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# Understanding the mechanisms of sustainable capitalism: The 4S model

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## Abstract

Neo-capitalistic approaches to value creation have sometimes developed a bad reputation in terms of sustainability and care for the environment. Yet, there are examples to the contrary emphasising a concern for sustainable capitalism. Our literature synthesis suggests that there is a lack of understanding of the sustainability mechanisms—ways of working helping companies to achieve their leadership in sustainability and maintain it over time. We contribute by addressing this deficiency and specifying four discrete mechanisms which we call the 4S model. Specifically, we apply this model to the cases of two leading exponents of sustainability—Unilever and Patagonia—to explain how companies can operate as forces to change business practice and improve sustainability having regard to people, planet, and profits.

KEYWORDS
implementation mechanism, neo-capitalism, Patagonia, strategy, sustainability, Sustainable capitalism, Unilever

## 1 | INTRODUCTION

This article revisits the phenomenon of sustainable capitalism (Polman & Winston, 2021) and, for the purpose of our discussion, defines it as the one where value comes from sustainability, or a balance between people, planet, and profits. We view this approach as a shift in the capitalist paradigm from its traditional, or neo-capitalist, approaches—those where value is equated to profits suggesting that a company should prioritise bottom line targets over other strategic objectives and 'make as much money as possible'.[1]

In practice, companies are not equally responsive to this paradigmatic shift. That is, some companies like Patagonia and Unilever have the sustainable capitalist approach deeply embedded into their strategies. Also, there are companies which follow midway approaches such as philanthropy and greenwashing (Parmar et al., 2021). Companies such as Coca Cola and Pepsi Cola have not substantially departed from the neo-capitalist approach. Finally, there are companies like Amazon which having a monopolistic position on the market continue to follow neo-capitalist principles. For this reason, we conceptualise the sustainable capitalist approach as an extreme pole of a continuum of various capitalist approaches challenging the neo-capitalist paradigm. In other words, the sustainable capitalist, and the destructive form of the neo-capitalist approach can be seen as the opposite ends of one spectrum.

In this context, prior research into the sustainable capitalist approach has largely focused on addressing and even refuting CEOs' scepticism about it and on explaining its value for organisations (Kramar, 2021). From this research, we have learned about the performance rationale for sustainable capitalist strategies (Lemoine et al., 2021) which derives from two sources. First, stakeholders' role has changed. An organisation's performance, especially in the long run, has become increasingly dependent upon its capacity to

The focus on Unilever was inspired by a presentation to a leadership forum in Dublin by Doug Baillie, former CHRO of Unilever. He has not read or commented on this article and the views are solely those of the authors.

align with interests of a wider stakeholder community (Lemoine et al., 2021). Specifically, the rise of cloud computing innovations in information and communication technologies over the past 15 years has transformed stakeholders into a greater power which can no longer be ignored by organisations in their decision-making (Ferns & Amaeshi, 2021). Stakeholders have become better informed of potential risks and benefits originating in decisions and behaviours of various organisations and more aware of the consequences of their own action or inaction (Ferns & Amaeshi, 2021). With easy access to open resources, many stakeholders have become more active in voicing their interests making it more difficult for organisations to disregard their views over time; hence the risks and implications for organisational performance (Ferns & Amaeshi, 2021).

Second, the shareholders' role has changed. Shareholders have become more receptive of policies which move beyond the traditional concept of economic value (e.g. profitability) by addressing environmental and social concerns (Lemoine et al., 2021; Levine, 2022). In concert with this view, sustainability goals such as tackling climate change, improving women's education or reducing global inequality become more important indicators of performance and may even increase company's share price (Gómez-Bezares et al., 2017) providing an additional performance rationale for sustainable capitalist strategies.

However, prior research into the sustainable capitalist approach has not fully explained how companies could implement it (Coetsee et al., 2022). An emerging literature stream has highlighted the importance of bridging the strategy-implementation gap (Engert & Baumgartner, 2016). From it, we have learned about factors helping to introduce new ethical practices needed to address urgent sustainability challenges (Engert & Baumgartner, 2016). Yet, there is a lack of understanding of mechanisms—ways of working—helping companies to achieve their leadership in sustainability and maintain it over time. To this end, the focus of this article is to explore how companies can operate as forces to change business practice and improve sustainability while balancing the delicate balance between people, planet and profits (Elkington, 2020).

In addressing this question, we are interested in understanding mechanisms enabling sustainability strategies and reducing their high failure rates ranging from 60% to 70% (Coetsee et al., 2022). Our contribution comes from addressing this research deficiency. Specifically, our study aims at unpacking the sustainable capitalist mechanism in companies which embrace the sustainability ethos. In doing so, we explore processes, procedures, and ways of working which support sustainable capitalist practices in companies.

