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Sustainability as a source of competitive advantage: a case study of Tella Oy

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Thesis abstract

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This thesis was commissioned by Tella Oy. The thesis researches opportunities to gain competitive advantage through strategic corporate responsibility and gives tools to implement sustainability as part the company's strategy.

The primary data for thesis is constructed with semi-structured interviews and observation during benchmarking, as well as using secondary data such as reports and publications to make the research more comprehensive. The theoretical part focuses on strategic management, corporate responsibility, as well as strategic corporate responsibility. The empirical study first focuses on the current situation of the company, then seeks answers as to how to develop it further, and, finally, presents suggestions for the company.

Based on the study, six potential competitive advantages were found, two of which are most suitable, due to the company's already excising actions. The other four suggestions are competitive advantages related to sustainability, and, in the longer term, they could give significant competitive advantage to the company.

Keywords: sustainable development, corporate responsibility, clothing industry, sustainability as a part of corporate strategy, competitive advantage

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Opinnäytetyö toteutettiin toimeksiantona Tella Oy:lle. Opinnäytetyön tavoitteena oli tutkia, millaista kilpailuetua yritys voisi saavuttaa vastuullisuuden avulla ja tarjota työkaluja, joiden avulla yritys voisi toteuttaa vastuullisuutta osana yrityksen strategiaa.

Ensisijaisena lähteenä tutkimuksessa käytettiin teemahaastatteluja ja havainnointia benchmarkingin yhteydessä. Kattavan tutkimuksen saavuttamiseksi, toissijaisena lähteenä käytettiin raportteja ja julkaisuja. Teoriaosuus keskittyy strategiseen johtamiseen, yritysvastuuseen ja strategiseen yritysvastuuseen. Empiirinen tutkimus selvittää ensiksi yrityksen nykytilaa, minkä jälkeen tutkimus pyrkii löytämään kehittämisen kohteita ja tekemään yrityksen tarpeisiin sopivia ehdotuksia.

Tutkimuksessa tunnistettiin kuusi oleellista kilpailukeinoa, joita yritys voisi käyttää etunaan. Näistä kaksi perustuu yrityksen sisällä jo oleviin prosesseihin, ja ne jäsenettiin muotoon, joka tuottaa yritykselle mahdollisimman paljon kilpailuetua. Sen lisäksi havaittiin muita kilpailukeinoja, jotka voisivat pitkän aikavälin tähtäimellä tuoda Tellalle merkittävää hyötyä.

Asiasanat: kestävä kehitys, yritysvastuu, vaateteollisuus, yritysvastuu osana yrityksen strategiaa, kilpailuetu

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Terms and Abbreviations

B2B	Business to Business
B2C	Business to Consumers
CEO	Chief Executive Officer
GRI	Global Reporting Initiative
SEAMK	Seinäjoki University of Applied Sciences
SME	Small and Medium Sized Enterprise

1 INTRODUCTION

In an article published by New York Times magazine in 1970, Milton Friedman argued that business's only social responsibility is to maximize profits (Nilsson & Robinson 2017). According to Nilsson and Robinson (2017), his mantra "The business of business is business", claims that enterprises should only focus on aspects that are directly aligned with economic growth. Friedman's views on monetary economics are still valid in most of the developed countries, but the view towards social welfare has changed. According to O'Donohoe (2016), 90% of the major corporations have established their own corporate responsibility programs to support wide range of activities that benefit the society. The purpose of these programs is to find ways to leverage company's intellectual capital to the community in a way it complements the business objectives and strategy. Studies show, that stakeholders such as customers and employees put a high importance on said programs and it is inevitable that companies are expected to take part in the program. Successfully implemented corporate responsibility program is seen as a competitive advantage that generates profits rather than costs to the company.

Over the years, the clothing industry has taken steps towards more sustainable practices, for example one of the most notable fashion magazine, Vogue stated in their December issue, that the future of fashion is circular and how the 2020s the industry is focusing on making new clothes out of old ones (Farra 2019). The Finnish textile industry has moved towards more sustainable practices: companies are employing grandmothers to knit their hats (Myssyfarmi 2020), use leftover materials from the furniture business in their hats (Costo 2020) while some of them are focusing on developing more sustainable materials from birch (Marimekko 2019). Finding the competitive advantage from sustainability is a new way to become profitable.

This thesis researches opportunities to gain competitive advantage through sustainability and gives tools to implement sustainability as a part the company's strategy. The first chapter introduces the research methods, the 2nd and the 3rd chapters focus on theory behind the study. The 4th chapter gives an overview of the industry, and finally chapter 5 delves into the case company's development areas and suggested approaches. Chapter 6 is about the researcher's conclusions regarding the study.

1.1 Purpose of this research

This thesis was commissioned by Tella Oy, a Finnish headwear and lifestyle brand. The purpose and aim of the thesis were planned together with the company. The thesis is constructed as a case study, and the context chosen for the study is Tella Oy (company). The purpose of this research was to figure out how the case company could implement their already existing sustainable actions into competitive advantage in order to benefit from it financially, but also to gain competitive advantage over competitors. The aim of the thesis is to produce material, that could be used as a base to the company decisions when implementing the sustainability into strategy. The thesis proceeds to explore the most appropriate ways to become a more sustainable textile brand based on the company's resources and received information through interviews, observation and publications.

1.2 Research problem and research questions

Based on the purpose and the aim of the thesis the following research problem is identified:

Sustainable actions inside company are not measurable nor bring competitive advantage as the strategic corporate responsibility should.

Based on the purpose and the aim of the thesis, as well as the research problem, the following research questions can be formed:

1. What sustainable themes could be the company's competitive advantage?
2. How could these sustainable themes be implemented into a strategy?
3. What do the company's stakeholders expect from sustainability?

1.3 Scope and limitations of research

The thesis aims to support the company's goal to implement sustainable actions into a strategy and to find competitive advantages in the field of sustainability. The thesis is a pre-exploratory tool, which seeks solutions for the company to use in the future. In order to limit the scope of the study, the thesis only focuses on preliminary research with multiple data collection methods followed by a descriptive analysis of the research outcomes and personal recommendations. Planning and execution are left out of the scope.

1.4 Previous studies

There is research related to this study. Hall and Nilsson (2016) have written a Bachelor's thesis on how luxury brands in Sweden are using sustainability as a competitive advantage. There is also study constructed by Lueg and Al (2013) that focuses on corporate sustainability and its role in low-cost business model. While the both studies are focusing on Scandinavian brands, and Hall and Nilsson's study relates to creating competitive advantage on sustainability, this thesis is purposefully constructed for the case company's purposes and therefore the results may vary.

1.5 Research Methods

The thesis is constructed by using case study research strategy and the context chosen for the study is Tella Oy (Company). According to Eriksson and Kovalainen (2008, 115–117), the main objective of a case study research is to relate the case to the context whether its economic, cultural, historical, technological or social factor. According to Eriksson and Koistinen (2005, 4–5), case study as a research method is a good choice, when the researcher is looking for answers with research questions starting with what, how and why.

Eriksson and Kovalainen (2008 115–117) and Gummesson (2000, 87) state that the case study research strategy is also a good way to provide insightful information to managers who are seeking answers to problems and initiating new processes in house. According to Eriksson and Kovalainen (2008, 115–127) data collection for case study is possible either through qualitative or quantitative methodology. In fact, it is suggested to use both methods, as the research is then more reliable and evidence of the case more convincing. The data collection method using mixed methods is called triangulation. The primary method of collecting data for the thesis is produced by conducting semi-structured interviews, benchmarking a company that is successfully implemented corporate responsibility as part of its strategy, observing the case company, and constructing questionnaires to get more information of the consumer expectations. To support the primary data, the secondary data is collected by researching published reports and articles.

2 MANAGING SUSTAINABILITY

2.1 Strategic Management

Igor Ansoff defines the strategy as a difficult and abstract concept to catch (Ansoff 1965, 104). Angwin and Cummings (2017, XV) say that according to Henry Mintzberg the strategy is a “pattern of behaviour that emerges in the long run” and Alfred Chandler sees the strategy as

“a determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”.

When thinking about a strategy, it is about finding the set of long-term goals and manage the company towards those goals with determination. Michael Porter (1996, 75) clarifies the strategy even further by saying that, “Strategy is creating fit among a company’s activities”.

In this chapter, the subject of strategic management is introduced. It begins with defining the purpose, vision, mission and values and then continuing to business planning and competitive advantage. Lastly, strategic tools used during the research are introduced.

2.1.1 Purpose

According to Angwin and Cummings (2017, 3), a company needs a strategic purpose, something they wholeheartedly want to achieve. It can be related to maximising profits and at the same time it can be something completely different, e.g. giving something valuable to the society. Whereas an established strategic purpose can be motivational and inspirational for the stakeholders, a lost or non-existing strategic purpose may cause distrust within the stakeholders such as employees, shareholders and customers and therefore lead to an operational loss. A well-defined strategic purpose is an essential, when using different strategic tools such as SWOT analysis.

However, SWOT analysis becomes a pointless tool if the company does not have a direction to go. The strategic purpose is also needed when setting up long-term objectives, vision, mission, and values.

Angwin and Cummings (2017, 3) state, that the company's vision can be inspirational, yet it should be something that their stakeholders understand. Whether the company is aiming to become a "carbon neutral airline by 2030" or be the "Finland's most sustainable hatter in 2030", the vision should state what the company is aiming to do in the long run. Mission statements can be easily mistaken for company's vision. The difference between mission and vision is, that rather than being an inspirational statement what the company aims to be in the future, mission describes the journey there.

According to Angwin and Cummings (2017, 4), nowadays it is very common, that companies use the time and the effort to find the most organic and natural core values to the brand that describe the beliefs and principles behind their decision-making process. Previously companies used very generic values such as "reliable", "quality", and "professional", but as of lately core values have become an important way to demonstrate the soul and the identity of the company. Finding the right core values is not easy, as the company should be able to determine those values that stay even in situations where external environment changes. If the values change due to external environment changes, then the company should continue looking for the right values.

2.1.2 Planning

According to Williams (2017, 5,93,100–101), in order to become successful, the leadership of a company needs to have a strategic plan. The plan needs goals that are measurable and in relation with the company's overall strategy. These goals might be but are not limited to profits, sales, social and environmental wellbeing and growth. The leadership sets adequate objectives based on their strategic purpose and works towards achieving them. Planning creates a solid base for workers and managers to move towards the same direction with the leadership.

A clear plan motivates employees and managers to become more persistent and develop their capabilities to fit better for their job. Good planning equals faster growth and larger profit margin.

While leadership's bird's eye view is important in the creation of the big picture, middle management is needed for making the tactical plans. Tactical plans are needed for deciding how to use resources such as money, time and employees to meet the goals set by leadership in strategic level. Lower-level management is in charge of the operational plans such as routines and day-to-day operations. All these plans have the same goal, the same big picture they are moving towards, only their tasks are different.

Kraus and Schwarz (2005) claim that planning in small to medium sized enterprises is a little different compared to big corporations. In bigger corporations, the planning can be done at different levels from strategic to tactical and then operational planning, but usually SMEs do not have the same resources. In SMEs, all the planning happens within a small group of people due to lack of time, human and financial capital.

Competitive Advantage

Michael Porter (1996, 64) defines the core value of strategy as doing something differently than rivals are doing. According to Williams (2017, 113–115), when a company creates a product or service that is more attractive than its competitors' and is afterwards able to sustain that attractiveness, it is called competitive advantage. Company has a pool of resources such as assets, knowledge and capabilities that it uses to achieve company-wide goals, that then helps the company to reach their strategic objectives and compete against other players. To attain such a stage, better known as sustainable competitive advantage, company needs four different types of resources. These are called valuable, rare, imperfectly imitable and non-substitutable resources.

