The dependency is higher on both sides.

Especially in the process of sourcing, control and asymmetric relationships are common in supply chains in the fashion industry. Buyers from large brands can obtain a lot of power in the

market. Usually, a top-down approach between the buyers and suppliers is enforced in the operations. Also, for implementing a sustainable supply chain, brands and retailers force the suppliers and hence their manufacturers to comply with new codes of conducts, follow with audits or implement CSR activities. The suppliers and manufacturers have to follow the guidelines, or they face losing their business (Dickson and Chang, 2015). It is difficult to build a collaborative relationship on that. But the case companies stated that they are looking for the same values in their partners along the value chain. In traditional supplier-buyer relationships the main focus is on the transactions and outcomes. If certain codes of conduct or established standards are fulfilled, the companies can work together. For born sustainable companies in this study, this would not be enough. Hence, the same values regarding sustainability holistically have to be similar. Therefore, the approach towards suppliers is different compared to traditional supplier-buyer relationships. This is challenging for SME sized companies, because they have to establish a network of suppliers in the beginning and extend it when they grow. By prioritizing the same values regarding sustainability, the range of suppliers decreases. In particular, when looking for new suppliers, the understanding of important values has to be the same. Especially the attitude towards environmental thinking should be shared according to Nudie Jeans.

Furthermore, two case companies have stated that they are not pressuring suppliers to lower the prices. They do discuss prices, but stay away from building up too much pressure, because they have experienced that usually the quality gets worse. Besides that, the suppliers should be able to sustain their costs as well. This shows that these companies really work on building collaborative relationships. But it also shows that they have more power than their supplier, because they could build more pressure on them and get lower prices as the dependency is higher for the supplier than the brand.

Another instrument of increasing the control on the suppliers are international standards and code of conduct. According to the literature, they are a way of implementing norms and monitoring, but the effectiveness of them is questionable (Awaysheh and Klassen, 2010). Especially, the number of different ones on different national and international levels is not helping the cause. In our study, we could observe that these standards and codes of conduct are important to gain credibility, but that they do not have a big influence on the operations. This

means that the case companies are not influenced by these norms regarding their sustainable development, but they are important to show customers their efforts. This questions the efficiency and practicability of these certifications. There are many different international standards regarding various topics of sustainability, ethical and social issues. According to the literature, the big amount of different international standards can be confusing or overwhelming for companies, suppliers and consumers. This connects to the previously discussed issue of the lacking general definition of sustainability and SBM. The number of certifications that address different and overlapping areas of sustainability are not supporting the development of one definition of sustainability and SBM. Our findings suggest that they are instruments for credibility and a way to communicate sustainability to the consumers, but regarding operations they have less influence.

Overall, we can conclude that small, medium sized born sustainable companies are focusing on building long-lasting collaborative relationships with their suppliers. They are enhancing transparency efforts by having less suppliers and locally closer partners. Yet, these companies still have more power than their suppliers, but if they agree on similar values and want to develop in the same direction, this does not have to be a disadvantage for the suppliers. But for example, in case of economic crisis, the risk could remain at the suppliers and the workers could be left with no payment. Just because companies focus on sustainability in the fashion industry does not mean that they do not want control of their suppliers as they still require short lead times and flexibility in the fashion industry. Therefore, collaborative relationships cannot change the power relationship completely, but suppliers can still benefit from them compared to compliance-oriented relationships.

Born sustainable companies in the fashion industry are one segment of companies that prioritize sustainability in their overall strategy, called the sustainability champions by the Global Fashion Agenda (Lehmann et al., 2018). The new sustainable business models they are establishing and the processes and operations within them, can become role models for other companies that want to develop sustainably. That is why, it is important to look at the relationships between the brand and their suppliers of born sustainable companies in the fashion industry. We can conclude that they have close collaborative relationships with their suppliers, but that they are also characterized by control due to the fact that the brands still have more power in the market.

For future research, it would be interesting to look at the supplier's perception of these relationships.

### **6.1.6 Holistic Approach towards Sustainable Development**

Throughout the last chapter, collaboration, cooperation and commitment-oriented relationships are recurring topics as well as sustainable value creation in the first chapter. That is why, we look into a holistic approach towards sustainable development. A holistic approach towards sustainability is crucial for SBM for born sustainable companies according to our findings.

First of all, taking responsibility for all actions is a theme, we could identify in our analysis. Nudie Jeans, Fabric for Freedom and EcoAlf emphasized the significance of a sustainable approach to all of their areas of work and taking care of all of them. This shows that born sustainable companies take on a holistic approach towards a sustainable business model, which goes further than SSCM. In the literature, we identified the Total Responsibility Management (TRM) approach by Waddock and Bodwell (2007). TRM goes beyond CSR and consists of inspiration, integration and innovation (Dickson and Chang, 2015; Waddock and Bodwell, 2007). Now, we compare our findings with this theoretical holistic approach.

Inspiration in TRM focuses on vision setting and leadership systems. Companies establish their own values and vision about responsibility, which lead to core values that realize it into activities (Waddock and Bodwell, 2007). All case companies have established strong core values about their commitment and motivation from the beginning. The core values of born sustainable companies, that we identified, are offering innovative products that are meeting customers expectations, think of new ways to innovate and add value to the products and prioritizing sustainability over profit. Also their motivation to become sustainable and try to improve the business model that is based on exploitation of the natural environment, shows their dedication. Another aspect of inspiration according to Waddock and Bodwell (2007) is stakeholder engagement to build transparent relationships. Within the last chapter, we clearly stated that small, medium sized born sustainable companies are focusing on building long-lasting collaborative relationships with their suppliers. They are enhancing transparency efforts by having less suppliers and closer partners, who are placed locally.

The second level of TRM is integration and puts the core values into realization through setting up a strategy. A crucial theme is treating human resources in a responsible way, stretching from employees in the company to employees of their suppliers (Waddock and Bodwell, 2007). In our analysis, the case companies focused on aligning values with all partners and creating value for all stakeholders. This includes all partners along the value chain and the relationships are characterized by trust with their partners. Also training the employees in regard to sustainability was mentioned by EcoAlf.

The last level of TRM is innovation and ensures that a continual organizational learning and development takes place (Waddock and Bodwell, 2007). All case companies described that sustainability initiatives can enhance innovation processes. Sustainability impacts the internal processes and can lead to innovation and improvement of internal processes. EcoAlf states that sustainability goals can be reached, through continuously reconsidering their processes. Through mentioned continuous reconsideration of their internal processes, companies not only are innovative, but they are also more adaptable to changes or issues they might encounter (Pedersen et al., 2018).

Overall, we can conclude that TRM is visible in the case company's strategies and actions in this study. The born sustainable companies have a holistic approach towards sustainability. This shows that a holistic approach is beneficial to implement and navigate a SBM in our opinion. This is especially interesting for companies that aim to improve their efforts regarding sustainability as it shows the extent of that goal.

## **6.2 Implications for Managers and Companies**

After presenting the relevant literature, showing the analysis of our data and discussing the relevant themes, we would like to focus on a more practical perspective and give recommendations for practitioners in the field of sustainable business models in the fashion industry. This section includes strategic advice with implementation for managers and companies.

Throughout the study, the issue of a consistent definition or model of SBM was visible. There were many approaches presented and discussed, but there was not one SBM that fully represent our findings and vision shared with us by the interviewees. Therefore, we decided to provide our advice on what a Sustainable Business Model should include for born sustainable SMEs in the fashion industry. Besides advice on the adaptation of the Sustainable Business Model, we would like to present implications for managers on actions and elements they should pay more attention to in relation to the topic of this paper. These companies place sustainability at the heart of their business and adapt their operations and practices accordingly to it.

The TPL is a good point of departure to identify what should be included in a SBM for born sustainable companies in the fashion industry as it includes people, planet and profit. The first significant element, which should be considered to be added to a model is awareness about sustainability. It could be categorized under the people section of TPL, but it could also stand on its own as it can also be seen as an outcome of all three elements. As identified in the analysis, raising awareness about sustainability through different initiatives and the education of consumers and employees is a crucial element for born sustainable fashion companies. It is an important part of their business model. A significant issue related to increasing awareness is the understanding and definition of sustainability. Companies should be able to communicate their clear understanding of sustainability and the actions they derive from it. Sustainability is a complex topic with a lack of understanding and confusing around the term, as previously stated. Therefore, it is crucial for companies to be able to clearly share with customers and other stakeholders what they mean by it and how they achieve it. By doing that companies can not only contribute to spreading awareness about that topic and educating about it, but they also can share how they see it, what is important for them and by which action they try to achieve it.

