

**Sustainability Strategy Encounters Consumer Culture:  
Trade-offs in the case of Nudie Jeans Co**

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## Introduction

A growing number of firms are considering the incorporation of sustainability issues into their business strategies (Maas et al., 2014). This is not surprising given that effects of sustainability for many companies “are now so tangible and certain that the issue is best addressed with the tools of the strategist, not the philanthropist” (Porter and Reinhardt, 2007, p. 1-2). Companies, thus, have to start considering how sustainability issues affect their profitability, competitiveness, and future growth opportunities (Pinkse and Kolk, 2012). The integration of sustainability into strategy is important not only from a corporate perspective, but also from a societal perspective in order to address sustainability challenges such as climate change (Pinkse and Kolk, 2012) and working conditions in global value chains (Locke et al., 2009).

While many corporate managers “acknowledge that CSR [Corporate Social Responsibility] is an important consideration for driving success”, they though admit to struggling with *how* to integrate sustainability into strategy and develop “win-win” strategies (Galbreath, 2009, p. 120). The consequence has been that, despite extensive corporate investments in sustainability during the last two decades, the connection between sustainability activities and the strategy of the firm often has remained unexplored (Werbach, 2009). As Davis (2005) puts it, corporate approaches to sustainability have been too limited, too defensive and too disconnected from strategy (cf. Galbreath, 2009).

One reason for the mismatch between high corporate ambitions to integrate sustainability into strategy and relatively meager integration in practice is that integration of sustainability into strategy requires trade-offs (e.g., Esty and Winston, 2006; Hahn et al., 2010; Pinkse and Kolk, 2010; Reinhardt, 2007). As Reinhardt (2007, p. 15) puts it, “companies need to get past the win-win rhetoric and move on to the tough trade-offs.” Hahn et al. (2010) makes a similar claim in relation to the literature on corporate sustainability that is largely based on the win-win paradigm and widely disregard trade-offs. This neglect of trade-offs is problematic given that “trade-offs are the norm, not the exception” (Esty and Winston, 2006, p. 255), and that “turning a blind eye to trade-offs thus results in a limited perspective on corporate contributions to sustainable development (Hahn et al., 2010, p. 217).

In this paper, we focus on the intersection between sustainability, strategy and trade-offs and address two important shortcomings in previous sustainability research. First, while there are extensive conceptual analyses of how to integrate sustainability into strategy (e.g., Hart and Milstein, 2003; Galbreath, 2009; Lash and Wellington, 2007), there are few in-depth empirical studies of *how* companies attempt to integrate sustainability into strategy in practice. Such empirically grounded studies are frequently called for (e.g., Banerjee, 2001; Behnam and Rasche, 2009; Egels-Zandén and Rosén, 2014; Winn and Angell, 2000), and central for advancing both the scholarly discussion about sustainability and strategy and to provide concrete examples and implications to managers attempting to integrate sustainability.

Second, sustainability scholars have largely neglected the trade-offs that corporations face when attempting to integrate sustainability into strategy (e.g., Pinkse and Kolk, 2010). As Hahn et al. (2010, p. 221) put it, “while there is considerable extant research addressing sustainability-related questions at the organizational level, the question of trade-offs and conflicts in corporate sustainability has – apart from a few exceptions (Kaptein and Wempe, 2001) – not received much consideration.” The emphasis on win-win rather than trade-offs might, as Rowley and Berman (2000) and Egels-Zandén and Sandberg (2010, p. 47) argue, be due to “scholars perceived necessity of legitimizing their own studies of business ethics in academia.” Regardless of the reason, research that shifts focus from win-win to trade-offs is much needed and called for (e.g., Hahn et al., 2010; Pinkse and Kolk, 2010).

We seek to fill these gaps in previous research based on an empirical study of how the Swedish garment company Nudie Jeans Co attempts to integrate sustainability into strategy and the trade-offs it faces when doing so. Nudie Jeans Co has identified a way to integrate sustainability into strategy. However, it requires changes in consumer behavior and, as Esty and Winston (2006, p. 243) note, such sustainability initiatives are problematic since consumers are unwilling to change their behavior even when it saves them time and money. The more specific research question for this paper is, therefore, *how do trade-offs influence companies' attempts to integrate sustainability into strategy?* In line with Hahn et al. (2010), we focus on trade-off in three dimensions in this paper: i) outcomes (environmental vs. social vs. economic effects of activities), ii) temporal (present vs. future aspects), and iii) process (change from currently unsustainable patterns to sustainable patterns).