According to iEduNote (2020d), company is able to sustain their competitive advantage by building "blocks" of generic advantages such as productivity and quality (valuable resources), developing distinctive advantages, that are difficult to attain by competitors (rare resources). Organisational learning is also an important part when

building competitive advantage. These organisations learn from mistakes and are always seeking new knowledge. Understanding the importance of continuous improvement and finding about the best practices (e.g. via benchmarking) is a key to implementing successful competitive advantage. Lastly, change is always good and it is necessary in order to maintain a competitive advantage. Distinctive competency is essential in order to run a successful business. These distinctive competences are unique, and can be related to physical, human, financial, technological and informational resources.

According to Porter (1996, 70–75), the fit is important factor in the company's competitive advantage. Rather than focusing only one "block", company should focus on comprehensive fit that enables the company becomes harder to imitate. There are three fits, that Porter calls simple consistency, reinforcing activities and optimizing effort. The first fit focuses actions that are moving the same directions and cumulates the value, rather than cancels each other out. Second fit is about reinforcing activities. The third fit focuses on optimizing effort on actions.

2.1.3 Tools

According to Teeboom (2019), strategy tools are meant for the management use to determine where company should go and what should be done in order to get there. In this chapter, the strategic tools that are used during the thesis are introduced. According to Angwin and Cummings (2017, 44–45), the company can be affected with a wide range to things such as governmental regulations, stock markets, mega trends and global pandemics which it has no control of. Being prepared to battle against threats that ultimately could lead losses and finding new opportunities in the emerging situations is a key for surviving and keeping the business afloat and moving towards the company's objectives and big vision. While PEST analysis focuses on studying what happens in the macro environment, TOWS analysis helps the company to figure out their inner strengths and weaknesses. When used together, the company has a better understanding how it can answer to the opportunities with the qualities it has, and how it can survive from the situations where all the pressure is up against the company's weaknesses.

PEST

Angwin and Cummings state (2017, 38–45) that PEST analysis tool is used to get a better understanding of the macro environment, the political, economic, social and technological concerns, and how these macro-shocks might affect the company and its business. PEST analysis measures how different forces in the macro-environment change overtime instead of quick view of the situation.

PEST analysis also covers more than just the traditional economic and social concerns and it can be customised by adding new factors such as ecological, media, legal and ethical concerns into the mix, which creates a completely new acronym, ESTEMPLE. In ESTEMPLE analysis, the potential economic concerns can be seen as GDP levels, inflation, recession, exchange rates and so on. Social concerns in ESTEMPLE model could be population size, ethnicity, attitudes towards fashion and consuming as well as personal values. Technological macro-shocks could come from emerging new technology. Ecological concerns have recently been reflecting the sustainability and issues related to emissions, waste disposal and climate change. Media is shaping the way we think, and therefore what media publishes, it has a direct effect to the company.

According to Angwin and Cummings (2017, 44–45), political macro-shocks come from governments and institutions such as European Union. New legislations, policies and regulations might create issues to the company. Legal concerns consist labour laws, consumer protection acts or company laws that might change in the long run. Lastly, ethical macro-shocks may affect the company, e.g. in situations where the standards differ between two countries.

Using ESTEMPLE or PEST analysis to predict the future macro-shocks, the company is able to move its course to the direction, where the business is moving. For example, if PEST analysis indicates, that people want to purchase clothing that is upcycled or that there will be heavy taxation in new fabrics due to emissions, the company might choose to develop new scenarios where it is possible, that the strategic goal such as profits can be secured with a different business model that the company choose at the beginning.

SWOT/TOWS

According to Angwin and Cummings (2017, 48–51), the company is able to measure their internal weaknesses and strengths against external opportunities and treats with SWOT analysis tool. If these internal and external factors don't match, company is able to see, what needs to be done. However, the SWOT analysis is not beneficial for the company, if it cannot directly compare these factors to each other (strengths to opportunities, strengths to weaknesses and weaknesses to opportunities, weaknesses to threats). As this might be sometimes challenging, due to long list of internal factors in no relation to external factors, a TOWS analysis is recommended. In TOWS analysis, the method is to examine the threats and opportunities before listing the company's internal strengths and weaknesses. Understanding the internal strengths and weaknesses helps the company to find ways to transform the weaknesses into strengths and see the opportunities that arise from the macro-shocks.

According to Williams (2017, 117–118), analysing the distinctive competences and core capabilities give a better understanding of the internal environment. Distinctive competences are those that define how much better the product is compared to others whereas core capability describes company's internal processes such as decision-making and culture in the company. While analysing the internal environment, companies can also learn from others.

Benchmarking

According to Williams (2017, 344), benchmarking is a way of learning from those, who have succeeded in the field where the company is heading. According to Niva and Tuominen (2005, 1–35), benchmarking method is a diverse tool, that can be used for different purposes. Generally, companies use the method to learn from peers that have been successful for implementing new processes or practices in their company. When companies are seeking e.g. the best possible quality management system, they want to change their organisational behaviour or explore a new market, they tend to learn from their peers who have already succeed in the field.

In this case, benchmarking method is used to learn from a company who has successfully implemented corporate responsibility as a part of its strategy. When thinking about benchmarking, company who is learning from the peer should focus on finding answers to the following questions; How this company is more successfully than us, what we can learn from this company and how we are going to implement similar or same actions to our processes. There are few ways to do the benchmarking, one and probably the most typical way is to arrange one-to-one benchmarking visit. One-to-one benchmarking visits consists of open conversations shared in mutual trust within the peers.

There are 10 steps to best practises benchmarking. Firstly, the company should determine the processes and areas they want to benchmark. When the area is defined, the company should select the organisation or organisations who they think are doing best job at said processes and areas. These organisations should be somehow comparable and compatible to the company that wants to do the benchmarking. The company then should proceed with measuring the difference in performance between these companies. Recognising the factors that led to a success is the next step. Then the company should learn how things are done within their own company and how things are done in the case company they are benchmarking. When this is done, the company should set targets and apply changes into the processes. As a last step, the company should root and develop practices learned from the benchmarking company and last, and when succeed with the first target start the benchmarking process again with new targets.

Porter's competitive advantage

According to Angwin and Cummings (2017, 103–107), there are usually several companies who are competing of the same profits, customers and employees with the same products and services. All these companies are facing the same dilemma on how they can deliver the best product or service to consumers, while at the same time make money out of it. All of the companies have not understood the importance of competitive advantage and how to use it as a competitive strategy.

Competitive advantage in its best scenario, puts the company in a unique position, where the competitors cannot offer the same product with the same price. Generally, company's aim is to find a long-lasting competitive advantage and when it is found, the company can focus on winning their competitors over and over again.

Michael Porter defines two generic ways achieve competitive advantages. These are called cost advantage and differentiation advantage. The first one, cost advantage focuses on controlling the costs and the company is usually refined its processes to the maximum in order to sell products cheaper than its competitors. The second one, differentiation advantage is for a company that tend to offer something unique, something that no-one else offers and that usually comes with premium pricing and extra services. Company, who has differentiation advantage, obsesses over protecting and improving their product or service.

Without competitive advantage, company can be successful, but they will always be little less successful than companies knowing their competitive advantage. While competitive advantage can be used only to measure how much better a certain company is compared to others, competitive strategy comprehends how the company makes daily decisions in order to meet the strategic goals.

Porter's generic strategy matrix

Angwin and Cummings (2017, 103–107) describes Porter's (1985) generic strategy matrix as a framework, that enables the company to choose differentiation or lower cost competitive advantage, but in generic strategy matrix it can be measured against narrow or broad competitive scope based on the company's objectives.

Jurevicius (2013) states that competitive advantage can be achieved through external changes and by developing them inside the company. PEST analysis, which was already described in this chapter more widely, offers the company insight what is happening in the external environment. With the analysis, company is able to spot new opportunities and act on them.

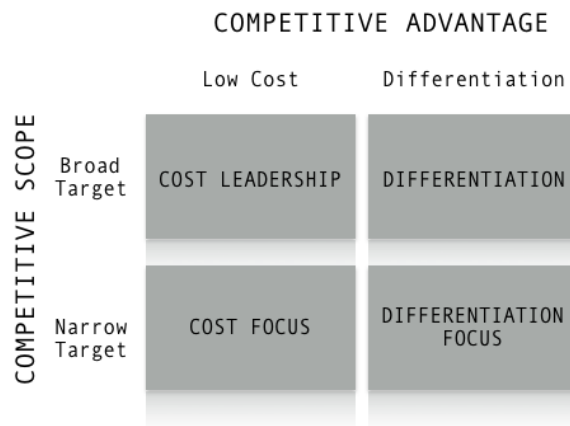


Figure 1. Porter's generic strategy matrix

If a company is aiming for a bigger market with lower cost product, it chooses cost leadership strategy. This strategy works for companies planning on selling standardised products for price sensitive customers with lower prices than competitors. Cost focus strategy is meant for customer who are seeking the best value, so it is at the same time relatively low cost, but its quality product. Cost focus is seen as the most competitive strategy due to its hybrid character (iEdunote 2020a).

Cost focus strategy is most suited for companies releasing mid-range products for customers seeking not the best or the worst product from the market (iEdunote 2020b). As from the company point of view, this strategy is effective if the company has expertise and resources to create quality products with low price.

Differentiation is a good strategy, when the company has different, unique products that no one else is selling. These products, or services can be unique by shape, quality, durability, design or features. In the case of differentiation, competitive advantage is achieved with unique product, that brings value to the customer (iEdunote 2020c). The differentiation focus strategy is best suited for companies selling for specific buyer group or in specific geographic area that is unique. With differentiation focus strategy, company is able to customize products for the customers they know well (iEdunote 2020e).

2.2 SUSTAINABILITY

This chapter focuses on introducing the subject of sustainability, and how it can be used as a part of company's strategy to gain competitive advantage. First, the concepts of sustainable development and corporate responsibility are introduced. Secondly, it is explained how corporate responsibility can become a part of company's strategy and company's competitive advantage. Lastly, in accordance to the research, set of tools and guidelines for measuring purposes are introduced.

According to Juutinen and Steiner (2010, 20–21), there are many terms related to the sustainability that refers to the same action. Sustainable development, corporate responsibility, sustainable company, corporate social responsibility among others are all terms that describe the development defined by Bruntland in this chapter. During the years, the term has shifted based on how company wants to use it and how consumers are perceiving it. In this research, it has decided that the terms sustainability and corporate responsibility are used.

2.2.1 Sustainable development

Due to the impact of humans, the environment is burden by overpopulation, pollution, fossil fuels and deforestation. This has led to climate change, soil erosion, poor air quality and loss of drinking water (National Geographic 2020). According to Diesendorf (2001), our society is facing deep gulf in standards between the rich and the poor, human right violations, economic slavery, poverty and inequality. As moving to another planet is not an option even for those with a big chunk of money, and most of us need our planet to function in order to survive, we as a people need to make changes.

In 50's corporate responsibility was first defined by Bowen (1953). According to him, responsibility means the duty of a businessman to comply with it practices and guidelines and make decisions that are in accordance with the values and wishes of society. In the 70's, Milton Friedman famously said, that company's responsibility is to generate profits to its owners (Nilsson & Robinson 2017).

