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A case study on patagonia: Balancing profit, planet and people

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Abstract
Corporate environmentalism emerges as a contemporary concept because it represents business ventures to understand their environmental impact and minimize it. This research analyzes Patagonia as a company to demonstrate how internal corporate values combine with financial sustainability benefits in driving business environmental responsibility. Companies actively work on solving existing market barriers in addition to consumer misunderstanding and worldwide complexities despite ongoing financial limitations. The ongoing progress shows that sustainable business establishes itself as an imperative need in present-day corporate structures and operates as a concrete possibility.

Keywords: Corporate environmentalism, environmental impact, sustainability, business responsibility, financial sustainability, market barriers.

Introduction

Great depletion of Earth's natural resources moves at an accelerating rate today. World forests experienced a reduction of 6 million hectares during the period from 1990 to 2010 through a decline to 13 million hectares. The human consumption of water has increased by three times in the last five decades while biodiversity suffers from extinction at rates greater than past records. Water pollution along with air pollution both continue to grow at alarming levels since researchers have found dangerous chemicals inside 90% of Earth's water supplies. Growing data on climate change displays through diminishing sea ice and increasing dangerous weather occurrences which intensifies the environmental crisis situation. The efforts to resolve both these problems result in massive financial expenses since the world's top environmental impacts impact the economy with total costs reaching $4.7 trillion each year.

Industrial growth combined with corporate operations produce significant environmental damage which requires businesses to examine their business practices for reducing their environmental impact. The complete impact assessment of business activities remains absent from many companies thus creating various environmental issues throughout extraction through production to distribution and disposal. Another critical element needed for businesses to tackle their environmental damage is implementing sustainable practices because global production and consumption rates are predicted to grow fourfold by 2030.

A rising recognition exists in business spaces and among societal members regarding the environmental part corporations should fulfill. The modern business landscape underwent this change because customers have become more aware about sustainability alongside new requirements for corporate responsibility. Under traditional business models shareholders received top priority as the primary focus for profit maximization. Current business thinking now mandates that companies will have responsibility to their environmental stakeholders in addition to all their other stakeholders. Several companies are now making their environmental actions more transparent despite the fact that some organizations remain opposed to this movement. In 2004 independent sustainability reports appeared from 68% of the world's biggest 250 companies. Business sustainability receives greater attention in community assessments through both Newsweek's Green Rankings and Corporate Knights' Global 100 rankings.

Significant large-scale impact potential exists because McDonald's and Walmart together with other multinational corporations adopt sustainable practices. Because of their extensive presence and impact these businesses possess outstanding capabilities to initiate significant ecological modifications. The leaders for a future sustainable world lack resources apart from corporations according to some proponents.

An analysis of sustainability in business uses Patagonia as its focal point for examination. This paper investigates the various elements which push Patagonia to integrate sustainable practices into its business operations with a focus on both ethical priorities and financial return. Patagonia provides proof that companies can work through sustainability barriers such as consumer misunderstandings and difficulty raising funding combined with international policy challenges.

The conversation establishes sustainable business operations exist as both a desirable goal and a mandatory requirement.

The Rise of Corporate Environmentalism

Evolution of Terminology

Corporate environmentalism and its synonymic terms such as corporate greening and sustainable business and corporate environmental responsibility relate to a unified concept during this discussion. According to Luke (2013) [6], sustainable development requires national economic resource requirements to meet present needs alongside future sustainability. Corporate environmentalism shares a close correlation with this sustainability concept. Since its original appearance in business studies in mid-1980s the concept became generally recognized during the 2000s according to Smith (2013) and Bhaduri and Ha-Brookshire (2011) [2].

Corporate environmentalism continues to grow in prominence because more people attend sustainability-focused events. Between 1995 and 2005 U.S. Green Building Council experienced a rise in event participants from 135 attendees to 12,000 according to Anderson (2009) [1].

