

SUSTAINABLE BUSINESS TRANSFORMATION IN TEXTILE INDUSTRY: CHALLENGES AND GOOD PRACTICES

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The paper explores current trends in sustainable business transformation and their peculiarities of proceeding in companies of textile industry. The complex production chain in textile industry is the main reason for leaving a negative environmental and social footprint on our planet, including large volumes of production and waste, labor exploitation and poor working conditions, unequal distribution of profits. An important prerequisite for the transition of companies to sustainable business models is following to the principles of sustainable development and green management practices, the implementation of sustainable development strategies and circular business models. Companies need to review their values, policies and practices in relation to sustainable development, ethical business conduct, environmental protection and community care. It should be a common practice to develop or update a sustainable development strategy in companies of the textile industry with its mandatory implementation in the general strategy of companies, training of personnel on sustainable production at all organizational levels. Social responsibility should become an integral part of the corporate culture and business strategy of the textile industry, being integrated into every business process and decision on the way to creating value for all stakeholders.

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Introduction

Economic development, based on the intensification of production and consumption, on which modern models of national economies are built, does not adequately consider such important problems of today as global warming, environmental pollution, inequality of social standards. Ensuring the transition of economic development to the principles of sustainability requires the transition to sustainable consumption and production.

The Sustainable Development Report (Sachs et al., 2023) allows tracking the progress of different countries in terms of impacting the achievement of the Sustainable Development Goals (SDGs) by evaluating the SDG Index. In 2023, national SDG indices were determined for 166 countries, among which Ukraine took 38th place with a score of 76.5.

The strengthening of the positive influence of each country on sustainable development directly depends on the transition of companies to sustainable business models, the introduction of energy-efficient and environmentally friendly technologies, and the implementation of socially responsible activities (Ludwig & Sassen, 2022). The implementation of sustainable practices requires

additional investments, which increases the costs of organizations. At the same time, sustainable business transformation can strengthen competitiveness and increase profits.

Research (Babiak & Trendafilova, 2011) proves that companies count on the economic potential of environmental CSR and are guided not only by environmental protection, but also introduce such initiatives as a source of innovation and competitive advantage.

Molina-Azorín et al. (2009) based on the results of 32 quantitative studies, demonstrated that, regardless of the country, industry and type of company, there was a predominantly positive impact of environmental management on financial indicators. Iraldo et al. (2009) based on econometric analysis, confirmed the positive impact of a well-developed environmental management system on the environmental performance of companies, which stimulates technical and organizational innovation. It is important to transform the organizational culture towards sustainable values through the continuous implementation and support of environmental initiatives of employees by the management of the organization and changing the guidelines in the behaviour of employees.

The need for textile companies to adopt sustainable development trends and practices is a pressing issue today. The textile industry, specifically the fashion industry, operates under the concept of "fast fashion", characterised by a fast production cycle with affordable prices and the release of new collections; and the mass-market trading concept, based on the principle of a broad consumer market and high sales volume. The fast-growing fashion industry needs to increase the number and speed of its products to meet the tireless, rapidly changing needs of consumers, i.e. fashion trends. At the same time, consumers expect the fashion industry to respond to their demand more quickly, leading to overproduction of clothing by as much as 25%, which exceeds actual demand and remains unsold. Thus, the oversupply is a negative consequence of the attempt to satisfy consumer demand. This direction chosen by the fashion industry has led to a rapid increase in the amount of textile waste, which annually reaches 21 billion tons, 21% of which is toxic wastewater: toxic glue, dyes and paints, synthetic polymers, metal salts, solvents, etc.; microfiber waste of 22 million tons; and pollutants such as carbon dioxide emissions of 1.2 billion tons (Thakker & Sun, 2023). Despite some controversies, the textile industry also contributes to positive economic and social impacts, such as providing jobs and income to people in underdeveloped regions and low labour costs where it is active, i.e. where it concentrates its production. Instead, for the "positive impact" to be truly sustainable, companies must adhere to social standards of sustainability, such as decent working conditions, fair wages, respect for human rights, non-discrimination and harassment, etc.

Research Methodology

Research is based on the literature review of selected papers focused on the challenges, opportunities of sustainable development through the lens of companies' peculiarities in textile industry. Using case study research method was focused on the challenges and best business practice of sustainable business transformation of the companies in textile industry.