Global leaders came into terms with the word sustainability during the 1980s when their economies needed financial growth, but not with the cost of the environment (Savitz & Weber 2006, x). The Bruntland Report (1987) for the World Commission for Environment and Development defines sustainable development in the following way:

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

According to Koipijärvi and Kuvaja (2017, 18), sustainable development was seen first as a concern of world leaders, who presented nations and their economies. In 90s, sustainability became familiar also within the global company leaders as global supply chains and more attainable communication tools were available for people all around the world. According to Sitra’s report (2013, 9), news and rumours related to unethical behaviour within organisations became a talking point, and companies were forced to start putting effort on their corporate responsibilities. According to Juutinen and Steiner (2010, 28–29), the year 2000 was significant as the concept of corporate responsibility developed and grew comprehensively in Finland. By 2010, corporate responsibility and triple bottom line became familiar in every organisation, yet in most of the companies it worked as a separate entity, not as a part of the strategic goals.

2.2.2 Triple Bottom Line

According to Savitz and Weber (2006, xiii), John Elkington’s Triple Bottom Line (1994) was created for companies to measure their economic, environmental and social sustainability. According to Koipijärvi and Kuvaja (2017, 19) when company is viable, efficient, competitive and profitable, it creates a better standard of living for everyone around it. If the company is not making any profit, it is also not able to invest it back to the society. According to Diesendorf (2001) social sustainability is more difficult to define. It is something we see every day around us. It can be something big, such as committing to improve global social quality or something smaller like taking care of small closed up community. It all depends on the business goal.

Social sustainability is in relation to the development and goals defined by United Nations and also by the laws and regulations set by local governments. Koipijärvi and Kuvaja (2017, 19) state, that the aim of environmental sustainability is to protect the natural capital such as water, air and soil, combating the climate change and protecting and conserve biodiversity. Environmentally sustainable company limits its use of natural resources and is responsibility of a product lifecycle and the supply chain.

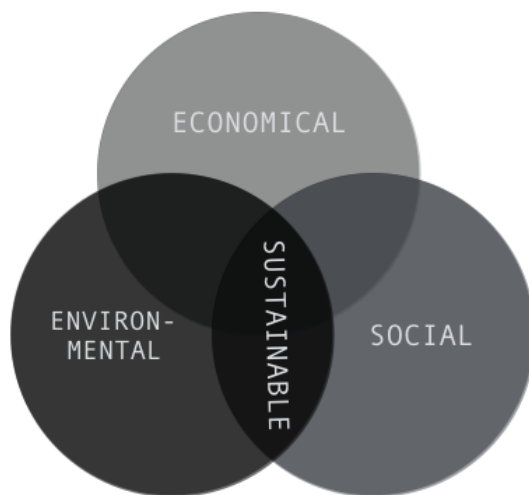


Figure 2. The Triple Bottom Line pictured.

According to Juholin (2004, 14), occasionally culture is mentioned as the fourth aspect of sustainability. As a matter of fact, UNESCO (2015) sees that culture

“can be a powerful driver for development, with community-wide social, economic and environmental impacts”.

According to UNESCO’s Thematic think piece (2015, 3–5), especially cultural and creative industries benefit from the 4th aspect of sustainability. Benefits generated from the cultural aspects can be monetized e.g. tourism, but it can also bring social benefits such as new opportunities to the community, e.g. when company needs specific cultural knowledge. It also leads towards new innovations such as upcycling traditions to a completely new use and bringing cultural knowledge to stakeholders. Acknowledging, that it is important to protect different cultures and encourage the intercultural dialogue the company can become more sustainable.

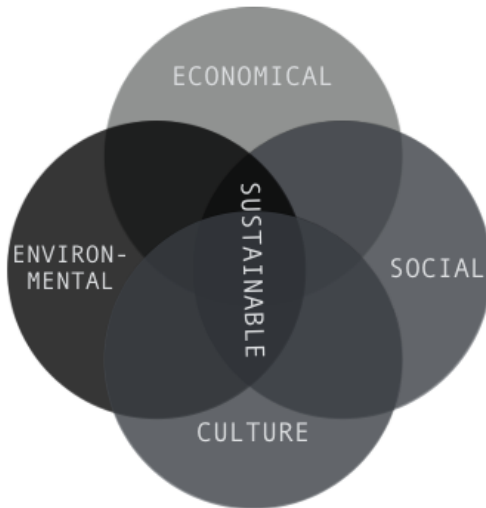


Figure 3. The Triple Bottom Line, with the cultural aspect added.

2.2.3 Indicators for Triple Bottom Line

According to Finnish Textile and Fashion association (2016, 25–26), there are different indicators for measuring different purposes. Financial performance is reported through financial statements that have been made according to the accounting legislation global standards. Other aspects of corporate responsibility are not regulated or standardised. However, there are indicators suggested for international reporting, such as Global Reporting Initiative (GRI), which is probably the only all-inclusive tool that consider all aspects of corporate responsibility such as financial, environmental and social responsibility that takes into account both employees and partners.

Koipijärvi and Kuvaja (2017, 42) state that GRI Guideline helps companies to evaluate working conditions and human rights and the responsibility of the supply chain. The main goal behind GRI is to develop corporate responsibility reporting to the same level where financial reporting has been for years. It emphasizes the focus on reporting on the most relevant issues. According to Finnish Textile and Fashion association (2016, 26–28) in addition to GRI, there are other tools, that can measure the financial, environmental and social responsibilities.

Responsibilities

According to Finnish Textile and Fashion association (2016, 26–28), transparent communication about the company's net sales and income before tax, number of personnel working for the company, company owners and taxes salaries and personnel costs paid yearly are considered good indicators for financial responsibility.

Environmental responsibility includes different policies company wants to pledge in order to reduce environmental impact by setting concrete goals. These indicators are different set of environmental systems such as ISO14001 or EMAS, the first one being world's best-known management system, and latter one being directed more towards to the European market. Just like in financial responsibility indicators, also environmental responsibility can be measured with different ways. The company has an influence towards the raw materials, dyes and chemicals it chooses to use. It can measure the energy and water consumption as well as airborne emissions.

Company also has a direct impact on how the company's waste is managed. For example, the company can choose renewable or recycled materials for their production and plan their processes in a way, that there is little to no waste in the end. Dyes and chemicals can be hazardous to the people and environment; therefore, there should be transparency on what chemicals every material consist. Company should also calculate how much product will consume energy during its lifecycle.

By improving the product and organisation's processes, company can minimise its energy consumption. In addition to energy consumption, company should be able to reduce its Co2 emissions of product's lifecycle. As a matter of fact, third of the Co2 emissions is generated by consumers using the product. Therefore, it would be beneficial to share information of product's lifecycle to the consumers in order to them make changes in their behaviour.

Within EU, records of the employees are needed for employment legislation and nationally binding contracts. In addition to that, some of the employees belong to unions and as health services are offered to the employees by the companies, this

information is generally available. The social responsibility indicators should be as transparent as possible.

Basic information of the employees should be available such as how many employees are working, how long they've been working for the company what is the employee turnover and what is the age structure. Surveying the occupational wellbeing as well as health and safety, acknowledging the accidents and days of illnesses indicate the working environment at company. Employee training, compensation, appraisals and employment benefits are indicators on motivation. Partnerships and subcontractors usually mean longer supply chains, and different ethics of two companies. In order to avoid crisis, the company has to monitor and audit its partners with different indicators and guidelines.

According to Finnish Textile and Fashion association (2016, 41–42) consumers are asking more transparency from the companies, and in order to be economically responsible. Supply chains and raw material information need to be more specific and company can develop it with different indicators.

Koipijärvi and Kuvaja (2017, 20) state that the challenge of the triple bottom line is when some points don't fall into just one category, but they would fit to many categories and then it becomes difficult to decide, in which category the point is more suited. According to Savitz and Weber (2006, xiii–xiv) measuring, documenting and reporting the results is essential key of Elkington's triple bottom line. To measure and report correctly, setting up goals and parameters is important for any business in order to see the improvements and setbacks.

Measuring is not only important for the company, as more and more consumers, future employees and investors are interested in these results. Company cannot be sustainable by saying it out loud, there needs to be measurable actions. Good fiscal year might have been solid indicator of a successful business earlier, but nowadays also social and environmental reports are needed. According to Elkington (1994), company that is sustainable, should be in a position where they are able to give a positive report on all these three dimensions.

Different levels of corporate responsibility

According to Juutinen and Steiner (2010, 33–36), there are different ways to handle the corporate responsibility. Some companies include the sustainability in all of their operations, while some of them just use it for marketing. There are also different activity levels of doing said things. Some companies have the idea, that they already are sustainable by being e.g. family business and people should know their involvement without communicating it. Then there are those companies, who want to use sustainability just for marketing purposes. These companies have not necessarily started to include sustainability into their operations nor asked from stakeholders what they are expecting for them. They might have executed campaigns or collaborated with charities, but it has not been aligned with company's strategic goals. Some organisations tend to work hard for causes related to corporate responsibility, but they are not marketing it. These companies might be the most successful companies in the world, but no-one knows about it. Then there are those, who master both implementation and communication of corporate responsibility and use sustainability as a part of strategic management.

2.2.4 Sustainability as a part of strategy

According to Juutinen and Steiner (2010, 20), it is important to understand the difference between corporate responsibility, seasonal campaigns and charity. Corporate responsibility aligned with other business goals, and not just a standalone campaign or one-time donation. Company can do good socially and environmentally and no-one is stopping them from donating money, but it brings more value to the society as well as to the company if it is in relation to other business activities.

According to Porter and Kramer (2006), the problem why sustainability is often seen as a waste of money, is due to the fact that in many cases it is not strategical or operational, its only done for marketing purposes. Often companies see the corporate social responsibility from the wrong angle. All they see is difficulties, costs and

lot of resources used from something, that doesn't have monetary value to the organisation.

Instead, they should see corporate social responsibility as a value bringing opportunity that could act as a competitive advantage, and that could potentially benefit both, the company as well as society. Potential win-win situation for both.

According to Bhattacharyya 2010, strategic corporate responsibility is intentional, focused, committed and active. It needs to be predictive and proactive, in relation to the company's vision and mission. It needs the company members on board, to actively finding ways to impact positively to the strategic goals. According to Bhattacharyya and Al (2008), designing strategic corporate responsibility starts with the identification of stakeholders. It is important for the organisation to recognise all of their stakeholders, and whether the company has negative or positive impact on them. Company's success or failure has a direct impact on stakeholders, as failure may cause loss of profits and jobs whereas success can cause more jobs and better profitability. At the same time stakeholders have impact on the company in positive and negative way. As stakeholders include those who are dependent on their jobs and those who are seeking the profits, the expectations might differ.

Juutinen and Steiner (2010, 82–90) state that companies tend to listen those who have the loudest voice, but then again, they should also listen those who have the voice of the future. By anticipating the future, it is easier to face the changes. Interacting with different stakeholder groups opens doors to new topics and helps the company build a better business. According to Bhattacharyya and Al (2008), a company should figure out, who are the most valuable stakeholders for the company and take the second step to map out their interests and demands towards corporate responsibility. Then the company should evaluate their own interest towards corporate responsibility.

Porter and Kramer (2006) claim that in order to become strategic, the corporate responsibility should be part of a value chain so it can be utilised to create competitiveness to the company. When corporate responsibility is part of the value chain, it creates security within the company, reduces costs, improves sales and logistics and generates valuable content for marketing.

In the value chain, it is important to understand the concept of lifecycle-thinking and how the product or service needs to be sustainable starting from the raw materials to service providers, distribution and production, to marketing, selling and end-use, as well as upcycling and disposal. Having carbon footprint measured in the beginning to the end gives a solid picture of what effect the product has to the environment. Lifecycle thinking can provide threats and opportunities depending how the company wants to act on it. According to Juutinen and Steiner (2010, 141–146), famous and well-known brands are expected to control their value chains, but occasionally things like human rights, waste, unethical business behaviour as well as animal rights have become a problem for some of the bigger players in clothing industry.

