Patagonia: A Sustainable Outlook on Business

How can businesses make a difference in a world of decreasing resources? Patagonia is diligently working toward finding an answer to that question. Patagonia is a privately held outdoor clothing company based out of Ventura, California. Patagonia’s clothing has been developed and marketed toward a variety of outdoor sports, travel, and everyday wear. The company has integrated core beliefs and values into every product it produces and is known for its innovative designs, exceptional quality, and environmental ingenuity. Its high integrity and commitment to the environment has placed Patagonia on the Ethisphere Institute’s “World’s Most Ethical Companies” list for six consecutive years since the list was first developed in 2007.

History of Patagonia

Like many successful companies, Patagonia stems from one entrepreneur’s passion. In 1953 Yvon Chouinard, founder of Patagonia, developed a passion for rock climbing. His passions brought him west to the San Fernando Valley in California, where he became an expert at climbing and rappelling. Unfortunately, his passion was limited by a lack of appropriate climbing gear. The only available climbing gear were pitons, metal spikes that were driven into cracks or seams in rocks. These pitons were left in the rock, meaning that a long climb could require hundreds of these tools.

Recognizing a need for better, more environmentally-friendly equipment, Chouinard began to make his own reusable pitons that were stronger than what was currently on the market. Word of Chouinard’s invention spread, and he began selling his pitons out of the back of his car for $1.50 each.

By 1965 Chouinard decided to partner with Tom Frost to create Chouinard Equipment. For nearly a decade Chouinard and Frost made improvements on nearly every climbing tool. Soon Chouinard and his wife Malinda were selling clothing as way to support the hardware business, but by 1972, the clothing line had expanded to become its own business venture. The name of the line was Patagonia, and was intended to reflect the mysticism of far off lands and adventurous places located not quite on the map.

Due both to financial hardships and a strong focus on the environment, the Chouinards new they needed to make a change. The company switched to the more expensive organic cotton in 1996, a risky business move considering it increased the firm’s supply costs. Conceivably, the more durable the product, the less customers need to purchase from the company. However, the exact opposite occurred: consumers were more willing to do business with Patagonia due to its environmental consciousness and the fact that they could trust Patagonia’s products to last a long time.

Today Patagonia is debt-free, and is still willing to bend the rules. For instance, the firm—which constantly remarks that it places the environment over profits—has embarked upon a “Buy Less” campaign, among other initiatives that seem like they might discourage revenue growth. However, revenue has more than doubled since 2008.

Patagonia’s Purpose and Core Values

When Patagonia was first developed, Yvon and Malinda agreed that the company would produce only products of the highest quality and manufactured in the most responsible way. They selected the...
following mission statement for the company: “Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.”

Patagonia strives to live out its mission statement every day. To make its mission into a reality, Patagonia has adopted four core guiding principles for its operations: Quality, Integrity, Environmentalism, and Not Bound by Convention.

For Patagonia, this means working with friends, hiring self-motivated, intelligent employees, and giving them flexible time to enjoy surfing, climbing, and spending time with their families. Another important value involves finding ways to be responsible by restoring or reusing, which has prompted the company to open retail locations in old buildings that have been restored. After the company nearly went out of business during the 1990s, Yvon Chouinard vowed to never again stray from the core values that he had adopted to develop Patagonia. These values are strongly embedded into all company operations and activities.

**PATAGONIA’S LEADERSHIP AND MANAGEMENT STYLE**

Yvon Chouinard set out to create a company that was proactive in its approach to how business is conducted by embracing a progressive corporate culture. For instance, Patagonia believes that employees should be out enjoying nature or tending their children when sick. Chouinard’s ideas have made the company widely popular with employees and have steered the company toward innovation and success on a global platform.

Although Yvon Chouinard owns Patagonia, he surrounds himself with talented leaders to help advance the company’s goals. Patagonia CEO Casey Sheahan is strongly committed to Patagonia’s vision of environmentalism and used to run the Conservation Alliance, an alliance of businesses co-founded by Patagonia to encourage outdoor firms to donate toward environment causes and organizations. Under his leadership Patagonia has expanded in its ventures to promote sustainable business practices and improve the environment. It also won Corporate Responsibility magazine’s 18th annual Business Ethics award for environmental sustainability. Sheahan was listed as one of the ten most ethical leaders by MBA.com. Patagonia’s leadership has become well-known for ethical conduct and for guiding the company according to its corporate mission and values.

**ENVIRONMENTAL INITIATIVES**

Over the years, Patagonia has teamed up with other corporations to develop and create initiatives aimed at reducing the environmental footprint businesses leave behind. They have pioneered revolutions in clothing technology development and manufacturing. Patagonia has also been an innovative force in creating programs that deal with the environmental crisis head on, as demonstrated by a few of their many initiatives below.

