Environmental Accounting

Media, Activists and Hennes and Mauritz in a mixed-method perspective and implications for the fashion industry.

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A thesis submitted in partial fulfillment of the requirements of Lund University International Master’s Programme in Environmental Studies and Sustainability Science
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Abstract

Change towards a sustainable company is driven either by media or the company, the argument goes. It is though questionable, if companies as individual actors have an impact on the environment at all, or if they are too small in the global economy. Using the macro-economic gravity model, the size question can be answered positively, the companies do have an impact. Thus reasons why companies change are relevant. The driving forces are analysed using earlier works analysing H&M, constructivism in form of intercultural learning from each other as businesses, a look at current standards within the industry and respective criticism from non-state actors like Greenpeace. H&M as a leader in the industry is driven by all, its own management, media and non-state actors, as well as the limitations in time through gradual change and the oligopoly market. The Global Reporting Initiative, as a free standard, is hereby especially important.

Keywords: GRI, constructivism, drivers, standardisation, framework, cultural theory, change

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Chapter 1

Introduction

"Niemals ist eine Tatsache bis in ihre letzten Gründe ausschließlich oder "rein" wirtschaftlich, stets gibt es noch andere — und oft wichtiger — Seiten daran." (Schumpeter 1935)

1.1 Why we care

With its brand portfolio Hennes and Mauritz is one of the world’s largest fashion retailers. With current green campaigns and organic cotton initiatives this company tries to make a change of being more environmentally sustainable than before. It is questionable if a fast sale consumerism in itself is sustainable though. Considering small enterprises that are fully sustainable, the big retailers have a long road ahead towards a full integration of the concept recycle, reuse, reduce but they might have the greater impact by changing even little things due to terms of scale. Interesting questions arise from this. With the hypothesis in mind that larger business can make a large impact with even small changes it is the job of this analysis of what actually drives this shift of Hennes and Mauritz from a pure consumer oriented unsustainable company to a sustainable business, including an elaborate discussion about the term sustainability in a case application.

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1 "A case is never a composition of only economic parts, there are always other parts - usually the more important ones." (Schumpeter 1935, translated by the author)
1.2 Research Questions

1. (a) If environmentally sustainable, how is the system of non-governmental actors, companies and environmental standards working towards a change in the direction of becoming more environmentally sustainable,

(b) identifying drivers of this change, with H&M as an example?

2. Which implications can we draw to make the system more efficient to contribute positively to a reduced environmental impact?

1.3 Companies As Key Players

Looking at a macroeconomic problem - there are always two kind of players: small ones who do not make a change to the system but can be looked at as single state actors, and big players, those who do make change to the overall system. This theory founds on the macroeconomic gravity theory, saying that the simple size of a state GDP is a good approximation for its trade activity and thus its influence on global trade in general (Krugman & Obstfeld, 2009). Applying this bit of neo-economical, macro-economical wisdom to todays companies in a globalised world the following can be said: Small companies will probably not create change or have a strong direct influence on the world market, though large enough companies, especially when dominating a market segment, can have an impact on policies and regulations, as well as prices in that market segment. Of additional importance is also the result of this market power, better described in economic market theory, looking at possible constellations in the market that may result in monopoly-markets or oligopoly-markets (Varian & Repcheck, 2010; Stigler, 1964).

Environmental challenges of today are present to a lot of us and companies have gained a lot of influence as players within the globalised world (Mathews, 1997). In recent years, country specific regulations and CSR, such as the UN Global Compact have been in the focus of researchers, policymakers and managers alike (Williams, 2007; United Nations, 2013; Kell, 2003), though it has not been looked at the fact that large companies can indeed change the world market prices of a commodity. This assumption directly implies that parts of the macroeconomic theory can be applied to global acting companies beyond a special size, relating directly to the aforementioned economic market-theory and stressing its need for this thesis.
The responsibility of companies towards the earth would then, as a result from the just mentioned shift of power, ultimately be equal to the responsibility that countries carry today already. The UN global compact (United Nations, 2013) for example is thus a simply symptom of already existing realities in terms of taking up the responsibility, executing the shift of power towards a shift of responsibility (Williams, 2007). Companies in conclusion need to realise that power comes with responsibility, social and environmentally alike. Within countries the environmental accounting is usually standardised. Often enough though these standards differ from country to country and make them not comparable; difficulties arising from this are non-comparability, as discussed by Bernard (1987) for the case of industries. Thus there is a need for comparability in the sustainability accounting field - and the responsibility to implement these lies at the company level.

As Schumacher already noticed in the 1970s, the businesses of today treat natural resources not as a stock but rather as an unlimited resource (Schumacher & McKibben, 2010). Further observations of this kind were made by Rockström et al. (2009). Similarities include the idea of limited resources and that these are not to be seen as endless resources, but that they have boundaries and limits and thus are stocks. Rockström et al. (2009) conclude furthermore that the planetary boundaries have been stretched and over stepped already, resulting in non-favourable situations for the planet - a business in metaphor would need to declare bankruptcy. Stopping the arguments here, it should be enough motivation to call for sustainable business from a natural science point of view, as well as from a business point of view, bankruptcy is not an option, neither for businesses, nor the planet.

1.4 The Focus on H&M

The fashion industry is characterised through clustering and informal networks (Rantisi, 2004; Wenting, 2008). In addition to closed networks and clustering, the fashion industry is characterised by products who are sold in one country, but produced in number of others due to beneficial cost structures and reduced environmental responsibility in the countries of production (Chichilnisky, 1994). Most of the time the responsibility is pushed to the countries of origin and the companies present there, respectively; thus avoiding responsibility in the fashion companies counties of sale (Masson, Iosif, MacKerron, & Fernie, 2007).

In economics there is made a destination between different forms of capital: A stock of capital in a company is the money initially invested into the company by the owners or stockholders respectively. Special rules apply to this type of capital, as it cannot be taken out of the company once installed but is there to keep the business running, e.g. to initially buy machines, rent office spaces for the start-up phase etc.
Table 1.1 – List of fashion retailers with above 10 billion USD sales p.a.; 2014 data, source: Fast Retailing Co. (2014b).

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Sales in billion USD</th>
<th>Growth p.a. in per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inditex</td>
<td>Spain</td>
<td>22.92</td>
<td>+4.9</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>Sweden</td>
<td>19.73</td>
<td>+6.4</td>
</tr>
<tr>
<td>Gap</td>
<td>USA</td>
<td>16.14</td>
<td>+3.2</td>
</tr>
<tr>
<td>Uniqlo</td>
<td>Japan</td>
<td>11.21</td>
<td>+ 23.1</td>
</tr>
<tr>
<td>Limited Brands</td>
<td>USA</td>
<td>10.77</td>
<td>+3.0</td>
</tr>
</tbody>
</table>

Thus the products in the fashion industry are truly global and have debatable standards of production - power and values seem to play a role (Masson et al., 2007).

H&M as one of the large representatives of the fashion industry, by sales and revenue, is chosen in this thesis for its leading position within the industry (Greenpeace, 2014a) and for its accessibility in terms of data and interviews in close geographical proximity to the home institution of the author. In addition to the aforementioned is H&M a major lobbyist in the retail market in Europe, among larger Inditex of Spain and much smaller C&A of the Netherlands (European Retail Round Table, 2014; Fast Retailing Co., 2014b). The only other large player on the market is USA based GAP, as can be seen from table 1.1 (Fast Retailing Co., 2014b). Choosing one of these large companies can thus work as an exemplified case of the industry. This fact thus suggests to apply oligopoly theory in the later part of the theory. Making a selection of these companies and given the proximity of H&M, the choice for H&M is reasonable.

The rise of the industrial age came from the textile industry, an industry always at the forefront of discovering new terrain (Jeremy, 1981). Highlighting that the textile industry is considered a first mover into new markets (Jeremy, 1981), it seems reasonable to expect the industry to also be an industry considered to be a first mover into the sustainable business model. By looking at the solutions found within the industry will thus tell us what others may copy in the future. It may also tell us about what challenges are ahead and which ways around have failed to succeed and which of the ways let to success. Observing these closed networks and clusters will thus shed light on useful implementations of sustainability measures in businesses in general.