According to Juutinen and Steiner (2010 47–51) and Bhattacharyya (2010), there are 4 different advantages of including corporate responsibility into the strategy. It can lead to attaining a generic strategy (differentiation or cost leadership), it can help discover new strategic resources or business models and it builds reputation and reduces risks.

According to Bhattacharyya and AI (2008), the European Commission defines 6 ways that can help the company to profit from sustainability. The company can gain competitive advantage through cost structure, employee performance, customer perspective, innovation, risk and brand management and economic performance in relation to the stock market performance. According to Porter and Kramer (2006, 91), strategy is all about making choices, and strategic corporate responsibility shouldn't be treated differently. It is not about the quantity of how many societal concerns is answered, it is about choosing the right ones and answering those.

Koipijärvi and Kuvaja (2017, 21) claim that sustainability brings direct value to the company in the form of sales, reduced costs and higher pricing. Indirectly, it creates customer loyalty, staff commitment, better reputation and brand value. Indirect value creation is sometimes hard to define, whereas savings in materials, water and energy are easier to point out. According to Halme and Korpela (2013) in Sitra report, sustainability is especially interesting for SME companies for two reasons: small companies are more agile than their bigger counterparts. Producing sustainable

products or services might in fact be more profitable for them, than it would be for bigger corporations.

According to Porter and Kramer (2006), the essence of corporate responsibility is when company is able to add social dimension to its value proposition, making a “social impact integral” part of the company’s strategy. Value proposition tells what the customer will get from the company when being their customer. Adding social factors such as “zero waste”, “green energy”, “educating people below poverty line”, and linking other activities according to Porter’s “fit” mentioned in previous chapter, company can gain competitive advantage.

According to Blaszkiewicz (2017), brands that have a greater purpose apart from profits outperform their more traditional money-driven competitors. According to the Nielsen report (2015), 62% of consumers thought that sustainable brand can be more trusted than a brand without corporate responsibility agenda. Blaszkiewicz (2017) claims that with corporate responsibility is easier to reach better customer engagement, because the customers have the feeling of contributing to the good, something bigger than just product or service and this leads to customer advocacy.

Having customers that do the marketing on behalf of the company just due to the fact, that the company is socially and environmentally responsible, saves money from the company. Corporate responsibility plays significant role, when company is hiring or asking commitment from their employees. It is important, that employees are agreeing the views of the company and are positive and productive in regards of the work.

Stakeholder Analysis

According to Finnish Textile and Fashion association (2016, 24), stakeholder analysis is a tool that helps the company to analyse what kind of expectations there are within the key stakeholders. It is a key for company’s success to understand, what its stakeholder’s current wishes and thoughts are. In addition to company’s key stakeholders, the analysis should consist the expectations towards company’s cor-

porate responsibility by every stakeholder, actions already taken to meet the expectations, preferred indicators that would be used to measure the success in this work, company's expectations how they wish to continue the work with stakeholders and indicators that measure the success in these collaborations with stakeholders.

After constructing the stakeholder analysis, company should evaluate risks, strengths, threats and opportunities with SWOT or TOWS analysis, a tool described earlier in this chapter. When these analyses have been done, indicators can be set. Making sustainability as a part of strategy, company needs to constantly measure the results and set new goals.

According to Juutinen and Steiner (2010, 20–21) and Savitz and Weber (2006, xv) companies aim to find response to the stakeholders' demands on sustainability in order to capitalize the potential, but they also seek to minimise their risks using corporate responsibility. To make the right decisions what to include to the sustainability strategy, they need to understand the market and the environment where the company operates. According to Savitz and Weber (2006, xv) when a company proceeds with the sustainability strategy, the leadership needs to identify the key points and sort them into the three categories according to the triple bottom line. When they are sorted, the leadership is able to set a key performance indicator to each point.

3 CLOTHING INDUSTRY

In this chapter, the environment of the study is introduced. Firstly, the history of the clothing industry is introduced. Secondly, the current state of the clothing industry is explained and what effects it has on the global economy, society and environment across the globe. Lastly, the Finnish clothing industry and the case company are introduced.

3.1 The past, present and future of the global clothing industry

According to some archaeologists, the first clothes were sold by the merchants in the ancient Babylonia. Mass production was introduced in the ancient Rome, where group up to 100 people produced clothes for the military. Clothes were practical and made to last for a lifetime. The outfits consisted mostly loose robes worn by Middle Easterners, and linen and wool tunics worn by Medieval Europeans. In the 16th century items such as hats, gloves and other accessories were produced and sold in small-scale while the manufacturing still happened in the homes of the seamstresses. The industrial revolution that began in the 18th century changed the textile industry completely. New inventions, such as roller spinning machine, power loom and water frame moved the production from homes to factories. Especially power loom had revolutionary effect on the industry growth, as there were 250 000 power looms at the end of 19th century. The industry suffered from inhumane working conditions until the regulations were set in 20th century (Monet 2019).

Textile and fashion industry play an important role in the global economy. Ellen MacArthur Foundation (2017) estimated, that the clothing industry is worth 1,2 trillion euros. The same report also states, that the industry employs 300 million people worldwide. Report made for European Parliamentary Research Service estimated, that the in the same year turnover of clothing industry in EU was €181 billion (Šajn 2019). According to Amed and Al (2018), the clothing industry is polarized and 97% of the profits are divided between 20 companies. These companies are mainly large holding companies that include brands such as Zara, Nike and Louis Vuitton.

According to Ellen MacArthur Foundation (2017 19–22), clothing industry employs 300 million workers all around the world and the jobs in clothing industry are mainly situated in factories in developing countries, such as Bangladesh and Cambodia. The workers in clothing industry are often faced with poor working conditions with long days and low pay. At the same time, Keane and te Velde (2008, 40) state that garment workers are generally paid more in these factories than they would be paid e.g. farming, so it can be assumed that the job is important for them in order to bring food to the table.

According to Ellen MacArthur Foundation (2017 19–22), while the clothing industry is a significant contributor to the global economy and it creates 300 000 million jobs as a side, it is estimated that the industry and especially the clothing business astronomical amount of waste. According to Farra (2019), an estimate of 50 million tons of clothing ends up in a landfill every year. According to Fashion United,

“the textile waste is estimated to increase by 60% between 2015 and 2030” (2019)

According to Ellen MacArthur Foundation (2017, 19–20), the way clothing is now consumed is polluting, as the 2015 greenhouse gas emissions caused by textile industry exceeded to 1.2 billion tonnes (CO₂), which is more than the emissions caused by internationally flown flights and sea transportation combined. From all of the clothing, the industry was able to recycle only 13%, and even that was utilised in other industries. 98 million tonnes of non-renewable sources are used every year within the industry and 90% of all the clothing is made of cotton and polyester. Both of these materials need substantial amount of resources such as oil, fertilizers, chemicals and water during the production.

According to Farra (2019), natural fibres such as organic cotton, hemp, linen and rayon are better than cotton and polyester in the clothing production, using resources that already exists is even better. According to Remy and Al (2016), clothing companies are thinking about the profits and are not able to meet the necessary targets they should in regards of environmental and social performance. For example, cotton needs significant amount of water, fertilizers and pesticides for growing and 30% of all the textile fibres used in clothing production is cotton. According to

Fletcher (2006, 4–38), choosing the right materials is an important factor in company's environmental and social responsibility and therefore companies should evaluate what materials to use in their production. Rather than sticking with the more conventional fibres such as cotton and polyester, companies should find ways to diversify their portfolio with more alternative fibres. Alternative fibres such as wild silk and soya bean could replace conventional fibres, but they can be more expensive.

According to the European Parliamentary research service (2019, 2), households within European Union spent 5% of their total expenditures on clothing. 30% of said clothing ends up not being used during the year of purchase. Sales have risen at the same rate as producing clothing has gotten cheaper. Cheap prices and variety of clothing available has led consumers to purchase clothes above their needs. According to Farra (2019), cheap clothing reflects directly the way consumers treat their purchases. Time, energy and resources used to make a single t-shirt is not in proportion to its lifecycle.

Ellen MacArthur Foundation (2017, 19–21) states that, if the consumption continues to grow, it is estimated that the sales would exceed 160 million tonnes of clothing in 2050 which is three times more than what we consume today. It is argued, that the future of clothing industry is not sustainable, if clothing is treated as a disposable material. According to Willsher (2020), France's new bill bans companies from destroying unsold and returned clothing. The French are first to set a law like this, but other countries might soon follow as European Union has made a decision to enforce recycling in a way, that the materials are collected separately, so they are easy to upcycle and refurbish for a new product.

According to Šajn (2019), the industry is facing diverse challenges in the upcoming years. For example, it needs to find solutions to overconsumption as well as recycling problems. Global Fashion Agenda (2020) has set eight priorities for the year 2020, that clothing industry should tackle. These set priorities are divided into two categories: those that should be implemented immediately and those that need to go through fundamental change in industry. Core priorities include supply chain traceability, reversing climate change, efficient use of water, energy and chemicals and respectful and secure working environments.

Fundamental changes needed in the industry are choosing the sustainable material mix, applying the circular fashion system, promoting better wage systems and implementation of fourth industrial revolution to the clothing industry.

3.2 Clothing industry in Finland

Finnish Textile and Fashion association (2018) constructed a report of the Finnish textile and clothing industry based on the data they received from Tilastokeskus. According to them, in 2018 there were 3400 Finnish companies operating in the textile and clothing industry. The whole industry's revenue was 4,4 billion euros and it employed 22 000 people. Finnish clothing industry manufactures women's, men's and children's clothing as well as accessories and underwear. The clothing industry's share of the 2018 revenue was 640 million euros.

According to Hämeen Sanomat (2020), in 2019 Finns donated more than 15 million kilos of clothing to UFF. 95% of everything that was donated, were re-utilised and only 5% was directed to energy. According to Forssan Lehti (2020), as of 2025 municipalities in Finland need to collect and utilize consumer textile waste and come up with end products where the textile waste could be utilised. At the same time, Eettisen Kaupan Puolesta (2019), is campaigning together with 130 other institutions to get new bill regarding corporate responsibility become to a law in Finland and Finnish education system is putting more effort towards circular economy, as Stadin ammattiopisto in Helsinki offers learning environment where students can learn about sustainable manufacturing (Sitra 2020).

While Finnish Textile and Fashion association understands, that Finland alone cannot change the way clothes are made and consumed, it suggests that Finland should become the pioneer in circular economy, in order to show the way how to change the industry (Fab Lehti 2019a) The association is also suggesting, that corporate responsibility should be regulated at EU level, that would help the companies to gather information for their supply chain starting from raw materials to textile production and so on (Fab Lehti 2019b)

3.3 Case company

Tella Oy, later referred as Tella, is a headwear manufacturer and lifestyle brand from Southern Ostrobothnia, in Finland. Its headquarters are located in Kurikka, and their main business is to design and manufacture hats for women, men and children. The company was established in 2016, but according to its business plan (2019), they became fully operational in 2018. In 2018, Tella's revenue was 43 000€, with the profit of 6270,77€.

Liina-Maaria Lönnroth is the creative director and CEO of Tella. Tella as a brand is established by Lönnroth's great-grandfather's company Teuvan Lakkitehdas which started operation in 1935. Lönnroth has designed hats for Teuvan Lakkitehdas since she was 14. During that time, her grandfather Antero Saksa was the CEO. In 2015, Lönnroth purchased the brand and intellectual property such as trademark and patterns from her grandfather to found a company to carry on the legacy (Lönnroth 2020).