It is important to communicate it in a way that is understandable for consumers. If companies only provide long and detailed sustainability reports, consumers will not notice their efforts nor understand their concept of sustainability. Actively advocating for sustainability and trying to educate consumers about recycled materials, long-lasting design, conscious consumption or any other initiatives companies engage in, will increase the awareness about sustainability and

possibly the awareness of the company. It is important, because it could show customers what is a truly conscious brand and could potentially result in new customers for the companies, who are interested in supporting environmentally and socially friendly types of brands. There are different ways to educate and increase awareness about sustainability for companies. In addition to social media and their online shop, companies can participate or create events, in which they educate consumers about what they mean by sustainability and what actions they derive from it. Another possible outcome of increasing awareness about sustainability could be that companies state that there are certain certificates in regard to sustainability that actually do not guarantee complete sustainability or ethical standards and that is why they do not have it. This shows credibility and companies have the possibility to highlight their efforts. Besides that, if practitioners engage in the conversation around sustainability and not just researchers, the implementation of finding one definition of sustainability in the fashion industry would progress quicker. It should be noted that these recommendations are aimed at companies that actively engage in sustainability and have it at the core of their strategy. We think that these recommendations are not only relevant for born sustainable SMEs, but also other sizes and origins that actively engage in sustainability and have it at the core of their strategy. In conclusion, we recommend that companies actively participate in the conversation and not wait until society changed its consumption behavior and values. It falls into their responsibility as well.

Another aspect, which should be highlighted in this chapter are collaborative relationships between the company's stakeholders. This aspect could also be categorized under the people section of the TPL. As presented in the above chapters, the supply chain is a crucial element for sustainable development and many obstacles and challenges arise here. Hence, it is important to ensure relationships between the company and suppliers or partners within it are maintained and all of its elements are working together, towards common goals. Companies should not only treat their customers but also their suppliers, partners or workers with respect and enable them to have good living conditions. Also, they should create and later on maintain a good relationship with them to be able to rely on them during collaboration and work. Additionally, in our opinion, the collaborative relationship should be established and maintained between all elements of any Sustainable Business Model or approach to Sustainability to allow good work.

Having a good connection with companies' suppliers or partners could result in a longtime partnership, which is beneficial for all parties, because clear communication processes are in place, information about supply chain processes is known to everyone and a level of trust has established. Working towards common goals of sustainable development strengthens the cooperation.

To achieve these collaborative relationships with their stakeholder, companies need to invest more resources into choosing their partners, especially in the supply chain. This process should go beyond the same codes of conduct or certifications. These circumstances can change and there should be a willingness on both sides to collaborate beyond production. One approach towards that, is choosing production sites that are local or close. Companies should support that as it not only gives them opportunity to see the process for themselves and in case of any problems they can try and improve them together, but it also allows brands to get to know their suppliers and develop the above said collaborative relationship.

These relationships can have a positive effect on transparency. For born sustainable companies this aspect is especially essential as that is one of the elements that distinguish them from their fast fashion competitors, who are not transparent. Companies as well as their employees and managers should pay attention to transparency within their businesses, actions, products and information they share. They can gain the required information through collaborative relationships better and quicker. Sustainable companies, which care for the environment and society should not hide information about their production sites, working conditions, employees' wages or true cost of the produced garments or accessories. This type of data should be available at the company's website, their sustainability report and ideally communicated clearly to consumers. The implications to build collaborative relationships are more feasible for SMEs in the fashion industry than large companies in our opinion. Often large companies need many suppliers in order to provide large volumes and building collaborative relationships with many suppliers might be difficult to manage.

## 6.3 Limitations

One limitation of our study is the small sample of primary data sources. We contacted around 60 companies, had 6 interviews or written replies with companies and only four of them were suitable for our study. Along our study process, we developed our approach more and more, therefore one interview with a non-profit organization and a written reply from fashion company Gant were not suitable anymore. We aimed to enrich our data through secondary research.

Furthermore, not all of our data has been conducted through interviews. Two of them were written replies to our questions. The companies did not have time to participate through interviews. As we focus on SME companies, we assume that the resources to take time for academic research are not always given.

Another limitation to this study was the given time frame. Although we had a few months to conduct our research and analyze the results, it was not an easy task as the data collection process took much more time as we anticipated due to the global Covid-19 situation. Additionally, as born sustainable companies are relatively new and under researched topic, to understand it clearly and analyze it more in-depth, a longer time frame would be advised from our side for conducting this research. However, we tried to collect as much detailed information from the conducted interviews and back it with the available secondary data as possible to contribute towards better understanding of the born sustainable fashion companies and filling the earlier mentioned gap.

Last limitation we faced was the limited access to data due to the closure of libraries. Although through CBS's library website we were able to access articles and books, unfortunately not all of them were available online. We tried to find replacement articles instead to continue our work and although in the majority of cases we succeeded, there are few sources that might have been useful for our study.

## 6.4 Future Research

Future research should focus on the difficulties of having one approach towards sustainability and SBM in the fashion industry. A good way to achieve that would be the cooperation between academic research, companies, NGOs and corporations like the Global Fashion Agenda. It is only possible to agree on one approach and definition if all important partners are involved in the process.

Furthermore, the role of companies to increase awareness and educate their consumers about conscious consumption offers many interesting future research areas. On the one hand, studies that focus on consumers and how they want to be educated about this topic, how they differentiate the efforts of companies including sustainability in their communication or when they perceive a company as born sustainable could benefit the discussion about education about sustainability. On the other hand, studies that look solely on increasing awareness and education about sustainability on the business side. For example, a study that analyzes the barriers and enablers for big companies that are aiming to transition towards sustainable development, in regard to educating their customers about sustainability and conscious consumption.

Regarding size and sustainability, it would be interesting in the future research to look how born sustainable companies will develop their role and how the dependence between their size and level of sustainability will evolve in the course of the next years as currently there is very little research in that area.

In regard to design and sustainability in the fashion industry, it would be crucial to look into the consumer behavior. Design plays a vital role in providing long lasting products that serve the consumer's demand. Hence, studies that include designers and consumers focusing on models that enhance a collaboration between those two parties for product development could be interesting.

For future research, it would be interesting to look at the supplier's perception of collaborative relationships with sustainable companies. Suppliers are crucial to develop sustainability, therefore they should also be part of the research. It would be interesting to look at their

perception of the remaining control of the brand or retailer, if the implemented sustainable standards are challenging for them or if they increase the working conditions. There are many research areas that could be filled by focusing on the suppliers behind the brands or retailers.

Another interesting topic is the implementation of a holistic approach towards sustainability of bigger companies that are not sustainable at the beginning. Accompanying this process, could be beneficial for researchers and other companies, but it could be difficult to find a company that is willing to serve as an example.

## 7. Conclusion

In our research, we want to get a better understanding of the values that born sustainable companies follow, their motivation and characteristics. We also analyzed how these companies perceive, manage and navigate both sustainability and sustainable business models to suit them best. Therefore, we answered the following research question: “How are sustainable business models managed and operationalized by born-sustainable SMEs in the fashion industry?”

The methodology to answer the research question was guided by Interpretivism as our research philosophy. Within our qualitative research we deploy an inductive approach, therefore theory follows data (Saunders et al., 2012; Bell et al., 2018). This means that at first the collection and analysis of data took place and afterwards existing theory was studied. An exploratory purpose suits our study best as it is focusing on getting a better understanding of the studied problem. In the case of this paper, the understanding refers to the management and navigation of the sustainable business model in the born sustainable fashion companies of small and medium sizes (Saunders et al., 2012; Bell et al., 2018).

Our research strategy is built up on primary and secondary data, therefore we deploy a multi-method qualitative study (Saunders et al., 2012). We decided to incorporate both sources of data into our research to enrich our findings. To gain a deep understanding and detailed insight, a case study is a suitable research strategy for gaining primary data. Case studies aim at learning and generating descriptive knowledge of situations (Bell et al., 2018; Eisenhardt 1989; Saunders et al., 2012).

