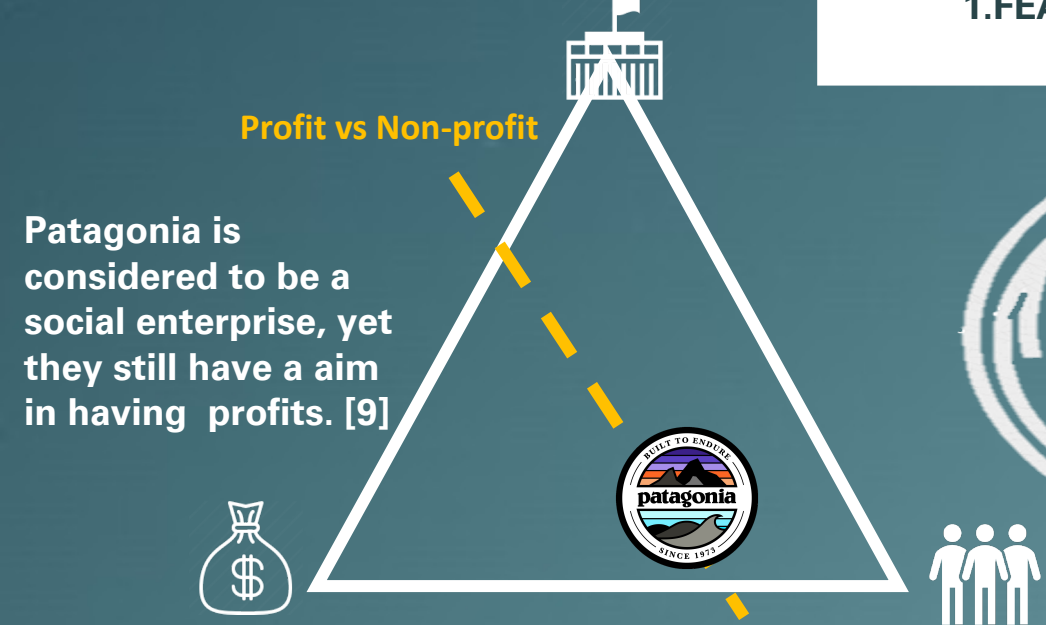


patagonia

1. COMPANY OVERVIEW

- Founded in **1973** by Yvon Chouinard
- Headquarters Ventura, CA, US [1]
- American slow fashion company that focusses on sustainable outdoor clothing [2]
- Around **1,500 FTEs** in 33 different work places [3]
- Focuses primarily on the end use (**B2C**) but also in **B2B** with wholesalers
- B-Label certified company [4]
- "Build the best quality product, cause no unnecessary arm, use business to protect the planet" [5]

2. SOCIETAL POSITIONING



6. GOVERNANCE

	Inactive	Reactive	Active	Proactive
Generic Motivation				X
Systemic Motivation			X	
ICR Approach			X	
Supply Chain			X	
Marketing			X	
Human Ressources				X
Finance ?	N/A	N/A	N/A	N/A
Natural Sourcing			X	
Innovation			X	

Patagonia does not share the financial performance, which makes difficult to determine the position of the department among one of the four phases.
This does not imply that it is INACTIVE.

8. LEGITIMACY CONSIDERATIONS BECOME OVERLY DEFENSIVE

In 2011, **GREENPEACE** started a campaign **Detox My Fashion** that aims in identifying the companies in the fashion industry that are using rivers and oceans for **dumping of hazardous chemicals**. This issue has terrible consequences for the ecosystems but also for the communities living close the manufacturing facilities of these companies. **GREENPEACE** accused Patagonia, among many other apparel companies, that their products contain **perfluorooctanoic acid (PFOA)**. [16]

Along this route, the barrier of 'Legitimacy considerations become overly defensive' can be identified. Van Tulder argues that legitimacy theories explain that the action of companies **are strongly biased towards defending one's position**. This barrier also known as institutional motives influence the reactive route. In fact, Patagonia must regain its legitimacy due to the changing environment and the negative externalities and pressures that are definitively not related to their strategy. [15]

Patagonia's management biggest worry in **this scandal was the potential loss of trust and reputation** to their brand image. The reason why Patagonia did not stop the manufacturing of products containing PFOA, is the large **investment of \$1.5 million** to the start-up that Beyond Surfaces Technologies (BST) which was a strategy to outsource the problem. Despite arguing that the company is trying to find alternatives to and postponing the issue by assuring they will aim to be **reduce by 90% PFOA by 2022**, they have started a program against microfiber pollution in the oceans. [17] While **many other companies have already taken action**, Patagonia is reacting to the problem without actively looking for solutions **which makes them one of the last companies to commit to produce PFOA free clothing**.