4 DETERMING THE COMPETITIVE ADVANTAGE

This chapter is dedicated to the case company. Firstly, the current situation of the company is introduced. Secondly the development area is established. Thirdly, the researched information found is presented and lastly recommendations for the company are stated. The primary data collected for this chapter is gathered with semi-structured interviews and observing a benchmarking situation. The secondary data is gathered from the articles, books and publications in order to support the secondary data. The reason for the chosen data collection methods is to get as reliable information for the company's use from multiple touchpoints.

Tella's business plan

According to the business plan (2019), Tella has one employee and one trainee working in sales, admin and packaging. Tella has 2 subcontractors in Kurikka (Finland) making hats, 4 reserved if more capacity is needed. The company buys communications, e-commerce and marketing services from subcontractors.

Tella's vision is tightly aligned with the raw materials as the company's vision is to be able to visit the premises where their raw materials are made. The company wants to meet the people who work for the production of raw materials. Tella's mission is to maintain a culturally historical crafts tradition in the form of making hats and continue the story of Tella as a Finnish lifestyle brand. Tella's values are "good, truthful and beautiful".

According to the business plan (2019), Tella does it "seriously and truly". Every hat creates jobs in Finland as the whole production happens in Finland. Tella acts responsibly, ecologically and ethically, as all raw materials are sourced from Europe. Some of the materials are produced in Finland, while others in Latvia, France and Italy. Most of the raw materials are natural fibres or grown organically and can be traced to the factory. In the process of making raw materials e.g. chemicals and working conditions, rules and regulations of European Union have been followed and complied. Tella makes durable quality hats that have a long lifeline. According to Tella's business plan, the company wants to sell hats that are "aesthetically beautiful and timeless pieces".

Tella Oy has currently 32 retailers in Finland, and 2 retailers in Germany. Tella is seeking to grow both within in Finland, but also in other European markets such as Germany, Switzerland, Sweden and Norway. According to Tella's business plan (2019), the company is expected to grow within the next years, and the estimation for the 2023 revenue is 698 600€.

Tella has two different distribution channels, as they sell products through resellers (B2B) and online store (B2C and B2B). Resellers are currently the main source of revenue, as the online store has been open less than 5 months. It is however expected that the online selling will grow during next few years. Tella has two collections, one in the spring/summer and one in autumn/winter. Tella sells products to the retailers 5 to 10 months prior the season, e.g. spring 2020 hats are sold in the summer/autumn 2019.

According to Lönnroth's (2020) interview, the aim is to collect all the orders from resellers together, so that all the hats can be manufactured at the same time to save resources such as money, time and seamstress' effort to cut, sew and finalize products. The collection for the online store is more compact, and the products are manufactured on the side of the main production. According to the business plan (2019), Tella currently manufactures 5000-10 000 hats per year.

Tella and Sustainability

Per Lönnroth's interview (2020), becoming sustainable is not a new endeavour for Tella. In fact, the company has begun their sustainable practices already in 2016 when the company was established. When Lönnroth bought the company from her grandfather, she decided that, the company would strictly favour natural materials such as wool, linen and cotton in their production. However, some of their hats are made of mix of natural and synthetic materials, but according to Lönnroth that's due to the fact that the wool with a mix of polyester is more durable than in a situation where a hat is made from 100% wool.

Lönnroth has a long-standing relationship with Finnish fabric agents and she also visits fabric fairs such as Polarstoff, where she finds new fabric distributors. Most of the materials however have been already in production when Lönnroth started designing for her grandfather's company so they have proven to be durable materials. Early at the beginning it was also clear, that company would manufacture everything in Finland, more importantly in Southern Ostrobothnia. According to Lönnroth, keeping the craftsmanship in the region is very important as it once was the epicentre of textile and hat manufacturing. Lönnroth aims to keep all the production in the area, as the tradition and the profession of handmade clothing is seen as a core value to the company.

According to Sitoumus 2050 (2020), in 2017 Tella has committed to environmentally sound decision-making, respect the nature and its diversity by making sustainable and resource wise choices. Tella also set targets for actions such as increasing the use of Finnish made materials by 20%, creating new jobs for two people, and using only certified FSC and PEFC™ paper in the office. These targets were set to be met in 2020, but so far Tella has not updated their goals, or informed whether they have met the goals set in 2017.

According to Tella's website (2020), the current situation in Tella's sustainability from the four pillars of sustainability perspective is to employ local community, use natural and organic materials, cut patterns with little to no waste, use recycled materials, manufacture 30 km radius from headquarters in order to keep carbon emissions low, create timeless design that last for a lifetime and keep the hat making culture in Southern Ostrobothnia.

FOUR PILLARS OF SUSTAINABILITY				
	ECONOMIC	ENVIRONMENTAL	SOCIAL	CULTURE
MEASURES	Employs local community	use of natural and organic materials	Tells the Story of Tella	hat making tradition
		Little to no cutting waste.	Timeless design	
		Use of recycled materials		
		Manufacturing in 30km radius from HQ		
	TOTAL	TOTAL	TOTAL	TOTAL

Table 1. Four pillars of Sustainability

According to company's business plan (2019), the company operates with one full-time worker, and one trainee and according to Lönnroth (2020), the resources are limited when it comes to operating the business. Therefore, the sustainability should be implemented to the core business in order it to work efficiently and bring value to the company. The company doesn't measure its environmental or social actions currently, nor does it set actively new ones. The company is seeking answers to finding the best sustainability themes to focus on and find ways how to measure the progress. The company wants to engage its employees and other stakeholders by setting targets that are important to them as well. As sustainability has been involved in company's practices throughout its existence, Tella is seeking how it could use sustainability as a competitive advantage in the future.

The purpose of the thesis is to find out, how Tella could manage to make these sustainable values as a part of their strategy. To implement them into a strategy or to figure out the most suitable competitive advantages for the company, the leadership needs to be involved in the decision-making process. During this research, Lönnroth has been involved, and participated on benchmarking and interviews. Lönnroth has been supportive and gathered all information that was requested by the researcher.

4.1 Benchmarking

To get a better understanding of the market and sustainability as a part of strategy, the researcher suggested to Lönnroth the possibility of doing benchmark at Pori based Fiblon Oy. The company offers disposable napkins and wiping solutions for B2B clients. Fiblon Oy belongs to the same network with Tella Oy and is part of the Finnish Textile and Fashion Association.

Apart from being slightly different from hat making business, Fiblon has an extensive knowledge on implementing sustainability as a part of overall business strategy and Anne Ekberg, who was met during the benchmarking process knows things Tella could learn from. The benchmarking was conducted in Pori on 4th of February 2020. Participants for the benchmarking were Liina-Maaria Lönnroth (CEO of Tella Oy), Anne Ekberg (Vice President, Brand and Communication at Fiblon Oy), and as an observer and organiser, Emma Järvinen, writer of the thesis. The observation was conducted according to the instructions of Hyvärinen and Al (2017, 427–430).

Setting the targets

Before visiting Fiblon Oy, the benchmarking target was set according to the topic of the thesis. The target was to find sustainable themes that would create a competitive advantage to Tella. The benchmarking object was rather easy to set, as based on all of the companies that participate to Finnish Textile and Fashion association, Fiblon is the most advanced in sustainability. When thinking about how sustainability is constructed and implemented in different processes inside the company, it became clear that they have been working with the theme for some time. In fact, Fiblon Oy has produced 5 sustainability reports since 2009, the first one being produced due to stakeholder's request.

During these 10 years Fiblon Oy has hired sustainability experts to work on these reports with them. They have measured and refined their fundamental values and processes to the point, where it is difficult to get better results as a company that manufactures disposable products. Tella has started the sustainability by choosing themes that are interesting to the company, but they still need refining and correct indicators for measurement purposes.

Corporate responsibility goals meet strategic goals

The reason why Fiblon is succeeding in the field of sustainability is due to the fact, that they are aiming to be pioneers in sustainability and their sustainable themes are aligned with company's vision, mission and values. Their employees and stakeholders are committed to the company and finally, the sustainability goals support the company's overall strategic goals.

For example, one of their values is "joy of working", which translates to motivation at work, transparency in all processes and ability to have an impact, make decisions on the job, flexibility at work and open-door policy. It also reflects to the time spent at job in Fiblon as the median employee is working there for 19 years. One of the fundamental values for Fiblon is environment. As a disposable product that can be used only once before it is thrown out, the company think it is important, that the raw materials come from close by forests in Finland. It reduces the carbon footprint and makes it easier to communicate with suppliers that are close to Fiblon's headquarters.

According to Ekberg (2020), it is essential that Fiblon uses the raw material acquired for the company to the last piece, resulting no waste. It is both environmental and wise economically. Currently the company's yield is almost 97%, and Ekberg says it is difficult to get the number higher due to the nature of business. When it comes to raw material suppliers, Fiblon has a long relationship with them. With the commitment, everything is easier to organise and also develop further if needed. In addition to this, it is also important to know all the available options and be open-minded for new technologies and development, because you never know what customer might want in the future. Ekberg sees that as a company, they need to develop constantly in order to be meet the requirements of the customers.

Choosing the fundamental themes

When it comes to reporting corporate responsibility, it started as a project to fulfil stakeholders needs on specific indicators, but as the company saw how time-consuming and challenging it was to collect the data for the stakeholders, they decided

to create report for themselves as well. They wanted to add global reporting initiative (GRI) as a framework to the project, with involvement from a specialist. This was due to the fact, that GRI has rather strict requirements how the data is collected and phrased in the report. The data collection happened within different departments and it was supervised by leaders of those departments. GRI introduced carbon footprint calculations to the company. The work behind reporting was divided into different department leaders and the carbon footprint was involved in the report.

According to Ekberg (2020), calculating the carbon footprint is for their business rather irrelevant, as the emission factors that are available for the company's use are focusing on things that are not fundamental for the company. For example, the company has 97% yield and it uses 100% green energy. As the emissions factors cannot calculate anything from the main operations, it focuses on calculating logistics such as commutes and work trips.

Carbon footprint is not a reason to pick employees from certain radius from the workplace nor cancel the sales trips that are crucial for company's economy. However, when asked from Ekberg whether it is necessary for company's credibility to calculate the footprint, she says yes. She also thinks, that it is good thing to knowledge the size of the carbon footprint involved in every action.

As a piece of advice, Ekberg says that company should think what is relevant and fundamental for the company, rather than trying to focus on small things that in the end, have no influence. At Fiblon, the everything is looked from the value perspective, as it is crucial in their operations. There are similarities between the values and sustainability. Right now, Fiblon is focusing on educating its stakeholders on how they could reduce their carbon footprint and be more responsible.

Ekberg (2020) reminds, that getting where they are now has taken 10 years of hard work and still occasionally companies that have been unsustainable for years and suddenly clear up their acts to be more responsible are awarded being the most sustainable companies. In relation to the clothing industry, Ekberg thinks that the situation is complex when it comes to choosing e.g. materials, as there are as many opinions as there are givers.

According to her, the company chooses what it does, based on the importance to them and then think how the chosen aspect can be improved in terms of sustainability. According to Ekberg,

“Sustainability can be seen in similar way as price, quality or reliability. It just has to be there. It is not like you can sell hats only because they are sustainable, customers need other reasons to buy hats”.