The primary data collection method are interviews in this study. Specifically, semi-structured interviews and written replies make the final data sets. Furthermore, archival research was deployed to analyze secondary data sources. To collect the necessary data through interviewing, we decided to choose a small sample to gain a rich understanding of each case (Saunders et al., 2012). We conducted non-probability samples. The method that we chose for the data analysis is coding. Overall, we deployed an abductive approach to code our data (Saunders et al., 2012). An abductive approach to coding is characterized by the use of deduction and induction. We used the program Nvivo for the process of coding.

Overall, the chosen research approach and strategy enabled the finding and analysis of relevant data to answer the research question. The process of contacting and cooperating with the chosen companies, and the analysis of the data were the most time intensive processes within the methodology part. We answer the research question “*How are sustainable business models managed and operationalized by born-sustainable SMEs in the fashion industry?*” with the following findings.

Firstly, we identified that defining a sustainable approach and communicating it without a clear understanding of that concept is an issue in the fashion industry. Sustainability has no one clear definition and approach towards it, which contributes to the same issue for SBM (Todeschini et al., 2017). Especially communicating sustainability in the fashion industry seems like a difficult task as consumers usually do not have enough knowledge about this topic to distinguish truly sustainable fashion companies. Therefore, companies undertake and introduce a number of initiatives, such as the use of different certifications, aimed at educating consumers and raising their awareness about sustainability (Pal and Sandberg, 2017). There is not a lot of literature devoted to the role companies have in terms of educating consumers and raising their awareness.

A challenge with conscious consumption and education is the concern that it could result in consumers restraining from shopping and spending money. Based on our findings, we deduct that conscious consumption is often not necessarily connected with spending less or shopping less but rather with choosing a better and more environmentally friendly option. Although educating about sustainability and providing different initiatives within that area is not a company's responsibility it could act in its favor as it might provide better understanding to the complex and unclear topic of sustainability.

Secondly, we identified that the size of companies is related to sustainability. Literature did not provide a lot of research about dependence between the size of the company and their sustainability level. Looking at our findings, we found out that smaller and medium sized companies have some advantage over companies of bigger sizes and more global scope when it comes to sustainability. Smaller and medium sized companies have more flexibility to change and adapt their approach to sustainability (Masurel, 2007). Especially, born sustainable

companies have an advantage towards sustainable business development, because they create not only their companies but also their business models and values from the beginning with consciousness in mind. But they could struggle to manage their resources as the majority of these firms are young. However, these companies are considered truly sustainable and show a holistic view and reasoning on sustainability. Therefore, the size influences the level, in which a company is sustainable based on the findings of this study. Hence, smaller companies are more likely to achieve a holistic approach towards sustainability than bigger companies.

Thirdly, the operationalization of SBM leads to challenges in the supply chain regarding sourcing for SME sized companies. We conclude that sourcing is a challenge for born sustainable companies of small and medium size. SME companies require smaller quantities, therefore they cannot comply with minimum order quantities of suppliers. They do not have the financial resources and the demand to meet those volumes. Despite the sourcing difficulties, small-sized companies are often defined as the ones that are truly sustainable due to having sustainability at their core of their strategy. Therefore, the struggle between remaining holistically sustainable and scaling their sourcing efforts is an interesting issue to analyze. The findings suggest that, if born sustainable companies grow, they can overcome sourcing difficulties and remain sustainable.

Fourthly, by looking at how born sustainable companies navigate SBM in their operations in the fashion industry, the design process comes of interest. The challenges of sourcing sustainably raw materials influence the design process as it makes it harder to find the desired materials according to the findings. Within our study, we can conclude that the degree to which extent born sustainable companies focus on trends and aesthetic design is very unique and depends on the customer they are serving. Hence, the approach to the challenges of sustainability in the design process vary. The only connecting circumstance is that sustainable sourcing does influence the design process (Claxton and Kent, 2020).

Fifthly, transparency and the relationship between suppliers and brands in regard to sustainable development prove to be of interest for SBM of born sustainable SME companies in the fashion industry. Complexity of supply chain processes are the main circumstance to overcome, in order to achieve greater transparency (Brun et al., 2020). Especially, the costs and changes that are

necessary to achieve full transparency are a challenge. Transparency is a crucial advantage for companies that aim for sustainable development and especially born sustainable companies should provide it regardless of their size. An advantage small and medium sized born sustainable companies have is that they have less suppliers from the beginning in comparison to large retailers that aim to increase transparency. We conclude that small, medium sized born sustainable companies are focusing on building long-lasting collaborative relationships with their suppliers. They are enhancing transparency efforts by having less suppliers and locally closer partners. Yet, these companies still have more power than their suppliers, but if they agree on similar values and want to develop in the same direction, this does not have to be a disadvantage for the suppliers.

Lastly, a holistic approach towards sustainable development is beneficial to implement and navigate a SBM. We could identify that taking responsibility for all actions is a theme in our analysis. Therefore, the TRM approach was studied and compared to the findings of the analysis. Inspiration, integration and innovation are part of the TRM approach, and they could be identified in our findings as well (Waddock and Bodwell, 2007). Overall, we can conclude that TRM is visible in the case company's strategies and actions in this study. The born sustainable companies have a holistic approach towards sustainability.

In conclusion, a SBM for born sustainable SME companies in the fashion industry should include the following elements according to our findings. The base of a SBM model is the Triple Bottom Line (TBL) for us consisting of people, planet and profit. The first significant element, which should be considered to be added to the model is the awareness about sustainability. Another aspect, which should be especially emphasized in the people element of the TBL approach is a collaborative relationship between all of the company's stakeholders.

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# Appendices

## I. Interview Guide:

### 1. General Questions

- who they are
- position
- how long they have been working for the company

### 2. Sustainability + SBMs:

What is a sustainable company to you?

What are your goals to become more sustainable?

Do you think it is necessary for fashion companies/industry to be more sustainable?

Do you think that the increase of smaller sustainable start-ups is increasing the pressure for transforming to a sustainable business model?

Are your stakeholders undertaking sustainable initiatives?

How do you follow up with them?

Do you think sustainable business model had an effect on your company's growth?

### 3. Business processes in regard to Sustainability and Value Creation:

Do the sustainable initiatives that you undertake have effects on your creative processes?

Are internal processes changing/got enhanced by your sustainable actions?

Do they simplify or make the design process more complicated?

Do these initiatives/actions start at the design process or earlier/later?

Where in your operations do you see the biggest impact and change or need to transform in regard to sustainability?

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Is your creative process changed by your consumers perception of sustainability?

- If yes, how?

How do your consumers adapt to the sustainable initiatives?

What kind of feedback did you get from your consumers in regard to sustainable products?

Is the change to more sustainable initiatives driven by the demand of the consumers or by someone/something else?

## 5. Value Creation

What kind of value are you generating through your sustainable actions and for who?

What kind of activities do you undertake to build value - for your consumers, for the company?

Which type of value you are generating is the most important to your company? -> Environmental, social or economic, educational?

Value for company and value for consumers - do you focus on one more than the other?

Do you think it's harder to build value for sustainable consumer than to the normal one?

What difficulties do you think there are for a sustainable company in terms of building value? production, supplier, design process etc.

## 6. Financial Value

Do you think your Initiatives/changes are generating profit?

Is sustainable business model more costly than the regular one?

How does your pricing model look for the products that are part of the sustainable initiatives?

Is it important for your company that your investors are sustainable in their approach/thinking as well?

## **II. Interview with Lizzie Harrison from Antiform / 22nd of February 2020**

US: Do you agree that your answers will be transcribed and used in our research about Sustainability and Value Creation in the fashion industry?

Do you prefer your name and company's name to be stated in our research or anonymized?

Lizzie: Hi Charlotte and Julia it's Lizzie. I'm just gonna work through your questions I am at home on my maternity leave with children so you might hear some shouting in the background so sorry about that. I hope you can transcribe it alright. Of course I'm more than happy for you to transcribe this for your research and more than happy to name me and the company. Before I start I just want to say that i am on maternity leave and our business is quite quiet at the moment so I deliberately made Antiform smaller while I am off having my child this time and having not done that last time it was incredibly hectic and I am not making the same mistake twice. So our activity is quite slow at this moment but I am gonna base this on my 10 years of experience of running the company

US: Do you think it is necessary for fashion companies to be more sustainable?

