Sustainable Entrepreneurship Research Platform Info Sheet

Adoption of practices: a perspective from institutional theory

Adopting sustainable practices

Why change?

Generally speaking, we don't like to change. People resist change because it brings a lot of uncertainty … and we like certainty. Nevertheless, our environment changes and along with that we, as individuals or as firms, have to adapt.

In the spring of 2014, several students at the University of Amsterdam, Amsterdam Business School studied why and how firms adopted sustainable practices. They looked at this from a particular theoretical perspective: institutional isomorphism. This theory suggests that firms (or individuals) seek legitimacy and credibility from peers and in doing so they will become more alike. Isomorphism is basically a process of becoming the same, which seems rather ironic for businesses since they strive to create unique competitive differences. But look around you, how different is Pepsico from Coca Cola, or Unilever from Procter & Gamble?

Driving this process are three isomorphic pressures: coercive, normative and mimetic (see Figure 1). Examples of coercive pressures include government regulations, laws, referred to as 'formal' rules. But coercive pressures can also be informal, as when consumers or activists band together and create pressure for change. Normative pressures stem from the industry trade, from associations and education institutions. Professionals abide to an industry 'code of practice' (e.g. certifications) or professionals are educated to follow certain practices. It's the 'way things are done' and normative pressures are 'informal or formal rules'. As a professional, you just know it. Lastly mimetic pressures come from the desire to keep up with your peers. It's a bit of 'copy cat' behavior, but mimetic isomorphism shows what is common practice in the industry. It's mostly recognized in following best practices.

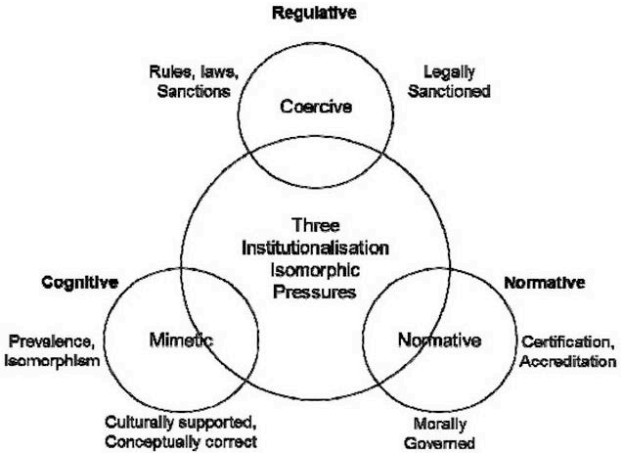

Figure 1. Institutional isomorphic pressures

How do these pressures emerge in apparel and fashion?

It is easy to recognize these forces (or pressures) in the apparel, footwear and textile industries. In regards to sustainability and CSR, brands are confronted with coercive pressures from different stakeholder groups. Think about Greenpeace's Detox campaign, Clean Clothes Campaign or just general consumer groups advocating better working conditions in textile manufacturing. But brands can also exert coercive pressure on their suppliers, especially the larger multinationals brands. The Bangladesh Accord for Building and Fire Safety is an example of how brands can work together to exert coercive pressure on suppliers and even government agencies to affect change.

Normative pressure stems from professionalization and is easily recognizable if certain norms have been part of professional training. As sustainable practices and triple bottom line thinking become part of educational curricula or even in-house training, norms and practices guiding sustainability increases. The proliferation of multi-stakeholder initiatives and the need to join these initiatives is one example of the way normative pressure is evolving.

Lastly, mimetic pressure is also present and can be seen as adopting 'best practices'. Mimetic pressure is most apparent when a firm must adopt a certain behavior or practice because otherwise they might be 'left behind' or experience negative effects, like publicity, for not adopting the behavior. This pressure is ever so present in the apparel industry, and really any industry, as no brand would want to be 'left behind' others and perceived as unsustainable.

With this theory in mind, several UvA master students investigated questions of adopting sustainable practices:

- How do isomorphic pressures affect small brands/firms and the adoption of sustainable practices?
- How do multinational firms/brands (e.g. fast fashion, luxury brands) respond to coercive pressures (from NGOs in particular)?
- How do multinational large firms/brands influence suppliers' adoption of sustainable practices?