Multiple terms used to identify sustainable business practices generate multiple definitional varieties. A harmonious definition exists that shows companies must adopt sustainable product and processing strategies alongside broad stakeholder disclosure (Metta & Badurdeen, 2013; Sindhi & Kumar, 2012; Worthington, 2012) [10]. Business organizations focus on resolving environmental issues across multiple fronts including emissions reduction and stakeholder interaction alongside audit procedures for environmental compliance and waste management alongside product sustainability development initiatives (Walker and Wan 2012). Businesses tackle environmental impacts beyond legal requirements since specified regulations are considered too weak (Sindhi & Kumar, 2012).

Theoretical Frameworks for Corporate Environmentalism

The Triple Bottom Line

The triple bottom line stands as one of the fundamental connecting points between business and sustainability because it integrates the three core factors of people, planet and profit. The theory opposes the traditional thinking which states that organizations must decide between profitability and sustainability concerns. Economic growth ties directly to environmental conservation which directly ties to social welfare according to both Kim & Statman (2012) and Metta & Badurdeen (2013). The combination of environmentally-friendly practices with investments leads businesses to acquire profit and solve ecological issues at the same time.

Shared Value Theory

From a shared value theory viewpoint social progress operates in perfect alignment with economic development. Businesses can obtain financial profit together with social benefits according to this framework. According to Porter and Kramer (2011) [5] businesses will experience financial deterioration if they fail to address consumer happiness and natural resource preservation alongside supplier business stability. Shared value theory eradicates conventional profit-centered thinking because it demonstrates that businesses can thrive with dual advantages which researchers label as either a double dividend or win-win outcome (Preuss, 2001).

The Natural Resource-Based View of the Firm

According to this view the resource-based view of the firm serves as its foundation by stating that business expansion faces limitations through financial capabilities and workforce strength and infrastructure needs. The natural resource-based view develops the original framework by including natural resources such as water and minerals and forests according to Worthington (2012) [10]. Research demonstrates that business needs to incorporate sustainability practices because scarce natural resources affect market competitiveness (Fowler & Hope, 2007; Worthington, 2012) [10]. Businesses which demonstrate proactive sustainability of their resources will acquire a competitive market position through the understanding that success in business and environmental protection are becoming mutually dependent (Chouinard, 2011).

Arguments Against Corporate Environmentalism

Traditional economic views create opposition to business sustainability even though numerous sustainability theories exist.

Shareholder Theory

According to economist Milton Friedman and Robert Reich shareholders must receive maximum profit as the single responsibility of companies according to shareholder theory. Environmental sustainability investments create financial loss for corporations which conflicts with what investors seek according to Kim & Statman (2012) and Porter & Kramer (2011) [5]. From this viewpoint organizations transfer social and environmental expenses to the public to reach their fiscal objectives (Worthington, 2012) [10].

The Pluralist Critique of Sustainability

ademic debate exists against sustainable business practices because the pluralist social goods view disapproves of how corporations employ sustainability terminology. From this perspective it appears that business terminology that combines sustainability with sustainable development and sustainable business dilutes authentic sustainability principles by focusing more on corporate values than environmental goals (Nyberg & Wright, 2013). Businesses misuse green language to sustain their activities even though they fail to protect nature according to sustainability standards. The weak sustainability concept claims human-made capital can substitute natural resources but it produces deceptive statements about "sustainable plastic sales" or "sustainable herbicide utilization" according to Luke (2013) [6].

The Democratic Critique

The democratic governance perspective poses an additional challenge to corporate environmentalism because it defends that businesses exert too much power beyond democratic systems (Reinhardt et al., 2008) [9]. The process of sustainability decision-making within corporations operates differently than governing bodies because corporations base their decisions on company officials' interests instead of including public contributions (Reinhardt et al., 2008) [9].

What Does a Sustainable Business Look Like?

Company Background

Most industry analysts consider Patagonia to be one of the most sustainable corporations today. Before it moved into outdoor apparel production the company began by offering climbing equipment to its customers under the leadership of Yvon Chouinard. Patagonia now conducts business in three international territories which include the United States together with Japan and Europe while achieving $540 million in yearly revenue supported by 1,350 employees (Welch, 2013). The company obtains materials and manufactures its products in Argentina China Ecuador Italy Taiwan Thailand alongside the United States (Patagonia, 2013).