Social movement theory (Jenkins, 1983) is also relevant to the explanation of value management mechanisms in sustainability. Arguably, value management implementation unfolds in the context of ongoing social movements—loosely organised but sustained campaigns pursuing a social goal (Edwards & McCarthy, 2004). For example, social movements to protect the rainforest which shelters gorillas and orang-utans can also target companies which use palm oil originating in deforested land. Thus, an external environmental social movement can exert pressure on large corporates to accelerate their ethical sourcing policy and practice.

The remainder of the paper is structured as follows. First, we perform a literature review, the objectives of which are to map the research terrain, to propose research questions and to suggest areas where our approach can offer insight. Second, we address these research questions by exploring the cases of Unilever and Patagonia. Due to the prominent role of Unilever in the sustainability debate, we focus there on developing a better understanding of the value management mechanism whereby that firm has been successful in "doing well while doing good." The case of Patagonia gives us insight into the role of employee activism and advocacy in implementing a sustainability strategy. The paper ends with conclusions, making recommendations for practitioners and suggesting pathways for the future theorisation of value management in the sustainable capitalist paradigm.

## 2 | LITERATURE REVIEW

In this section, we develop research questions helping to differentiate further the value management approaches in two dominant paradigms: the neo-capitalist paradigm and the sustainable capitalist paradigm. Our objective is to explain the distinctive features of the sustainable capitalist approach and, most importantly, to offer a more nuanced understanding of how organisations can implement and benefit from it.

### 2.1 | Synthesis: Method and findings

We adopt a CIMO (context-intervention-mechanism-outcome) logic approach to synthesise prior research (Denyer et al., 2008). This logic allows interrogation of prior research by focusing on how and by which mechanisms (M) enable various interventions (I) leading to desired outcomes (O) in a given context (C). The CIMO logic synthesis centres on the four key questions: *Where? What? How?* and *Why?*

In our synthesis, the C (context) element investigates *where* possible challenges to value management come from. In the neo-capitalist paradigm, these challenges were instigated largely by the post-war mindset aimed at creating resilience to economic failures (Miller, 1975) and concerns that the upward wave of the economic cycle would reverse one day resulting in a crisis or even in a repetition of the 1929 recession (Miller, 1975). By contrast, in the sustainable capitalist paradigm, these challenges came from an increasing imbalance in environment, society and business brought about by the new wave of globalisation in the 1960s (De Bettignies & Lépineux, 2009).

Then, the I (interventions) element explores *what* organisations do to address the challenges suggested in the C-element. In the neo-capitalist paradigm, the economic resilience was the key challenge of organisations. To address it, they focused on firm profitability through increasing production efficiency (e.g. technological innovations) and demand (e.g. targeting mass consumer markets and internationalisation of sales) (Miller, 1975; Schachter et al., 1975).

By contrast, in the sustainable capitalist paradigm, organisations shifted the value management priority from profit maximisation to sustainability—seeking a balance between people, planet and profit. Searching for possible convergence in interests is critical in this case. Strategists mobilise internal resources to create synergies with societal demands. To this end, companies incorporate some functions of social movements with an objective to proactively shape environments for their benefit. This means that, instead of opposing activists, some companies build collaborations with activists and some even become activists themselves (Chatterji & Toffel, 2016).

In the M (mechanisms) element, we explore *how* these strategies are enabled. For example, we are interested in understanding processes, procedures, and ways of working which make strategies more effective. Prior research into neo-capitalist practices also informs our understanding of the defensive mechanism which may be invoked by external social movements which may represent potential risks to profits. Social movements are viewed by such companies as threats to performance as they often force companies to make economically suboptimal decisions and therefore, the defensive mechanism may be activated to mobilise resources needed to defeat social movements (Gilson & Gordon, 2019). Prior research into sustainable capitalist strategies does not explain its mechanism.

Finally, the O (outcomes) element helps to explain *why* organisations prefer different strategic approaches to value management. Our emphasis is on the value each approach generates. In this question, we consider the value creation and destruction for society and organisational performance implications of the approaches.

In the neo-capitalist paradigm, strategists manage value to maximise profits (Schachter et al., 1975). This reflects Friedman's (1970) doctrine suggesting that firms are 'to make as much money as possible' provided they comply with the law and ethical customs and act 'without deception and fraud'. The profit maximisation rationale draws on assumptions about performance. It is viewed as (1) a short-term construct which is to be easily discernible by shareholders and therefore emphasises profitability; (2) an outcome of competition drawing on a win-lose logic in strategic decision making and (3) a product of linear thinking emphasising a sequence of economically rational steps, each contributing to achieving profit maximisation objectives (Doukas & Travlos, 1988).

