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CSR PRACTICE IN THE CLOTHING INDUSTRY. THE EXPERIENCE OF H&M AND ZARA

Introduction

In today's world the expectations of consumers toward corporations are constantly growing. The Friedman doctrine, stating that the only social obligation of a business is to increase its profits¹, no longer attracts as many proponents as it used to attract in the past. More customers than ever seek brands that support greener, more sustainable lifestyle². As a result, the concept of corporate social responsibility (CSR) has been gaining considerable attention in recent years. Involvement of enterprises in CSR activities not only pleases the customers and positively impacts various aspects of a company's performance, but it can also positively affect the future of societies³. Some industries are more pressured by the public to engage in CSR than others. One of such industries is the clothing industry⁴. Recently put under scrutiny by the public *inter alia* for exploiting cheap labour force, the clothing industry is undergoing a major change, trying to become more environmentally conscious⁵.

The purpose of this paper is to explore the engagement of clothing industry in corporate social responsibility through the practice of two major international clothing brands: H&M and Zara. The principal technique of inquiry is a content analysis – the article draws on existing research on the topics of CSR and the clothing industry, as well as the CSR reports of the aforementioned clothing brands. The objectives of the article are to analyse what challenges brands operat-

¹ M. Friedman, *The Social Responsibility of a Business is to Increase its Profits*, "The New York Times Magazine", 1970.

² S. Eryuruk, *Greening of the textile and clothing industry*, "Fibres and Textiles in Eastern Europe", 2012, vol. 95.

³ E. Krajinakova, V. Navickas, R. Kontautiene, *Effect of macroeconomic business environment on the development of corporate social responsibility in Baltic Countries and Slovakia*, "Oeconomia Copernicana", 2018, vol. 9, no. 3.

⁴ A. Sudolska, M. Drabkowska-Skarba, J. Łapińska, G. Kądziałowski, R. Dziuba, *Exploring Corporate Social Responsibility Practices in the Clothing Industry: The Case of Polish and British Companies*, "Fibres and Textiles in Eastern Europe", 2020.

⁵ Ibidem.

ing in the clothing industry currently face and what some of the most popular CSR initiatives are.

1. The quintessence of corporate social responsibility

Definitions of CSR

Corporate social responsibility is a widely popular concept, and various definitions were proposed in order to try to describe it⁶. According to P. Frankental, corporate social responsibility is difficult to clearly define, because it is a constantly evolving concept, originating as early as in the Victorian era, when companies were trying to consolidate their relationship with the neighbouring communities through various philanthropic endeavours⁷. An example of this can be found in Britain, where in the aftermath of the Industrial Revolution prominent business leaders started building factory towns, aimed at providing workers and their families with affordable housing and other amenities (Bourneville – founded by G. Cadbury in 1879, Port Sunlight – founded by W. Lever in 1888)⁸.

One of the most popular current definitions of CSR was proposed by the European Commission (EC). The EC defines corporate social responsibility as “the responsibility of enterprises for their impact on society”⁹. Companies can engage in CSR either by “integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations” or by “following the law”¹⁰.

T.M. Jones proposes a slightly different explanation, describing corporate social responsibility as a notion that “corporation have an obligation to constituent groups in society other than stock-holders and beyond that prescribed by law or union contract”¹¹. Therefore, the decision of a company to be socially responsible should be a voluntary one, not enforced by the government, or a union. A company should feel duty not only to its stockholders, but also to various societal groups, such as the company’s employees, suppliers, customers, as well as the

⁶ A. McWilliams, D.S. Siegel, P.M. Wright, *Corporate social responsibility: Strategic implications*, “Journal of Management Studies”, 2006.

⁷ P. Frankental, *Corporate social responsibility – a PR invention?*, “Corporate Communications: An International Journal”, 2001, vol. 6, no. 1, s. 18–23.

⁸ N.C. Smith, *Corporate Social Responsibility: Whether or How?*, “California Management Review”, 2003, vol. 45, no. 4.