H&M is currently using the Global Reporting Initiative (GRI) 3.1 B framework to assess its global impact on the environment (see Sustainability Reporting Guidelines 3.1 (2011) and table 2.2). The GRI standard is considered at the forefront of sustainability reporting.
Early on the importance of the standard was highlighted: "The authors argue that its trajectory reflects the power relations between members of the field, their strategic choices and compromises, their ability to mobilise alliances and resources, and constraints imposed by the broader institutions of financial and capital markets." (Levy, Brown, & de Jong 2010). The earlier critique by Brown, Lessidrenska, and de Jong (2009) has been met and the discussion demanded, to revise parts of the early standards and to include more academically founded and business practise suitable regulations took place, including governance remarks, where necessary (Thurm 2013).

Summarising the above, the case of H&M is chosen for the companies size and thus importance in the market and for its use of the most advanced reporting guidelines in terms of sustainability, plus for its accessibility. The next chapter will go deeper in the discussion just touched upon and illustrate the current state of the art research.
Chapter 2

Theory and History of Sustainable Industry, Media and H&M

This chapter focuses on the existing theories and lays out a conceptual framework for the analysis in chapter 4. Section 2.1 will give an introduction into the the fuel of industry and sustainability, focusing on its origins and current discussions in the field from an academic perspective. Section 2.2 will look at different types of academic discourses when it comes to the actual application of sustainability in a business, but also its external effects. The following section will then discuss the current sustainability discourse, shedding light on weak and strong sustainability. Section 2.5.4 will look at H&M’s sustainability strategy, as well as the respective reporting standards that are used by H&M. Thereafter a discussion with a short introduction on other reporting standards will follow - the section is meant to complete the picture. In section 2.6 an introduction of Greenpeace’s engagement will follow. Last but not least will be made a look at the role media plays in H&M’s sustainability engagement, especially focusing on recent research by Ählström (2010).

2.1 Industry and Sustainability

Businesses and consumers, supply and demand, input and output are common among discussions of economists. These models, mostly neoclassical, explain a lot of our planets

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1 External effects are here defined in an economic theory way, as discussed by Pigou (1924) and later criticised and refined by Coase (1960).
flows of goods (Sandelin, Trautwein, & Wundrak, 2008). These theories do not include a single line about sustainability.

Munksgaard, Wier, Lenzen, and Dey (2005) go a step further and discuss the importance of input-output analysis to see pressures on the environment, caused by consumption. The authors highlight that the sources of the environmental pressures need to be found to tackle them, the sources, accordingly. An impact analysis of this consumption has been conducted by Nijdam, Wilting, Goedkoop, and Madsen (2005). Continuing this thought, Munasinghe (2010) elaborates on the importance of decoupling is meant to make the goal of a sustainable business and consumer world reality. He stresses furthermore that consumers and companies are behaving more advanced when it comes to sustainability than states and policy makers. The relations between consumers and producers may not just be of economic nature but also consist of cultural elements, may be determined by values and last but not least by power structures (Lebel, 2005).

This complexity of relations between sustainability, environment, consumers and producers makes it not easier to analyse the presented case (see chapter 1.4): theories of power, and size respectively, need to be addressed, as well as theories of culture and values, environment and epistemology.

As potential solution, Corporate Social Responsibility (CSR) has been advocated for during many years, but the problem for companies is usually that suggestions regarding responsible social behaviour are not concrete and relevant enough for the business world, but are usually too abstract formulated (Bergkamp, 2002). In addition to that are governments lacking behind when it comes to formulating social responsibility into law (Bergkamp, 2002). This lack creates thus a bottom line and does not give the industry incentives for fast implementation nor for innovation of advanced management concepts in the CSR management sector. Thus the concept of CSR is not useful to companies at this point in terms of management and strategic implementation and merely serves the purpose of marketing. As Bergkamp (2002) argues, the concept of sustainability is much better for companies to utilise than CSR due to the fact that frameworks exist, that reporting guidelines have been developed and standardisation is on its way forward, i.e the open accessible Global Reporting Initiative (GRI) (Brown et al., 2009).

\(^{2}\)With decoupling, the author refers to the disruption of the correlation between monetary growth and material growth as discussed by Cleveland and Ruth (1998) and respectively highlighted in the discourse of ecological modernisation by Mol and Sonnenfeld (2000).
2.2 Sustainable Business in Action

In prior discussions I have highlighted different industries such as the fashion industry as a whole or the industrial sector as such (see section 2.1). The motivation to become more social and environmentally sustainable has been discussed in length by Ulrich (2008) and Sinn (2010). Ulrich (2008) explaining the benefits of ethical economic and business behaviour, Sinn (2010) explaining the downsides of being green and responsible.

Ulrich (2008) comes from an ethic point of view: He claims that it is our duty as humans to act responsible and to look at others wellbeing as well, beyond the egocentric business as usual. Ethical behaviour of businesses creates well-being, finically and psychologic, for all three, employees, customers and business owners. Furthermore does ethical business contribute to a fair and just world and creates good for the environment as well.

Sinn (2010), as a true business scholar, looks at tradeoffs through just this behaviour: wind-parks ruin the scenic view and are creating unpleasant noise to nature, thus psychic stress is caused, societies start to argue and legally fight each other and thus end in a situation where they started before, unhappy and with less money in their own pocket. Ending up from where you started at, does not seem to be ethical beneficial. Or as Sinn (2010) calls it: "The green Paradox".

Creating both, downsides and upsides thus need to be analysed thoroughly in the analysis part. But first there needs to be a proper discussion about sustainability, what it really is and where it comes from, to illuminate the story and the case of H&M in a proper way.

2.3 Weak and Strong Sustainability

When looking at sustainability science, the question is often to advocate for weak and strong sustainability. When looking into sustainability science the question in the classroom is often between on or the other, an either or between weak and strong sustainability, leaving the big picture out of the way: The idea to end up with a self sustaining planet. Our all motivation as scholars of this science. This thesis will argue with a combination of both, the inside academic discourse on the one hand, to give a background of the current discourse, as well as with the over-aiming target of sustainability, the "saving of the planet" as it is often - very pictures - described. While some scholars like Solow and Neef could probably never
agree upon common standpoints in terms of defining "sustainability" this thesis will make a compromise\footnote{At this point the reader may like to refresh the knowledge of Max-Neef (2005) and Solow (1993), if not already done so. The literature of both texts is a necessity to follow the next strings of argumentation.} integrating both authors idea and by constructing a graduate scale from non-sustainable, via weak sustainability to strong sustainability.

Interestingly at this point are also the early thoughts about sustainability from business study scholars, especially since this thesis has the main focus on H&M as a case study: starting the early path towards sustainable business would be the 1970s work of Schumacher, pointing out the limitations of the earth as stocks of capital, rather than a natural resource (Schumacher & McKibben 2010). Ekins (1993) takes up this idea of limits and compares it to the early sustainability ideas of Schumacher. The difference here is that Schumacher limits his argumentation to natural resources and tries to explain them by economical accounting, Ekins on the other hand moves towards a critical standpoint, stating that the simple theory of limited resources is not enough. Furthermore, another more namely scholar, Solow, suggests actively to combine the environmental and social accounting, thus creating the so called weak sustainability (Solow, 1993). The problem here is that tradeoffs are possible, and thus, for example health could be traded against money, pollution or water. Contrary to the disadvantage is the freedom this way of sustainability offers, since individual choices of humans can be realised; some might prefer cigarettes over some years of extra living. The latter argumentation is thus bound to observed reality and connects to the constructed reality for each and every one of us, following directly ideas of Foucault (Callinicos, 2007). The tradeoff, as an idea of weak sustainability is not present in strong sustainability.

Last but not least there needs to be made a clear definition of weak and strong sustainability. And thus, deriving from earlier theoretical approaches to societal wellbeing in respect to resources, and weak sustainability respectively (Solow 1956, 1993; Oberste Berghaus, 2013), the following definition can be given:

**Definition 1.** Weak sustainability is, given that $A$ and $B$ are stocks of one type of resource each (e.g. CO$_2$ and C, or CO$_2$ and USD respectively), when the combined system $S_{AB}$ of both $A$ and $B$ is in a stable or positive condition over time: \footnote{When speaking about systems, reference may be given to Meadows and Wright (2009) due to explanations in respect to systems-thinking.}

\[
S_{AB}(t) = A(t) + B(t)
\]
Recalling [Max-Neef (2005)], and continuing the logic approach to defining sustainability, the following definition on strong sustainability can be given:

**Definition 2.** Strong sustainability exists, when all stocks $A_{1..n}$ of all resources (e.g. $\text{CO}_2$) are in a stable condition over time:

\[ A'_{1..n}(t) = a_{1..n}(t) = 0. \]  \hspace{1cm} (2.3)

This means in conclusion also that, once strong sustainability is given for all systems, then the conditions for the weak sustainability are automatically fulfilled. An absence of these conditions is thus referred to as a non-sustainable system. Criticism of this definitions can be due to interaction of systems in its natural form: i.e. are some systems and stocks interdependent and can thus not be looked at separately, if taking natural sciences seriously. The made definitions themselves will be the basis for argumentation in later chapters, and are in form of its refined formulation already here a unique contribution to the weak and strong sustainability science discourse.