Results and Discussion

Sustainable development trends in textile industry

In fact, the textile industry and its related sectors have the potential to contribute to each of the 17 Sustainable Development Goals. Recognising this responsibility, KPMG has analysed and identified the 8 most relevant SDGs for the sector: Sustainable Development Goal 5 "Gender Equality", Sustainable Development Goal 7 "Affordable and Clean Energy", Sustainable

Development Goal 8 "Decent Work and Economic Growth", Sustainable Development Goal 9 "Industry, Innovation and Infrastructure", Sustainable Development Goal 10 "Reduce Inequality", Sustainable Development Goal 12 "Responsible Consumption and Production" and Sustainable Development Goal 13 "Mitigate Climate Change" (Thakker & Sun, 2023).

Challenges for sustainable transformation

The primary challenge for textile enterprises and fashion corporations is to achieve Sustainable Development Goal 12, Responsible Consumption and Production, which addresses the critical need for change throughout the production chain; and to cultivate responsible consumer awareness by following sustainable models. Textile brands that promote responsible production and consumption through the use of sustainable and recyclable materials, circular solutions and safe environmental business processes are We-AR4, Alohas, Bogdar, Econyl or Scout. A key challenge to ensure environmental protection and a sustainable future for humanity is the implementation of Sustainable Development Goal 13, "Mitigate climate change", which is driving the need for the impact of circular materials and production models to reduce waste, wastewater and carbon emissions in the textile industry. One sustainable fashion brand that is committed to reducing the toxicity of its wastewater from production is Australian textile brand Kitx - by using environmentally friendly materials such as renewable natural dyes, the brand minimises its negative environmental footprint. Other brands that are working to minimise their carbon footprint include Danish home textile brand Tekla, which is GOTS¹ certified, as well as European swimwear brands Hunza G and Arloe, which are carbon neutral (Thakker & Sun, 2023).

Typically, workers in the textile sector are citizens of underdeveloped regions, as mentioned above, who are forced to accept working conditions that violate human rights and do not meet the concept of sustainability, such as unfair wages and unsafe working conditions, etc. The most vulnerable segments of humanity - children - are also affected: the International Labour Organization (ILO, 2018) estimates that nearly 152 million children are involved in exploitation in various sectors and industries, of which 71% are in the agricultural sector, including cotton production (Tkachuk, 2023).

One of the peculiarities of the textile industry is the linear business model that prevails over them, based on the principle of "take, make, dispose". As a result, the model has a large number of destructive social impacts around the world. This relatively outdated model is no longer viable in the context of the current development paradigm, which is moving towards inclusiveness based on long-term goals and vision (Gardetti & Muthu, 2020).

Sustainable business transformation practice in textile industry

Today's leading textile firms are exploring differentiated solutions to improve their standards and contribute to a positive impact in the economic, environmental and social aspects of sustainability in the field of sustainable development. First of all, this includes the possibility of making their own decisions within their corporate programs aimed at improving the firm's sustainability performance, such as reducing the use of resources to produce the same amount of clothing or increasing the volume of clothing production without additional resource consumption. Another practice is to explore new

¹ GOTS - Global Organic Textile Standard - is recognised as the leading standard for textiles made from organic fibres, defining high environmental criteria for organic textiles throughout the supply chain and requiring compliance with social criteria

business models that aim to reform the destructive linear model of the fast fashion concept with sustainable, alternative models such as eco-apparel development, recycling, second-hand, rental or reuse, etc.

In exceptional cases, textile companies are implementing sustainability initiatives that go beyond conventional business models. For example, Patagonia encourages its customers to consume less, rather than focusing on increasing sales. At the same time, the company is driving sales and strengthening the brand through continuous improvement in manufacturing processes to reduce footprint, using recycled and organic materials, and repairing clothes (The Economist, 2019).

There is a growing trend for fast fashion brands to integrate eco-changes into their business models to meet sustainability goals and attract eco-conscious consumers, thus minimising their own negative environmental and social footprints. Well-known brands such as Nike, Marks & Spencer, Timberland and H&M often launch specialised clothing lines made from recycled materials: recycled polyester, polyamide, plastic, cotton, etc. (Shen, 2014). The world-famous Swedish multinational H&M is at the top of the list of fast fashion leaders, making some efforts to incorporate sustainability principles into its business idea and model, realising its disastrous position as a fast fashion brand, which itself contradicts the principles of sustainable production.