Do you think that the increase of smaller sustainable start-ups is increasing the pressure for transforming to a sustainable business model for bigger conglomerates?

Lizzie: I think...I would imagine in your research here you would be looking at the climate emergency and looking at all of that emerging and concrete climate since. I mean now ...the anticipated temperature rise of the planet. It is of course essential that fashion companies become more sustainable. I think 10 years ago we talked about this is a nice thing to happen and i think people who have worked in the sector now campaigning for the last 10 years now start to see that you know it is actually completely essential in terms of trying to kind of protect the environment, eco system, endangered species, water, supply, food availability. We start to kind of really feel the first climate change so I think it is completely necessary whether it's fashion companies need to be more sustainable, we need to rethink actually how we're doing fashion and we'll probably dig into that a little bit more while we go through the questions but yeah, I think this is really big questions there. I think that the range of small start ups, sustainable start-ups, I mean that's been going on for like.. when I started Aniform 10 years ago there was

kind of swelling of small sustainability start-ups in fashion at that time. I think now we're seeing kind of another wave of that, a lot of it facilitated through Instagram, social media, which allows these small brands to kind of reach out and advertise on market and connect to consumers and of course the kind of growing awareness around the need for changes to our lifestyle is kind of leading this to sort of new lifestyle approaches to sustainability and buying ethical fashion is become part of that. I don't think that the sustainability...these brands are really changing large businesses model. I think it's not a business model that's changing, I think it's much more store merchandising and a marketing, you know they like to talk about things a little bit more but then behind the scenes, you know bigger campaigns like Fashion Revolution have put pressure on brands to start being more transparent about what they're doing but I don't think we've seen really any enormous business model changes that are being driven by sustainability in a much larger brands. Perhaps looking at Stella McCartney and what they're doing with the Stella McCartney foundation might be a place to start having a look for that but that's not....yeah, that's been very much driven by they're doing on circular economy.

US: Do the sustainable initiatives that you undertake have effects on your creative processes? Are internal processes changing/got enhanced by your sustainable actions?

Lizzie: The way in which we work to design and produce clothing completely has shaped our creative process. So, by sourcing the materials and manufacturing in a way which we've chosen to do so has shaped the creative process which involves sourcing and discovering materials and then seeing what you can do with them. As our design process rather than starting with design and trying to go out and source materials which would be more usual in fashion. So, the whole shape of what we do is really around our process which involves trying to work with locally sourced materials and local micro manufacturing opportunities to create our fashion product.

US: Where in your operations do you see the biggest impact and change or need to transform in regards to sustainability?

Lizzie: So Antiform has been kind of moving and changing organization over the years I've had it and that's because I don't feel that we've found a perfect solution or approach to really thinking about sustainability and I wanted to keep the business really lightweight so that we

could keep doing what we do (?). So, over the years, on top of having a fashion label we also try loads of different things like running clothes swap and clothes sharing, running repairs, running upskilling workshops for our customers, repairing our own clothes that've got around circulation, repairing our customers' other clothes, so I think at the moment mainly due to the fact that I've got small children we..the only bit that is really active at the moment is the clothes swapping events, which leads to community clothes exchange and through wardrobe collective and also an informal fashion label but I think where the transformation would be, we could have is to apply our skills back in that space of maintenance and repair to make sure the clothes we've put in circulation are lasting as long as possible. But also to use our skills as a designer to see in what other ways we can kind of sell and share fashion experiences with the public without having to use up more resources even though we are working with waste there is waste in our wardrobe.

US: How do your consumers adapt to the sustainable initiatives?

Is the change to more sustainable initiatives driven by the demand of the consumers or by someone/something else?

Lizzie: So in terms of how our consumers adapt to the way that we work and the two examples I'd like to give you. One is how our buyer had to adapt to buying our clothes if we sell the wholesale. So that has been quite an interesting process because we can't guarantee that our clothing will be identical and we can't do it in a really large quantity so buyers had to,..we had to develop kind of trust with our buyers where they understand they are going to get variations of similar product which is very different to how they used to buy. They used to know exactly what they were going to get and chose exactly how they wanted. And this is really taken about 5 -6 years to kind of develop. It doesn't work with some buyers, for some buyers it's just not how they want to work, for others you know we've been able to bring them into the store and get them to understand what we're really about. We've been able to create a space where they order 20 jumpers and we tell them that we'll make them 20 beautiful jumpers but they don't know exactly how they will look like until they arrive so we've really had to use storytelling and visuals and lots more of communication than you might be used to with a traditional wholesale selling environment. Another example I'd like to give you is some of the projects that we've run so we have supported 2 big clothes sharing projects in the UK and they really

came from consumers, who lived and worked near our studio who wanted to kind of buy sustainable fashion and be part of it but couldn't afford the price tag of our clothing and that's really where we came up with an idea of setting up and supporting clothes sharing platforms in local communities and so that has been very consumer driven. The change to selling the whole sale was driven by us because we wanted to be more sustainable as a brand.

US: What kind of value are you generating through you sustainable actions and for who? What kind of activities do you undertake to build value, for your consumers and for the company?

Lizzie: I think the value that Antiform has, and this is probably where it is relatively leak is that it is created a live fashion business that we can use as a kind of research tool, as an experimental space to try out new ideas and what fashion might be in the future and as i've said that it has included...The value that we can create is I feel is about trying new ways to think about what fashion is and what sustainable fashion might be in more radical ways and some of the writing that i'm really interested in the moment...I'm going to that workshop this week is Kate Fletcher move Tottham work on earth logic. You can have a look at: [earthlogic.info](http://earthlogic.info). I'm really thinking about what does fashion mean in a kind of addicly restricted features where we are really thinking about using very much what we have, what we have available to us within the boundaries of what nature can support. And while I our business model within antiform so far has been really interesting, we've really pushed the boundries in lot of way i really think there's an opportunity to connect with that and to forward it even further so that's why i'm interested in the moment and while i'm on maternity leave i'm taking the opportunity to really think about what antiform will look like in 2021-22-23 and how can we really start to play a more cool role in supporting and sustaining local fashion systems beyond making and selling clothing and part of that i think might be actually reducing the amount that we are selling overseas and thinking about selling very locally so that we can then have closer connection to those garments and be able to support the maintanance of them much more closely which is what we did interestingly when we first launched around 2008-12. we had a shopping leads and we were working in that way but as we've grown we've become little more disconnected so i'm looking about how we make those connections again.

Thank you and very best of luck with your work.

### **III. Interview with Sandya Lang from Nudie Jeans / 7th of March 2020**

Julia and Charlotte (JandC): Would you like to be anonymized in our research or is it okay if you use the name of the company?

Sandya (S): Yeah it's okay if you want to use my name or the name of the company. We're trying to be transparent.

Julia (J): Perfect. So I know a little bit about the company. I learned about it during my studies in London and we read info you had on your website. But i wanted to ask was NJ sustainable from the beginning of the concept or the sustainable approach started later on?

S: I can say that as you might know we have 3 owners - Maria, Palen and Joakin, and it's a privately owned company so they three together own a one third of the company and they also work in the business still. So when they started it was Maria who started a company together with Joakim and Palen joined like a year after. So their whole idea was to start a business was to create something that was different from what was existing in the industry so basically they wanted to produce garments or products that were made in a nice way, with good materials, making sure that all the people that are involved had a good...didn't suffer from making the product basically. So the idea of making the...like taking responsibility for the product has been there since the start but then of course it was a small company from the very beginning, it was difficult to work with for ex. organic materials with the volumes that we had at that time in a very structured way so I think that kind of work developed over the years. I would say from the 2009 we joined the Textile exchange and also started a foundation and i think that was when this sustainability really started to get more formalised and I started in 2011 and after that it also became more focus on one person to have a more overall responsibility for the work because before it was divided to different people in the company, doing a lot of other stuff at the time so it was not really structured in the same way. But since 2009 and then 2011 it has been more integrated part.

J: So could you describe what is sustainable company for NJ? What do you mean b that because there are so many concepts, every company has different kind of view on that.

S: For us I would say that sustainability is to take responsibility for our product. So everything is actually concerning a product. Like how it was designed from the start, how to use the material, what type of materials that we're using, so we want to take responsibility from the raw material stage throughout the production to consumer phase as well and beyond. So we're trying to take responsibility for the whole life of the garment so that is the easy answer to what we mean with our sustainability work.