By contrast, in the sustainable capitalist paradigm, strategists manage value to maximise contribution to society (Charan & Freeman, 1980). This has implications for how they see performance. It is viewed as (1) a broader construct capturing implications not only for profits but also for the wider society and environment; (2) an outcome of win-win relations with an emphasis on collaborating with social movements and (3) a product of systemic thinking where multiple nonlinear processes in market and nonmarket contexts intertwine to produce some joint effects (Elkington, 2020).

The growing interest in sustainable capitalist approach among neo-capitalist companies may originate in the changing context. This is becoming more amenable for the sustainable approach. The magnitude and complexity of the recent pandemic and climate disasters (e.g. floods in Australia and cyclones in Africa) emphasise the importance of collaborative solutions driven by nonlinear thinking.

### 2.2 | Research question and case study approach

Whereas prior research informed about approaches to value management in the two paradigms, it has not fully explained their implementation mechanisms. On the one hand, it suggests a defensive mechanism in the neo-capitalist practices; yet, it does not explain the mechanism underlying the adoption and deployment of sustainable capitalist practices. We propose that this may be represented as a transformative mechanism and our case studies aim to unpack its key elements.

We have collected data on the two companies—Unilever and Patagonia—from secondary data sources including YouTube talks, webinars as well as a number of published case studies. We added a case report on Patagonia as it adopted a somewhat different approach to sustainability around the same time period. The published cases are thorough in their treatment of issues and provide useful sources for the purpose of this study.

## 3 | UNILEVER

### 3.1 | In search of the sustainable capitalist firm

While the discourse on sustainable capitalism and sustainability is widespread it is somewhat harder to identify exemplars of this organisational form. In the case that follows we argue that Unilever provides a strong example of the firm that "does well while doing good" (Bartlett, 2016).

The values that guide firms can often be traced to the values of the founders and Unilever is no exception. Unilever, currently employing 148,000 employees worldwide, has its origins in three family businesses operating in the late 19th century. Dutch butter merchants, Jurgens and Vanderburg, operating in the 1870s in the Netherlands, decided to expand into margarines which was a new butter alternative. In the 1880s Lever Brothers were making a household soap to improve hygiene, reduce sickness and disease in the crowded UK cities of the industrial revolution.

The Lever Brothers had a long history of paternalism, taking care of their employees by building schools and providing housing and sanitation. Lever, Jurgens and Vandenberg shared a need for palm oil which led to them developing a friendly business relationship. When Jurgens and Vandenberg came together to create Margarine Unie, Lever Brothers began negotiations with Margarine Unie to establish a new, jointly controlled company-Unilever in 1929. We re-join Unilever in the 21st century to establish if the early values of "doing well while doing good" have stood the test of time.

## 3.2 | New CEO-new sustainability strategy

Fast forward to 2009, Unilever is stagnating and experiencing the so-called VUCA world. VUCA stands for volatile, uncertain, complex and ambiguous. Unilever was at this point searching for a new CEO. Paul Polman, the former chief financial officer from Nestle was selected to lead the new Unilever. While working at Procter and Gamble he had been a competitive adversary. As an outside leader (O'Riordan et al., 2019) he came with a fresh perspective on the Unilever processes, its internal practices and its embedded assumptions (O'Riordan et al., 2019). Therefore, he was ready to challenge conventional business practice. Early in his career, he had considered becoming a priest and it has been observed that his detailed study of Unilever's history and its values may well have resonated with the values espoused in his own early career.

Paul Polman joined Unilever in early 2009, after its stock had plummeted. Accepting the notion that adversity breeds opportunity, one of his first actions was to notify financial analysts that Unilever would no longer issue quarterly earnings reports. He believed that you cannot build a sustainable company under the pressures of short-termism.

Polman also devised a new corporate strategy aimed at doubling Unilever's revenue while halving the company's environmental footprint and increasing its societal contribution. Rather than the traditional CSR initiative that often sits alongside the business, the new strategy was to integrate sustainability into Unilever's operating processes and practises. This became known as the Compass vision of Unilever. Its ten-year goals (2010–2020) included: to help a billion people improve their health and well-being, halve the environmental footprint of producing and using Unilever products and to improve the livelihood of those in the value chain. This formed the bedrock of the so-called Unilever sustainable living plan (ULSP). The purpose of the strategy was to stimulate business growth while also having a positive social impact. This commitment encompassed not only all Unilever operations but also the entire product life cycle and value chain. Unilever discovered early on that manufacturing-related greenhouse gas (GHG) emissions accounted for only 5% of total GHG emissions. Suppliers contributed an additional 20%, while consumers contributed 70%. To reduce Unilever's environmental footprint, collaboration across the value chain, particularly among consumers, would be required (Bartlett, 2016).

