

SOCIAL RESPONSIBILITY AND MANAGEMENT CHALLENGES IN TIME OF TURMOIL

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ABSTRACT

This work presents the major challenges for companies' management related to the implementation of sustainable strategies. The results of a Reuters study on the implementation of sustainable strategies in the fashion industry are showcased. The study forecasts the unlocking of a second-hand luxury market of 600 billion dollars, but also the possibility that the producers adopt sustainable strategies through which they set financial targets following social and environmental topics. In addition, the work describes the sustainable strategies adopted by the German brand Adidas, the Japanese company YKK and the Romanian company Pandora Prod, as well as the challenges that they are facing.

KEYWORDS: *circular economy, civilisation marketing, recycling, regeneration, social responsibility, sustainable strategies.*

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1. INTRODUCTION

In the context in which the business environment is in perpetual change, a change accentuated by overlapping crises, companies must adapt. Adaptability is the extent to which the company can and does respond to internal and external changes. Adaptability refers to management's ability to recognize changes in the environment as well as changes within the company itself. Ineffectiveness in achieving efficiency can signal the need to adapt managerial practices and policies. To the extent that the company cannot or does not adapt, its survival is put at risk.

Many factors affect upon the effectiveness of a company, and management must be responsive to them. The company must respond to the changing needs of its customers, to legal and political constraints, and to economic and technological changes and developments.

Management can implement policies that encourage a sense of readiness for change, and certain managerial practices, if implemented, facilitate adaptability. Managers can encourage and reward innovation and risk-taking behavior (Ivancevich & Matteson, 1999, p. 29).

Naturally, these key challenges blocking the way of entrepreneurs impose as a necessity the restructuring and reassessment of the way in which they conduct their activity, and their management must reconsider particularly marketing. Malcom McDonald considers the following to be important:

- strategic changes (connected to the conceptual and strategic role of marketing within an enterprise);
- operational and functional changes (happening in the marketing practice) – (McDonald, 1998, pp. 19-21).

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The strategic changes at company level – its societal legitimacy implies the marketing of civilization (Ristea et al., 2002, pp. 39-40).

Through the marketing of civilization, the company sets its objectives by which it meets the wishes of customers who are increasingly concerned with products and services manufactured in a socially responsible way, but in conjunction with their own strategies. (Matricon, 1993, p. 10).

Likewise, other authors consider it important that, in the new socio-economic context, companies act in such a way as to protect the planet and people's health. (Kotler & Dubois, 1992, p. 27).

It can be observed that, although CSR is “fashionable”, there is considerable ambiguity around it (Purcărea & Ioan-Franc, 2009, p. 173).

David Vogel believes that socially responsible activities reflect the desire of companies to do more socially than activities made during the regular pursuit of profits. In Vogel’s opinion, CSR depends on the circumstances, its benefits being cost bearing (Melé, 2006).

In the current context, the implementation of a sustainability strategy should be the desire of any company, irrespective of the domain it activates in, and for the basic principles to be implemented at the largest possible scale, the impulse needs to originate from an organised environment, either public or private (Popescu, 2013, 2018).

Sustainability strategies should not be done to look good somewhere, sometime, but because they answer a need that is becoming increasingly prominent – that of conserving better the resources at our disposal and, ultimately, to protect the environment. If organisations do not identify this need and lack this belief, then the implementation of such a strategy is bound to fail.

Aspects related to the need to implement sustainability strategies are revealed in articles by the authors that represent the starting point of this approach (Popescu, 2009, 2017, 2018, Popescu et al., 2018).

2. REUTERS STUDY ON THE IMPLEMENTATION OF SUSTAINABLE STRATEGIES IN THE FASHION INDUSTRY IN TIME OF TURMOIL

In a recent study, Reuters estimates that the propensity towards saving, induced by the multiple overlapping crises and the ever-growing desire to reduce pollution, will make consumers pursue second hand products.

Hence, the study shows that, for second-hand clothing and apparel, consumers’ propensity towards saving is an advantage, for instance for sellers of old high quality Gucci bags or Prada dresses which may last for a generation or more. In addition, the Reuters study considers the possibility even for the luxury fashion houses themselves to get involved.

The denim producer Levi Strauss launched a buy back platform in October 2020. Weeks later, the furniture producer Ikea opened its first store for repaired furniture, and Amazon.com has been supplying reconditioned electronics since 2015. The durability and charm of a Louis Vuitton Speedy bag, launched for the first time in the 1930s, enables it to preserve a large part of its value as time progresses. However, due to the deficit, worn leather articles from Hermés International tend to cost 10% more than the retail price.