J: Do you think it's necessary for fashion companies to be more sustainable nowadays?

S: Yeah, definitely. The way we see it that if you're not gonna be..if you're not working on sustainability of your product you will not survive in the business for long. I think we have come to the phase now that more and more companies are reporting on their sustainability activities. but as you know there is so many different labels and different way of talking about sustainability so it's really difficult to consumers. So i think...I hope to see like in 10 years or so like a really big difference in terms of what is really a sustainability. Like more than a national criteria or something like that for more governmental institutions. That would be quite helpful I guess for the consumers but also for the brands. And it would also separate the one that are really sustainable and the ones that are just acting as sustainable.

J: Yes, exactly. Because there are many bigger brands, like HandM who are saying they are doing sustainable stuff but maybe it's not true. But there also smaller companies from what we looked, which claims and says they're super sustainable, they are very transparent and so on. So do you think that increase of these smaller, sustainable brands increase the pressure for those bigger companies that claim to be sustainable?

S: Yeah, i hope so. I think smaller companies has another challenge because they are smaller so of course they can't do everything they want. It requires a lot of investment and resource. But on the other hand smaller companies have more of a position to do the correct thing from the start - to have a business model that is circular from the start. I mean they can start developing that already instead of like HandM for example or company that sizes. We already

have a business model that is all about selling cheap stuff in a very quick pace so that kind of business model have a very short term perspective on profit as well. I think that smaller companies can influence the bigger once and we have already seen that.

J: Do you think that the sustainable business model that NJ have had an effect on company's growth? Has it improved?

S: I think where we're right now we benefit from the general discussion about sustainability of course because all the work we put over the last years has been sort of paying off now maybe, more than ever, but on the other hand we never really calculated on sustainability as a cost. It's more of the..It's the thing that we do so of course it's gonna cost and we're not gonna separate it from the...I mean for us it's not an option to do it otherwise, another way so for example when we started the repairs in shops we didn't really calculate beforehand like how much it'd be or how costly i would be or if it's profitable. If you look only at the numbers of repairs and the cost of it, staff, machinery and that probably it was not profitable to go in a money wise way but it has also built a lot of marketing for us, something we can talk about with you or others or during public events, and it's the best kind of branding story. And that is priceless in a way. So it's important not to look at the profit as the monetary profit. It's part of everything we do so it's difficult to separate i would say.

Charlotte (C): Do you think that all the sustainable initiatives that you do have an affect on your creative process, like design process or other creative processes?

S: I think one example is maybe if you saw we have a small piece a couple of months ago called Tiushu replica. It was one guy from japan and he was wearing his jeans for a long time, breaking it in, he was repairing it quite nicely with his japanese tradition repairs and then he met with guys here in our marketing department and we made a story with this and we also made a replica so the design team actually incorporated his style into the design process and tried to make the same kind of product but newly produced so it could also be spread to others. That is one way I guess how we connect with consumers and the design team, and also try to in the same way also of course improving the environmental performance of the product because it's a dry jeans

that has not been washed many times and also the whole story with repairs and using the garment for a long time. I think that's really capturing the essence of what we're doing.

J: Where in your operation do you see the biggest impact and change/need to transform in regards to sustainability?

S: Well the areas that we need to improve is of course many. Even if we are in the front some might say it's still in the supply chain I think. It's a lot of work. It's a never ending work I would say. Right now we also start to map our missions from the whole supply chain so from the raw material stage to production and that is of course the big challenge for us, it's even maybe a bigger challenge for other because they don't even know where they're producing. We know that at least so we can get actual numbers from our suppliers which is a good start if you want to decrease something also you get the existing data. Compared to other, bigger brands they use data that's existing in the databases but that's like an average data so whenever they have a base line it's hard to see how they're gonna reduce for example in the factory if they only use the average data. But that's saying nothing about their performance so I think for us it's a challenge but it's doable I think and for example we're gonna try to identify the locations needed for reduction for example, maybe we could support them with the installing solar panels or changing the electricity grade or something like that. We'll try to find those kind of suppliers that are in the most need of the change. That I'd say for the coming years is a big challenge for us. Then of course continues work with living wages. We started in India in 2012 and right now we're having discussions with supplier in Tunisia, Turkey and see if we can expand a program. Our approach is very much individual so we have discussions with each supplier because each supplier have a different setting, different workforce and location, even if it is in the same countries it's a lot of individual things that need to be discussed so it takes time. But it's not impossible either but it's an easy work either.

C: So you're battling like different campaigns in each set of the supply chain?

S: Yeah and now in the supply chain you can focus on anything. You can focus on chemical handling or safety working conditions or child labour or gender issues or whatever but we decided quite early on to focus on wage issue because it is also much connected with everything

basically around the worker. And of course we're working with the other stuff as well through training and stuff like that but it's not...living wage is such a special topic in a way so that's why we decided to give it an extra focus.

J: So how do your consumers adapt to the sustainable initiatives you provide?

S: I would say they adapt quite well. We have a strong consumer base today and I'd say many of them are interested in sustainability but they're also very high concern for good looking pair of jeans. It's not only sustainable people that are coming to NJ. It's also the denim nerds, and ones that wants a cool pair of jeans. And all the other stuff is like a bonus so I think we have a very diverse customer base. But of course i think what we can see over the years now is that they are more adapting to our way of doing business with the using the repairs for example. Last year we repaired over 63000 pairs and that was an increase of 14% compared to 18 so we can see an interes.

J: And do they give you any feedback in this regards? If there's something they think you should improve?

S: Yeah. So when you shop online after the delivery you receive a mail, like a survey and they you would rank your experience at shopping at NJ.com and we have a very high score there compare to the industry average so it's good. Also they can put down comments there if they want to and we'll write about it in the sustainability report. The comments are about the service, products and sustainability. Those 3. And The combination of course is important for the consumers. so they have all these kind of attributes and that makes the score.

C: Do you think that a change to sustainability is driven by the demand of the consumers or do you think you're more proactive and they just come and adapt?

S: I guess it's a combination. I think for NJ we have been...back in 2006 when we decided to go all organic we didn't ask our consumers if they wanted it or not. We just decided. And we didn't ask consumers if they wanted to have the jeans repaired for free. We just did it and they were into it. At our workplace is many of the decisions are coming from the staff in the shops as well

as the management, and everyone in the company. So i think we're quite driven by our own interest of this and of course it's important what the consumers say but we're not doing it for..we're not taking decisions based on what the consumer think only. We also have a very strong internal interest for it.

J: What kind of value do you think you're generating for your consumers through your sustainable actions?

S: We're trying to...every thing we do is of course giving a consumer a product that is made in a good way, with good materials and so on and with good service that we have in the stores. Where they can have their jeans and they can get a discount on a new pair and so on. But i think one way we're also trying to influence the consumer is to teach them about the garment to talk to them in the store. For example the stuff in the store are amazing and they're really educated and they know everything about our production shape for example so they can speak to the consumers and say like: "Ok you know this product is made in Portugal and this is quite small factory where they have..." You know they talk about the products and the value of the...for increasing the value of the garment to make sure that customers understand that it's not only people selling the garment. It's also a full chain of people from the custom fields making the garment that we are now purchasing. I think they also have a very strong position in influencing the consumers to buy more responsibly and to understand the impact and for example when customers are buying dry pair of jeans there's a lot of talk about not washing the jeans for the first 6 months to create this special look for you if you decide to go for a dry pair. If you're not interested of that of course there are other options. But still the educational part of it is really what we're trying to also influence to the consumer. And I guess also for the reuse section it is amazing that we're able to sell second hand jeans in the stores contributing to changing a little bit of a mindset of the consumers not to look at the product as it's new for me but it's not newly produced so i think that's really a cool way of uplifting second hand garment in a way. At least in Sweden that's been like maybe seen as something that is for a certain type of people going for the second hand shops and not everyone. But I think we can also be part of normalizing in a way the purchase of second hand garments.

J: And besides selling second hand do you any other initiatives like repair workshops or this kind of stuff?