FOUR PAWS, released evidence that Patagonia's sources feathers from Hungary practiced **live plucking and force-feeding** of the animal.
1. FEATHER SCANDAL (2010) [6]



Patagonia's suppliers put workers through inhumane conditions and making them pay **\$7K just to work**. To secure a job in Taiwan, migrant workers must pay a "broker" can take migrant workers more than **two years to repay**.
2. SLAVERY AT SUPPLIERS (2011) [7]

OYIS 21
PWS (Patagonia Wool Standard) state that **pregnant sheep's should be handled with extra care** to avoid stress but PeTA (People for the Ethical Treatment of Animals) **proved the opposite with a video**
3. WOOL STANDARD VIOLATION (2015) [8]

ENVIRONMENT

- Carbon Neutrality by **2025 [11]**
- Regenerative field agriculture [14]
- 100% organic cotton [15]
- 87% of fabric used are recycled
- Protect ecosystems and biodiversity on land and on water

SOCIAL

- Fair trade, Fair Labor and Fair wage
- Closing the gender gap, equal gender opportunities
- Migrant Program [12]

5. CSR STRATEGY [10]

- 1% of sales go to the preservation and restoration of the natural environment
- Circularity in the economy through the **Wear and Worn Platform [13]**

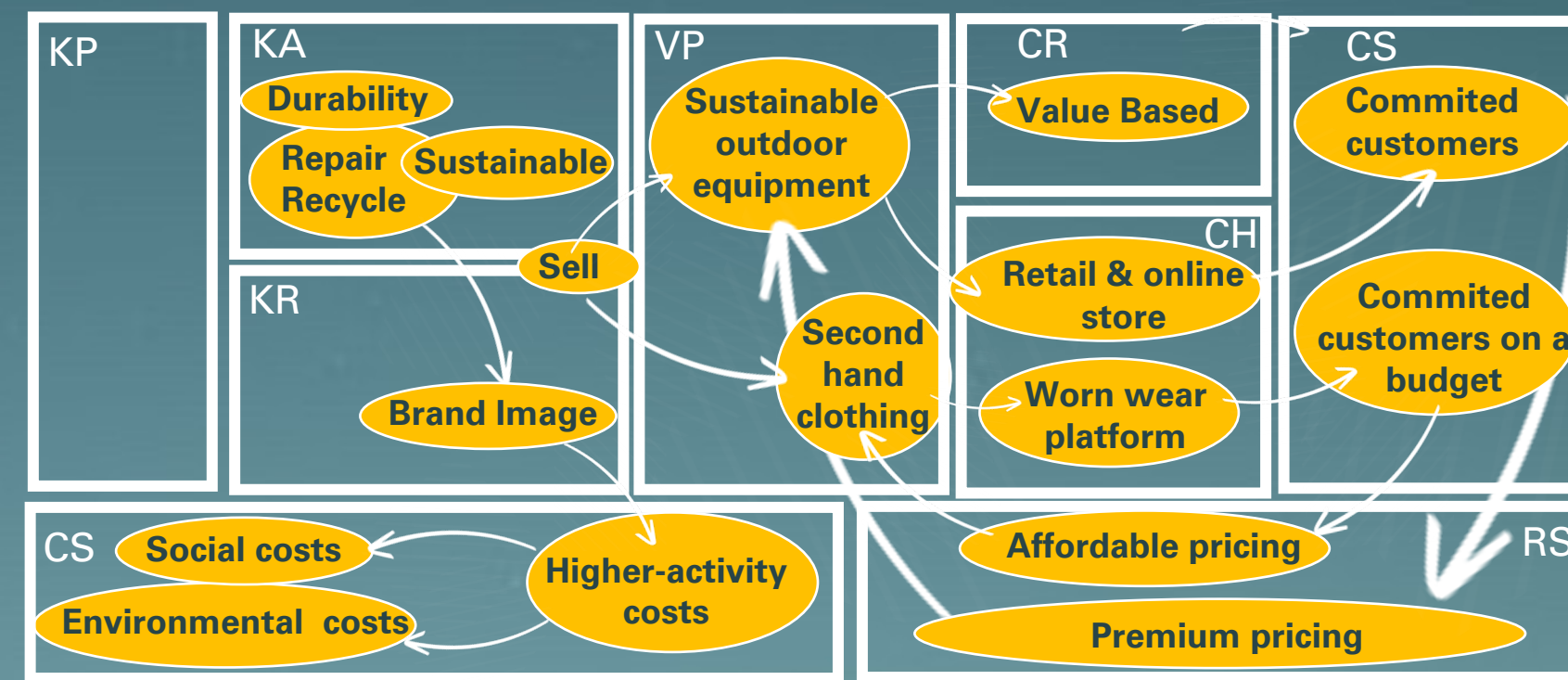
Patagonia has achieved a **B-label**, meaning that it amongst the more sustainable brands within their sector. They also belong to the **Sustainable Apparel Coalition (SAC)**.