⁹ European Commission website, https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en [access: 02.01.2021].

¹⁰ Ibidem.

¹¹ T.M. Jones, *Corporate Social Responsibility Revisited, Redefined*, “California Management Review”, 1980, vol. 22, no. 3.

neighbouring communities¹². A. McWilliams and D. Siegel similarly define CSR as “actions that appear to further some social good, beyond the interest of the firm and that which is required by law”, therefore “a company that avoids discriminating against women and minorities is not engaging in a socially responsible act; it is merely abiding by the law”¹³.

Different approaches to CSR

A company can take various approaches to implementing CSR within its business activities. One of the most popular distinctions in the literature is the one between the instrumental corporate responsibility and the strategic one. Strategic approach entails perceiving CSR not just as a “minimal commitment” or an “add-on” but rather as an integral part of business activity – “a strategic necessity”, deeply embedded within the firm’s values¹⁴. On the other hand, the instrumental approach is based solely on benefits – companies engage in CSR initiatives only because it provides them with certain profits¹⁵.

E. Garriga and D. Melé divide the main CSR theories and different approaches related to them into 4 main groups: instrumental, political, integrative and ethical theories¹⁶. In the instrumental theories CSR is perceived as a mere strategic tool that is used to achieve economic objectives and create wealth for a company. Corporate decision-making is therefore based on shareholder value maximization and CSR initiatives are used as a mere instrument of profit. The second group - political theories include political considerations in the debate on CSR. It is undeniable that corporations have a significant power within a society and a political arena, thus they should exercise this power in a responsible manner. The integrative theories state that businesses should take into consideration social demands and integrate them, so that it operates in respect of social values. The last group – ethical theories, focus on the ethical responsibilities that corporations have towards society¹⁷.

¹² Ibidem.

¹³ A. McWilliams, D. Siegel, *Corporate social responsibility: A theory of the firm perspective*, “Academy of Management Review”, 2001.

¹⁴ W.B. Werther, D. Chandler, *Strategic corporate social responsibility as global brand insurance*, “Business Horizons”, 2005, vol. 48, no. 4.

¹⁵ E. Nybakk, R. Panwar, Understanding instrumental motivations for social responsibility engagement in a micro-firm context, “Business Ethics: A European Review”, 2015, vol. 24, no.1.

¹⁶ E. Garriga, D. Melé, *Corporate social responsibility theories: Mapping the territory*, “The Journal of Business Ethics”, 2004, vol. 53, no. 1-2.

¹⁷ Ibidem.

The clothing industry and its current challenges

The clothing industry is an important component of the world trade. According to the World Trade Organization in 2019 the global clothing exports were equal to over 493 bn USD. In 2019 China remained the global leader, with an estimate turnover of 152 bn USD in clothing export¹⁸. Some of the other major exporters of clothing included Bangladesh, Vietnam, India and Turkey. The clothing industry also plays a major role for the European Union. The sector employs more than 1.7 million people and generates an approximate turnover of 166 bn EUR¹⁹. Since the 1970s the clothing industry has undergone significant restructuring. Thanks to the opening of markets to imports and significant reduction in trade quotas and tariffs, the supply chains of the clothing industry have become highly globalized²⁰. Manufacturing clothing is a highly labour-intensive process and thus it is nowadays mostly transferred to developing countries, where the workforce is significantly cheaper²¹.

The clothing industry currently faces various challenges, the most recent of them being the ongoing COVID-19 pandemic. Since clothing articles are of non-essential nature, many customers significantly limited their clothing purchases while in lockdown – the global demand for clothing decreased by 37% in April 2020, in year-on-year terms²². The clothing industry also had to face supply chain disruptions, halted production in many countries, and a reduction in service frequency of maritime transport²³. Other than the pandemic, there is considerable pressure of the customers, media and communities for the entire clothing industry to undergo major changes – decrease their environmental impact, produce greener, more sustainable articles of clothing and improve the working conditions of their employees²⁴. This, however, is not always easy to implement. Since the production process is often transferred to developing countries, the compa-

¹⁸ WTO Data website, <https://data.wto.org> [access: 04.01.2021].