Outdoor passion was the driving force for Chouinard which inspired him to create sustainable initiatives for Patagonia. Chouinard moved his product focus from climbing gear production under Chouinard Equipment to sustainable clothing under Patagonia because he wanted to protect the environment from modern climbing equipment (Chouinard, 2005) [5]. Throughout its existence Patagonia dedicated itself to understanding its environmental effects and developed better practices which it publicly shares for other businesses to follow. The organization demonstrates its dedication through its essential mission declaration:

The mission of Patagonia archives to deliver remarkable products along with staying clear from environmental hazards while using its business skills to create solutions to environmental perils ("Build the best product, cause no unnecessary harm, and use business to instigate and implement solutions to the environmental crisis" Patagonia, 2013).

The Environmental Impact of the Apparel Industry
Complex Supply Chains and Their Consequences

The fashion and apparel market demonstrates extensive global market reach because production occurs across multiple national jurisdictions (Bhaduri & Ha-Brookshire, 2011) [2]. Products follow a complete manufacturing progression that involves farmers, chemical manufacturers and textile mills and sewing factories, transportation companies, and shipping brokers (Dickenson et al., 2012).

Supply chains have become complicated to such an extent that environmental impact assessment becomes difficult. The supply chain operations at Walmart produced 90% of the company's environmental impact independently of retail operations as reported by Chouinard & Stanley (2012) [4]. Two primary environmental issues during apparel manufacturing processes are the deployment of dangerous materials alongside the massive carbon emissions that come from worldwide transportation networks.

Harmful Materials in Clothing Production

Polyester alongside conventional cotton represents the two principal clothing materials which present notable environmental problems.

The petroleum-based origin of polyester creates a problem because this material fails to decompose naturally (Claudio 2007).

The conventional cotton industry needs huge quantities of pesticides together with fertilizers to pollute water ecosystems while eroding zones where all life becomes extinct (Chouinard & Stanley, 2012) [4].

The textile production process results in major water contamination though wastewater discharge. Manufacturing waste from denim factories has caused the Pearl River in China to become indigo-colored (Chouinard & Stanley, 2012) [4].

Transportation and Waste

Apparel items transported over long distances result in significant increases of carbon pollution.

When Patagonia distributes its polo shirts they create 21 pounds of CO_2 emissions from start to finish (Chouinard & Stanley, 2012) [4]. Clothing discards amount to 4% of total U.S. solid waste according to Claudio (2007) because major parts of clothing end up in landfills.

Through their actions Patagonia proves that business success properly combined with sustainability works as an effective strategy.

Patagonia continues to work actively towards reducing environmental effects of its business operations

The company founder Yvon Chouinard has dedicated himself to solving the environmental problems caused by Patagonia for many years. In 1991 Patagonia began its core materials lifecycle analysis which measured environmental impact throughout production stages. The company adopted 150 of its leading products that generate 80% of sales under this initiative (Chouinard & Stanley, 2012) [4]. Studies derived from this analysis induced Patagonia to examine its raw material acquisition and product manufacturing procedures.

Sustainability has become core to Patagonia's business by influencing employee commuting behaviors and the life cycle management of all its products. Patagonia made a major shift in 1996 by replacing all of its cotton with organic varieties which Payscale reports saves 20,000 liters of water per kilogram over traditional farming methods (Claudio, 2007). The company streamlined production with factory cuts amounting to one-third of the original count which allowed more efficient management and standardized environmental requirements of suppliers (Chouinard, 2005).

New recycling approaches are among the innovations Patagonia has introduced. The company led the market by becoming the inaugural enterprise to develop fleece material from recycled post-consumer plastic bottles during 1993. The recycling program operated by Patagonia during 13 years protected 86 million plastic bottles from being disposed in landfills (The Footprint Chronicles, 2013). Patagonia launched the Worn Wear program in 2011 to provide customers with recycling possibilities for returning worn-out Patagonia products. The company links up with eBay to assist its customers in selling second-hand Patagonia products on the platform instead of having them dispose of them (Chouinard & Stanley, 2012) [4].