### 2.4 Environmental Management Systems (EMS)

Environmental Management Systems (EMS) are a form of steering a company in a resource sustainable way — Sroufe (2003) suggests a division of EMS in categories of Environmental Design Practices, Environmental Recycling Practices and Environmental Waste Practices. According to Sroufe (2003), the Environmental Design Practices include new development of products, focusing on an environmental design approach, much more than the prior used product and process design; Environmental Recycling Practices include intelligent reuse of old products, of waste and scrap from the production process (e.g. remoulding of plastic); Environmental Waste Practices is done for reduction of costly waste handling, but also includes strategic alliances between companies to reuse each others waste products. A good example of the latter is Kalundborg, DK (Jacobsen 2006).

The management systems can either be standardised or made from scratch by the company. Standardised EMSs are for example ISO 14000, 14001 as holistic management standards and ISO 26000 as a special supply chain standard — other standardised management...
systems can be provided as national regulations for special industries, multilateral treaties or supranational agreements, e.g. the UN Global Compact. Industry or company specific management systems are on offer from e.g. Deloitte, KPMG, McKinsey, pwc, EY, or are developed by companies themselves, e.g. Nudie Jeans and Stutterheim.

As will discussed in the next section, integrated corporate reporting systems are correlated positively with better stakeholder value, though it is not clear yet, if companies that have a higher stakeholder value are having this due to an EMS or if higher stakeholder value makes it necessary to also disclose these measures to more "demanding" stakeholders (Montabon, Sroufe, & Narasimhan 2007). A general association of EMS with firm performance could be found on recycling, proactive waste reduction, remanufacturing, environmental design, specific design targets and surveillance of the market for environmental issues, meaning a "a more proactive approach to environmental issues" (Montabon et al. 2007). These quantitative results confirm the suggestions for implementation of the environmental management system by Sroufe (2003).

2.5 Corporate Reporting Systems

2.5.1 Introduction into Corporate Reporting Systems

Corporate Reporting is based on the insight that investors are interested in the performance of the company to invest in it, as well as the management and board are interested in the performance of their work. Between the two lays the level of disclosure, what should be kept secret for good reasons and what is necessary to make an informed investment into the company. The most simple form of Corporate Reporting is a financial reporting, as for example the International Financial Reporting Standards (IFRS). Consulting, auditing and accounting companies like KPMG and pwc suggest to go beyond this financial reporting, including the International Integrated Reporting Committee (Ioana & Adriana 2013). Research supports the idea of more integrated reporting in terms of adding upon simple financial information, but also explaining factors like long term strategy and corporate sustainability (Perrini & Tencati 2006). Crowther (2002) argues, that especially non-financial corporate information should be disclosed, since only this information can give

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Ioana and Adriana (2013) name even more supportive interest groups and organisations that promoted the introduction of non-financial reporting standards, such as: Federation of European Accountants, European Financial Reporting Advisory Group, Sustainability Accounting Standards Board, Climate Disclosure Standards Board, International Integrated Reporting Committee, Federation of European Accountants.
an implication on environmental performance and long term survival of the company itself. Not just were these ideas on new reporting systems formed, but also did research go hand in hand with the new, more complex reports: the results show that companies with integrated reporting standards were ranked higher in terms of stakeholder value and related investor ratings (Hughen, Lulseged, & Upton, 2014; Montabon et al., 2007). Suggested by KPMG, pwc. Crowther (2002), Kleinman, Lin, and Palmon (2014) are the additional factors that should be included in an integrated report, going beyond the financial information:

- regulatory compliance,
- governance within the company,
- tax compliance,
- sustainability,
- other than financial forms of risk,
- research activity,
- remuneration and people (social performance, social services),
- cultural and linguistic specifics of countries where business is uphold,
- forward looking scenarios of future developments that may influence the company,
- besides national financial reporting, a comparable international financial report i.e. IFRS.

Whereas some of the above information is easy to obtain and to disclose, e.g. tax compliance and regulatory compliance, other information seems to be rather hard to describe, e.g. possible forward looking developments, which could range from some months, to several years. Ioana and Adriana (2013) highlight that "Nowadays, corporations practice integrated reporting, tough there is no framework for the components of an integrated reports nor available standards or regulations." Thus it is upon a company to include in their annual report, exceeding the mandatory financial disclosure, whatever their shareholders demand and what the board of directors is willing to disclose. Typically, a corporation will develop an interpretation of sustainability, a sustainability strategy, goals, targets, and performance indicators. Special emphasis should be put on the fact that the way the reporting happens is also influenced by the business culture and the countries’ culture where business is executed (Kleinman et al., 2014).
In respect to sustainability reporting the above insecurity on what to include in a report applies as well. The results from Searcy and Buslovich (2014) highlight the possibility to freely choose what to include in such a sustainability report and what to exclude, and that the choice of indicators is up to the decision makers in the company: "Typically, a corporation will develop an interpretation of sustainability, a sustainability strategy, goals, targets, and performance indicators".

On an additional note, corporate reporting systems are often used in public relations and marketing and significantly influence the way a company is seen from the outside and thus fulfill the communication goal of achieving a positive image (Erickson, Weber, & Segovia, 2011). This means that the companies can strategically choose indicators in corporate reporting not only for stakeholders’ information demand, but also for marketing and image creation purposes.

### 2.5.2 A Note on Environmental Management and Sustainability Reporting Standards

A more holistic and more integrated corporate reporting system in terms of environmental and societal sustainability would also include Corporate Social Responsibility (CSR) approaches towards business management. CSR is more holistic since it does not only include environmental measures, but also management elements and social justice approaches. Especially the United Nations’ (UN) involvement in CSR questions, such as the Global Compact (United Nations, 2013), as well as the International Organization for Standardization’s (ISO) coordinated measures and standardisation are a step towards the responsibility of businesses through the power shift away from states (Clapp, 1998). Hereby ISO 14000 and 14001 work as management standards and ISO 26000 as a supply chain standard.

It seems as if companies are in the focus of interest here; thus companies are major players to consider. Through the major power shift away from state actors, businesses are on the same level as states by now - a governance scheme to include both - states and businesses - is ISO 14000 (Clapp, 1998). King, Lenox, and Terlaak (2005) though highlight that most companies use these standards (i.e. ISO 14001) not for environmental protection or

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6CSR, as mentioned before has not been proven to be very successful in terms of implementation in business management and business strategy. The respective reporting and standardisation approaches are mentioned here for the purpose of giving a complete picture. See section 2.1.
sustainability reason, but most of all for strategic credibility and marketing purposes, as already touched upon before. Positively to mention is that these companies are, on the other hand, usually the ones who already have early environmental management systems in place and thus are doing more than nothing - every small step counts (King et al., 2005).

Since the focus of this study is based on environmental standards and H&M reports its sustainability in accordance with the Global Reporting Initiative (GRI), no further discussion about the other standards will follow (Sustainability Reporting Guidelines 3.1, 2011; Hennes Mauritz AB, 2013). Though the reader is advised to keep the other standards in mind when coming back to final concluding thoughts of the thesis.

2.5.3 Reporting Standards Used in the Fashion Industry

Others in the fashion industry use the GRI reporting guidelines as well, or focus on own ways of public disclosure (see table 2.1). Going through the company reporting standard by sales, we see that the leaders by size of the industry use both the GRI reporting guidelines, namely Inditex (Zara, Massimo Dutti etc.) and H&M. Inditex uses the old GRI 3.1 A+ standard, disclosing the results in its annual report (Inditex, 2014). The content of the report is dominated by actions identified to possibly help to improve the companies' performance in respect to environmental sustainability (Inditex, 2014). It is obvious from the latest report that a lot of actions have been thought about or started, but not much has been achieved (Inditex, 2014).