7. TRANSITION ROUTE & INTENTION REALIZATION GAP [15]



To map Patagonia's ICR strategy the Better Business Scan was performed. Patagonia currently stands in the **collaborative route**, where their **intentions are proactive while their realization is active**, thus creating gap.

4. CANVAS MODEL



The Canvas model shows the basic activities of Patagonia around its **value proposition** through resources, activities and key partners. [14]

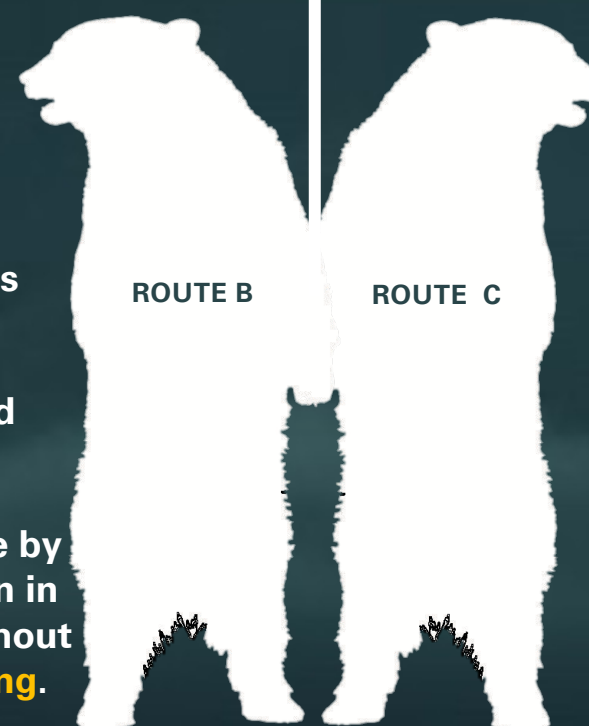
10. RECOMMENDATIONS

- Supply Chain Transparency:** The advice will be to make a more detailed analysis on the supplier to avoid more scandals. (numerous scandals have taken place going against the value they promote of knowing where and how your items are made). Another way to overcome the problem is by vertically integrating.
- Financial transparency:** Patagonia says that 1% of the sales go for preserving the environment, but the non-availability of the financial report makes it hard to know what quantity it represents. Despite not being obliged the advice will be to share their financial statement since it will increase credibility and also give better understanding of the management. On the other side, not publishing the numbers creates a uncertainty and could be seen as the the company "has something to,hide".
- Tackle leadership challenge:** Patagonia was a pioneer in having a women CEO and tackling the inequalities between gender (SDG5). However, among their FTEs 77% are caucasian and the advice will be to embrace diversity in their "walk" and not only in their "talk" mainly for their top management positions. [3]
- Extending partnership and collaborative mindsets:** Patagonia is seen as frontrunner, and is promoting in slow fashion. Despite partnering with numerous NGOs, the lack of transparency on the financial statements and the lack of collaborations between other similar companies could be seen as a way of preserving their ownership advantage (ecletic paradigm). Patagonia must do more collaborations if they want to close the intention and realization gap.
- Radical Product innovation :** Patagonia has done a lot of innovation in the way of doing business, yet their products have not encounter exceptional innovation an this what would be advice to Patagonia.

9. HALO EFFECT

Forbes states that Patagonia is one of the **most admired companies**, not only for their financial benefits but more importantly because of all their engagement towards preserving ecosystems and biodiversity, their engagement socially and the transparency they seek continuously within their supply chain. [18]

Along this route, the barrier "Benchmarking matters when dealing with Halo effect" is identified. [15] Patagonia is seen by consumers and competitors as a **frontrunner**, because of the core values they promote and the **innovative way of doing business**. More precisely Patagonia has introduced **circularity** in their operations through the platform **Wear and Worn** or the **Repair Process** where the staff can perform minor fixes in the company's items. [19] Additionally they have addressed the issue on consumerism through the remarkable "Don't buy this jacket" marketing campaign in 2011 for the Black Friday edition of the New York Times. The campaign aimed to raised awareness about circularity and **responsible consumption of clothing (SDG12)**. The Halo effect plays an important role and was translated by a considerable increase of +30% in the sales after the campaign. [20] This proves that consumers associated the positive intentions of Patagonia by doing the opposite of what the brand was promoting in the campaign. On the other side, the scandals mentioned under the rubric of the **2.TRIGGER EVENTS**, can lead to reduce all **credibility** and affect considerably the **brand image** and goes against their value of having transparency in their supply chain. Additionally consumers tend to be more critical with companies during scandals when they go against their core values. This mainly occurs as Patagonia's loyal consumers tend to be more responsible and feel disappointed by these scandals. Here is where the negative aspects of Halo effect can also impact Patagonia.





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