Before the pandemic, the sales from luxury second-hand articles were already on the rise, three times faster than the primary market, and they were forecasted to double in value to 41 billion euro from 2018 to 2023, according to the financial services company UBS. But the potential inventory of merchandise is much higher. Hence, the American distributor ThredUp asserts that approximately 60% of a woman’s wardrobe is unused.

According to estimates calculated by Bain & Co and taking into consideration a total value of 1.4 trillion dollars in shoes, bags and high-end clothing sold in the past decade, if we apply a 30% discount to the original price, merchandise of approximately 600 billion dollars is waiting to come

back in circulation. Consequently, Reuters estimates the unlocking of the second-hand luxury market with 600 billion dollars.

For online players such as The RealReal and Vestiaire Collective, who sell luxury articles from several brands, this means reaching a potential income stream of 120 billion dollars when applying a typical 20% commission.

Nowadays, a great many online marketplaces are already available. Apart from these, the resale of such articles could tempt also players like the Kering Group brands, Gucci or Burberry, who have already launched pilot-projects. It's assumed that the profits are smaller than for new products, but, at the same time, the clothing that has already been “loved” needs to be checked and, if necessary, adjusted.

Nevertheless, the authors of the Reuters study consider that reselling (the circular economy) is profitable. Until the outbreak of the pandemic, the fashion industry was responsible for 10% of global annual carbon emissions and was the second highest water consumer, according to the Global Economic Forum. Hence, both investors and clients can choose the “market for virtue”, namely the “circle of the virtuous” (Turp-Balazs, 2021, p. 14).

3. CHALLENGES FOR COMPANIES' MANAGEMENT RELATED TO THE IMPLEMENTATION OF SUSTAINABLE STRATEGIES

The German brand Adidas also chose the “market for virtue”, considering that sustainability is more than a trend, rather a permanent reality attracting challenges and targets.

Adidas has set a few targets it has managed to achieve even during the pandemic. Hence, in 2020, it produced over 15 million pairs of sports shoes out of plastic recycled from beaches and coastal regions, compared to 11 million in 2019, 5 million in 2018 and 1 million in 2017.

Starting with 2021, all the packaging used in transporting products from manufacturing countries to shops' shelves is made of recycled materials. The objective pursued by Adidas is reducing the carbon footprint throughout the entire supply chain by 30% until 2030. In the past 5 years, they managed to reduce the cumulated footprint of all the company's operations by over 50%.

Last but not least, a total dismissal of virgin plastic is pursued, in order to stop the accumulation of waste. Adidas has no longer used single-use plastic bags in its own shops since 2016. But the company's most important achievement so far is the constant increase of using recycled polyester in its manufactured products – up to 60% of the polyester used by Adidas is recycled. The management of the company desires, until 2024, to use only recycled polyester in all Adidas products, with the aid of two high performing materials developed by the company, in which polyester is 100% recycled, namely Primeblue and Primegreen.

One of the successful collaborations initiated by Adidas in 2015 was the one with the organisation Parley for the Oceans, when pioneering work was done through the release of sports shoes which were unique at the time. They incorporated innovative materials, which were renewable from plastic waste. Presently, Adidas management has three major objectives: recycling, circularity and renewal. Recycling refers to the replacement of virgin plastic with entirely recyclable materials.

Circularity is the current through which the entire creation process is designed so that the product can be reused permanently, even after the end of its use. Relevant for circularity are the “Future Craft Loop” shoes and the anorak with the same name. At retail level, Adidas is experimenting with different solutions for the consumers who wish to return products to the shop. In the United Kingdom, the “Infinite Play” program was implemented, allowing customers to return Adidas clothing and footwear and receive instead a voucher for online purchases.

In respect of renewability, Adidas hopes to create solutions through which to transform everything it is producing into renewable matter returning to nature (Adidas vrea să devină campionul producției sustenabile, 2021, p. 18).

One of the industry players launching sustainable products when these were not even the subject of discussion, in the 90s, is YKK.

Hence, the Japanese zipper manufacturer launched Natulon, a sustainable zipper, much earlier than the time when recycled polyester became something usual on the market. In all these 28 years since the introduction of Natulon on the market, the company diverted 57 million PET bottles which would have otherwise reached the landfill, offering a new use via renewability. Additionally, a new range of natural products was launched, Natulon Ocean Sourced, a zipper which was developed from plastic recovered from the oceans, also in order to help reduce the planet's pollution levels.