H&M uses the current GRI 4 standard, reporting completely on an annual basis on the progress of the company on 21 of the 25 reporting indicators of the GRI standard (Hennes Mauritz AB, 2014). The progress of achieving the implicit goals of the GRI are met in many cases, the not-yet achieved goals are to be accomplished by 2020 the latest, not included to full extent are Market Presence (sustainable actions communication), anti-competitive behaviour, environmental expenditures and the indicator for biodiversity (Hennes Mauritz AB, 2014). In addition, all of the report has been composed externally by EY to create most possible transparency and trust in the results presented (Hennes Mauritz AB, 2014).

GAP relies on its own reporting scheme, mostly influenced by US standards and the consulting company CH2M Hill (GAP Inc., 2014). Important to highlight is that most of the data disclosed is focusing on its business actions within the USA and not on those abroad.
GAP Inc., 2014). Issues reported upon abroad most prominently include Human Rights indicators and the certification of suppliers (GAP Inc., 2014).

Uniqlo presents its environmental reporting according to internal guidelines and highlights cases where environmental inspections were done (Fast Retailing Co., 2014a). The cases follow no explained pattern, nor do they represent the full business activities. The reporting is not structured and only a few indicators are fully disclosed (Fast Retailing Co., 2014a).

Limited Brands is a member of the United States Environmental Protection Agency (US EPA) Climate Leaders Program and bases its reporting on the programs ideas, though, no coherence is displayed (Limited Brands, 2014). On an additional note, the reporting is not clearly structured, nor is indicated when the data was obtained. Limited Brands presents various actions and projects but lacks a coherent reporting on environmental issues (Limited Brands, 2014).

In summary, the two leaders of the industry, Inditex and H&M are using the same standard to publish their environmental reporting, though it is not known if the others do use the GRI standards internally or not. The comparability of the reports is very limited, even between Inditex and H&M, due to the different form of publishing it — integrated in annual report at Inditex, vs. own report at H&M — and is unusable in terms of comparison to the remaining three companies due to not disclosed indicators, ways of measurement and simply undisclosed data.

2.5.4 H&M’s Strategy and the Global Reporting Initiative

Many companies alike use, like H&M, the GRI framework to assess and report their environmental impact as part of their corporate responsibility program (Hennes Mauritz AB, 2013, 2014). Within the GRI framework, H&M uses the application level B for its assessment (for a summary of application levels, see table 2.2, (Sustainability Reporting Guidelines 3.1, 2011). This means that H&M is self reporting the results and is actively excluding some of the factors. Why H&M does this is not explained in its own reports, such as in the Conscious Actions Sustainability Reports (Hennes Mauritz AB, 2013, 2014).

The motivation for H&M to use this framework and the initial start of this has been argued to originate in the media (Islam & Deegan, 2010). While the question of origin may never be solved completely, Islam et al. have concluded that public, especially media pressure is

<table>
<thead>
<tr>
<th>Company</th>
<th>Reporting standard</th>
<th>Disclosure of results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inditex</td>
<td>GRI (3.1) A+</td>
<td>Data if audits happen are disclosed in the annual report, most factors are not measured yet (under development), approved and edited by board of directors for publication, same applies to corporate governance reporting.</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>GRI (4) with Apparel and Footwear Sector Supplement</td>
<td>21 of 25 indicator fields are fully disclosed and externally audited by EY AB, annual special environmental sustainability report</td>
</tr>
<tr>
<td>Gap</td>
<td>Own reporting standard</td>
<td>Limited selection of data disclosed, reporting only on USA data. <em>CH2M Hill</em> as environmental consultant, report every two years, with a focus on Human Rights.</td>
</tr>
<tr>
<td>Uniqlo</td>
<td>Own, internal guidelines for environmental accounting and social impact accounting</td>
<td>Limited external disclosure on a selection of indicators for varying countries, not consistent.</td>
</tr>
<tr>
<td>Limited Brands</td>
<td>Member of the United States Environmental Protection Agency (US EPA) Climate Leaders Program</td>
<td>Disclosure of a variety of environmental actions that are on their way, not structured, no report intervals</td>
</tr>
</tbody>
</table>
Table 2.2 – GRI 3.1 Application Levels, simplified from *Sustainability Reporting Guidelines 3.1, 2011*.

<table>
<thead>
<tr>
<th>Report Application Level</th>
<th>Performance Indicators and Sector Supplement Performance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.</td>
</tr>
<tr>
<td>C+</td>
<td>Additionally Externally Assured</td>
</tr>
<tr>
<td>B</td>
<td>Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.</td>
</tr>
<tr>
<td>B+</td>
<td>Additionally Externally Assured</td>
</tr>
<tr>
<td>A</td>
<td>Respond on each core and Sector Supplement indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.</td>
</tr>
<tr>
<td>A+</td>
<td>Additionally Externally Assured</td>
</tr>
</tbody>
</table>

one of the driving factors to go further and not stop where you currently are as a company ([Islam & Deegan, 2010](#)). In the same year [Ahlström (2010)](#) published a study, showing that the change towards an environmentally sustainable business model, seen by [Islam and Deegan (2010)](#) is not happening in large steps or even in leapfrog paths; it seems that the progress is happening incrementally, slowly and only when the growth of the company is not threatened ([Ahlström 2010 Islam & Deegan 2010](#)). Combining the knowledge gain from both articles, it can be said that the movement towards a sustainable company in all its forms seems to be slow and not radical in any way.

### 2.6 Greenpeace’s Criticism of H&M’s Engagement

In 2012, Greenpeace issued a report, explaining the life cycle of environmental harmful chemicals in clothing ([Brigden et al., 2012](#)). Among the companies criticised was also H&M. Greenpeace pointed out that it is not only the production countries that suffer under the hazardous chemicals, but also everyone who is handling the fabrics along the production chain, the consumers as well as the waste management facilities and last but not least local environment, when the clothes are dumped in landfills. The chemical testing was done by Exeter University and thus rather independent results can be assumed. The results showed that on average one third of all H&M products contain hazardous or carcinogenic
substances (Brigden et al., 2012). By detecting two thirds unaffected materials, it is to be assumed that production facilities are indeed capable of producing non-toxic clothes and thus the problem of toxic chemicals can be tackled and resolved.

In 2014 Greenpeace East Asia published a new report, focusing mostly on environmental harmful (i.e. toxic) chemicals in children’s clothes of several large fashion companies, basically replicating the 2012 findings (Brigden et al., 2014). Using the same laboratories as before, Greenpeace detected an even higher percentage of products being affected by hazardous chemicals. The 2014 study finds that out of 18 products from the different companies, only two were not produced using hazardous chemicals. Greenpeace highlights that it is especially critical to use these chemicals in children’s clothes, since children, with lower body mass, need a lower intake of hazardous chemicals to result in symptoms directly related to these chemicals (Brigden et al., 2014).

Since the fashion industry is a fast changing environment and companies adapt rather quickly to outside criticism, Greenpeace founded the Detox Catwalk (Greenpeace, 2014b). The Detox Catwalk is an online page and real life campaign, where fashion companies are analysed not only by their toxic chemical levels in the clothes, but also by actions taken by the companies to tackle the use of hazardous chemicals and their trustworthiness towards their strategy and corporate responsibility towards the elimination of hazardous chemicals in their respective production chains (Greenpeace, 2014a, 2014b).

2.7 Media’s Record on GRI and H&M

Looking at the media around the GRI and H&M, Ählström (2010) and Islam and Deegan (2010) already shed some light upon the dark: Generally said are companies rather media driven towards higher standards. As well as the drive is also the conformity to these standards media driven (Islam & Deegan, 2010). These results are yet to be analysed later in the analysis chapter of this thesis and are to be critically questioned, especially since non-governmental, non-business actors, such as activist groups are not mentioned by neither Ählström (2010) nor Islam and Deegan (2010). But it seems at least, that the media is playing a key role in shedding light upon wrong-doing in terms of CSR and misguidance about actual actions taken towards a more environmentally friendly company. Greenpeace is mentioned by neither of the authors Ählström (2010) nor Islam and Deegan (2010) as a
potential influencing factor, and is neither ruled out as an influencing factor. Greenpeace is here actively not considered media, but rather an activist organisation.

