



European Forum on Paradox and Pluralism

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MANAGING PARADOX MINI-CASE SERIES

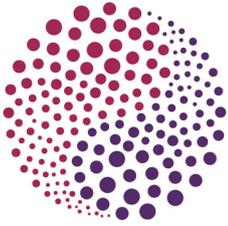
Public commitments towards sustainability: the case of Zara

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THE CASE¹

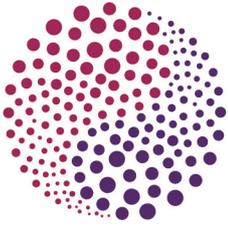
Zara is one of the big brands in the fashion industry. Accounting for 70% of the sales of Inditex (the third largest apparel company in the world), Zara has been the first high street vendor to make a public commitment to sustainability. According to Zara's CEO, by 2025, all of its collections will be made from 100% sustainable fabrics before 2025. The move is justified by Pablo Isla, the chief executive of Inditex, by stating that "We need to be a force for change, not only in the company but in the whole sector." However, these targets seem quite ambitious. Commenting on that, Isla added "We are the ones establishing these targets: the strength and impulse for change is coming from the commercial team, the people who are working with our suppliers, the people working with fabrics. It is something that's happening inside our company."

This is a big commitment and a considerable gamble for such an important player in this industry. Zara is travelling a path of no return and one that has to make sense financially. On the one hand, it is a path that seems to be responding to internal and external pressures to become more sustainable. On the other hand, the industry players have been holding up because managing sustainability and still making money has been considered to be difficult and complex. So, the big questions are: Can Zara prove that sustainability can be profitable? And can they make this work within the boundaries of their business model?

The case of Zara raises a number of interesting questions:

- Is there a business opportunity within sustainable fashion?
- What type of pressures is Zara responding to? Internal or external?

¹ This case was mainly based in The Guardian (2019) Zara collection to be made of 100% recycled fabrics



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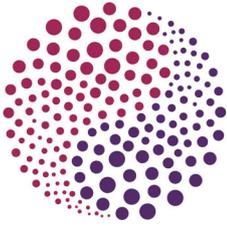
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- Can Zara modify their business model to take full advantage of this opportunity? Indeed, can they make it work? What dimensions need to change to meet this challenge?
- How will the market react to this move from one of its biggest players?
- In addition to the typical financial indicators how should Zara measure their progress towards this objective? What type of indicators should Zara use measure success on this journey?
- How does this move change recruitment for Zara's staff? What levels are affected?

Additional issues to be noted and incorporated in the discussion:

- Even if the financials made sense, the current availability of recycled cotton does not secure Zara's production. This is an immediate bottleneck and a considerable supply chain issue that needs to be addressed.
- Of course, this commitment is built upon successful experiences of collecting more than 34,000 tones of used stock. This were collected using more than 2,299 stores in 46 markets.
- In addition to the store collection experiments, a service picking up used clothes from customers' homes has proved effective in Spain, Beijing and Shanghai and will be extended to London, Paris and New York.

Two additional issues should be considered. First, there is no significant player disrupting the sustainable fashion industry. Patagonia has for many years tried to fight head to head with big companies, but their offer, business model and price range are totally different. In addition, one must consider the effects of COVID-19 and the



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worldwide pandemic in the embrace for sustainability. How does the pandemic affect the opportunity for more sustainable products?

Useful sources:

<https://www.inditex.com/our-commitment-to-the-environment/closing-the-loop/collect-reuse-recycle>

https://www.inditex.com/documents/10279/249245/Dossier_JGA_2019_EN.pdf/1664de2f-ca77-3a40-2b78-cace74c06c82

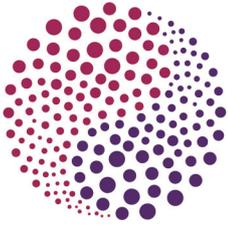
<https://www.globalfashionagenda.com/>

About the authors:

Ricardo Zózimo is Assistant Professor of management at Nova School of Business and Economics. His research focuses on understanding how entrepreneurs learn and how the social dimensions of learning contribute to personal and firm development. His most recent research project approaches gratitude from a spiritual perspective by evaluating the distinctive ways entrepreneurs can say thank you to individuals that have supported them.

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Aníbal López is an Assistant Professor Adjunct at Nova School Business and Economics. His research focuses on the applied psychology of entrepreneurship specially on how entrepreneurs react to obstacles and also on what HR practices sustain new ventures high growth. He is also interested in social exchanges at the workplace, especially on employees' submissiveness behaviors and organizational inclusion climate.



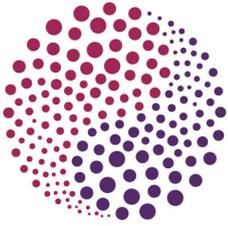
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TEACHING NOTE

The case discusses how a commitment towards sustainability can be enacted detailing some of the most prominent dimensions of building a business case for sustainability. Indeed, the case can be used to illustrate:

- **The journey towards sustainability and its inherent tensions**, i.e. what type of internal and external tensions exist when companies seek sustainable but yet profitable business models for their products. We envisage students discussing tensions related to measuring success, alignment of values, recruitment, ROI, the role of KPIS, etc. Using the temporal dynamism of the case students could build a process and identify the tensions associated with each stage of the journey.
- **For leadership** it illustrates the sheer complexity of some managerial decisions and the difficulty in doing business while trying to be good. As the case illustrates this commitment comes with many tensions and problems. Ultimately it is up to the leadership team to develop ways to manage tensions towards achieving the commitment.
- **For supply chain** it can be used to explore how a company like Zara can develop a critical competitive advantage by finding ways of collecting and using recycled materials to resource their production. It can also pave the way to discuss the role of partnerships and collaborations across players in the industry.
- **Measuring Impact**, drawing upon an impact framework like the SDGs (the 17 Sustainable Development Goals promoted by the UN) students could also discuss what distinct forms of positive and negative impact this commitment carries. Perhaps this can be used to explore the negative spillover effects of this strategic choice.



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- For any one of us, individually, the cases invite us to reflect on the power of public commitments in our personal life and the organizations that we belong to.

Areas:

Sustainability, Fashion, Social responsibility, Environment, Impact

Keywords:

Zara, Recycling, Resource Scarcity, Commitment towards sustainability