

University of Nebraska - Lincoln

DigitalCommons@University of Nebraska - Lincoln

B-Corp Case Studies by Raikes Seniors

Jeffrey S. Raikes School of Computer Science
and Management

Spring 2023

Patagonia's Identity: Balancing Mission and Growth

Grace Clausen

University of Nebraska - Lincoln

Michael Kelly

University of Nebraska - Lincoln

Brysen Reeser

University of Nebraska - Lincoln

Liam Seper

University of Nebraska - Lincoln

Andy Zhang

University of Nebraska - Lincoln

Follow this and additional works at: <https://digitalcommons.unl.edu/raikescases>



Part of the [Business Administration, Management, and Operations Commons](#)

Clausen, Grace; Kelly, Michael; Reeser, Brysen; Seper, Liam; and Zhang, Andy, "Patagonia's Identity: Balancing Mission and Growth" (2023). *B-Corp Case Studies by Raikes Seniors*. 1. <https://digitalcommons.unl.edu/raikescases/1>

This Article is brought to you for free and open access by the Jeffrey S. Raikes School of Computer Science and Management at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in B-Corp Case Studies by Raikes Seniors by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

Patagonia's Identity: Balancing Mission and Growth

Abstract

This case study examines the challenges Patagonia has faced in attempting to balance its mission of sustainability and company growth. Since its inception, Patagonia has been dedicated to environmentalism and sustainability. They demonstrate this dedication through numerous ways including donating to environmental groups, using recycled materials to make their products, and implementing renewable energy in their production practices. However, as the company has scaled, it has made decisions to meet the needs of its growing customer base and increasing demand, which has led to conflicts with its mission. Additionally, Patagonia's hard stance on sustainability puts every action they take under a microscope and opens them to attacks in the court of public opinion. In order to remain successful and maintain its brand reputation, Patagonia must power through this identity crisis and learn to stay true to its mission while meeting its needs as a company.

Learning Objectives

1. Discuss balancing company mission with company growth as well as the issues that arise with it.
2. Discuss how to respond to issues that arise due to actions that conflict with company mission.
3. Discuss the pros and cons of being transparent of company short comings as well as taking stances on global issues.

Grace Clausen, Michael Kelly, Brysen Reeser, Liam Seper, and Andy Zhang, students of the Jeffrey S. Raikes School of Computer Science and Management, prepared this case. This case was developed solely to serve as a tool for class discussion and is not intended to serve as an endorsement, source of primary data, or illustration of effective or ineffective management.

Company Origin

Patagonia is a privately held international clothing retailer that has placed a central focus on the sustainability of its products. The company founders, Yvon Chouinard, and Tom Frost, did not set out planning to create one of the best-known B-Corps in the world, but instead to create a rock-climbing equipment company. Chouinard Equipment began in 1965 as the product of both founders' passion for the sport and desire to evolve the technology available within it. In 1972, the company invented the aluminum tube chock, which served as a more environmentally friendly alternative to the rock harming piton that was commonly used in the sport. In 1973, Yvon and Tom created another joint venture called Patagonia. Patagonia was designed to be an outdoor clothing brand, distinct from their previous company, in order to appeal to a broader demographic than just the climbing community. Patagonia continued to expand and open new product lines, finding success beyond the reach of Chouinard Equipment. The brand continued to thrive in the years to come, even after its founders' other venture collapsed in the face of bankruptcy in 1989, falling victim to a series of lawsuits regarding safety concerns of its equipment.

From its founding, the company focused on caring for the environment. After its first year, Patagonia pledged 1% of its sales to environmental groups, a promise that has led to \$161,000,000 in total donations as of 2021 ("Benefit Corporation Report - Patagonia"). As time progressed, the organization leaned further into its mission to be a source of good. In 1996, the company attempted to integrate solar energy to reduce its environmental impact, and in 2002, it began its initiative to hire for social good ("Patagonia Brand Timeline."). Actions like these, along with many others, earned Patagonia "Benefit Corporation" status in 2012, making it the first company in California to receive this title. While the company has thrived in its niche as the brand for the environmentally conscious, this new title brought with it a new degree of scrutiny and a call to hold itself to a higher standard.

Facing Their Mission

Patagonia has been recognized for its commitment to environmental sustainability since its founding. Its mission statement, "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis," has been at the core of its brand and culture.