Skipping the scientific analysis of media reporting on H&M itself, since it has been done by before mentioned Ählström (2010) and Islam and Deegan (2010), a rather new picture can be drawn by looking at the media coverage concerning the GRI standards: Especially well known media houses, such as the guardian, are very much publishing their own investigative results or question critically what they receive from scientists, companies and activists. A good example in this respect is the analysis of GRI standards by the guardian’s Thurm (2013). It is merely a criticism of companies and industry experts not willing to go for a more advanced GRI standards, than a criticism of the industry. The author highlights possibilities and chances for the development of the GRI ahead (Thurm, 2013). He makes a point by mentioning the importance of having a guiding standard that is hard to live up to, thus encouraging companies to strive for the yet unreachable (Thurm, 2013) — a company that is in full conformity with all social and environmental standards regarding sustainability may not strive for higher standards on its own.
Chapter 3

Methodology and Methods

3.1 Methodological Approach

The author originates from engineering and economic studies and thus has, by his basic education a positivistic way of thinking, though through acquiring also skills in intercultural learning and social thought and sociology, the author applies also theories to the presented research which originate from constructivism.

Looking at the methods as such: the mixed methods approach is merely a tool in combining qualitative and quantitative theory; though believing that the different theories can benefit from each other, independent of their categorisation in positivistic, relativist or constructivistic categories, makes the mixed method approach a postmodernist theory. The approach followed will be that of Johnson, Onwuegbuzie, and Turner (2007).

The case study, as later elaborated can be either positivistic or constructivistic (Boblin, Ireland, Kirkpatrick, & Robertson 2013). Due to the need of including sociological and intercultural theory in the analysis of the mixed methods approach automatically calls for the more constructivistic approach.

The intercultural theory used mostly originates in the constructivistic way of thinking, since it assumes different cultures to start with (Bennett 1998).

Last but not least, market theory - it is a classic positivistic neo-classical micro-economic theory. realities are reduced to a free market, price and quantity (Sandelin et al. 2008). The absence of sociological debate in this social science discipline may be a strong indicator
that the theory is not mostly based on relativism or constructivism.

The data looked at originates from H&M itself, it follows the GRI guidelines and was revised by EY AB (Hennes Mauritz AB 2013). The company information was additionally verified by an interview with an employee in the sustainability division of the company. The interview partner wants to stay anonymous due to sensitive company data that was talked about and the interviewee’s personal opinion upon H&M’s and their competitors’ strategic decisions and implementations of these strategies. Information from the interviewee has thus to be analysed in a respective manner, looking at the personal background, motivation and relation to the company as an employee. Methodologically the theory of Alvesson (2003) is applicable, looking at interviews in organisational research.

3.2 Methods

The methods used in this thesis will be composed in a unique way. Picking the most applicable theories for this thesis has the unique advantage that the current situation analysed is looked at from different angles while at the same time not forgetting the big picture. As in section 2.1 highlighted are cultural values of the involved actors not to be ignored. Thus a deep analysis of potential different cultures is non debatable. As standard procedure is an economic market analysis necessary to eliminate bias through possible monopolistic or oligopolistic behaviour of one or many of the actors. The bias through a monopolistic or oligopolistic behaviour might interact with cultural behaviour and show reason or motivation for certain actions towards, or away from a sustainable business action. While mainly only analysing H&M, it comes naturally that the method of a case study is discussed accordingly. Thus the methods will include a mixed-methods approach, conducted as a case study, including intercultural studies, as well as market theory.

Following the path of the just mentioned methods also requires a discussion of rejected alternatives. It will be risen accordingly to scientific standards, while keeping the limitations of a master thesis in mind. Other, not mentioned methods are of small or minor relevance to the topic and have not made it into the study.
Table 3.1 – Methods used throughout this thesis.

<table>
<thead>
<tr>
<th>Method</th>
<th>Type of method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Study</td>
<td>Qualitative dominant</td>
</tr>
<tr>
<td>Intercultural Theory</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Market Theory</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Mixed-methods</td>
<td>Qualitative dominant (as a result of combining the above)</td>
</tr>
</tbody>
</table>

3.2.1 Mixed-methods Approach

As the name already suggests, is the mixed-methods approach a combination of academic theories to a given set of problems. Most often is this approach referred to as a blend of quantitative and qualitative research, though, seldom stating the difference between both, nor the definition of one or the other. More often though is described what the advantage is of using mixed-methods — e.g. by [Creswell](2013) and [Johnson and Onwuegbuzie](2004). Following a current definition by [Johnson et al.](2007) the following analysis will be realised:

**Definition 3.** "Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration." ([Johnson et al.] 2007)

Within the mixed-methods theory it is differentiated between the major categories - mostly looking if an approach is more qualitative or quantitative ([Johnson et al.] 2007). Looking at the methods for this thesis, it can easily be said that the major focus lies on qualitative theories, namely intercultural theory, sustainability debate, the case study as qualitative dominate and the odd, quantitative market theory (see Table 3.1). Thus concluding this thesis mostly relies on qualitative social theory methods, thus a qualitative dominant approach in terms of mixed methods is to be applied:

**Definition 4.** "Qualitative dominant mixed methods research is the type of mixed research in which one relies on a qualitative, constructivist-poststructuralist-critical view of the research process, while concurrently recognising that the addition of quantitative data and approaches are likely to benefit most research projects." ([Johnson et al.] 2007)

The upside of this method is that different methods can be combined and light can be shed
on a question from different angles (Creswell, 2013). In addition to that, is the method by now well established in science and early bumpy years have been used for a discourse debate and to improve the argumentation within the method (Creswell, 2013). The downside is the usual space limitation: A single method may be discussed in more depth on the same space as blend of several theories.

### 3.2.2 Case Study

A case study, as the name already suggests, is a study of a single case, or in other words, an analysis of a single entity or small-n entity of objects, businesses, systems or otherwise objects (Blatter & Haverland, 2012). The currently most used approaches to execute a case study is either by using the framework of Stake (2005) or Yin (2009), according to Boblin et al. (2013). The main difference lays in the underlying theory of science of both authors: whereas Stake (2005) is using a constructivistic approach, Yin (2009) is explaining his case study theory from a positivistic approach (Boblin et al., 2013). Since interviews are discussed in this case study and the importance of reflection of H&M on its own actions stands in the centre of the study, a constructivistic approach seems more than reasonable. Additional depth will be generated by applying the interview methodology of Alvesson (2003) to this case study.

The non-generalisation of cases has been discussed quite a much, though Flyvbjerg (2006) points out that the a single case study is usually a great contribution to change existing theories: It needs one black swan to prove the theory of only white swans wrong. Thus, a case can be used where apparent simple theories are sold, while obvious differences appear in the reality.

Part of the case study is conducted as an interview with an employee of the sustainability department at H&M. Please note that the interview was conducted in Swedish and that the employee wanted to stay anonymous since company internal procedures and actions were discussed.

**The company reported information** will be assessed reflexively, using Alvesson’s constructivistic approach beyond the look at the researcher itself, but also using the theory to look at the individual actors (companies, organisations etc.) and their actions (Alvesson & Sköldberg, 2009; Alvesson, 2003). This means that the displayed data and information
Table 3.2 – Three Applications of Intercultural Communication, derived and adapted from Schmidt (2007); Landis et al. (2004).

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Positivist</th>
<th>Relativist</th>
<th>Constructivist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reality is absolute</td>
<td>Reality through perspective</td>
<td>Reality through interaction</td>
<td></td>
</tr>
<tr>
<td>Implication</td>
<td>Assumes finished artefacts</td>
<td>Culture is a set of roles</td>
<td>Culture is socially constructed</td>
</tr>
<tr>
<td>Application</td>
<td>Adaptation is knowledge</td>
<td>&quot;Informed&quot; role play</td>
<td>Mutual penetration</td>
</tr>
</tbody>
</table>

provided by H&M, Greenpeace and EY will be critically questioned and put in a perspective towards each other and the reality they act in. The analysis will thus go beyond a similar analysis of Geijer and Sturesson (2013) who asked the question, if environmental standardisation in reporting and management is useful or not.

3.2.3 Intercultural Studies

Intercultural learning theory is used to see if individuals or organisations learn from their reflexive actions towards a scenario where they not just try to force their own way of doing on others, but to a scenario where key players, humans or organisations realise that there are other (business) cultures and adapt their behaviour (in the market) accordingly (see table 3.3). Intercultural theory can be applied positivistic, relativistic and constructivistic (Landis, Bennett, & Bennett, 2004). Having already chosen the constructivistic way of thinking to the case-study interviews it is only logical to continue this path toward.