She also gives suggestions to tackle the first steps of strategic corporate responsibility. She sees Tella's situation being remarkable in a way that the company has a clean slate to start the sustainability process. According to her, where you set the focus, it will get noticed and where you put your resources it will grow. She suggests thinking fundamental themes the company can 100% agree on. How the company treats its stakeholders tells a lot about the company's sustainability, so when making decisions if it is a win for the company and win for the stakeholders, it'll become success story.

Outcomes from Benchmarking

After the meeting with Ekberg, a semi-structured interview with Lönnroth was constructed in order to go through all the information gathered from the benchmarking. According to her, the information received during the benchmarking was informative and valuable for the future steps. Based on Lönnroth's initial thoughts after the benchmarking, the main focus should be on operations that would generate revenue and growth. It was also knowledge that while Tella already has taken steps towards sustainability, there could be improvements on these matters.

For example, the decisions based on the materials used in production are done from the sustainability viewpoint. When asked about the materials, Lönnroth defines that while hat can be seen as an accessory, it also protects its wearer from the sun and the coldness, and the materials chosen for the hat should meet the requirements of the weather. While vegan leather made of pineapple may seem trendy and sustainable, if material is insufficient to the weather, the hat is not durable and sustainable.

When talked about Tella's yield, according to Lönnroth (2020) and Tella's website (2020), there is not currently enough waste to e.g. send it to collectors, and right now it is used as an energy. During the previous year, Tella tested if they could implement leftover materials from the local furniture manufacturer as caps, and decors in their hats. According to Lönnroth (2020), going through the leftover material and cutting them into right sized pieces takes lot of time from the seamstress's processes. She is also not sure whether the material is safe, as furniture companies use flame retardant in their fabrics. However, she is willing to move forward with the idea of using leftover material in the future if good and resource wise way is figured out.

For Fiblon's value about joy of working Lönnroth can relate to. Even though she mostly has subcontractors working for Tella right now, they have as much impact towards the production as they would as employees. Lönnroth sees them as a valuable and core to the business, as the hat making is one of the most difficult piece of clothing to make.

As for handling the leftover material, Lönnroth (2020) reckons that someday, the company could partnership with local public service organization for people with intellectual disability to do crafts projects that would be fun way to earn some money for them, and have some extra resources for Tella at the same time. According to Lönnroth, cutting these earlier mentioned cap patterns and decors could be good tasks for them. When asked what Lönnroth thinks about the carbon footprint factors, she thinks that if the factors are based on standards set by big corporations, it is difficult to see how small company like Tella would benefit from it. Lönnroth would be interested in calculating the carbon footprint, but currently GRI is too expensive and takes up too much resources.

Stakeholder Analysis

After benchmarking Fiblon Oy and interviewing Lönnroth, stakeholder analysis was constructed to map out the expectations of Tella's stakeholders. Tella's stakeholders are shareholders, subcontractors, financiers, customers, employees, fabric distributors, logistics companies, different associations and schools and media.

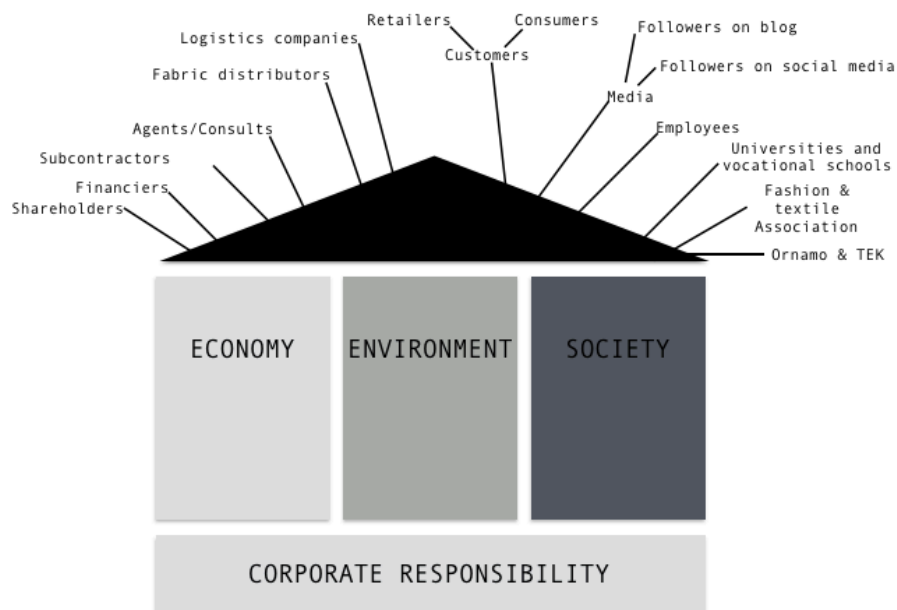


Figure 4. Tella Oy's Stakeholders

After stakeholder analysis, PESTE analysis was constructed based on the information gathered from different online sources as well as interviews constructed by researcher. Sandra Holmäng, Vaasa based influencer was interviewed in order to get a better picture what consumers are currently seeking from clothing companies. For the stakeholder analysis, interview was conducted with three Tella's stakeholders: the shareholder and CEO, subcontractor who works occasionally for Tella and consumer from Tella's target audience.

In order to get a better understanding what the company wants to achieve in sense of sustainability during the next years, 3 stakeholders answered what are their expectations towards company's sustainability, what actions should be taken in order to meet the expectations and lastly, what indicators should be used to measure the success of the action.

	STAKEHOLDER	STAKEHOLDER'S EXPECTATIONS	ACTIONS TO ENSURE EXPECTATIONS ARE MET	INDICATORS TO MEASURE THE SUCCESS OF ACTIONS
STAKEHOLDER ANALYSIS	Shareholder	<ul style="list-style-type: none"> • Consumer expectations changing the way that people purchase sustainable clothing and company's revenue grows. 	<ul style="list-style-type: none"> • Raise brand awareness of our responsibility by using different communication platforms. 	<ul style="list-style-type: none"> • Revenue Growth
	Subcontractor	<ul style="list-style-type: none"> • Transparency. • Better communication regarding sustainability on social media. 	<ul style="list-style-type: none"> • Transparency on who make the clothes, and explain what materials have been chosen and why and where they come from. 	<ul style="list-style-type: none"> • Calendar with schedule when these things are published.
	Consumer	<ul style="list-style-type: none"> • Top quality from premium priced product. • Socially responsible company • transparent supply chain • left-over / surplus materials used as much as possible. • Plan how to become more sustainable in the long run. 	<ul style="list-style-type: none"> • Transparency regarding chosen materials and production processes. • A greater use of leftover and surplus material. 	<ul style="list-style-type: none"> • Measure how much (%) of the materials are leftover or surplus materials. • Carbon footprint of a hat • The pricing behind the manufactured hat opened.

Table 2. Stakeholder Analysis

As seen in Table 2., these stakeholders are categorised in three different groups of stakeholders: shareholder, subcontractor and consumer. When the company's CEO and shareholder was asked about her expectations towards company's sustainability, it is clear that it needs to be linked to the revenue growth. According to her, there would need to be a change in consumer behaviour so that pricier sustainable clothing would be more in demand. According to her, to achieve the expectation, brand awareness needs to be raised. As an indicator, she suggested to measure the revenue growth.

The second stakeholder, Tella's subcontractor expects more transparency and better communication regarding sustainability on social media. This could be achieved in a way of storytelling, e.g. who makes the hats, what materials has been used, where these materials come from and why they have been chosen. For example, Finnish hat making company Myssyfarmi (2020) shown in Appendix 2, clearly explains their processes and introduces the knitters in a leaflet accompanied the hat as well as in their social media and website. Tella's subcontractor presented scheduled social media calendar for the purpose of achieving the set expectations.

Third and last stakeholder expects top quality from premium priced product as a consumer. Other expectations are transparent supply chain, more left-over and surplus materials used in the making of hats and long-term planning when it comes to sustainability. According to the third stakeholder, company is never ready when it comes to sustainability as there is always something it can do better. The actions to ensure the expectations will be met are transparency regarding chosen materials and production processes as well as greater use of left-over and surplus materials.

For indicators, the consumer suggested that Tella could measure how much (%) of the materials are leftover and surplus materials, calculating the carbon footprint of the hat (when using leftover materials, it could create competitive advantage to the emissions to be lower) and being transparent in regards of the pricing in similar way as Uhana Design has done (Appendix 3).

4.2 Tella through strategic tools

PESTE Analysis

Tella is facing political, economic, social, technological and ecological macro shocks from the external environment within the next 3-5 years (Appendix 1) European Union has set regulations and rules regarding textile waste and so has the municipalities in Finland (Forssan Lehti 2020) At the same time, European Commission supports companies linked to circular economy by distributing total of € 4,2 Million through C-Vouchers (C-voucher 2020). As the interest towards sustainability grows, it also creates demand for new materials and new business models. For example,

Marimekko came up with a collection that is made of wood (Segran 2020) whereas Pure Waste makes 100% recycled clothing from textile waste (Good News from Finland 2015).

According to Hughes (2019), new business models are arising in the textile industry during the next 3–5 years. On-demand production is an alternative for mass production, in which the product is made to order like bespoke suit. Customer can order e.g. a hat, that can be measured and customized into their liking. By producing only clothing, that is already sold, the company creates less waste and inventory. At the same time, the customers are making the purchasing decisions based on what they like, and the company doesn't have to use that much resources to predictions what they could like.

Other trends discussed with Holmäng (2020), are upcycling, renting and second hand. She believes that renting would be great business, especially if it is meant for younger generation. This however would mean, that the pricing would be in accordance with what this audience is able to pay. According to Amed and Al (2018), generation Z has more interest towards sustainable clothing, and the way of consumption is different: they are seeking brands that rent, resell, refurbish and repair their clothing. In fact, the trend is seen to pick up in other generations as well as new ownership models arise. There is no more need to own everything yourself, as you can borrow it when you need it.

The social macro shock considers the consumers. According to Townsend (2018), consumers expect more from the companies than before. They are aware they can make ethically and environmentally sufficient decisions, but they expect that companies lead them to the right direction. Amed and Al (2018) state that the generation Z feels strongly that companies should implement social and environmental themes into their business practice. 9 out of 10 expects that company of their choosing carries out their responsibility on these causes. They like anyone else is as determined to fulfil their needs of new clothing and accessories, but they aim to do so with more sustainable way. Consumer interest towards the origin of clothing has grown during the past years and sustainability has become a trend.

According to Eettisen Kaupan Puolesta (2019b), most of the companies choose to communicate about their sustainability, and even though it seems that sustainability comes with many environmental and social advantages, it is rather difficult for the consumer to navigate through actually sustainable companies and those who only claim to be one.

According to consumer behaviour survey constructed by Finnish Textile and Fashion association and published by Ilkka-Pohjalainen (2020), every third Finn says the climate and environmental issues have an impact to the way they purchase clothing. However, two thirds of the participants say they don't think about the environment, when purchasing clothing. The survey states that demographics that see sustainability as an important matter, are 18–29 years and 60–75-year-old women. According to the survey, when purchasing clothing, the consumers are seeking clothes that last for a long time and heavy use, they fit well and are in accordance to their style. Almost half of all the participants said, that they had repaired clothes or send clothes to repair during the past year. The survey involved 2000 participants. Farra (2019) sees the future of consuming clothes in the following way:

“We have to change the way money is invested and spent; we have to shop with brands whose values reflect our own; and we have to change the way we assign value to what we buy and wear”.

When looked from the perspective of technological macro shocks, customization could be seen as an opportunity. According to Gandhi and Al (2013), the customization can be profitable, and it can be done for masses with emerging technologies. According to the study, consumers want to customize their products according to the fabric, colour, style and extra decors. There are already technologies that allow consumers to take photos of themselves trying out clothes. Consumers of this age want that shopping is made easy and orders come to the doorstep quickly.