**1% FOR THE PLANET:**

The organization 1% for the Planet is an alliance of businesses that donate part of their proceeds to environmental organizations to support sustainability and the preservation of the environment. Since 1985 Patagonia has committed to donate 1 percent of its sales to environmental organizations around the world that work to conserve and restore the natural environment. Since it started to support 1% for the Planet, Patagonia has contributed more than $46 million in donations.
COMMON THREADS INITIATIVE:

This initiative embraces the concept of “Reduce, Repair, Reuse, Recycle, Reimagine.” The Common Threads Initiative is a partnership with Patagonia and their customers to buy and use clothes more sustainably. By engaging in the Common Threads Initiative, Patagonia hopes to create a closed loop system in which its products never end up in a landfill.

CONSERVATION ALLIANCE:

The Conservation Alliance was co-founded by Patagonia in 1989. The purpose of the Conservation Alliance is to encourage businesses in the outdoor industry to contribute to environmental organizations. Throughout the years the Conservation Alliance has grown beyond its four founders to include over 170 businesses. The Conservation Alliance donated $900,000 in 2010. Patagonia remains actively involved with the Conservation Alliance and maintains a seat of the board.

BLUESIGN® STANDARD:

Patagonia is currently working with bluesign® technologies in its quest to reduce resource consumption. For those resources that cannot be reduced, bluesign helps Patagonia to use more sustainable resources that will have less of a negative impact on the environment. So far Patagonia has 16 percent of its products that qualify as “bluesign-approved fabrics,” with the goal to increase this to 100 percent by 2015.

CORPORATE SOCIAL RESPONSIBILITY

In addition to its many environmental initiatives satisfying stakeholder groups throughout the community, Patagonia also focuses on satisfying its employees. As described earlier, Patagonia believes in a work/life balance philosophy. Due to this strong relationship with its workforce, the company has a 25 percent turnover rate compared to the industry average of 43.8 percent. Patagonia averages nine hundred applications per job opening, providing it with the opportunity to hire the best talent.

Patagonia also works with factories to ensure that its products are being produced in alignment with Patagonia’s corporate values and environmental integrity. In 1990 Patagonia developed the Contractor Relationship Assessment, a scorecard used to rate a factory’s performance. In 1996, Patagonia became a founding member of FLA (Fair Labor Association), which conducts audits and training on factory conditions. In 2007 the firm joined the Fair Factory Clearinghouse (FLC), which is a database that helps Patagonia collect and manage supplier data that deals with social and environmental issues. This information is shared with other firms in Patagonia’s industry and can help establish benchmarks for best practices.

Finally, Patagonia regularly audits its factories. It also scores factories based on how they measure up to social responsibility and environmental goals. For its materials suppliers such as mills, Patagonia has Environmental Health and Safety requirements as well as a Raw Materials Social Responsibility program. Under this program, Patagonia’s materials suppliers must audit their factories to measure whether they are in compliance with safety, social responsibility, and environmental criteria as well as areas of improvement. By raising the bar for social and environmental responsibility among its suppliers and factories, Patagonia is attempting to incorporate corporate social responsibility among all of its stakeholders.
WHAT THE FUTURE HOLDS FOR PATAGONIA

Patagonia shows no signs of slowing down, and neither does Yvon Chouinard. The company remains dedicated to advancing environmental awareness among businesses—even if it entails partnering with some unlikely companies. For instance, Patagonia partnered with Walmart and Adidas to form the Sustainable Apparel Coalition. Patagonia realizes that to create lasting change, it must not only improve its sustainability operations but also assist in helping other businesses learn how to reduce their impact on the environment.

Chouinard continues to see himself as an innovator rather than just an inventor. Under his influence and the influence of company leaders such as CEO Casey Sheahan, Patagonia seeks to make a difference and create a revolution in how businesses view sustainability. Rather than taking from the environment, the goal for Patagonia is to educate consumers and businesses about how they can help to preserve it. Patagonia demonstrates how strong corporate values and ethical leadership can create a company that is both successful and a role model for those who desire to make a positive difference.

QUESTIONS

1. Describe how Patagonia acts out its core values?
2. How has Patagonia been able to promote sustainability among other businesses?
3. Do you think it beneficial for Patagonia to branch out into other ventures other than apparel?
   How at align initiatives such as Patagonia Provisions with its core values?
4. What are the ethical risks Patagonia will face in the future?
5. Does Patagonia—a privately held, debt-free company—have an advantage over public companies with shareholders by being socially responsible?
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