A Growing Trend in Corporate Environmentalism

The path toward sustainability involves numerous companies apart from Patagonia. Various different businesses operate sustainability programs to minimize their impact on the environment. The need for responsible business practices has gained recognition even at WalMart despite its differences with Patagonia regarding size and operational model. The annual revenue earned by Patagonia amounts to $540 million yet Wal-Mart generates $400 billion as the global leader in corporate size (Chouinard & Stanley, 2012 [4]; Fisk, 2010). Wal-Mart initially focused only on delivering low-priced products but now it pursues environmentally oriented sustainability targets. As reported by Fisk (2010) the company made three key sustainable promises about renewable energy systems and zero waste management and natural resources sustainability. Through their investment in low-idling trucks Chouinard & Stanley (2012) [4] claim that Wal-Mart operates the most extended commercial fleet worldwide. At the same time the company purchases organic cotton from all corners of the globe (Claudio, 2007).

Large global corporations alongside Wal-Mart are implementing sustainability commitments as part of their strategic objectives. Three major companies namely Coca-Cola and Kellogg together with DuPont have formed a partnership to develop sustainable packaging solution that would decrease waste by responding to a quarter of the world's waste output articles (Chouinard & Stanley, 2012) [4]. Diverse businesses have widely adopted eco-friendly initiatives indicating that corporate environmentalism will continue because it serves dual purposes of necessity and profitability.

Why Companies Are Going Green

Businesses accept sustainability for two key factors which combine societal needs with financial rewards. The way organizations handle their corporate values and organizational culture guides their environmental responsibility according to social standards. Various businesses acknowledge that following customer expectations and sustainability targets on a worldwide scale demands operational adaptation.

Sustainable business practices show financial advantages to business organizations. Patagonia together with other companies discovered that sustainable business practices generate moneysaving benefits which result in higher profitability rates. Such business strategies match principles from shared value and the triple bottom line framework which explain that profits exist harmoniously with societal responsibility and environmental protection practices. These development frameworks combat the former belief that financial gain and sustainable actions contradict each other. The frameworks demonstrate how businesses manage to grow successfully when they create positive impact for society and the planet.

Patagonia's Commitment to Sustainability

Core Values Driving Environmental Efforts

Yvon Chouinard established the core environmental principles at Patagonia through his founding values and they actively remain in the company culture. The founder Yvon Chouinard promotes that businesses need to combine environmental protection with ethical business operations because it is their moral responsibility. Through leadership he influenced Patagonia's dedication to environmental conservation because it inspires his employees to accept these principles.

The workplace at this company supports sustainability through its recruitment process of compatible employees and paid volunteer programs and hybrid vehicle purchase incentives for sustainability. The flexible work culture at this organization gives staff members both the ability to innovate while taking personal responsibility for environmental initiatives.

Sustainability Initiatives and Business Practices

Patagonia has implemented substantial measures to decrease its effect on the environment. The company pioneered fleece production from plastic bottle recycling in 1993 which barred numerous bottles from being discarded in landfills. In 1996 Patagonia made a shift to organic cotton which saved major water resources and lowered pesticide requirements. Better supply chain management was achieved by Patagonia when it cut back its production facilities to inspect every facility to meet its demanding environmental criteria.

Patagonia motivates users to sustain the useful lifetime of their acquired products. Customers participating in the Worn Wear program can either send used Patagonia products to recycling plants or sell them online thus supporting a circular economic system. The company conducts educational initiatives including Our Common Waters and The Responsible Economy which teach people about environmental problems alongside consumer responsibility.

Financial and Business Benefits of Sustainability

Patagonia proves sustainable business actions bring both ethical and monetary value to operations. The company reduced waste and expense substantially through its elimination of surplus packaging. The diminished supply chain complexity produced enhanced operational communication and fewer mistakes and increased operational effectiveness.

Customer loyalty for Patagonia has grown stronger because of their dedication to sustainability. During the 2008 financial crisis environmentally responsible companies such as Patagonia together with other brands experienced unprecedented sales success due to consumer support for trusted brands.

Patagonia's achievements demonstrate sustainable business excellence when organizations integrate social accountability with economic planning thus earning lasting profitability along with efficiency together with customer loyalty.