To do this the three core goals of the ULSP were broken down into 50 key performance indicators (KPIs) each with specific, measurable targets. For example, palm oil was to be harvested only from certified sustainable sources. Implementing these goals represented a major challenge as there were 5 million people employed in their supply chain, 2 billion people who used Unilever products daily and 165,000 employees in Unilever itself at that time (Bartlett, 2016).

Implementing strategy for a company is very different and more difficult for a large international company. It requires developing a compelling company vision and requires the support and mobilisation of all its stakeholders including management and employees at every level of the company. The historical value orientation of Unilever – to do good while doing well -and the work of its existing CSR group provided a platform for the deployment of the ULSP. Unilever understood the significance of having outside validation of its strategy from the beginning. One of its subsidiaries, for example, invited the Rain Forest Alliance to certify that its tea production was grown sustainably, while Lifebuoy soap committed to the UN Millennium Goals of improving a billion people's health and hygiene through handwashing education. Structured initiatives were implemented to achieve these goals.

Polman created the function of Chief marketing officer to lead both marketing and sustainability. The CMO role also oversaw the development and execution of the ULSP strategy. In tandem the CSR office was abolished. Now sustainability was an integral part of the strategy rather than an add-on as many CSR initiatives are. It also involved pushing down responsibility to all employees in Unilever. The CMO role was an executive level appointment giving sustainability extra power and status in the company. In addition, over a dozen people were allocated to support the CMO role in a new communications drive which included visits to operational units in order to drive home the importance of the new sustainability strategy. By 2013, 48 per cent of the Unilever agricultural products were sustainably sourced – an increase of 14% on the 2010 situation and 31% of its food products were meeting the highest globally recognised nutritional standards (Bartlett, 2016) Also, Unilever were impacting one third of a billion people, with handwashing, oral health and drinking water programmes. The Lifebuoy campaign at Thesgora in India was particularly impactful due to its social media campaign. According to Unilever, by 2013, 45 of its 50 targets were on track to be achieved. However, its CHG footprint per consumer use had increased by 5% and its water impact had increased by 15% (Bartlett, 2016). Much of this was due to consumer use of Unilever products – not directly under the influence of the company e.g., use of hot water, hair washing and laundry. Unilever responded to this challenge by shortening the wash cycle of its detergents, use of dry shampoo and minimum rinse conditioners. They also introduced low-flow shower heads in a multicountry initiative but found that changing consumer habits and behaviours was a much slower process than expected.

## 3.3 | Market disruption and consolidating sustainability

The UN social development goals include: no poverty, zero hunger, good health, quality education, gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry innovation and infrastructure, reduced inequalities, sustainable cities and communities, responsible consumption, climate action, life below water, life on land, peace and justice. Unilever, while strongly supporting these goals also has to be responsive to the VUCA pressures of the marketplace. In 2019, Kraft Heinz attempted to take over Unilever in a hostile bid. In terms of values there you would not find two companies more different in their approach and emphasis. Kraft Heinz is a shareholder value company, and its approach is to maximise the return for shareholders at all costs. Typically, Kraft Heinz take over a company, squeeze the assets without reinvestment and then move on. Shareholder value companies have to continuously acquire new companies to sustain their voracious growth path. The reaction of Unilever to this attempted takeover, backed by Warren Buffett and his 5G company was to repudiate the bid for two main reasons. Firstly, the values of the two companies were completely incongruent and secondly, the shareholder value approach is anathema to the sustainability approach. Warren Buffett does not pursue hostile takeovers. As a result of the strong Unilever board actions, he dropped the bid. Nonetheless, the intervention by Kraft Heinz did have an impact on decision-making within Unilever. They realised that there was more value to be extracted from the company and they also realised that they needed to give a better offering to their own shareholders if they were to continue to enjoy their loyalty. Polman quoted in Carey et al. (2018: 25) stated:

> I could not think of the two most different operating philosophies coming together... Frankly, someone who thinks they could buy us because they have a lot of money and think they can leverage up our company and then run it with an entirely different model ...[it] doesn't make much sense to me. Our system is there to satisfy a few billion people in the world, not a few billionaires.

Larry Fink, Chairman of Blackrock, a major US investment firm sees firms such as Unilever as providing a guide for future strategy development. He argues that [now] "people [are] looking to companies to deliver not only a financial performance but a positive contribution to society that benefits customers and communities as well as shareholders. Without a social purpose he argues, companies fail to make the investments in employees' innovation ...and the capital expenditures needed for long term growth and above average returns to the likes of BlackRock."[2]

Unilever nonetheless had to develop a strategic response in the aftermath of the failed Kraft Heinz bid. This review included: a decision to either sell or demerge the spreads business, combine its food and refreshments into one organisation, accelerate its commitment to the connected for growth (C4G) programme, increase its operating margin to 20% by 2020, launch a share buyback programme of 5 billion per year and raise the dividend for shareholders by 12% per year. As a result of the Kraft Heinz bid, Unilever indicated they would do a strategic review and get back to shareholders by April 2017. This review led to five key commitments (https://on.ft.com/3FSdlD9).