Arguing from a perspective of studies of intercultural learning and understanding, it is often the question if individuals behave positivistic, relativistic or constructivistic (e.g. Schmidt (2007)). Schmidt (2007) suggests that the constructivistic approach is the one to go, since different cultural backgrounds are influencing the individual’s behaviour. His thoughts are based upon Bennett (1998), explaining that no matter how similar two human beings are, the culture of them will be different. This leads to the generalisation, that may hold even for companies and actors in the sustainable business world; if the drivers of the sustainability strategy are not based on positivistic or realistic thought alone, or in combination of those two, then it must also include constructivistic elements. As suggested by Stewart, Danielian, and Foster (1998), it should be analysed: "concrete behaviour, values, assumptions and generalised cultural forms". Applying this to the case, the key
<table>
<thead>
<tr>
<th>Experience of Difference (increasing from left to right)</th>
<th>Ethnocentric Stages</th>
<th>Ethnorelative Stages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denial</td>
<td>Defence</td>
<td>Minimisation</td>
</tr>
<tr>
<td>No experience with other cultures, no realisation that there are other cultures, culture blind</td>
<td>View of own culture as superior, negative stereotyping</td>
<td>Trivialisation of differences, urge to be politically correct in all situations</td>
</tr>
<tr>
<td>Acceptance</td>
<td>Adaptation</td>
<td>Integration</td>
</tr>
<tr>
<td>Curiosity, &quot;paralysis in case of conflicting norms&quot;</td>
<td>Temporal shifting between cultures is possible to bridge differences</td>
<td>Ability to move between cultures without adaptation time between different cultures</td>
</tr>
</tbody>
</table>

players are to be analysed in exactly this matter.

A further division in terms of time, and thus an implied learning curve from the constructed system is assumed by [Landis et al. 2004] and also mentioned by [Schmidt 2007]: The authors describe a learning by exposure to the other culture. It may not come naturally to every individual, but longer and more often exposure to other cultural concepts may increase the ability to reach the next level of learning ([Landis et al. 2004]).

### 3.2.4 Market Theory - Oligopolies and Demand

In a perfect market there is a high number of actors on all sides, production, distribution and customers ([Varian & Repcheck 2010]). Knowing about the few large key players in the global fashion industry ([Fast Retailing Co. 2014b] [European Retail Round Table 2014]), it is easy to apply market theory of oligopolies (see section 1.4). An oligopoly is a market where there are less or just a handful of companies present in the market, while a lot of customers or suppliers are present - a supply oligopoly and demand oligopoly respectively ([Varian & Repcheck 2010]).

The assumption in neo-classical economics and especially game theory, where the theory

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Please note that the perspective of an oligopoly is always seen from the perspective of the oligopoly. A low number of producing companies and a lot of customers is thus a supply oligopoly, whereas a low number of demanding companies vs. a high number of suppliers is a demand oligopoly.
of markets is inevitably connected to sees in a classical from only two types incentives for a oligopoly: a competition of price or quantity, or a combination of the two (Varian & Repcheck, 2010). The price thus stands simultaneously for the quality, the value and the opportunity costs of a product, following neo-classical theory (Varian & Repcheck, 2010).

It is to be questioned in how far the quality "sustainability" is priced in the product, or if the sustainable behaviour of a company is much more a perceived and unconscious motivation to choose a product, even though the H&M report is entitled couscous action (Hennes Mauritz AB, 2013).

Thinking in neo-classical terms, a marginal positive change of quality is already be a superior strategy for a company engaged in an oligopoly, while keeping the same price, simply by increasing the quality (Varian & Repcheck, 2010) - the value for money thus increases. It can be assumed, even though companies in the fashion retail market keep their prices at approximately the same level (Zirkel, 2004), that the addition of the label of sustainability is an additional value for the same price - you simply get more value for the same price (product plus sustainability).

The upside of this theory is its abstract simplicity: a market with few players will lead to an optimisation of price and quantity for the involved companies, while the many others, consumers and suppliers have to suffer. It also means that the only way to compete in an oligopoly with a competitor is to have approximately the same size and to be a little bit different, to be differentiated and create competition for the own benefit (Varian & Repcheck, 2010).

The downside of this theory that it is a time-less theory, meaning that long term strategies are not included, but only momentary changes and adoptions of price and quantity. Another downside is the hard reduction on only quantity and price. Trust, value, image etc are all reduced to the price, which only holds in an ideal neo-classical economy (Sandelin et al., 2008; Callinicos, 2007).

Looking at the results of a later analysis have thus to be reflected upon in a methodological recapitulation, evaluating the influence of positivism on the theory of neo-classicism and thus the market and oligopoly theory.
3.3 Rejected Alternatives

Major criticism of any piece of academic work is usually based on an alternative use of methods on any given topic. Therefore the most obvious alternative methods will be discussed here in short and reasons will be given why these have not been used to discuss the presented case. Beyond the methods discussed in this chapter, there are a lot of other methods on the drawing board for analysis. This section will, as aforementioned, only focus on obvious alternatives; for a more elaborative discussion of methods, please use e.g. Ratner (2008) and Bryman (2012).

Comparative Analysis; the advantage of a qualitative comparative analysis, literally comparing two cases, is the benchmarking against another case with the main target to reduce the complexity (Rihoux 2013). This thesis will, opposing to reduce the complexity, show the complexity of the sustainability case of H&M. These qualitative comparative studies demand an in-depth study of two cases, plus a comparative part. Having space and time limits is one excluding argument, the other is the fact that the here discussed case is so complex that a second case would have been out of scope since these case studies in the fashion industry, combined with a sustainability approach are a rather new academic discipline and thus need major explanations beforehand, limiting the analytical part to quite some extent.

Comparative studies in the sustainable fashion industry with a focus on the drivers, and thus only one aspect have been done before, e.g. by aforementioned authors Islam and Deegan (2010). This pair of authors shows at the same time that the analysis is rather one-sided and in academic time-terms still in their baby shoes. A focus on just one case seems to be the solution to this problem.

On the other hand, a quantitative comparative analysis needs an in-depth knowledge of the companies looked at and this knowledge is in the case of the fashion industry, producing in various countries under strictly limited public information releases hard to obtain, but yet crucial for a successful study (Perrow 1967). Considering the limited quantitative data available, a quantitative approach cannot be considered a reasonable method at this point. Though, upcoming more openly disclosed data through the application of open standards may change the situation and open up for comparative analysis on a larger scale.
Lab Experiments or Life Cycle Simulations: collecting own data about toxin levels, producing life cycle simulation in simulation software and simulating adaptation processes through external shocks on the given system of players sounds like a perfect solution for the research questions, especially focusing on the systems-adaptation research question. The problem here is that for a simulation, lab experiments of bio- and chemical toxins would be needed, on sight probes would be necessary and long experimental phases would be needed prior to numeric simulations on the computer. This natural science approach usually takes a lot of time and knowledge of simulation software, which both are not available to the author.

Expected Shortfall or Value at Risk Analysis are a very precise tools to evaluate possible financial impact scenarios and fall in line with the weak sustainability theory by quantifying the analysed coefficients. For this case, the single focus on weak sustainability is a not a workable approach. Though it is done by insurance companies. A lot of research is not yet done in this field in terms of practical applications, it additionally requires either extreme large datasets and respective calculations or provides only limited information (Wilke [2011]). Useful could be the analysis of an Expected Shortfall or Value at Risk when it comes to future business outlooks for H&M. Since both types of analysis require company internal information, these theories are not applicable.

Triangulation in terms of data-theory-observation triangulation is ruled out in this case, since valuable direct observations, experiential-learning cycles and investigative methods are not feasible due to cost, security and time limitations. The security limitations are due to limited access to the production plants. Though, the importance of this method could benefit future research.

It could be argued that the look at sustainability from the media, H&M and the activists from Greenpeace is another level of triangulation on the meta level.
Chapter 4

Analysis and Empirics

This chapter matches the presented background with the theoretical framework from chapters 1 and 2. Additionally, links will be made to the research questions, based upon the methodological approach discussed in chapter 3. In the chapter following the current one, a final result will be presented, connecting the individual answers from this chapter.

The content of this chapter is structured to first look at the market environment in which H&M is embedded in (see section 4.1). Thereafter, in section 4.2 the sustainability discourse will be taken up to see if reality and theory can become one. Following the sustainability discourse discussion, the analysis will focus on the drivers of change. In the end, in section 4.4 the role of the environmental reporting standards will be discussed accordingly.

4.1 H&M in the Market Context

4.1.1 Size Matters

Recalling table 1.1 it can easily said that H&M is one of the leading fashion brands in terms of sale volume. Thus, with respect to macroeconomic theory, as mentioned before, the impact of H&M on the fashion market is different from just marginal, thus an important player in the global fashion market. Its demand is thus influencing the market in a substantial way.
Recalling the theory of the rise of companies to state importance from earlier it can be assumed that for a company of H&M's size both theories of economy are valid: micro- and macroeconomics.