Challenges to Sustainable Business Highlighted by Patagonia's Criticism

While Patagonia is celebrated for environmental leadership the company has encountered substantial criticism that demonstrates major business obstacles when implementing sustainable practices. Sustainability creates an irresolvable opposition to business expansion according to shareholder theorists and economic systems that privilege monetary gain over environmental stewardship.

Patagonia faces opposition because of its conflicting priorities between corporate growth through markets and environmental conservation work.

The main criticism of Patagonia includes how it operates as a profit-first enterprise even though it maintains environmental commitments and relies on customer-driven business model. Although Patagonia actively promotes sustainability it sells more of its non-technical fashion products rather than performance-oriented eco-friendly products. The "Don't Buy This Jacket" Black Friday campaign generated a storm of controversy when its environmental purpose met commercial success which increased sales to $158 million. Patagonia along with numerous commercial enterprises is charged by its critics with using sustainability as promotional material but without any genuine dedication to diminish product purchasing.

The general doubt about sustainability under capitalism exists because the system centers around maximizing profits while using resources. Patagonia experienced a 100% cost raise following their transition to organic cotton but the short-term oriented financial markets failed to support their long-term environmental investments. The fear that such expenses will damage profitability prevents numerous businesses from bearing these expenses. The failure to include external factors particularly pollution into conventional economic models creates barriers for business entities to incorporate environmental expenses into their product pricing structures.

Challenges in Sustainable Production and Consumer Awareness

The company faces criticism because some of its items still contain hazardous chemicals known as perfluorinated compounds (PFCs). PFCs exist in products because these chemicals give the products durable waterproof capabilities but they cause known environmental damage and health problems. The issue reveals a systemic challenge for sustainable alternatives since they cannot scale up effectively yet because of technological and financial restraints that need continuing research and development.

Sustainable development faces additional challenges because of how customers behave. People make the choice to buy things that fit their budget rather than worry about environmental consequences so they keep using and discarding their possessions at progressively higher rates. Customers of Patagonia did not change their buying behavior even after the company informed them about non-recycled materials in their products. The lack of sustainable motivation during purchasing decisions means companies face limited pressure to choose environmentally-friendly alternatives.

Complexities of Global Supply Chains

Sustainable operations become harder to achieve because of the worldwide nature of business operations. One organic cotton polo shirt made by Patagonia requires 2,700 liters of water to create while producing waste equal to its weight multiple times. The numerous countries within apparel supply chains create difficulties in environmental tracking because these supply chains work across different regulatory systems and enforcement levels. The Footprint Chronicles from Patagonia allows limited visualization of the complete environmental expenses involved with its products.

Sustainability operates as a vital yet unusual and exceptional aspect of our current environment. The absence of environmental responsibility by numerous businesses leads to an irregular market where sustainable companies must pay more while their competitors remain free from these priorities.

Efforts to Overcome Sustainability Barriers

Once obstacles become apparent Patagonia along with other industry leaders takes steps toward developing solutions.

The Sustainable Apparel Coalition enables Patagonia to work with them on developing the Higg Index which measures environmental effects throughout the apparel production chain. The initiative works to make ecological costs a common element in product pricing so sustainable businesses can compete on equal ground.

Through activities such as Footprint Chronicles and the Common Threads Partnership the company teaches both consumers and corporate audiences about responsible consumption to extend product lifecycles. The company aims to establish environmental impact ratings that will help consumers choose products wisely.

The company works together with Bluesign to establish firm environmental standards for its supplier network worldwide. Through their campaign for broad acceptance Patagonia aims to establish constant sustainability practices throughout worldwide supply networks.

Patagonia joins forces with multiple industry groups to wield influence through its membership in the Outdoor Industry Association Working Group and Conservation Alliance that push environmental conservation throughout the corporate sector.

Conclusion

The progress Patagonia has made toward sustainability demonstrates business obstacles that exist across the entire business sector. Few companies manage sustainable practices at scale since markets pursue profit first while consumers behave poorly and supply chains are intricate along with missing environmental responsibility regulation systems. Patagonia together with other visionary companies use innovation along with collaboration and educational efforts to develop sustainable business models which drive progress toward an environmentally responsible future.

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