In an effort to defend itself against future attempts by KHC/3G or other suitors, Unilever announced on April 4, 2017, a programme of enhancing its long-term shareholder value with a series of aggressive restructuring moves. In Polman's announcement, Unilever committed to:

> Improve operating margins from 16.4% in 2016 to 20% by 2020.
>
> Repurchase €5 billion of stock to enhance earnings per share and increase its dividend by 12%.
>
> Reduce advertising and raise savings goals from €4 billion to €6 billion.
>
> Evaluate consolidating its Foods and Refreshments businesses into a single unit based in the Netherlands.
>
> Spin off its declining spreads business, valued at approximately €6 billion.
>
> Increase cash generation, thereby doubling its free cash flow as a percentage of net profit.
>
> Continue to seek bolt-on acquisitions, such as its 2016 purchase of Dollar Shave Club, including the possibility of acquiring Reckitt Benckiser's food business.

Following Unilever's announcement, its stock closed at $49.66, up from $42.57 on February 16, prior to the public disclosure of the KHC/3G bid.[17] By May 26, 2017, Unilever's stock had risen to $55.13, a 30% increase from its pre-bid price. Meanwhile, KHC's stock price rose only 1.5%.

Commenting on CNBC in early May 2017, Polman said, "We've only accelerated in the last eight years: Double the market growth, enormous returns. Here you see two conflicting models: Unilever, a long-term compounding growth model, and KHC that hasn't proven they can grow."

In terms of the impact this has had on the USLP agenda it was positive not negative and sustainability was not abandoned in any way – it did lead to accelerating cost reduction and simplification with a key target being a 20% exit trading margin in 2020.

Returning to its main focus on sustainability Unilever was able to state that in 2020 that they had helped 1.3 billion people take action to improve their health and well-being contributing to the following SDGs: zero hunger, good health and well-being, clean water and sanitation. In terms of health and hygiene they claim to have impacted a billion people to improve their health and hygiene. Additionally, they state that they have impacted the incidence of life-threatening diseases such as diarrhoea. 1.3 billion people had been reached by the end of 2019 in terms of nutrition. By 2020, the majority of Unilever products exceeded benchmarks based on national nutritional recommendations and in 2020 they stated that they would double the proportion of their portfolio that meets the highest nutritional standards based on globally recognised dietary guidelines which will help hundreds of millions of people to achieve a healthier diet.

In the process of pursuing sustainability, they also had a number of difficult lessons. They found that it is very difficult to deliver their 100% agricultural sourcing target because they did not have full visibility of the supply chain. They found it very difficult to measure the actual impact of many of their programmes to improve livelihoods of women. They also underestimated how challenging it is to help consumers change their behaviour.

The momentum direction continues under the new CEO, appointed after 2019, Alan Jope who has stated (Jope, 2021): "I intend to build further on the Unilever century old commitment to responsible business. it is not about putting purpose ahead of profits-- it is purpose that drives profits." Unilever's purpose continues to make sustainable living commonplace and we realise that they are really at the end of the beginning of the journey. Three business beliefs are captured in its new compass strategy: a single sustainable business strategy namely that brands with purpose grow, companies with purpose last, and people with purpose thrive. By 2039, they have committed to net zero emissions from our products from the sourcing of raw materials to the point of sale of products in store. By 2025 they will reduce the amount of virtual plastic by 50%. Their new future food ambition of 1 billion is to develop plant-based meat and dairy alternatives. "[We] also intend to have a deforestation free supply chain by 2023 using traceability and transparency using emerging digital technologies. [We]intend that everyone who provides goods and services to the company earns at least a living wage or income by 2030. [Unilever] intend to spend 2 billion annually with suppliers owned and managed by people from underrepresented groups by 2025, pioneering new employment models for our employees and 10 million young people with essential skills to prepare them for job opportunities by the 2030 period."