Amed and Al (2018) discovered that some of consumers are seeking more transparency from the companies and their supply chains. In addition, consumers have a growing interest towards brands that have political message, whether its related to climate change, human rights or something else. According to Sitra (2019), during the next few years consumers will worry about the future of theirs and their children and this creates demand towards products that are more sustainable.

With circular economy thinking, company needs to think the whole life cycle of a product which creates new business opportunities in the shape of services. For example, Patagonia has introduced their corporate responsibility and the product lifecycle initiative that takes into consideration the product's whole lifeline from the raw materials to the end user's repairs and disposal (Medium 2015).

TOWS Analysis

After PESTE analysis, a sense of the arising opportunities and threats were indicated, and TOWS matrix was created. TOWS matrix as seen in Appendix 7., indicates that there is a growing demand for products like Tella, but in order to make the revenue growth, company needs to capture the audience's attention with their story. According to Ekberg (2020), consumers don't purchase because the product is sustainable, they purchase because of the story behind it.

When it comes to sustainability, the definition of it varies. Designer Patrick McDowell (2020) states in Eco-Age article that if we would look at the sustainable fashion with black and white goggles, we would not have new designs or new clothes – if clothes at all. Niinimäki (2018) suggests lifecycle thinking around the product. According to her, it would be beneficial to start by choosing the raw materials, then production, transport and retail, and lastly consumer's use of the product, practise and recovery. When talking about the sustainability, Ekberg (2020) thinks it should be told from the customer's point of view. Rather than telling why company is doing something for their own sake, they should be able to think why it matters to the customers. Customer' should be always in focus.

Differentiation strategy

Tella sells hats for women, men and children. The cost of a hat varies from 60–120 euros depending on the material and difficulty of a hat. The company doesn't have distinctive competitive advantage established yet that would separate it from the competitors.

Based on the Porter's strategy matrix, Tella's strategy leans more towards the differentiation strategy than low cost as Tella's hats are considered premium priced products that are made in Finland from quality raw materials sourced from Europe. As seen in the stakeholder analysis, a consumer who purchases hats like Tella's, expects a high quality and a durability from the product. The consumer seeks more information from the brand in order to justify the price and the purchasing decision. Therefore, a differentiation strategy would give much more competitive advantage to the company in the future that it has today.

4.3 Approaches for case company

Based on all the different analysis, benchmarking and interviews constructed during this research, the following approaches are suggested for the case company. The benchmarking at Fiblon suggests that Tella should find fundamental themes and values which then could be linked to sustainability. Porter and Kramer suggests that in order to make corporate responsibility strategic, all the aspects of sustainability should be added to the value chain. Every approach presented here, takes into consideration the company values, their mission and vision and mirrors them to economic, social, environmental and cultural responsibilities. These approaches are thought to create all sorts of benefits such as a revenue growth, a stakeholder loyalty and a consumer engagement.

Finnish hat makers

The fact, that the clothing is made in Southern Ostrobothnia has a significant value to the company. According to Tella's business plan as well as stakeholder analysis, the hat makers and the craftsmanship are highly valued and considered culturally and historically important to the region. As hats are sewn so close to the headquarters, the company should take as much advantage from it as possible. As the hat makers are known personally, the company should get advantage by telling the customer who has made the hat.

A Finnish hat company Myssyfarmi has successfully made their knitting grannies a significant part of the company's brand, and therefore Tella could showcase the hat making tradition, the hat makers and their expertise by presenting their valuable knowledge as a part of their branding.

As the company is socially responsible and handles the business ethically in Finland by paying more for the production, they should use that as way of getting competitive advantage. When customer knows who has made her hat, it brings significant value and justifies the purchase. As the company has transparent supply chain, it could communicate about the processes of hat making and choosing the raw materials more widely. With transparency, the premium priced hat would be easier to explain. As noted earlier in this chapter, companies like Uhana Design have used the price transparency as a way of marketing their products. When consumer acknowledges that she/he is paying for craftsmanship and Finnish sourced linen, she is more eager to pay the price.

As the production happens in Finland, the company could apply for "made in Finland" key flag certificate from the association for Finnish work (Association for Finnish work 2020) Based on the calculations, membership fee for the key flag would cost around 100€ per year per mark. According to Ekberg (2020), the key flag certificate comes with extras, such as trainings and workshops that would be beneficial for smaller companies like Tella.

With this suggestion, the company would be economically, socially and culturally responsible. The company would be socially responsible by knowing where the production happens and the pay fair salary their workers in Finland and the employees have good working conditions. The suggestion also is economically responsible as it creates work in Finland and in the area of South Ostrobothnia. The company pays taxes in Finland and operates in accordance to the laws and regulations. It is investing to the local craftsmanship and keeping the tradition strong; therefore, it is also culturally responsible company.

Set indicators for this suggestion:

Timeline when all the marketing material needs to be ready and then as stakeholder suggested, make a schedule how it would get published on social media. The company could also set a timeline, when they hope the key flag is acquired.

Circular economy thinking

Having seamstresses so close to the headquarters has perks related to circular economy thinking. Like suggested in the TOWS matrix, the company could implement circular economy and its lifecycle thinking into its core business. For example, the company could offer their expertise to the consumer from purchasing decision to repairs and disposal. The expertise during the purchasing decision would help the consumer to choose hat in right size, so there would be as few returns as possible. Having sizing range from 53 to 63 is difficult to people who are not professional hat makers or buyers, so they need all available help during this process.

After a purchasing decision, the consumer needs help with a product care. For example, glove manufacturer Hestra (2020) has clear instructions how to wash and dry their products, they also give tips to lengthen the lives of the gloves. When Tella hat needs repairing, the company could offer repairs, and whether the repairs happen during certain period of time, the company could do it for free as a guarantee of quality. The time should be in relation to the company values which are “offering timeless pieces that last for a lifetime”.

For example, Myssyfarmi (2020) and Hestra (2020) have lifetime guarantee on their products. While consumers tend to hold on the products that are durable, timeless and their liking, at some point they want to dispose them. As a last stop of the products lifecycle, Tella could offer to collect the used products from the consumers hands and recycle them into new raw materials. By doing this, Tella would gather insight from the product’s durability and quality in order to develop the product further. Tella would also be able to collect enough waste in order it to be worthwhile to deliver it to distributors. While the collection involves additional logistics, it can be

justified with increase of research and development inside the company which then will lead to better, more durable products.

With this suggestion, the company would be environmentally responsible by prolonging the lifecycle of the product. It would gain consumer satisfaction by offering help with choosing the product, repairing the product. By collecting the material back from the consumers, the company would be responsible of recycling the materials correctly rather than leaving textile waste in the hands of consumer.

Set indicator for this process could be a timeline when the circular economy thinking is implemented and plans how to improve it in the upcoming years. It would be beneficial for the company to invest in repair services as well as clear instructions how to take care of the product as consumers seeking sustainable products would benefit from them.

As for additional bonus, these hats could have serial numbers that would have information both for the company as well as consumers. While consumer could see information of taking care of the product, product materials and the whole supply chain, the company would see how long the hat has been in circulation before it is returned to the company.

Like said earlier in this chapter, the European commission supports circular economy thinking and distributes money towards companies with solid plans related to circular economy. Last year, textile industry received 16% of 4,2€ million. There are probably other institutions as well willing to promote circular economy, so therefore companies like Tella could benefit from applying circular economy into their core business.

Materials

As one stakeholder suggested, Tella should use more recycled, leftover and surplus materials. This suggestion is quite straightforward, and the company could explore their networks in order to gain the best possible material for the company. By using materials that are already produced, the company makes more environmentally friendly choice. Repurposing materials that have previously been used somewhere else, can be cheaper as well.

When using new materials, the company should open up the supply chain to be transparent in order it to be sustainable. It would be also helpful, if the company could explain to consumers why it chooses the raw materials it uses. As materials play key role in Tella's values and strategy, it would be beneficial to have clear chart, with pictured supply chain indicating where the raw materials come from. As many of them come from Finland or at least from Europe, this information would be important to share to the consumers.

This suggestion would help the company become more environmentally friendly by choosing materials that already exists, rather than ordering new fabrics from the factories. As for indicators, the company could calculate what percentage of their production is currently done with surplus and leftover materials and what goals it is going to set for the upcoming years. The company could also clarify their supply chain chart in order to simplify the processes of attaining materials.

New business models

As mentioned in PESTE analyses, new business models will arise in the textile industry. One of the business models being on-demand manufacturing. More and more companies, especially sustainable ones, won't manufacture the clothing before it has been ordered. In Tella's case, this is true when it comes to wholesaling to retailers. However, to create a competitive advantage, there should be something for the consumer as well. To make a hat more timeless and suitable for the consumer, Tella could introduce personalisation as an option for B2C customers.

In Tella's case, the on-demand could be implemented into the online store, where the consumer could with the help of a technology to create their dream hat with the materials and styles available. This personalisation could prevent from having hats that don't sell and it would justify premium price. This suggestion also would support the differentiation strategy and competitive advantage.

According to Fab Lehti (2019c) Finnish family business Voglia has implemented an on-demand production in order to cut excess manufacturing. According to Amed and Al (2018), another trend that is picking up among generation Z is renting services. Rather than owning closet full of clothes and accessories, they could be rented for certain periods of time. For example, Tella could get access to secondary revenue stream by renting hats. If the consumer is loving the product and wants to own it then they could order it from Tella's store.

With on-demand manufacturing, the company would create less waste as they wouldn't manufacture hats that are unwanted. With this suggestion, company would be more environmentally responsible. As for indicators, Tella can start exploring new business models and decide whether they feel it is an opportunity to them. The disruption in clothing industry will happen soon, so the more agile the company is with their moves, more sustainable competitive advantage they have as pioneers.

GRI and carbon footprint

Like Ekberg (2020) stated during the benchmarking, they have written their corporate responsibility reports based on to the GRI guidelines. While the GRI brings to the company credibility, it is also expensive and takes up too much resources in a company like Tella. At some point, it might be good to have a clue, what the emissions could be in small to medium sized textile company. When it has been calculated once, the company can have a better idea on how to reduce it.

Hiilifiksu Järjestö at the University of Helsinki (2018) offers free excel based carbon footprint calculator mainly for associations, but companies are able to use it as well. With the excel, Tella could get a better picture of their current carbon footprint in order to set indicators what should be done, and with what time frame.

By calculating the carbon footprint, the company would get more information about their sustainability and have a knowledge what processes still needs work. With this suggestion, the company would be more environmentally responsible in the long run. As for indicators, Tella could first try out the free excel and if more is demanded from the stakeholders, they then can move on with GRI guideline.

Educating

Educating stakeholders about the sustainability, and sustainable choices should be in every company's agenda. According to Holmäng (2020), she discovered her interest towards sustainability just recently and is very interested in educating her clients about sustainability. Swedish clothing brand HOPE Stockholm (2020) arranges HOPE Talks that allow people to share their thoughts on social matters such as body representation in fashion, the right to fail on equal terms, activism, fashion, power and class as well as fashion and diversity. According to HOPE Stockholm website the company wants to be a platform, where "people are encouraged to use their voices".

As for Tella, there could be many opportunities in education. Tella's mission is to keep the craftsmanship alive in Southern Ostrobothnia, so they could use the brand as a platform for educating people about the traditional craftsmanship and the culture. For example, if consumers would know how difficult it is to sew a hat, they would appreciate the craftsmanship more and then probably would be more willing to pay premium price. Tella could also use education as a platform, when acquiring new employees directly from the vocational school. Workshops could be arranged, where the students would learn the secrets of hat making from experts, and at the same time Tella could secure the future of their hat making business.