As a leader in fast fashion, H&M is known for its active and conscious position in the field of corporate social responsibility, as well as its participation in international environmental projects. The Swedish retailer's corporate social responsibility requires the use of sustainable and ethical methods at all stages of production. It turns out that even the most popular material for clothing production - cotton - is grown using pesticides or synthetic fertilisers, which in one way or another affect the environment. In addition to using exclusively organic cotton and investing in sustainable production, H&M is also actively involved in the Better Cotton Initiative (BCI), a global non-profit project that aims to provide cotton farmers with better farming practices (Shen, 2014).

In order to standardise the sustainable materials used in H&M's own textile production, each material category is certified by an independent third party, such as GOTS and GRS² standards.

H&M reports annually on its sustainability strategies and achievements in a transparent and accessible manner, demonstrating progress in reducing emissions, energy consumption, recycling and the use of eco-materials. By 2023, the company has reduced its scope 3 emissions by 22% compared to the 2019 baseline; reduced energy consumption in its own stores by 29% compared to the 2016 baseline; 85% of materials have been recycled and SEK 2.1 billion has been spent on greener materials and decarbonising the supply chain (H&M, 2023a).

Cooperation between the textile industry and external organisations is an effective tool to reduce negative and increase positive environmental and social impacts. For example, H&M, working with the International Labour Organization (ILO) as part of the Better Work Programme in seven countries, is helping to address a range of issues including wages, working conditions, productivity and quality, and the documentation and recognition of workers' skills. The company is committed to improving water management throughout its production chain by working with the World Wildlife Fund (WWF) on a water conservation strategy (Shen, 2014).

The company actively fights modern slavery and related violations in its supply chains, which it highlights in its annual report. In 2023, although several cases of forced labour were recorded, the

² GRS is an international voluntary comprehensive product standard that sets requirements for certification of third-party recycled material, supply chain, social and environmental standards and chemical restrictions

company successfully took appropriate corrective measures. There is a positive trend in reducing violations by suppliers related to overtime, improper contracts and agreements, as well as restrictions on movement, etc. The key to preventing forced labour and irresponsible engagement of migrant labour is to train its employees and partners to be aware of and counteract these scenarios. H&M's supply chain management has been positively assessed and highly rated by the Know the Chain benchmarking in the apparel and footwear industry, which recognises the company's efforts to ensure good labour standards in its supply chains (H&M, 2023b).

Conclusion

Summing up, it can be confirmed that the textile industry, as well as all other related industries, has a significant impact on the social and environmental aspects of economic development.

The significant environmental and social impact of textile and fashion companies requires a great deal of responsibility towards nature, society, consumers and future generations. These companies should strive to minimise their own negative impact on the environment and humanity by implementing environmentally sustainable production practices; using renewable resources; using safe and recyclable eco-materials; and reducing waste. And, therefore, they require fundamental changes along the entire textile value chain: from raw materials to the consumer, both globally and locally, including rethinking approaches to corporate and social responsibility.

At the same time, the transition of textile and fashion companies towards sustainable development is evident. Consumers' moderately growing environmental awareness of climate change and pollution, accompanied by their heightened concern about the intensification of global apparel consumption and the amount of waste and emissions hazardous to the environment and people, is the main catalyst for the transformation of textile companies of all sizes towards sustainability. Effective tools for accelerating the green transition of textile manufacturers are environmental taxes (Shen *et al.*, 2020), corporate responsibility legislation and eco-labelling of goods and services (Virta & Riiikka, 2021). At the same time, while there have been notable efforts by fast fashion brands to incorporate sustainability practices into their business processes and strategies, there are still issues and challenges that require intervention. On the path to sustainability, companies need to analyse their environmental and social footprint in detail, replacing outdated business models with efficient counterparts, thereby reducing negative and maximising positive impacts. An important element of communication between companies and consumers is public transparency and reporting, which will help to detect or avoid greenwashing in any form of environmental marketing that uses dishonest "green" PR to create an eco-friendly brand reputation.

Conflict of interest

The authors state no conflict of interest.

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