¹⁹ European Commission website, https://ec.europa.eu/growth/sectors/fashion/textiles-clothing_en [access: 04.01.2021].

²⁰ E. Diviney, S. Lillywhite, *Ethical threads: corporate social responsibility in the Australian garment industry*, "Brotherhood of St Laurence", Melbourne 2007.

²¹ K. McNamara, *The global textile and garments industry: the role of information and communication technologies (ICTs) in exploiting the value chain*, "Enlightenment Economics", 2008, s. 9–12.

²² UNCTAD website, *Textile and garment supply chains in times of COVID-19: challenges for developing countries*, <https://unctad.org/news/textile-and-garment-supply-chains-times-covid-19-challenges-developing-countries> [access: 10.01.2021].

²³ Ibidem.

²⁴ A. Sudolska, M. Drabkowska-Skarba, J. Łapińska, G. Kądziaławski, R. Dziuba, *Exploring Corporate Social Responsibility Practices...*

nies are not always able to fully control their supply chain. That is why the clothing industry is especially sensitive to CSR aspects²⁵.

2 Hennes and Mauritz AB (H&M)

H&M is a global fashion brand with 4,429 stores all around the world, offering affordable wardrobe essentials, accessories, fashion pieces and workout wear²⁶. The company was established in 1947 in Västerås, Sweden, when E. Persson opened his first womenswear store. In 1947 Hennes & Mauritz was listed on the Stockholm Stock Exchange, which quickly led to a global expansion of the company now known as H&M²⁷. H&M Group includes nine brands: H&M, COS, Weekday, Monki, H&M Home, & Other Stories, ARKET Afound and Sellpy.

H&M is considered to be one of the most sustainable fashion companies in the world. The company was ranked 27th in 2020 Global 100 ranking (an index of the world's most sustainable corporations), which placed it as the second most sustainable apparel company in the world²⁸. According to their 2019 sustainability report H&M Group was also included in the CDP's 2019 A List (companies that are considered to be pioneers for action on climate change), Dow Jones 2019 Sustainability World Index (with the highest score in the industry), Fashion Transparency Index (where it scored 73% - the highest score of all companies), Walking the Talk Report (which analyses the sustainability communications and actions), FTSE4Good Index, Platform Living Wage, and several others²⁹.

H&M's vision is to "lead the change towards circular and climate positive fashion while being a fair and equal company"³⁰ and sustainability is a core value for the company. H&M Group is trying to lead the change in the global clothing industry in 3 major areas: innovation (identifying new solutions to social and environmental challenges), transparency (being open about the remaining challenges and disclosing product information to customers) and rewarding sustainable actions (as to incentivize more sustainable behaviours)³¹. In 2019 H&M among many different CSR initiatives achieved 57% recycled or other sustainably sourced materials, collected over 29,005 tonnes of used garments, reached 97% of

²⁵ M. Szewczyk, Corporate Social Responsibility in the Textile and Apparel Industry: Barriers and Challenges, "Journal of Corporate Responsibility and Leadership", 2016, vol. 3, no. 4.

²⁶ H&M group website, <https://hmgroup-prd-app.azurewebsites.net/brands/hm/> [access: 10.01.2021].

²⁷ H&M group website, Group History, <https://hmgroup.com/about-us/history/> [access: 10.01.2021].

²⁸ Corporate Knights website, 2020 Global 100 Report, <https://www.corporateknights.com/reports/2020-global-100/2020-global-100-ranking-15795648/> [access: 12.01.2021].

²⁹ H&M Group Sustainability Performance Report 2019, <https://hmgroup.com/wp-content/uploads/2020/10/HM-Group-Sustainability-Performance-Report-2019.pdf>, s. 8 [access: 12.01.2021].