S: Yeah. I mean all our shops are repair shops. You can get your NJ repaired for free in all the shops regardless in you bought them at Zalando or whatever. That's something that we offer for every pair and we also have a second hand selling of course and if you don't want your jeans anymore you can just hand them in and get a discount of 20% on a new pair and the ones that we're receiving we're using for the reuse selling and if they're not nice enough or good enough we use them for patches when we're repairing but also for the recycling projects. We had a project this fall coming up as a collection with all jeans that was shredded down to the fiber level and we added new organic cotton and then we make a new fabric and then eventually the product so that was a really successful project in terms of recycling. And the challenge for us is to basically scale it up and to have a more like running instead of making it a small capsule collection.

J: Which type of value that you're generating is the most important for the company? Like is it the environmental aspect or social?

S: I would say that we're quite strong in both those aspects. Social aspect has been really highlighted over the years because of our membership in Fairwear and all the work we do with living wages and transparency and so on. But lately we also started to have a very strong position within the environmental work because of our actions in the repair stores like the repairs and the reuse and the recycling programme as well as we're having organic cotton as a start for most of our materials. I think today we're in a position where we say that it's a combination of both. And also the financial situation of course because we have a very strong growth at the moment and that is also due to many sustainability factors but also it's an indication of healthy company that..I mean the financial situation is crucial for us to improve things within the sustainability area as well because if we're not having this financial strength we can't really invest in a lot of training and improvements in the supply chain and so on.

C: Do you think that for you as the sustainable company, is it for you harder or easier to build value compared to the company that doesn't focus on these aspects?

S: Mmm...I mean it's easier in a way that because we already have so much or in there but it's not so many of those low hanging fruits as you say left so if you're a newly started company you can basically do anything and that would be an improvement compared to before but for us it's more difficult to actually make an impact in or talk about it in a way that's really highlighted in the newspapers something like that because we had done this things for so many years now so we need to do something really exceptional to be like rewarded for it.

C: Do you think that there's always like a challenge to have a product that is nicely designed and people want it, like fashionable product? Do you think it's difficult to bridge the gap between sustainability and the design aspect it needs to have?

S: I think... I mean since we're making denim mostly it's not a fashionable product as such. I mean it would be much more difficult if we were like a trendy company doing like a high end products. So for us I think the denim industry, I mean it's quite conservative in a way. It's like it's jeans basically. It's different washes and different look of it but in the end it's jeans, you know so it's not gonna change too much. I mean as you can see in our collection lately we have don lot of like more cool, young things and especially the revert collection that we made with the recycling project. I think that's also typical good example of how we're trying to do not only sustainable products but also cool products. so i think we are also in a position there right now where we have actually developed that work and you may like it or you may not but it's at least an improvement from what we can see internally.

J: What do you think are the difficulties for the sustainable company? Like is it more difficult in the supply chain or production?

S: I think what most brands are challenged with today is the transparency. Like to keep truck of all the suppliers, the subcontractors, the subcontractors of subcontractors and if you have a collections running like 4 times a year, quite fast and have a lot of items it's quite difficult to keep truck of all the locations and once to visit them, maybe, to know where they are and maybe work through agency and you don't have a clue where the production is located or you put the production in one place but the factory outsource it so i think that i challenge for most brands

today. It's also why they have so much difficulty to maybe to see improvement in the supply chain because first of all you need to know the supplier and have a relation with supplier. And then you can start having training and stuff but if you have too many of the suppliers than it's impossible to put that kind of effort to supply chain and also financially it's too high costs for that. So i think in that position as well we have a very short supply chain with like consolidated. We know basically the majority, 95% of suppliers we work with, the ones that we don't work with are like joined suppliers for knitted items like a beanie or socks or something like that and that's like.. I mean the amount is so low that we are not a very important player in the..at the supplier but for majority we have a strong relationship with them. So i think that's also what many brands are facing as a challenge today to have that.

J: When you're choosing the supplier you're gonna work with, or any other stakeholders, are you also looking at their approach to sustainability?

S: Yeah, exactly. So we have a very fine sourcing policy where first of all we saying which countries we can source from. So we have no production and sourcing of materials in China or Bangladesh. And that's also eliminates not only the issue of bad working conditions but also the possibility to visit often. I mean if it's a long distance it's not possible to go that often but if it's supplier is located in Poland or in England it's much easier. Ok, maybe not right now but otherwise. So yeah, i think when we are trying to select, I mean it's not that often that we select new suppliers, but when we do their sustainability performance and their interest in sustainability is really important for us. because it could be like a perfect factory on paper or like when we come to visit but if they're not into sustainability and don't want to improve things together with us then it's not the right supplier. When we're looking for new suppliers it's not that we're looking for a perfect factory at once but we're looking at collaborative attitude and understanding of the issue and so on. And if you have that of course you can develop together and improve things together and what you see in the factory when you do the visit all of that could be improved quite easily to put up like fire extinguisher and signs, and cleaning up the factory that is not a big deal but if you don't have the commitment to improve things for real like living wages then it's more difficult in the long run. THat's definitely an important point.

J: Do you think that after being a sustainable company for a some time, the sustainable business model is more costly than the regular one that majority of the fashion companies are based on?

S: Yeah, definitely. It's a...I normally say like if you as a consumer are not willing to pay for the products like the real cost of it, someone else is paying it along the production chain. It's not more difficult than that so i think what we're..I am not even sure if we're on a right price level, maybe we should be even more expensive actually to cover everything, so there's definitely a difference compared to most brands in that sense.

C: And how does your pricing model look for all your products? I know it's very internal question but how do you go from the bottom or the top, how do you start?

S: I mean we do of course discuss prices with the suppliers, that's like a normal way of doing the business but it's not like we're pressuring to much on the prices because we know that that's also..everything has a cost to it and if we are pushing the prices we normally see decrease in the quality because then they maybe outsource something or so. We have experienced the consequences of that before so we're quite careful about pressuring the prices for the case of it. I mean if it's adding something to the product like a new process, for example a print or embroidery or whatever, of course we understand that the price needs to go up because that's another process adding to the product so we're not that price pressuring company in that sense. But of course we do have a like a model for the prices that we have and we try to be quite open and transparent with the suppliers so in some cases we do like a costing sheets where we can see how much is for the worker, and how much is for the fabric and how much is the different steps of the production and that's quite...of course you need to have a strong collaboration with a supplier and the trust and transparency between us to be able to get that kind of information. Otherwise you will not because the supplier is like opening up a lot of details about their business model by doing this.

J: So how do you think the future of the NJ in terms of sustainability will look like?

S: I hope that we're still in the leading position. It's like a never ending work in a way because we can always be better and you can always do more but i hope that we will still be putting a

lot of effort into sustainability work, developing our transparency for example to have more info on each product on the website and that is like a big project as well as the climate work to try to reduce our emissions in the supply chain. Of course the living wage programme that would be great if we could manage to expand that to a few more of our main suppliers so there's many things that we could do and I hope that we would be able to do in a few years.

JandC: We think that's all of the questions we had for you. Thank you so much for your time and answering all the questions we had.

S: Yeah, thank you. Hope you will get something out of it and you'll have a successful project

#### **IV. Interview with Esther Knight from Fabric for Freedom / 23rd of March 2020**

Charlotte (C): Alright, so I am going to start recording now and are you ok with being transcribed at the end and recorded for our research?

Esther (E): Yes that's fine. Are you going, like say my name in your research, or?

C: If.. that would be my next question: do you want to be named, do you want to be named, your name and the name of the company or anonymized? That's up to you.

E: I think we can do. It depends what the questions are, to be honest, it depends how much detail you go into. I say at the moment... Yeah, I am happy for you to quote my name, but then it depends on... like yeah. At the moment yes it's fine.

C: So I am going to ask you again at the end and then we can see. Alright so, I'm just going to start right now. For your company, what is a sustainable company for you?

E: So a sustainable company for me is one that is 360 sustainable. So it means that it is sustainable in all the areas that you can be and not just focusing on one thing. So that means

you are looking after your workers and your sourcing and frameworks that protect your people and protects the environment as well. So it's about everything rather than just focusing on one thing.

C: Alright and what are your current goals to become more sustainable?

E: Well, we are pretty sustainable as we are, so you can't... there is no such thing as a 100% sustainable. So we'll always work on it and... but we are pretty good in terms of... what all the brands are offering and we are... we've got high standards already.

C: Do you think that for fashion companies or for the whole fashion industry, it's necessary to be more sustainable?