4.1.2 Current Stage - Benchmark Against Industry

As discussed with employees of H&M in person, via mail and telephone, the early talks and mail exchanges have resulted in an in depth interview with a key employee of H&M’s sustainability department. The validity of this data is of course limited, since the data has been generated by entities who are biased towards a good image of H&M.

The result from all interaction with H&M in mails, person and interviews can be described as if the company sees itself at the forefront of Scandinavian industry in general as well as the global fashion industry. The critique of H&M towards the market and competitors is internally characterised by the following statements, according to the interviewees:

- H&M is a leader in the industry through its long term sustainability strategy.
- H&M is re-investing profits to innovation research, especially in sustainable solutions for the fashion production and consumer behaviour, i.e. less washing, recycle scheme.
- Critique of H&M through competitors and media is always only short-term oriented, while change to a sustainable company of H&M itself is a longterm strategy.
- Critique from academia is always coming too late, especially chemical tests, since the company H&M is changing very quickly with new collections every few weeks.
- Looking at Sweden, H&M’s sustainable development unit sees that e.g. Lindex does update their information, but is of so small size that it is irrelevant, Ullared’s department store Gekås does not care and is thus "worse" in terms of sustainability.
- Their competitor Zara is viewed as a not-trustworthy company in terms of sustainability, they are focusing too much on social responsibility and do most of their responsible actions only on paper.

Summing up the above statements, it is clear that H&M is very confident of its strength in the fashion industry. Furthermore it sees itself at the forefront of sustainable fashion industry. Though, it also highlights the strong positive voice that H&M’s employees use to communicate about their company. The interviews did not include self-reflective elements
or the insights about the past. Especially comments about prior wrong-doing were ignored and countered by today’s positive examples. It is interesting that the focus on Zara (Inditex) is rather dominant. Inditex uses the same environmental reporting standard, and may thus be a case easy to compare against for the employees and the company as a whole. Simply going by disclosure, H&M would not be considered the leader, since it discloses less than Inditex (B vs A+ GRI reporting level). The Swedish comparative cases could not be confirmed or denied by external data.

H&M’s research involvement in environmental sustainable production and long term sustainability strategy are both signals that H&M is indeed doing what it is saying, according to the interviews. This is unique in the fashion industry, according to H&M. Though Greenpeace has shown with its Detox Catwalk that there are more fashion companies doing a good job. The statements of H&M are thus not correct, when claiming to be the single one at the frontier of an environmentally sustainable action plan. The unclear reporting from its competitors though would work against Greenpeace statement and would indeed show H&M’s large achievements.

Using the constructivistic theory of Alvesson (2003), it can furthermore be said that the interviewees are arguing as if the interviewees had to imperson the company itself. Thus reality for her is not reflexive, nor realistic, not constructed but rather positivistic. This also means that the interviewee idealises H&M as a company, since insights to other companies are missing or are unrealistic due to biased information - internally provided to employees at H&M.

H&M sees itself as a driver of the system of environmentally sustainable business, idealising itself, marketing itself and thus trying to create a respective, environmentally sustainable brand image. It seems to work for the employees and Greenpeace, whereas the guardian for example already discusses the topic of environmental sustainability on a meta level (e.g. by Thurm (2013)). This directly links back to research question one: The system of the fashion industry is characterised by a fast moving and changing floor for action. The speed of change in the industry is hard to keep up with, as seen by Greenpeace’s changing strategies to highlight the wrongdoing of the fashion industry (see chapter 2).

The discussion of the guardian by Thurm (2013) suggests that the drivers are indeed others, namely powerful industrial lobby groups and researchers, not activists, nor the media, as prior claimed by Åhlström (2010) and Islam & Deegan (2010).
4.1.3 The Oligopoly Situation in the Fashion Industry

By looking at the introduction and comparing the there stated facts from table 1.1, it can easily be assumed that H&M is operating in an oligopoly. Another strong indicator is the membership in the European Retail Round Table (European Retail Round Table, 2014). The latter organisation can work as a platform to speak about pricing, business strategy and quality, all characteristics critical in an oligopoly, according to neo-classical market theory.

The system of the European fashion industry is thus characterised by an oligopoly. Environmentally sustainable business strategies can thus also be a sign of the market structure and becoming environmentally sustainable can simply be the one factor to effectively differentiate H&M from its competitors, when looking at the target of growing faster than the competition and when looking at claiming sales and profit on the market. The trend towards environmental sustainability can thus simply be an oligopoly superior strategy, as defined by Varian and Repcheck (2010).

Returning to the research question, the above discussed means that a driver is not necessarily the will to be environmentally sustainable through "saving the planet", but that the driver may rather be a strategic decision to differentiate H&M from the competitors. The data by Greenpeace’s DetoxCatwalk suggests though that the competitors are following the lead by not much (Greenpeace, 2014a). It is thus to be questioned if this oligopolistic strategy is successful. A clear statement from a neo-classical point of view can only be given with respect to the success of this strategy by looking at the companies’ sales growth (see table 1.1). The result is that it may be marginal, but not substantial and thus clear (4.9 percent positive change of Zara vs 6.4 percent positive change of H&M).

On the other hand these strategies are necessary on the market of cheap clothes, since the market cannot be won by even cheaper prices for the same quality - we are looking at the low price market already, but only by increasing the value one gets for cheap money: sustainability. Thus environmental sustainability for H&M is one way to actually be different to the other fashion retailers, if they would not catch up so fast as stated by Greenpeace. A dilemma for H&M but surely good for the environment.
4.2 Comparison of H&M’s GRI Strategy Against Sustainability Theory

Looking at the GRI standard, it is obvious to see that H&M does not its best: Only fulfilling the third out of six levels of disclosure is merely average in terms of GRI. Though it has to be highlighted that the standard was designed to offer a challenge to business leaders, and not to make it too easy to tick all the boxes and call oneself environmental sustainability by only changing minimal, cosmetically issues.

Using the GRI system furthermore allows to implement scientific opinion in the standards, thus the sustainability theory is to be considered: The GRI has a strong-sustainability approach, by differentiating between e.g water use, toxins etc. Though by not implementing all of the standards, H&M allows itself into weak-sustainability, some of the limits are kept low, while others are not looked at, are thus uncontrolled and could possibly rise, without ever reporting so.

The standards of the GRI are thus to be considered strong-sustainable, whereas there is the weak-sustainability integrated in the reporting system, indirectly, but it is there. Only companies who will follow all the reporting standards could thus claim to aim for strong-sustainable industry standards; H&M cannot do this at this point.

Though by offering the possibility to step up, the GRI standards offer a possibility to become the strong-sustainability industry leader in the fashion industry. The GRI is thus another driver towards the change of becoming a more environmentally sustainable system in the fashion industry. The latter thus partially answers the first research question.

4.3 Drivers of Change for Sustainability in the Case of H&M

4.3.1 The Market

This section is used to summarise the first part of the analysis to keep the reader informed about the results until here.

As discussed above the key drivers here are: competition, the oligopoly market and H&M internal management pressures, as well as GRI standards. The next section will thus give a deeper insight to non-market players.
4.3.2 Non-market Players: Media and Greenpeace

It is the new reflective media articles, i.e. the one by Thurm (2013), that seem not to fit the definition of Islam and Deegan (2010). They differ the definition of accusing a single company of wrong-doing, but rather participate in the discussion about standards and norms for more environmentally sustainable companies. The articles critically look into the future and thus are not focusing only on actions in the past, as of talking bad about unsustainable actions undertaken by a fashion company in the recent past. This new type of journalism, the constructive articles are a recent change in the sustainability debate when looking at the fashion industry.

Results of the Detox Catwalk (Greenpeace, 2014a) - using the aforementioned continuous updating by Greenpeace in collaboration with university laboratories, shows that H&M, despite the criticism of Greenpeace, is among the leaders in the fashion industry and is a company worth trusting when it comes to realising long term strategic targets for environmental sustainability and reduced toxic chemical use in cloth production (Greenpeace, 2014a). The results also show that sport companies like Nike and adidas are lacking behind and that fast-moving-fashion brands are, despite all negative press, ahead in the process (Greenpeace, 2014a).