## 4 | PATAGONIA

Patagonia, a manufacturer of outdoor clothing, is another company that has followed in Unilever's footsteps. Founded in 1973 by Yvon Chouinard, the company manufactures outdoor clothing, gear, and footwear for a variety of outdoor sports such as skiing, snowboarding, surfing, climbing, hiking, and trail running (Hepburn, 2013). The brand, which has 30 stores in the United States, is an independent, private company that continues to raise awareness about environmental issues and climate change.[3] Patagonia has a 40-year history of environmental conservation and activism and in 2018, changed its mission statement to: "We're in business to save our home planet." This is a change from the previous mission statement, that is, *build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis*.[4]

The reasons for this change are explained by the founder, Yvon Chouinard, in the following way "the shift in mission may sound trivial -obviously those ubiquitous fleeces aren't going anywhere, but it's actually fundamental to almost every aspect of the company. The key is in its expression of urgency, to signal to everyone inside the company and out, that this isn't just about climate change, it's a climate *crisis*." *This purpose-driven approach influences all facets of Patagonia's operations. Chouinard provides the following examples in this regard i.e.* (1) "Whenever we have a job opening, all things being equal, we hire the person who's committed to saving the planet no matter what the job is. And that's made a huge difference in the people coming into the company" and (2) It's also influencing who Patagonia works with as brand ambassadors—they have to be committed to being strong and vocal environmental advocates—and the grassroots activist organisations it funds.[5]

Patagonia became a registered benefit corporation in 2012. In doing so, Patagonia and its subsidiaries adopted six specific benefit-purpose commitments that govern their operations.

These commitments include 1% for the planet, creating the best product with no unnecessary harm, conducting operations with no unnecessary harm, sharing best practises with other companies, transparency, and providing a supportive work environment. The "common threads initiative," a key strategy used to address consumerism, serves as an example of how Patagonia put some of these commitments into practise. Customers were encouraged to either repair damaged clothing themselves or send it to the company for repair. Patagonia also established a second-hand market for clothing that no longer fit or was no longer worn. The campaign's goal was to persuade people to care for the environment and live sustainably.

The initiative was based on the five "R's," that is, *reduce* – make valuable gear last longer, *reuse* – find a home for a product you no longer use, *repair* – fix what is broken, *recycle* – take back old, unused brand merchandise from customers, and *reimagine* – imagine a world where we take only what nature can replace [1]. This example exemplifies Patagonia's "buy less, buy quality" philosophy by encouraging customers to purchase used versions of its brands rather than new, resulting in a 30% increase in revenue.

What resonates with Patagonia customers is that the company does not just talk the environmental talk. Patagonia was founded on the principles of producing the best products while causing no harm to the environment. The company has established a reputation as a thought leader in environmental protection, social activism, and sustainable practises. Customers appreciate that Patagonia does more than just talk the talk when it comes to sustainability. For example, it was the first California company to power its buildings with renewable energy and one of the first to print its catalogues on recycled paper. Every year, Patagonia donates 1% of net revenue in cash and in-kind donations, primarily to grassroots environmental non-profits. It gives $500,000 to organisations fighting to protect lands and waters, $1 million to organisations working to scale many tenets of regenerative organic agriculture, and assistance to more farmers in implementing soil health practises.

The company follows a community-centric approach, that is putting the interests of the community above profits and this is an effective way for Patagonia to ingratiate themselves with their consumers and to create a loyal customer base.[6] Patagonia is well-known for emphasising social, environmental, and political activism. It has demonstrated its commitment to both people and the environment since its inception 48 years ago. It has become a more vocal proponent of environmental and corporate responsibility. Patagonia has evolved from a company that provides activists with a desk to one that provides a platform for customers all over the world to engage with local environmental organisations of their choice (Stanley, 2020). The company actively facilitates activism by digitally connecting individuals, as demonstrated by "Patagonia Action Works." The platform encourages environmental activism by connecting users with grassroots organisations in the UK, Europe, and the US. It also enables activists to work on environmental issues in their communities by providing information about upcoming events, allowing them to sign petitions, volunteer, and donate money to a specific cause. In addition, a coffee shop for environmental activists and those interested in learning more about the climate crisis has opened in London. It offers activist training, campaigning ideas, and free books for borrowing. Patagonia has progressed from being a supporter of activists to becoming an activist in its own right. For example, a lawsuit was filed against the Trump administration after it removed protections from the Bears Ears National Monument.

Patagonia makes customers feel they are contributing to protecting the environment by extending its value proposition, that is moving beyond buying high-quality outdoor clothing and equipment. By buying Patagonia products, customers feel they are contributing to the highest environmental standards. Putting it differently, they have successfully aligned their core operations with special causes that matter to the consumer. It has integrated its brand purpose in its marketing strategy into everything it does. When a brand champions a cause and walks the talk, it brings in customer advocacy, customer engagement and brand loyalty. Patagonia is successful because of its integrity and eco-conscious operational philosophy and by prioritising consumers, employees, the environment, and communities over and above profits.