³⁰ *Ibidem*, s. 11.

³¹ *Ibidem*, s. 17.

recycled or other sustainably sourced cotton and launched new sustainable materials, such as flexible foam partly made from algae biomass, fibre made from citrus peel and fibre made of pineapple leaf. H&M makes sure that its CSR values are respected throughout the whole supply chain, generating savings for the company and saving the planet at the same time³².

One of the highlights of H&M's 2019 sustainability report includes the brand's approach towards the lifecycle of garments. H&M claims that their ambition is to become "a fully circular business" within the entire value chain³³. In the past the lifecycle of clothing items was linear – clothes were produced, bought, used and then discarded. H&M is working on prolonging the life of products, so that instead of being thrown away, they are repaired, refurbished, reused or recycled into brand new items. In order to achieve this goal H&M has undertaken several initiatives, such as designing more durable products, using the "Clever-care label", which encourages washing in lower temperatures and hang drying clothes, or launching the "Take Care" program, which offers tips on taking better care of clothes and free sewing services in selected locations³⁴.

3. Zara

Zara is one of the largest international fashion companies in the world. It belongs to Inditex group, which in total includes 8 different brands – Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. The company was founded in 1963 in Spain, at the beginning producing dresses and quilt dressing gowns for distribution. In 1975 the first Zara store was opened, which quickly led to an expansion across Spain and the whole world. As of today, Inditex group owns 7,000 stores in 96 markets, 2,208 of them being Zara stores. Zara's core values include four key elements: beauty, clarity, functionality and sustainability³⁵.

Inditex doesn't publish dedicated CSR reports, instead, their annual reports underline some of the group's biggest achievements in sustainability and social responsibility areas. The group is widely acknowledged for its sustainability efforts. In 2019 Inditex was cited among the leading companies in sustainability and workers' rights in the supply chain, according to The Ethical Fashion Report by Baptiste World Aid Australia. The Dow Jones Sustainability Index listed Inditex as one of the most sustainable retail companies. In August 2019 Inditex

³² P. Książak, *The CSR Challenges in the Clothing Industry*, "Journal of Corporate Responsibility and Leadership", 2017, vol. 3.

³³ H&M Group Sustainability Performance Report 2019..., s. 37.

³⁴ Ibidem, s. 49.

³⁵ Inditex website, *About us*, <https://www.inditex.com/about-us/our-story> [access: 04.02.2021].

signed the Fashion Pact to “combat climate change and the protection of oceans and biodiversity”³⁶. Moreover, in the 2020 Fashion Transparency Index Zara scored 43%, which makes it one of the more transparent companies (the average score equalled 23%)³⁷.

Inditex states that their aim is to “create value through the design of beautiful, ethically-produced, high-quality, trend-driven fashion products”, while simultaneously maximizing the life cycle of every product³⁸. The Inditex group is also committed to achieving eco-efficiency in its offices, logistics platforms, transport and distribution operations, stores and websites, through reducing the greenhouse gas emissions and lowering the energy consumption. People lie at the heart of Inditex’s day-to-day operations, growth and transformation³⁹. The company strives at creating value for all the parties it influences - the shareholders, customers, employees, suppliers, community and the environment. Zara’s top priorities include bringing attractive and responsible fashion, and at the same time improving the customer's experience⁴⁰.

In a similar fashion to H&M Group, Inditex is committed to creation of more sustainable clothing items. The clothing group uses the Join Life label to distinguish garments that were made with sustainable raw materials, using production processes that are most respectful of the environment. Through the Join Life label the company tries to limit its environmental impact, boost the level of demand for sustainable clothing and allow easier traceability⁴¹. What is more, in 2019 Zara in collaboration with the NGO Water.org launched a fashion collection called Join Life Care for Water, which included garments produced with a help of technologies that significantly reduce water usage in production processes. Another example of sustainable collection is Denim for Denim, which consisted of denim garments made out of recycled materials⁴².