YKK sets out to become a zero-impact company until 2050, for example through using renewable energy. In Spain, YKK installed solar panels in some of its own factories, in this way succeeding in bringing down costs, and the production process is friendlier towards the environment. Also, YKK California operates with solar energy. This is only the beginning, since YKK has operations in over 70 countries.

The key objective of the company is for all its textile components to be produced from sustainable fabrics until 2030, including recycled and organic fibres. Apart from the kind of materials used in production, YKK management pays attention also to the manufacturing process. An example in this respect is the water-free dyeing technology, named Eco-dye, through which not only water is saved, but also chemical substances and energy, because drying is no longer needed. Metal manufacturing processes are also adopting innovative technologies.

YKK is monitoring what happens with clothes after they are worn. Hence, it is known that recycling textile waste is possible, but that clothes contain accessories such as buttons or zippers which pose issues as to the manner of their re-use. A product which is ideal for recycling needs to allow to be disintegrated without taking away its components, which is a rather difficult technical challenge.

During the 2021 digital ISPO, João Matias, the sustainability specialist at YKK Europe, stated that the zipper developed by YKK, whose components are from polyamide, is not yet perfect, reason for which R&D are working to create easily recyclable products, and even though they have not yet reached this point, they are getting closer each day to the desired outcome.

In order to increase the use of sustainable materials, YKK sets out by 2030 to:

- use 100% sustainable textile materials (recycled or organic);
- replace all plastic packaging with recyclable/re-usable items;
- reduce waste ending up in landfills or incineration in all its factories, raising the recycling rate to 90%.

In order to reduce conventional energy consumption, YKK intends to:

- close all of its coal-using facilities by 2030;
- install renewable energy sources where it is feasible;
- reduce emissions through the acquisition of renewable energy whenever possible (Turp-Balazs, A., 2021).

With regards to Romanian companies trying to follow the path of sustainability, a typical example is Pandora Prod, one of the main producers and exporters of garments in Romania. The company owns RCS (Recycled Claim Standard) certificates for recycled textiles and GOTS for the organic ones, and over recent years it has taken several awareness-raising actions to promote sustainable policies among its employees and the local community. Also, in light of the certifications gained, the company must monitor the traceability of its fabrics and to ensure that the entire production chain is certified in this respect. Moreover, the company reports its cotton consumption on the BCI (Better Cotton Initiative) platform for its manufactured products.

Paper, cardboard, plastic waste is recycled 100%. When it comes to textile waste, a part of it (wool, cotton) is sent to weaving companies, the rest are re-used and constitute raw materials to produce asphalt. A portion of the textile waste, depending on customer demand, were used to produce labels or to belong to different sustainability projects.

Additionally, energy consumption reduction projects were implemented, through the acquisition of high-performance equipment with low energy consumption, and through the lighting systems. Hence, approximately 50% of the electricity purchased annually by the company is green energy, with a plan also to develop and implement its own project for producing green energy by installing photo-voltaic panels. Last but not least, the company is pondering whether to develop an electric vehicle fleet in the years to come.

One of the challenges faced by Pandora Prod is connected to textile waste management. Hence, very little of pre-consumption textile waste ends up being re-used in Romania and, what is more, given that many fabrics have mixed compositions, the process of retransforming them into fabrics is difficult. Bringing the material back to life is not a cheap process, nor are the solutions affordable for everyone. With regards to the local situation, the transformation of textile waste into fabrics is all the more complicated in Romania, seeing that there are no more fabric producers in the country. Moreover, preoccupations in the FreePlastic direction represent a separate challenge for company management, seeking solutions to replace plastic hangers and plastic wrapping sheets with sustainable products.

Total recycling is the next challenge for Pandora Prod. Already, the company is currently in discussions with Italian fabric producers to participate in projects enabling the development of fully recyclable products. For this however to happen, the entire production chain needs to become operational – from the collection of waste up to the development of fabrics (Turp-Balazs, 2021, pp. 26-27).

4. CONCLUSIONS

The work presents the problems companies are confronted with in the implementation of sustainable strategies, which have as key objectives recycling, circularity and renewability. Both companies that have chosen for a long time the path of sustainability and the ones that have recently adopted these strategies are faced with challenges amplified also by the socio-economic context in which these companies are conducting their activities.

The implementation of a sustainability strategy should be the desire of any company, irrespective of the domain it activates in. Sustainability strategies should not be done to create a pleasing image somewhere, sometime, but because they answer to a more and more prominent need – that of better preserving the resources at our disposal and, in the end, of protecting the environment. If organisations do not identify this need and lack this belief, then the implementation of such a strategy is doomed to fail.

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