## 5 | IMPLEMENTING SUSTAINABILITY

Unilever implemented the *Sustainable Living Plan (USLP) in India* by using social movements. Unilever started a marketing programme, Lifebuoy 'Swasthya Chetna' ('Health Awakening') in 2002, targeting the poorest - of - the poor in India. The purpose of this initiative was to promote handwashing with soap in rural and urban areas in India. In doing so, Unilever not only helped prevent diseases like diarrhoea by promoting health and hygiene awareness amongst the poor, who were infrequent users or non-users of soap but also succeeded in increasing its sales of Lifebuoy. In doing this, Unilever earned a lot of goodwill from consumers as well as the Government of India. The programme has reached 110 million rural Indians since it began in 2002. Awareness of germs has increased by 30% and soap use has increased among 79% of parents and among 93% of children in the areas targeted. Soap consumption has increased by 15%.

Given the difficulties of implementing 'top-down' change initiatives, Unilever have turned to methods that empower members of society to co-produce 'bottom-up' change (Prahalad, 2008). This has involved the adoption of strategies and activities associated with social movements including (1) framing the aspirations or vision for change, (2) mobilising the population in 'grassroots' collective action and (3) sustaining and mainstreaming the changes brought about through collective action.

In a similar vein, Patagonia's *DamNation* campaign[7] serves as a further example of how an organisation can co-produce "bottom-up" change. A documentary film, developed by Patagonia founder Yvon Chouinard and ecologist Matt Stoecker, is described as *a powerful film odyssey across America explores the sea change in our national attitude from pride in big dams as engineering wonders to the growing awareness that our future is bound to the life and health of our rivers. Where obsolete dams come down, rivers bound back to life, giving salmon and other wild fish the right to return to primaeval spawning grounds, after decades without access. DamNation shows how far things have moved and how quickly, from the assumption 50 years ago that dams were always a power for good, to the first successful attempt to remove a marginal dam 20 years ago on the Kennebec River.* The film was shown in various locations often organised by grassroots organisations.

As a result of the film, a small team representing activists, moviegoers, customers and the entire Patagonia family delivered a petition containing more than 70,000 signatures to President Obama and his top environmental advisers. The petition brought together activist voices from all 50 United States and 60 countries around the world asking President Obama to crack down on deadbeat dams—starting by finding a path to remove four harmful dams on one of the nation's most important salmon rivers, the lower Snake, and begin the biggest watershed restoration project in history.

## 6 | DISCUSSION AND CONCLUSIONS

In this paper, we have linked the emerging discussion about sustainable approach to value management to demonstrate a new, and

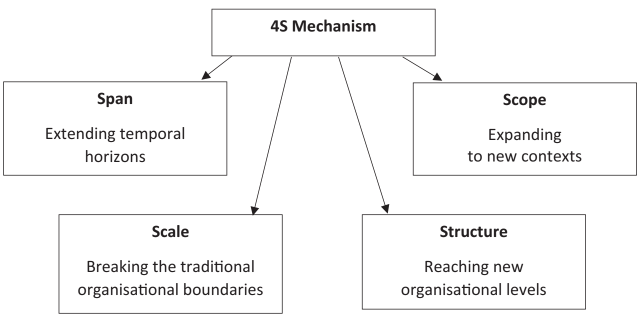


FIGURE 1 4S mechanism of sustainable capitalist approach. Source: Authors.

increasingly attractive, form of capitalism in organisations. Our contribution comes from explaining a mechanism enabling this approach. Our study of the two cases—Unilever and Patagonia—suggests that this mechanism is transformative. It integrates four ways of working companies may consider as they aim at achieving and maintaining their sustainability strategies. Figure 1 shows this mechanism in a 4S (Span-Scope-Scale-Structure) framework. This may help the diffusion of sustainability as it provides a guide for companies interested in pursuing sustainability.

In this framework, 'Span' stands for ways of working helping to extend and consider the temporal horizons of decisions. Most companies with a neo-capitalist approach suffer from short-termism. Their decision-making processes reflect greater concerns about the proximal future. By contrast, Unilever and Patagonia enable their sustainable strategies by extending their temporal boundaries. They also consider the past. Whereas these companies are unable to change their past, they do not take it for granted. Instead, they conceive it as an important resource and use it for generating value for society. Collective memories of the corporate past are reconfigured to respond to sustainability challenges and instead of leaving them as passive accounts, both companies constantly refer to their early days' commitment to 'doing good while doing well' to support its modern initiatives in sustainability. Examples include corporate historical narratives about Hesketh's Sunlight Soap in Unilever and storytelling and filmmaking in Patagonia It is possible these companies have a temporal capability—a dynamic capability helping to make sense of the past and use it for seizing opportunities (John & Lawton, 2017; Teece, 2007).