Conclusions

To conclude, the clothing industry currently faces many challenges, such as the changing expectations of the customers, the pressure to become more environmentally conscious and the uncertainty of the future, due to the COVID-19

³⁶ Inditex Annual Report 2019, https://static.inditex.com/annual_report_2019/pdfs/en/memoria/2019-Inditex-Annual-Report.pdf [access: 09.02.2021].

³⁷ Fashion Transparency Index, https://issuu.com/fashionrevolution/docs/fr_fashiontransparency_index2020?fr=sNmI5NzYxMDk0OA [access: 09.02.2021].

³⁸ Inditex Annual Report 2019..., s. 40 [access: 09.02.2021].

³⁹ Ibidem.

⁴⁰ Inditex website, *Zara*, <https://www.inditex.com/about-us/our-brands/zara> [access: 04.02.2021].

⁴¹ Inditex Annual Report 2019..., s. 83 [access: 09.02.2021].

⁴² Ibidem, s. 19.

pandemic. All of those factors contribute to the growing significance of corporate social responsibility. Both H&M and Zara engage in various CSR activities – they strive to shift their production toward recycled and more sustainable materials and maximize the lifecycle of the clothing products. It is difficult to thoroughly compare the two companies, considering that their CSR reports vary in structure and outline different aspects of their business activity. However, among the two, H&M appears to be more engaged in CSR, treating sustainability as a core value and focusing its vision on leading the change in the global clothing industry toward more climate-positive fashion. H&M's approach to CSR seems to be more strategic. Contrastingly, Zara's approach to CSR appears to be more instrumental – the company engages in CSR but to a smaller extent, treating sustainability as more of an add-on. It is important to note that this study is fairly limited, due to its restricted length and the fact that it only compares the most recent CSR reports of the two companies. In the future it would be interesting to draw a comparison of CSR practices of H&M and Zara throughout the years.

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Summary

This article explores the engagement of the clothing industry in the corporate social responsibility activities. Two major international clothing brands are studied: H&M and Zara. The method of inquiry is content analysis – the article analyses the existing literature on the topics of CSR and the clothing industry, as well as the CSR reports of the chosen clothing brands. The first section focuses on corporate social responsibility – the concept is defined and different approaches toward CSR are presented. In the next section the clothing industry is characterized and current challenges for the industry are discussed. The following sections outline some of the most interesting CSR initiatives undertaken by two international clothing brands - H&M and Zara in year 2019. Finally, conclusions are drawn. Between the two companies, H&M seems to take a strategic approach to CSR, while Zara's approach to CSR appears to be more instrumental.

Keywords: clothing industry, corporate social responsibility (CSR), sustainable fashion, environment, business

DZIAŁANIA SPOŁECZNIE ODPOWIEDZIALNE W BRANŻY ODZIEŻOWEJ. DOŚWIADCZENIE PRZEDSIĘBIORSTW H&M I ZARA

Streszczenie

Artykuł podejmuje próbę analizy zaangażowania branży odzieżowej w działania odpowiedzialne społecznie. Dwie międzynarodowe firmy odzieżowe zostały poddane analizie: H&M i Zara. Zastosowana metoda badawcza to analiza treści – artykuł podejmuje próbę analizy literatury naukowej na temat społecznej odpowiedzialności biznesu i branży odzieżowej, oraz raportów CSR wybranych firm odzieżowych. Pierwsza sekcja opisuje koncept społecznej odpowiedzialności biznesu. W drugiej sekcji została scharakteryzowana branża odzieżowa oraz zostały opisane aktualne wyzwania dla branży. Dwa ostatnie rozdziały opisują wybrane społecznie odpowiedzialne działania firm H&M i Zara. Podsumowując, podejście firmy H&M do CSR wydaje się być strategiczne, podczas gdy działania CSR Zary wydają się być bardziej instrumentalne.

Słowa kluczowe: branża odzieżowa, społeczna odpowiedzialność biznesu (CSR), zrównoważona moda, środowisko, biznes