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Sustainability challenges in the fashion/apparel value chain

In the last several decades, the outsourcing and offshoring of manufacturing in the apparel and textile industries has become commonplace and as such the fashion/apparel supply chain has become increasingly complex and lacks transparency. It is not uncommon for small firms to manage between 30 and 50 suppliers. The firms/brands may know their main supplier but they don't know who their sub-contracted suppliers are, and worse yet, they have very little control over suppliers and sub-contracted suppliers. That's logical, because as a customer, you can't 'run' your suppliers' businesses. You don't have the authority and, perhaps more importantly, you probably don't have the resources!

So, what exactly are the supply chain challenges in the fashion/apparel industry?

We take each pillar of the Triple Bottom Line (TBL) and look briefly at the challenges.

Social impact
Social impact and issues are perhaps the most visible to consumers. These issues came to light in the mid-90s when Nike was associated with factories in Pakistan that employed child labor. And unfortunately, 20 years on, they are still very prevalent. The 2014 tragedy in Bangladesh of the collapsed building, Rana Plaza, caught the world's attention again. A quick look at the Clean Clothes Campaign list of cases shows that there are still many problems in working conditions.

The International Labor Organization issued a declaration of basic human working rights, that roughly states the:

- Right to equal pay, referred to as fair living wage as well
- Right to collective bargaining and the freedom of association
- Right to fair, non-discriminatory labor practices
- Right to be free from forced, compulsory labor practices

In many countries, these basic human rights are still violated and non-government organizations such as Clean Clothes Campaign, Fair Labor Association, Ethical Trading Initiative and Fair Wear Foundation work with brands to disclose, address and improve the social impact of apparel production.

Ecological impact
Ecological impact has been less visible than social impact, to consumers as well as those employed and working in the apparel industry. Apparel production starts with textiles and the resources and raw materials used in textile production have a huge ecological footprint. Think about the water, energy and chemicals needed to grow and process cotton or the oil, energy and chemicals needed to produce man-made polyester fibers. Polyester production produces the highest carbon dioxide emissions whereas cotton requires the greatest area and use of land for cultivation. And this is just the raw material, it still goes through wet processing, which requires more water and chemicals, for dyeing, washing, printing and finishing.

In 2011 Greenpeace launched the Detox Campaign. They investigated the wastewater of two factories and identified the hazardous chemicals used in production and tied these back to brand manufacturers. In their 2011 Dirty Laundry report, they state:

> *"Hazardous, persistent and hormone-disrupting chemicals continue to be used and released, contaminating our waterways and threatening our livelihoods and our future."*

Greenpeace identified 11 hazardous chemicals that needed to be immediately phased out. They openly campaigned and asked these brands to commit to the Detox program and to 'zero discharge of hazardous chemicals'. The big brands today may worry about being the next Greenpeace target. Committing to the detox campaign means a level of transparency that brands may not be open to or capable of. But hiding your head in the sand is not going to help either. Greenpeace sees brand managers as the place to start to affect change.

> *"Normally, it is the brand owner that triggers the product development process, including research and design. Brand owners are therefore the best placed to bring about change in the production of textiles and clothing - through their choices of suppliers, the design of their products and the control they can exert over the use of chemicals in the production process and the final product."*

Big brands are often the focus of campaigns because they have the largest volume and impact. But that doesn't mean that others can just sit by and watch. Everyone in the industry has to act.

Economic impact
Economic impact is perhaps the most elusive pillar in the TBL. It has no visibility, or perhaps a negative visibility if seen through the eyes of environmental or social activists, who may target shareholders or company owners as being greedy stakeholders. But the TBL advocates a balance between all stakeholders and economic sustainability of a firm is as important as the other two pillars. After all, stakeholders in the ecosystem do not have any benefit if the firm fails to manage costs, to grow or goes bankrupt.

This means that you, as brand manager, product manager, production manager, designer, you have important decisions to make to balance the TBL. And the nature of balance means that trade offs are made, if not then you're heavily weighted in one of the pillars, or unbalanced.

How do you balance the TBL?
Becoming aware is the first step. Gain insight into your own sustainability decision making and that of your firm. Take the 'Are you a sustainability hero survey' on the our site. You might be the change agent for your company.