The 'Scope' stands for ways of working helping to expand the strategic scope to new contexts. Most companies with a neo-capitalist approach rely on strategies paying greater attention to the market context. As a result, their sense-making and sense-giving activity often overlook the nonmarket environment, and its elements such as social movements remain beyond the scope of attention (John & Lawton, 2018). The relations with activists of social movements develop as conflicts. By contrast, Unilever and Patagonia enable their sustainable strategies by internalising social movements and working with social movements and NGOs where feasible (Polman & Winston, 2021). The companies may choose to become social movements themselves and, in some cases, to perform as corporate NGOs as possible options to de-risk their nonmarket contexts and to achieve ethical leadership over time (Polman, 2020). By developing the Scope of ways of working, the company transforms from being a follower of a corporate social responsibility strategy to a responsible social corporation—the one which has concerns for the society and its environment (Polman, 2020).

The 'Scale' stands for ways of working which break the traditional organisational boundaries. These re-enforce the Us versus Them logic in strategies of neo-capitalist companies and oftentimes serve as curbs for achieving greater scalability—the condition when minor increases in inputs (e.g. investments into assets and capabilities) lead to major increases in outputs (Jope, 2021). Unilever and Patagonia oppose the Us versus Them logic by emphasising the importance of the collective future. In Unilever, this is achieved within its Compass vision (Jope, 2021). Drawing on the Compass vision (Jope, 2021), Unilever pursues its sustainability strategies by availing of scalability opportunities in the shared economy. An example is its Scaling for Impact programme which adopts open ways of working helping to benefit from co-creation, co-design, and co-implementation with multiple stakeholders including external activists (Chiou, 2020). Likewise, Patagonia creates spaces for sustainable co-creation within its 5Rs programme where customers re-use, re-pair, and re-imagine their purchases.

The 'Structure' stands for ways of working helping to reach new organisational levels (Chiou, 2020). Most decisions made in neo-capitalist companies are top-down. Decisions are made in the upper levels of organisational hierarchy suggesting the resistance to the implementation of changes. By contrast, as social movements, organisations create spaces for contributions by employees across all organisational levels. They act as activists within the company (Chiou, 2020). It also brings collaborators at the level of meta-organisations such as partnerships, alliances, and associations (Marine Stewardship Council of Unilever and bottom-up DamNation campaign of Patagonia).

In sum, it follows from the Span, Scope, Scale and Structure framework that a key value for the Unilever (and indeed for other sustainable capitalist companies) is an openness to the wider community, a willingness to pursue genuine and deep-rooted cooperation with internal and external stakeholders, in recognition that the interests of the company are bound up with those of society at large. It is possible that sustainable capitalist mechanisms (4S) may enable sustainable business models—business models which allow aligning and creating synergies between performance expectations and sustainable development goals (Gray & Suri, 2019). This is an area for future research.

Yet, it also follows from the framework that, despite its value, sustainable capitalism also has its limitations and is not a risk-free approach. Even for socially responsible companies, its value may be put to the test in situations where a company's profitability is under pressure because of emerging social issues, or where a company's reputation is vulnerable because of conflicts of interest (e.g. immediate concerns for speed, safety, and poverty versus concerns about the future generations and environment) and perspectives among different stakeholder groups (e.g. shareholders, customer segments, policy makers and international community). Additionally, the value of sustainable capitalist approach varies across industries. In some industries it may produce synergy effects whereas in others it may add little or no value.

The sustainable capitalist limitations may be a reason for why some companies like Amazon have deliberately chosen (and have been able) to aggressively pursue the neo-capitalist model to defend their monopolistic position. Likewise, the sustainable capitalist limitations may be a reason for why some companies make only a marginal departure from the neo-capitalist approach. Driven by reputational concerns, they may not go beyond greenwashing tactics needed to deflect attention from their socially and environmentally damaging decisions. For instance, offering a greener online shopping for customers, Amazon also offers Prime, a fastest delivery option with increased CO emissions whereby individual items reach customers within a day by avoiding the time-consuming consolidation of multiple products in hubs.

## CONFLICT OF INTEREST

The authors declare that they have no conflicts of interest.

## PEER REVIEW

The peer review history for this article is available at https://publons.com/publon/10.1111/beer.12495.

## DATA AVAILABILITY STATEMENT

Data are available on request from the authors. The data that support the findings of this study are available from the corresponding author upon reasonable request.

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## ENDNOTES

[1] Our literature review suggests that the neo-capitalist approach may take two forms. One allows for the minimal compliance with the law and ethical customs and suggests that a company acts "without deception and fraud" (Friedman, 1970). Another approach may be coined as destructive neo-capitalism. Companies following this approach do not always act 'without deception and fraud'.

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