E: Yes it is necessary, definitely. Whether it's possible, that is a different question. But it is given, the impact the fashion industry has is the most labor-intensive industry in the world. It is... it has huge impact across supply chains impose 50 million people, mostly women... and if it is not done right, it can do very wrong and it has disastrous effects.

C: Do you think companies like you, small sustainable startups. Do you think they are increasing the pressure for bigger companies to transform to a sustainable business model?

E: Yes ... definitely... we..we are showing... as fabric for freedom, one of our social goals is that we ensure that we are setting an example on how a fashion brand should be run and so... through that we...we'll naturally increase pressure.

C: I saw on your website, that you work a lot with small stakeholder and suppliers and other initiatives, how do you follow up with them, that they are sustainable as well?

E: So... there is certifications in place, so we use gotcertifiedorganiccotton, which means that we know that the whole supply chain has been investigated by a government body. So there is various certifications that you can use. There is wallstandard, there is a blue sign as well to ensure that there is less chemicals... and ??? (4:49) I think it is pronounced, I can't really remember. So we use fabrics that have certifications, so that we know that... That the supply

chain has been investigated for us. That people and the environment have been protected with less chemicals used and water usage. And then in terms of factories, I go to all my factories. They are local to me. They are local businesses. We use, we have initiatives where we use... we work with homeless women, we teach them sewing skills. So, every supplier is different, but every supplier is monitored.

C: Alright. Are you... How global are you? Because you said that they are close to you. Is it mostly in England?

E: Yeah, everything is made in the UK and then we source our fabrics from Europe.

C: Ah alright, so very local... So do you think that the sustainable business model that you have has impacted the growth of your business, from the beginning on?

E: So that was the whole premises starting the business. It is in our identity, it is in our core, it's what we created, so yes it will be.

C: Do you think that the sustainability initiatives that you undertake, does it have an effect on your creative business processes like Design or anything like that?

E: Sorry, I don't understand that question. Can you say that again?

C: Do you think that there...or let's say it like that...The sustainable initiatives and action that you take, where do they start?

E: They start...probably before the design process, because it starts in our values, it starts what we stand for as a company. We won't compromise what we stand for as a company. And so everything we do is business. We go back to our values, we go back to the UN sustainability goals. So we have 30 UN sustainability goals that we work towards and that forms our business, it forms our values and therefore it forms all of our activities and that includes the design process. And another thing that we touched on is what forms the design process is ensuring we are offering sustainable fashion that is cool, because that is really important. Just because people

start worrying where their fashion comes from doesn't mean they want...their taste changes overnight. We still want cool, sustainable, modern clothing and that is what we produce.

C: So how does the sustainable attitude influence the design process ?

E: It makes it more complicated, it's harder to do and it's harder to find... it makes everything more expensive... So it means that we struggle more than normal companies that are starting up, it takes longer for us to do, because we've got higher start-up costs. It means that the design process is a lot longer, because quite often the fabric selections available are just not what we want for our designs. Often, we found that we can't find fabrics that we need. The innovation and the infrastructure isn't there behind sustainability, so that just... it slows the process down. It doesn't mean that it is not done, it just means it takes longer to do it right. In normal standard high street fashion, the way that you produce collections is that you design, you sketch everything up and then you find fabrics suitable for your sketches. With sustainability you have to work backwards. You have to find your fabrics first and then design around them, because quite if you just went with your design pack, you can't find the fabric that suits your design.

C: So you have to start a different approach for your design process basically then other companies?

E: Yeah, exactly.

C: And where in your whole operations, do you see like the biggest challenges for sustainability to reach your goals? Where is it the hardest?

E: Just cost probably. Demand... cost vs demand for a start-up brand. So, our biggest challenge is brand awareness and getting new customers and people that support us that want to take a risk in a start-up brand. So that is the biggest challenge for us at the moment. And then with our high start-up costs, making sure that we cover all of our costs as well.

C: Alright and how would you say your consumer's adapt to sustainable initiatives, what's like the feedback like that you get?

E: What was that last bit?

C: What is the feedback like that you get from our customers?

E: Well... the customers love fair products and we've got a few different customers. We've got customers, where we are educating them about sustainability. They didn't really previously know about it. And so by shopping with us they start to become more educated on why it is important and what they need to do as consumers to reduce their overall consumption. So we have people buying into the brand, because they like the product and they like the designs. And then we have the other people that really care about sustainability and will only shop sustainable brands. And that means that they do inquire me a bit, because they want to know all the details and... which is fine, because I can give them all of the information. So, it's different each customer really. Some customers want to know all about the supply chains and others don't... they just care because they like the item or the piece. And it's really cool and they are willing to buy in it, but actually the purchase of this piece is educating them around sustainability.

C: Do you think the change to more sustainability, is it driven by a demand of the customer or is it driven by the industry or something else or someone else?

E: I'd say it is driven by the demand of the customer definitely. We see a change in why people are challenging... we got more awareness for sustainable fashion. We had the fashion revolution campaign and the Rana Plaza disaster, we had the truecost documentary, Stacy's Riley documentary, David Attenborough's. All of these things have contributed to the customers knowing more about sustainable fashion. And because of these things, the customer is driving the demand for brands to change. Brands don't want to change, because it means they are going to have to completely change their supply chain, which is going to be really expensive. And they are not going to be able to offer clothing cheap anymore, because currently clothing isn't priced to consider social and environmental constraints in the supply chain. It's too cheap. So it means some businesses are going to have to completely change everything that they do and so brands don't want to do that. So, it is definitely led by consumers.

C: Ok. Do you think that transparency is an advantage that you have in regards... in comparison to the bigger companies?

E: Yeah but I don't think it's just transparency though. I think it is the fact that with transparency, it's less complex, we've got shorter supply chains, we've got clearer supply chains. So it is easier for us to make changes. I also think that, because we are smaller brand, we can adopt and move quickly in regards to the innovation coming out in sustainability. So, the new next big thing in sustainable fashion, we can move quickly towards that, rather than... it will take companies years to be able to change. So, because we were able to adapt and change with the times quicker as well.

C: When it comes to value creation, what kind of value do you think you create or generate through your sustainable actions like environmental, social, economic, educational for example? These are just some.

E: All of them. So our social impact strategy is split into three categories. The first one is that our business is to set an example of how a fashion brand should be run. So that includes...that covers our social and environmental initiatives. Ensuring that we are protecting workers and that we are protecting the environment. So that goes down to our individual activities. Our second social impact is raising awareness about sustainability using my experience as a buyer for Vivienne Westwood and for other high-street brands to educate and equip people. So, not just to make people feel guilty about not shopping sustainably, but help them understand why they need to consider this as an option. So that's the educate and we do a lot of events and shops to ensure that we do that. And number three, we work with charities as well to combat human trafficking within fashion supply chains. So we cover all those really.

C: And as value for the company and value for the customers, do you focus on one more than the other one in your three...

E: What did you say, sorry?

C: There is like value for the customer and value for the company. Do you focus on one more than the other one?

E: No, I think you need to focus on both of them equally, because if you are not focusing on your customers, you are not focusing on providing the product that they want. And at the end of the day, we are here to offer, create products that is going to be in demand and satisfy the needs of a consumer. So we need to be consumer focused. We have to be company focused, because we are a start-up brand, so we need to ensure that we survive in this climate and that we are covering our costs and we are developing as a brand. But you have to be customer focused, otherwise...customer focused is number one actually for a company. Otherwise you'll be irrelevant.

C: You've said that you have been a buyer for Vivienne Westwood and other brands. Do you think it is harder to build value for sustainable consumers than for normal ones or not very sustainable conscious ones?

E: No, I think it is equal, because if you are truly sustainable and you are not greenwashing, than you can provide value for the conscious shoppers already, because they want to support you and they want to help you, but they won't fall for greenwashing. So as long as you as a company...which we are, we don't greenwash, we are true to what we say. Then we can attract the sustainable shoppers. The other shoppers, just as long as you've got your designs right. So it is focused on design rather than ethics...and so, I think that they are both equal. And we target both of these sets of customers.

C: What difficulties do you think there are in terms of building value in your company? For example for production, supply chain, design process...Where do you face the most challenges?