With this suggestion, the company could become culturally responsible and also socially responsible by maintaining the craftsmanship and the expertise of hat making in the area. As for indicators, Tella could start exploring new business models and decide whether they feel like this is an opportunity to them. Then set goals, when they are expecting to start the implementation and when they expect to see first results.

5 CONCLUSION

5.1 General description of main results and recommendations

As a result of this study, six potential themes were found that would bring competitive advantage to the company and help the company to move on with their strategic corporate responsibility. Some of the suggested approaches are more approachable than others, while the other suggestions might need some time for adjusting and thinking whether it is the way the company wants to go.

Suggestions related to Finnish hat making and raw materials are the easiest ones for Tella to approach, as Tella has already started the process of choosing materials based on how ethical and environmental they are. Hat making in Finland is important to the company, and the company's mission, values and branding rely on craftsmanship in Southern Ostrobothnia. As the craftsmanship is happening in Finland, the company is paying more for the production. Therefore, the company should take all the benefits it can gain from it, such as showing consumers the supply chain and the talented faces working behind the sewing machines.

Suggestions related to the circular economy as well as new business models need more adjustment and willingness to do something different within the company. These suggestions seem to have a growing demand by consumers, and there is no significant competition. Also, suggestions regarding hat makers and the circular economy thinking support each other due to seamstress's ability to offer repair and repurpose services within 30 kilometres from Tella's headquarters. At the same time, new business models such as on-demand production is relatively easy to a company like Tella, where the supply chain between the company and the hat maker is short.

In addition to these suggestions, other aspects arose during the research. The researcher together with colleagues conducted a survey regarding consumer behaviour on clothing in the spring 2019. The survey received 47 answers within SeAMK students. During the spring 2020, the researcher conducted the same survey again

and received 68 answers within the SeAMK students. During both times, the answers indicated that within the group of students there is interest towards sustainable clothing, but due to small sampling size and the responders not being the target audience of Tella, the survey was left out of the study. The answers from both surveys were however indicating the same as the survey conducted by Finnish Textile and Fashion association in 2018, which is included into this research.

Some of the upcoming trends in clothing industry were left out from the study as well. For example, Holmäng (2020) together with other publications suggested that consumers would be looking to buy second hand and upcycled products in the future. The second-hand shop would bring advantages such as information and assurance to the company that the durability and quality of the product matches the company values and aims, but at the same time it would take a lot of resources away from primary business as there would be sorting and fixing involved in order to sell second hand products again. Therefore, currently second-hand doesn't bring enough advantages for the company. While interesting, upcycling is also very demanding for a company that has limited resources. While the company could receive used materials from various sources, sorting and evaluating them is time consuming and needs expertise.

The researcher also came across to publications and articles about the future materials, such as leather made from a mandarin peel and pineapples. While these products are innovative and could be an option that brings competitive advantage in a clothing industry, it is difficult to know whether the material is durable and meet the requirements Tella and Tella's stakeholders are expecting. Tella is offering timeless pieces that last for a lifetime, so it is important that the material fits these requirements. For this suggestion, Tella could explore it more and see, whether there is an opportunity with these materials in the future.

5.2 Usefulness of the analysis

The suggestions offered to the company have been selected carefully by observing the case company and learning from the pioneering company Fiblon Oy. These suggestions are conducted based on the results of 3 different analysis, published articles and reports. The suggestions are aligned with the company values, mission and vision and are in relation to their resources. The aspects left out of the study are also growing business practices in clothing industry, but they don't bring nearly as much competitive advantage to the company as the ones suggested.

5.3 Research reliability and validity

The study was conducted as a case study and the results are customised for the needs of commissioning company Tella Oy. The data was collected using primary as well as secondary data, therefore the research relies on interviews, observation, publications, online articles, and webpages.

Survey was also conducted in 2019 and 2020, but due to the small sampling size and an incorrect target audience it was left out from the research. Stakeholder analysis was conducted to acknowledge stakeholder expectations towards the company. Due to collecting data with wide set of tools, and time-consuming practices, the stakeholder analysis was only conducted for three people, consumer, shareholder and subcontractor. In order to get more reliable results, the stakeholder analysis should have conducted with larger sampling. Organising the benchmarking with the Fiblon Oy gave an insight what has been accomplished during the last 10 years and how they got there. The benchmarking however didn't or wasn't even supposed to give the right answers to this research.

While there are different approaches the company could take when going forward with the strategic corporate responsibility, the hopes of a revenue growth and set of already existing sustainable actions directed the study towards seeking competitive advantage from the suggested approaches. The research is extensive, from multiple perspectives and reference points and it was never meant to be an in-depth research.

This research focused on working towards more sustainable business by using strategic planning rather than exploring communications around it. Communicating is important, but what the company wants to achieve needs to be figured out first. If the company doesn't have a set of indicators and a clear plan where it is heading, the marketing is pointless and the company ends up just using catch phrases such as ethical, ecological and sustainable without explaining how they will become these. One of the stakeholders mentioned, the importance of understanding that company should focus on actions that make the company more sustainable rather than using the time to explain how sustainable they already are. Sustainability is after all a process not a project.

5.4 Lessons learned

At the beginning of the study, it was clear that the theme of strategic corporate responsibility is very wide and needed to be narrowed down. Choosing to focus on what would bring competitive advantage to the company, became clear after interviews, observation and analysis, as it was something that could be done as an outsider. Strategic decisions and implementation of strategic corporate responsibility to the company's practices need a much wider understanding of the company's operations and objectives than the limits of this study allow to explore. Competitive advantage is an important part of the company's overall strategy, but it is not the whole strategy. This study focused only on that aspect.

The opportunity to benchmark the Fiblon Oy was insightful and helped to understand how corporate responsibility begins from the core of the business and is aligned with most of the company's operations. With the comprehensive strategic planning starting from the company's purpose to the values, the sustainability is seen in all the aspects of Fiblon Oy. It is clear that Fiblon has used its resources to clarify their purpose and values for years, but it gives hope that other companies will follow their lead.

When the research is approaching the end, it is clear that a comprehensive knowledge towards sustainability and strategic corporate responsibility has been achieved. However, there is still so much to learn from the subject as it evolves and becomes more and more important for companies as well as consumers. Finnish textile and fashion association among others are pursuing the idea of Finland becoming the pioneer of circular economy in textile industry. They are also suggesting that corporate responsibility should be regulated at EU level. That being said, it is quite clear that soon strategic corporate responsibility is not just a tool to attain competitive advantage, it is a mandatory process required by law.

5.5 Future research

The subject of corporate responsibility is wide and therefore new, therefore more comprehensive researches should be conducted in the field. For example, more diligent research can be conducted in the following areas:

1. As the implementation process is left for the company, they should take into consideration what was learned during the benchmarking and use that information in their future decision-making process.
2. Sustainability is an ongoing process; therefore, the company needs to keep an eye for arising opportunities and threats and focus on setting new targets that support the strategic goals.

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APPENDICES

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APPENDIX 1. PESTE Analysis

POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	ECOLOGICAL
FINLAND 2025: collect and utilise consumer textile waste.	protectionism affecting business	Individualism as a reigning fashion trend	Product Personalization	The general worry towards climate change and environment.
European Union regulations and rules	Globalisation	Consumers want everything, right now right here.	Circular economy brings new technologies	Circular economy thinking enables longer lifecycle for products.
European Commission endorses circular economy.	New business models in Textile industry.	Sustainable values interest people: who made the clothes, what are they made of.	The significance of online store.	Sharing economy

APPENDIX 2. TOWS Analysis

<p>TOWS MATRIX OF TELLA OY</p>	<p>S</p> <ol style="list-style-type: none"> 1.Hat makers 2.Story 3.Centralised production 	<p>W</p> <ol style="list-style-type: none"> 1.Limited resources 2.Wide segment 3.Large variety of products in collection
<p>O</p> <ol style="list-style-type: none"> 1.New business models in textile industry 2.Demand for sustainable products 3.Circular Economy thinking 	<p>SO</p> <ol style="list-style-type: none"> 1.Strong story to sell sustainable products 2.lifecycle thinking as a part of business model 	<p>WO</p> <ol style="list-style-type: none"> 1.Decreasing the size of collection and have more resources elsewhere 2.Focus the segment
<p>T</p> <ol style="list-style-type: none"> 1.Unsatisfied customer 2.Competition has done something similar 	<p>ST</p> <ol style="list-style-type: none"> 1.Quality control in all aspects 2.Linkig competitive advantages 	<p>WT</p> <ol style="list-style-type: none"> 1.Competitor has clearer strategy 3.Mistakes are made due limited resources.

APPENDIX 3. Myssyfarmi



Source: Liina-Maaria Lönnroth

APPENDIX 4. Uhana Design

TRANSPARENT FRIDAY



UHANA DESIGN

SPEAK TO ME-NEULEPAITA
189 €

ARVONLISÄVERO 36,58 €

*** MERKIN OSUUS 25,34 €**
(sisältää mm. suunnittelun, kaavoituksen, työnantajakulut, palkat, vuokrat, markkinoinnin jne.)

JÄLLEENMYNNIN OSUUS 76,92 €
(sisältää mm. työnantajakulut, palkat, vuokrat, markkinoinnin, liikkeissä järjestettävät tapahtumat jne.)

NISKAMERKIT, PESUMERKIT, RIIPPULAPUT 0,66 €

TUOTANTOKUSTANNUKSET KUTOMO HOLOPAISELLA 49,50 €
(sisältää langan, neulomisen, kokoonpanon, kokomerkit sekä rahdin)

*** Merkin osuus on 25,34 €**, mikäli tuote myydään jälleenmyyjän kautta. Provisiot eri myyntipaikkojen välillä voivat vaihdella. Mikäli tuote myydään merkin omassa kivijalkaliikkeessä tai verkkokaupassa, on **merkin osuus 102,26€**, jolla katetaan suunnittelukuluja, tuotekehityskuluja, palkkoja, työnantajakuluja, pakkaus- ja lähetyskuluja, pr-kuluja ja markkinointia, tapahtumia, vuokria ym. yrityksen kuluja.

Source: Uhana Design / Facebook

APPENDIX 5. Data of Interviews and observation

30.1.2020 Sandra Holmäng, Voga styling

4.2.2020 Liina-Maaria Lönnroth, Tella

4.2.2020 Benchmarking with Liina-Maaria Lönnroth from Tella Oy and Anne Ekberg from Fiblon Oy.

26.2.2020 Consumer, subcontractor and shareholder interviews for stakeholder analysis

APPENDIX 6. Frame for interview with Lönnroth

Theme: Before benchmarking

Theme: After benchmarking

Theme: Tella now

Theme: Tella in the future

APPENDIX 7. Frame for interview with Holmäng

Theme: Basic information

Theme: Clothing

Theme: Stylist insight on sustainability

Theme: Influencer insight on sustainability

Theme: Future trends

APPENDIX 8. Frame for structured interview with stakeholders

What expectations you have towards Tella's sustainability?

What actions Tella should take in order to meet your expectations?

How these actions could be measured?

APPENDIX 9. Frame for observation at Fiblon Oy

How the company that's been benchmarked is doing?

How was the beginning of sustainability process for them?

What Tella is doing?

What Tella could learn from this?

What limitations Tella has compared to Fiblon?

What opportunities Tella has compared to Fiblon?

What was learned?

How Tella should proceed?