The role of the media and Greenpeace can thus be summed up as merely carriers of information about the current sustainability standards, since companies are moving faster. It seems as if the influence of the media and NGOs is declining and not gaining ground. The key drivers are thus the ones earlier described, the market players and company internal strategies.

4.3.3 Interaction of the Players

Using intercultural theory the players in the system can be analysed: While H&M as a company behaves very much as the one player in the market who communicates that they know and do everything the best, clearly shows that they are on the lowest intercultural learning level. They are simply not aware where the other companies in the market are, in respect to environmental sustainability (it may well be completely different when looking at pricing, marketing etc.). This ignorance makes them not realise that there might be other solutions, and that others may have found other solutions. By simply claiming that the GRI standards are the right ones to choose and by talking bad about competitors common
action cannot be achieved.

Greenpeace change of strategies in terms of communicating criticism shows on the other hand that organisations can learn. It is a prime example of reflecting upon the own actions, as well as the actions of H&M and then adapting strategies accordingly. The knowledge about the other working culture seems to be there and thus a learning process is happening.

The two mentioned cases in this section show the difference in the system. Sadly enough the cultural learning is yet not a strong driver in the market, since it is not utilised by H&M. Thus it is only beneficial to Greenpeace, who has already profited from the long learning process.

4.4 Role of Standards

Standardisation is important and GRI is crucial to benchmark against. The open standard allows even small companies to benchmark against the big players, as well as media to access the standards cheaply and quickly (other than ISO standards). The GRI with its incentivised levels of reporting seems to be crucial to drive the sustainability ambitions (compare to 4.2).

The different reporting standards used in the fashion industry are sadly not comparable. Only H&M and Inditex use the same standard, namely the GRI’s to publish their data, though using different versions of the standard. The rest of the industry uses mostly national standards (GAP) or own developed indicators to report on their environmental impact and actions. As highlighted before, this could have different reasons: The interest of the stakeholders is simply not there, the companies are not exposed to other drivers such as media (public interest), the companies have different business cultures to report, communicate and disclose data in the first place and country specific reporting guidelines and country specific cultural need for disclosure on environmental data as such, as stated in [Kleinman et al., 2014] and [Erickson et al., 2011].

It seems thus that the standards are not in all cases aimed to clarify own actions in comparison to competitors externally (then more would use the GRI to publish their results). Reports are rather used to create a good external image, which benefits the companies image, as [Erickson et al., 2011] highlighted before.
The role of the reporting standards will be discussed also in the following chapter. The concluding thoughts will reflect upon the fashion industry and the case of H&M.
Chapter 5

Result and Conclusions

"The relations between nodes in production-consumption systems are shaped not only by economics and material flows, but also by culture, values, and power. Transitions to sustainability will need to harness all three." (Lebel, 2005)

5.1 Reporting Standards

As looked at in the background chapter and later on in the analysis, the reporting standards and protocols used vary extremely among the largest fashion companies. While more critical reporting from media will lead to more and better long term reporting and disclosure (Cao, Myers, & Omer, 2012), it can not be clearly seen if this reporting actually does mean better actions at the same time. The differences in the reporting protocols seem to be too different to be comparable, even for investors, let alone media.

By using the GRI, H&M shows its dedication to a clear and open standard. Its auditing and reporting by EY clearly supports the strength of the report. It is clear form the other large fashion retailers that this dedication is not always shared. Looking uncritically at the reporting, it is clear that H&M is the leader in the fashion industry when it comes to environmental reporting.

Reflecting on the whole industry, all of the companies follow the discussed need of integrated corporate reporting. Though the different standards and protocols give support to the idea of marketing and communication of value dominated incentives, rather than for a
true believe in the sustainability and environmental reporting. The reports are strategically used to market the companies as environmentally friendly.

Especially if companies disclose only incomplete data — and this applies to all fashion companies looked at — they could actively hide certain wrong-doing from the inspecting eye. The extremely well executed report of H&M for example does give the impression of a very environmentally fair company, nonetheless, four of 25 indicators are not yet disclosed completely. In the case of the other companies, especially GAP, Uniqlo and Limited Brands, it could even be said that the environmental reporting fulfils only green-washing purposes, since most of the reporting protocols are company internal and are not available for the public eye.

The latter, the undisclosed reporting protocols also face another problem: NGOs are now in the situation to not simply copy the measurement process to see if the companies communicate the right results, but have to develop their own ways to prove or disprove the results presented in the reports on environmental corporate action. Creating hurdles is exactly the opposite of the key aim of the integrated reporting systems, which is to create most possible insight to the company for public, stakeholders and the members of the board alike.

It is to be pushed for widely used standards, that all companies report with, to make environmental reporting in the fashion industry comparable. Selective reports and those using only a small sample of case studies are a form of limited disclosure and often create the impression of greenwashing. The GRI is a good starting point for global environmental reporting for corporate entities. The unwillingness of most of the large fashion companies to not use this standard creates the image that something is to be hidden from stakeholders’ and publics’ eyes.

### 5.2 Drivers in the System

The drivers of the system of non-governmental actors, companies and environmental standards working towards a change in the direction of becoming more environmentally sustainable was one of the research questions. The following drivers could be identified:

- The company’s internally perceived pressure at H&M to innovate the industry;
- The company’s internal need to be perceived as a good role model for environmental
behaviour;

- The oligopoly in the market, with its need for differentiation to the competitor;
- GRI standards, by offering the opportunity to aim higher;
- Media and NGOs, by putting pressure on the companies, though this pressure seems to decline due to the rising power of the companies in respect to other actors, such as state, media and NGOs.

Not looked at are designers, holding strategies beyond the H&M case in terms of early development phases of new products. It was also not looked in depth at the competitors i.e. Zara and Gap.

Another challenge in future research, could also be vertically integrated companies like Primark, whose company information is confidential. Though companies to benchmark against could also be looked at in terms of inspirational drivers, such as the Swedish brands Nudie Jeans, Stutterheim, Fjälräven etc who have all a small segment of the market but do not really play a central part in supply and demand. Positive examples to get inspiration from may well be Nudie Jeans and Harris Tweed, Scotland.

To come to this conclusion was theory informed and created by data generated by H&M itself, its employees or its competitors. It is in the clear interest of H&M to create positive external image of itself, as also supported by aforementioned theory. In a new study, interviews should also be conducted including its auditing and reporting company EY, the competitors, and maybe even customers and supply chain companies. This larger set of interviews could then give a more holistic picture of H&M’s actions and reporting upon these actions. Critical voices of Greenpeace could be implemented to double check against potential sources of bias.

5.3 More Research Needed

As a researcher, self-embedded in the field of academia, and as a scholar of economics and sustainability science, the author is well aware of the neo-classical way of argumentation that the interviewee used, while himself observing the scene from a more constructivistic point of view. Complementing research in respect to this thesis could be done either from a solely empiric point of view, following the neo-classical school, and thus really showing
if statistical correlations between market and observed behaviour in the case of H&M’s sustainability strategy hold.

From another point of view, a thoroughly social theory thesis could shed light on more than just one interview, but maybe also include a series of interviews of customers, workers and strategic planners. The advantage of this study would be to see if there are and if yes, what different motivations of the involved players within the company network are — with respect to become a more environmentally sustainable fashion company.

Another exciting field of research not yet implemented, is the perspective of systems-analysis in a single research project, mathematically simulating the processes behind the network of environmental organisations, standards, the fashion industry and media. Especially the pressure of creating new designs in just a few weeks and the challenges of the fast moving consumer goods industry in the washing-detergent market could also be of interest in a systems-analysis.

5.4 Reporting Standards, Management Systems and Policies

The current management standards used by ISO are not the leading ones in the fashion industry. It is questionable if ISO is up to date with its standards regarding environmental sustainability. Since states and lawmakers often refer to these standards, it would be interesting to see what would happen when lawmakers would change to open standards, such as the much applied GRI. The demand is clearly here and the discrepancy between public companies and the state is obvious. Considering the global self-empowering of companies, if we have reached a point where companies are just choosing standards on their own, other than prior set environmental laws protecting the planet, by states or government organisations, such as the United Nations. The United Nations’ Global compact has been ineffective, also relating back to the second research question, and thus new forums need to be discussed when looking at developing new standards.

The other option is to radically reform the government organisations to make them respond faster, without major time-lags, to the market. This option can only be achieved by more slimmer administration to keep up with the powerful strategies of environmental sustainable business leaders in their industry, such as H&M and its largest competitors in the fashion industry, maybe repeating the textile and industrial revolution in an environmentally sustainable way.
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