E: Well, the design process is hard, because it takes longer. Production is not hard, because we've got our factories and everything in stock left. It's just the sourcing of our material and... that's really difficult at the moment, because there isn't many options available and there hasn't been huge infrastructure and innovation and investment in this area. We're just on the cosmos...

sustainability is going to get massive, so we're only just starting to see all these sustainable options...But it has been hard to find fabric. But this will get better with the time.

C: Ok, so you think there will be more production, sustainable production in the European Union or UK?

E: Ok...No I think it will be more invested in the fabric and textiles, textile innovations.

C: Do you think, because you stay quite local, do you think it makes it harder for you?

E: No, I think it makes it easier. It means that I can do quick orders and soon it means that my suppliers are easier accessible. So, I actually prefer having everything local.

C: Do you think that the sustainable business model that you have is more costly than a regular one?

E: Yes, it is definitely.

C: And... That's also more a financial question, how does your pricing model look, for the products that are part, that are sustainably sourced? Because there is quite a, maybe quite a difference, than other companies are doing it, that are not sustainable?

E: How does what...sorry... How does our pricing model look?

C: Yes?

E: Our products are more expensive than high street, but they always will be. But we have in fact... we are not just providing for the elitist, we are also providing for normal people. So, I'd like to think that our products is still affordable and they are mid-price point really, mid high street. So, the more expensive than all the fast fashion companies, but they always will be. But obviously, the more that we can scale, through economies of scale, the more we can slowly bring our prices back down to make them more affordable to most customers. But it is the idea

of just trying to educate people to shop differently, so yes it might be a bit more expensive, but you are not buying multiple things. If you buy that one piece that you really need, that you really like, that you can wear multiple ways and wear and style up in different ways, than the purchase is worth it over lots of fast fashion pieces that you then just throw away and that you are not buying to last.

C: So if you making products that are made to last, do you offer customers any kind of warranty, if something breaks or something similar like that?

E: Not yet, but I have... we have registered with clothesdoctor, which means that customers have the option to...they have that warranty, they can get it fixed for a 75 pound value. This is something that I've been working on. It will take a bit of time to introduce it to the website.

C: That's interesting. So, they are offering it for many brands clothesdoctor?

E: Clothesdoctor, it is just a partnering with a tailor basically to have repair the items that are purchased form the website.

C: And the last question: is it important for you that your investors that you get the money from are also sustainable in their ethinking or their approach?

E: Well, I think it is important that investors are aligned in my moral values, because otherwise they won't see the value in the sustainability. So, investors that are not interested in sustainable fashion or sustainability in general or environmentalism don't invest in environmental or sustainable businesses, because they are not interested in it, they don't see the money and they don't see the return. So, we wouldn't go for that kind of investor anyway. It's those investors that see the value in sustainable fashion and have aligned values that will be the most beneficial for fabricforfreedom. And the other one... you have to align, you don't have to align on everything, but when it comes to your core sustainability message, we have to have investors onboard that agree with that.

C: So you probably attract them more than other investors, I think they are probably...

E: Yeah exactly, it is a natural process really, because they are naturally drawn to us and we are naturally drawn to them over other investors.

C: Alright, yeah, it was really informative, quick but really informative. Do you have anything else, you want to tell us about?

E: No, just... I have spoken about... maybe I say a bit about the company. That we offer and design clothing that is modern and contemporary. We are fair on people and the environment. Which means that we use sustainable textiles. We have... our collections is split 50-50, half our collection is made from certified organic cotton and other sustainable materials, and 50% percent of it recycled and upcycled as well. And we are launching a new collection at the end of the month.

C: What is it going to be like or what is the design ideas?

E: It's going to be completely different, we've got a whole design team on board now, so it's going to be really, really contemporary. We are going to have, it is going to be a lot of patterns and prints and like graphite and writing all over. And the clothing we are also going to have a lot linen pieces, linen suits mix-and-match. So, yeah it is going to be a lot different, but really, really cool product.

C: Sounds amazing, I am going to have a look at it.

E: Great.

C: Do you want to be named in the study?

E: Yes that is fine with me.

C: So name and company, both?

E: Yes.

C: Alright, do you want to be informed about the results, do you want to be sent anything?

E: Maybe you send it before it is published, my section, so I can see what you have written about.

C: So the transcription?

E: Yeah.

C: Ok, then I will send it to you once I am done. Alright. Thank you very much for your time and stay safe, stay healthy.

E: Yeah, you too.

C: Bye see you.

E: See you later.

## **V. Interview with EcoAlf / 13th of April 2020**

J: Let me try to answer to your questions:

Charlotte and Julia (Us): Do you agree that your answers will be transcribed and used in our research about Sustainability and Value Creation in the fashion industry?

J: YES

Us: Do you prefer your name and company's name to be stated in our research or anonymized?

J: You can show EcoAlf's name.

Us: Do you think it is necessary for fashion companies to be more sustainable?

J: Definitely fashion companies have to become more sustainable. It is a fact that this industry cannot continue using natural resources at the same level as the last years. It has been proved that used materials through a process of recycling, can be used again in textile products reaching very high quality standards. In this way we reduce the waste and the pressure on natural resources, so why not using them?

Us: Do you think that the increase of smaller sustainable start-ups is increasing the pressure for transforming into a sustainable business model for bigger conglomerates?

J: The industry is changing and hopefully the whole business model will change as well. Nowadays it is not enough to start a company offering an innovative product, it is mandatory that this product represents something else and the best way is through sustainability. Customers have the power to claim for more sustainable products and it is in their hands to be conscious for what they are buying. The responsibility for offering these sustainable products is from the companies.

Us: Does the sustainable business model that you deploy have effects on your creative processes e.g. design process? Are internal processes changed/got enhanced by your sustainable actions?

J: Yes, any new member that enters the EcoAlf team has training for sustainability and must pass an exam. Therefore, we all share the same vision and mission and we bring them to our different departments. Then, all our suppliers must sign our Sustainability Commitment, so we share our standards with our entire supply chain.

It is true that our main focus is the raw materials with which we produce our garments, as it represents the highest consumptions; but we implement other measures: such as trying to limit transport for raw materials till final product facilities.

In relation to the design, for example, our garments are designed in a way not to be "fast fashion", I mean, that you can use them many times not depending on the current fashion.

Us: Where in your operations do you see the biggest impact and change or need to transform in regards to sustainability?

J: AS I mentioned, the highest consumption of natural resources is in the raw material that is used. For this reason, we prefer recycled ones as the impact is much less than virgin resources. In relation to the processes in our operations that should change - I believe all operations should be very often reconsidered in order to be more and more sustainable. I mean, sustainability is not a "yes" or "no", it is a road in which you have to make many stops and see if the way you drive is the most sustainable and if not - change it! No part of the whole business can be excluded from this constant reconsideration.

Us: How do your consumers adapt to sustainable initiatives?

J: From EcoAlf we try always to share with our consumers what we do and how you do it. In this way, we try to educate them and show them how they help the environment using sustainable fashion.

Our consumers share our vision of stop using conventional materials in the current levels.

Us: Is the change to more sustainable initiatives driven by the demand of the consumers or by something else?

J: The consumers have the power of changing the business model. But it is the responsibility of the companies to offer sustainable products and services, and to communicate it in order to let the consumers buy consciously.

Us: What kind of value (e.g. educational, social, environmental etc.) are you generating through your sustainable actions?

J: I believe that this value is at all levels. Of course the first one that comes to my mind is the environmental, using recycled materials lets the environment breathe. However, if the environment is cleaner, the society will suffer less diseases and will be healthier, and also can

be confident that the planet that we will leave future generations will be at least as good as the one they found.

As you mentioned, the educational level is also very important, as if the society is aware about the current environmental problems, they can make conscious choices. Another level is the economic: there are studies that assure that the sustainable industry will create much more jobs than the current ones.

This mental exercise of thinking how the different levels are affected by sustainable actions is very interesting!

Us: What difficulties do you think there are for a sustainable company in terms of building value?

J: Well I think it is clear that the sustainable way is much more complicated than the conventional one, as in many cases this way is not created and you have to find it. Also, because as I mentioned, sustainability is a constant rethinking of what you are doing and how you are doing it, so it requires this extra effort. From EcoAlf we try to communicate constantly, but maybe a difficulty is reaching more people.

I hope I have answered your questions. Please let me know if you need further explanations!

## **VI. Data Structure**