However, there have been times where Patagonia has struggled to live up to this mission. There is a constant battle between upholding their corporate values and competing in a highly competitive market space. This tension is one of the main challenges Patagonia has faced as a business.

The challenge to grow while maintaining its core values has presented a variety of stumbling blocks. As the company has expanded its product lines and customer base, it has faced criticism for using materials and manufacturing processes that are not entirely sustainable (“Patagonia's New Study Finds Fleece Jackets Are a Serious Pollutant”). These attacks have pointed out that some products contain synthetic materials that are not biodegradable, and some materials were sourced from suppliers who do not meet Patagonia’s rigorous environmental and social standards (“Supply Chain Breaks down at Patagonia”). The company has also recognized that its growth has increased its carbon footprint and environmental impact (“How We're Reducing Our Carbon Footprint”). For most companies, these issues are bad publicity at worst. For Patagonia, however, they represented direct contradictions to the corporate mission of combatting the environmental crisis.

For Patagonia, these problems emerged when a focus on meeting customer demands began to trade off with its broader mission of environmental conservation. While many of Patagonia's customers share its environmental values, others prioritize functionality, style, and affordability. In response, the company began compromising its sustainability goals to meet these demands: using cheaper materials, producing multiple variations of the same product (promoting consumerism and waste), and outsourcing manufacturing to countries with lower environmental and labor standards. Outsourcing to these countries has given them less oversight on the day-to-day operations of these facilities and the implications have been disastrous. Patagonia shares production facilities with larger brands that don’t have the same commitment to the environment as it does, giving them less control over the sustainability practices of the facility. In addition to the poor environmental standards, Patagonia's supply chain faced a scandal of modern slavery, where migrant workers in Taiwan were paying upwards of \$7000 to a broker to be placed in a job at Patagonia’s factories, which could take years to pay off (“What Patagonia Did When It Found Human Slaves in Its Supply Chain”). While Patagonia responded quickly upon discovery, the problem is a symptom of the significant supply chain challenge that any large corporation, like Patagonia, needs to address.

Patagonia faces the duality of being a large company with heavy production demand while also being an environmentally conscious leader. These two often opposing forces have kept Patagonia fraught with internal turmoil, a struggle the company has not tried to hide from the public. In 2011 Patagonia ran a Black Friday ad in the New York Times called, “Don’t buy this Jacket”, showing their own Patagonia branded jacket (“Don't Buy This Jacket, Black Friday and the New York Times”). The ad aimed to tell the public to consume less and hold on to products for longer. While this advertisement was in line with Patagonia’s environmental focus, it also was potentially harmful to its bottom line. The emphasis Patagonia has placed on environmentalism is not diminishing despite the challenges it presents. In fact, according to Patagonia’s Director of Philosophy, Vincent Stanley, in the past ten years “the business model has become much more dependent on environmentalism and activism” (“Patagonia Has a New Mission”), showing their desire to lean into these challenges rather than move away.



("Don't Buy This Jacket by Patagonia")

The organization's focus took a massive shift in 2018. Patagonia announced it was changing the company's mission statement away from the one it had held since its founding:

Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis ("Patagonia Has a New Mission") .

Yvon Chouinard, the company founder, no longer believed their mission took a strong enough stance. The new mission, he hoped, would drive the company towards more resounding changes:

Patagonia is in business to save our home planet ("Patagonia Has a New Mission").

The change aimed to impact every job in the company, pressuring every decision to be made with a “planet-first” mentality.

With such lofty goals and public declarations, Patagonia has opened itself up to even more scrutiny from those outside the institution and a greater risk of being labeled hypocrites for any failures or shortcomings that arise. The danger of this is not one that has been discounted by the leaders of the company and has led to statements like the one made for Forbes magazine in 2021 (“Patagonia Doesn't Use the Word 'Sustainable' Here's Why”), claiming that Patagonia no longer uses words like “Sustainable”, because of its perceived role in the global environmental crisis. However, even actions like this do not escape criticism. The brand has faced accusations of greenwashing (“Patagonia's Greenwashing Ignores Workers and Won't Solve the Climate Crisis”), or claiming to be more environmentally friendly than it really is. Some argue that while the company may donate its profits for good, those profits require the firm to perform competitively in a space notorious for its social and environmental harms. Critics point to the fact that the company itself has acknowledged its production exceeds what can be viewed as sustainable and is less beneficial for the world than it paints itself out to be.

As an organization with its core identity closely tied to a modern and evolving problem, its story is dynamic. Outpacing the change in mission statement, in 2022, the company underwent its most significant structural change since its founding. Yvon Chouinard gave away the 3-billion-dollar company to a trust and nonprofit organization to manage the company's profits and to dedicate it all to environmental good (“Billionaire No More: Patagonia Founder Gives Away the Company”), permanently tying the environmental pursuits to the company’s brand. Patagonia’s ongoing identity crisis is tied to both environmentalism and its consumer demands, and it must find out how to carefully balance these often conflicting forces in the future.

Discussion Questions:

1. How should Patagonia address the needs they have as a business with the responsibility of its mission?
2. What are Patagonia’s main vulnerabilities?
3. What advice would you give the company to help them protect themselves from further scrutiny?
4. Is Patagonia really in a battle against itself? Are there any strategies they can implement to grow as a company without sacrificing their mission, and vice versa?

Sources

Barnes, Kathryn. "Supply Chain Breaks down at Patagonia." *KCRW*, KCRW, 26 Aug. 2016, <https://www.kcrw.com/news/articles/supply-chain-breaks-down-at-patagonia>.

"Benefit Corporation Report - Patagonia." *Patagonia Works*, <https://www.patagonia.com/on/demandware.static/-/Library-Sites-PatagoniaShared/default/dw18ad9c7c/PDF-US/Patagonia-2021-BCorp-Report-Updated-2-15-22.pdf>.

"Don't Buy This Jacket by Patagonia." *Borderless Creations*, 14 Feb. 2021, borderlesscreations.com/en/blogs/news-stories/dont-buy-this-jacket-by-patagonia.

Farra, Emily. "Patagonia Has a New Mission." *Vogue*, 9 Nov. 2021, <https://www.vogue.com/article/patagonia-cfda-award-climate-change-ambitions-vincent-st-anley>.

Gelles, David. "Billionaire No More: Patagonia Founder Gives Away the Company." *The New York Times*, The New York Times, 14 Sept. 2022, <https://www.nytimes.com/2022/09/14/climate/patagonia-climate-philanthropy-chouinard.html>.

"Patagonia Brand Timeline." *Fat Buddha*, https://us.fatbuddhastore.com/patagonia-timeline-i278?utm_campaign=oth_r&utm_source=https%3A%2F%2Fwww.fatbuddhastore.com&utm_medium=wi_proxy&utm_content=en_GB&utm_term=b.

"Patagonia's New Study Finds Fleece Jackets Are a Serious Pollutant." *Outside*, <https://www.outsideonline.com/outdoor-gear/gear-news/patagonias-new-study-finds-fleece-jackets-are-serious-pollutant/>.

Patagonia. "We're in business to save our home planet. 'Don't Buy This Jacket, Black Friday and the New York Times.'" *Patagonia*, 22 Nov. 2022, <https://www.patagonia.com/stories/dont-buy-this-jacket-black-friday-and-the-new-york-times/story-18615.html>.

Patagonia We're in business to save our home planet. "How We're Reducing Our Carbon Footprint." *Patagonia*, 18 Nov. 2021, <https://www.patagonia.com/stories/how-were-reducing-our-carbon-footprint/story-74099.html>.

Thoren, Beth. "Patagonia Doesn't Use the Word 'Sustainable'. Here's Why." *Fortune*, Fortune, 4 Nov. 2021, <https://fortune.com/2021/11/02/patagonia-doesnt-use-the-word-sustainable-cop26/>.

"What Patagonia Did When It Found Human Slaves in Its Supply Chain." *Inc.com*, <https://www.inc.com/anna-hensel/patagonia-pledges-to-implement-higher-standards-in-factories.html>.

Wood, Robert Jackson, et al. "Patagonia's Greenwashing Ignores Workers and Won't Solve the Climate Crisis." *Truthout*, Truthout, 5 Oct. 2022, <https://truthout.org/articles/patagonias-greenwashing-ignores-workers-and-wont-solve-the-climate-crisis/>.