Not Made in China:
Integration of Social Sustainability into Strategy at Nudie Jeans Co

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Abstract

Sustainability concerns have increasingly moved up the corporate agenda, and corporate managers and academics alike stress the need to integrate sustainability into corporate strategy to both create competitive advantages and mitigate sustainability problems. Despite numerous conceptual studies of how sustainability should be integrated in strategy, there are few detailed empirical studies of actual corporate attempts to integrate sustainability into strategy. In this paper, we start to fill this gap based on a study of how the Swedish SME Nudie Jeans Co address worker rights in global value chain by only sourcing from democratic countries with acceptable working conditions. We show that integration of social sustainability into strategy in global value chains is likely to be an emergent process that involves political considerations, traceability and trade-offs in product development. In doing this, we provide a starting point for future empirically grounded research into sustainability and strategy.

Keywords: China; Emergent strategy; Global value chains; Political CSR; Private regulation; SME; Sustainability; Sweden
Introduction

In the last decade, around 2,000 workers have died in garment factories in Bangladesh alone with the collapse of the garment factory Rana Plaza being the most noticeable example of the dangerous nature of work in garment factories around the globe (Taplin, 2014). Scandals about worker rights have become so common that they now represent the norm, rather than the exception, in the garment industry (cf. Bartley, 2007). These worker rights violations have been facilitated by fragmented and geographical dispersed production in developing countries with some scholars arguing that accidents such as the collapse of Rana Plaza are a logical consequence of companies’ (such as H&M, GAP, Nike and Zara) search for low-cost production in countries with limited public regulation (e.g., Taplin, 2014).

Garment companies have mainly attempted to tackle worker rights violations in global value chains by creating specific sustainability departments, adopting ethical sourcing policies, investing in factory audits, and publishing sustainability reports. These private regulatory attempts (Bartley, 2007) have though had difficulties translating into improvements at the points of production. For example, Locke et al. (2007) show that of Nike’s 800 evaluated factories almost half of the factories did not improve their compliance over time; 36% actually experienced a decline in compliance, and only approximately 20% improved. Egels-Zandén and Lindholm (2015) similarly showed that, despite state-of-the art auditing, factory conditions only marginally improve over time.

Scholars have also shown that there is a straightforward rule-of-thumb to avoid worker rights violations in global value chains – source from factories in democratic countries with well-developed public regulation (e.g., Distelhorst et al. 2015). Garment companies have though been unwilling to restrict where they source from and instead have focused on mitigating the problems through seemingly ineffective private regulation. As Kourula and Delalieux (2015: 1) put it, garment companies “CSR [Corporate Social Responsibility] approach consists of superficial practices, such as supplier audits” that allow “the core business model based on exploitative low-cost country sourcing” to remain intact. This resonates with Ian Davis’ (2005) more general argument about firms’ sustainability activities that he claims to have been too limited, too defensive and too disconnected from corporate strategy.
In light of this, the Swedish SME Nudie Jeans Co (Nudie) seems to provide an interesting case of a company that attempts to address the social sustainability challenges in global value chains by integrating sustainability into its strategy. Nudie has taken the decision to only source from democratic countries with acceptable working conditions and to retain the majority of its production in Europe. At the same time, Nudie is growing quickly and is highly profitable, and, thus, seem to embody the win-win logic so often emphasized in the sustainability literature (Hahn et al., 2010).

In this paper, we take an interest in how Nudie has attempted to integrate social sustainability into strategy, recognizing that what from afar looks to be a straightforward win-win story could in practice hide a more multifaceted story. In doing this, we respond to the numerous calls for empirical research into how sustainability strategies form in practice (e.g. Behnam and Rasche, 2009; Egels-Zandén and Rosén, 2015; Winn and Angell, 2000), and the managerial “confusion with respect to how to build or integrate CSR into the overall strategy of the firm” (Galbreath, 2009, p. 109, emphasis added).

While there is an abundant amount of sustainability publications, scholars have mainly analyzed areas such as why firms go green, the link between sustainability and financial performance, and “non-strategic” corporate practices (such as sustainability reporting, sustainability polices and supplier audits). This has left a void in terms of empirical research into how sustainability strategies form. A review of the last 15 years of publications in Scandinavian Journal of Management mirrors this general trend with no empirical paper dealing with the integration of sustainability into strategy. Instead the papers are either conceptual (Kelemen and Peltonen, 2001; Ozaki et al., 2013) or deal with financial performance effects (Lankoski, 2009), overall corporate sustainability activities and managerial perceptions (Gjølberg, 2009; Kuznetsov et al., 2009), and seemingly non-strategic activities such as sustainability reporting (Halme and Huse, 1997; Steurer and Konrad, 2009), codes of ethics (Helin et al., 2011), health promotion (Holmqvist, 2009), workforce reduction (Bergström, 2007), crime reduction (Del Bosco and Misani, 2011), and supply chain standards (Stigzelius and Mark-Herbert, 2009).

1 The argument that certain types of corporate practices are “non-strategic” is, of course, problematic given that strategy comprises activities that are “crucial for the organization’s success, survival or completion of its mission” (Mantere, 2005, p. 157). Which activities that are strategic is, thus, an empirical question and impossible to know a priori.
The purpose of this paper is, thus, to provide a starting point for further detailed empirical studies of sustainability and strategy. We focus on the integration of social, rather than environmental, sustainability into strategy, since the sparse existing empirical research into how sustainability strategies form mainly take an interest in companies in energy or industrial industries that can integrate sustainability into strategy through offering clean energy or energy saving products (Egels-Zandén and Rosén, 2015; Henfridsson and Lind, 2014). By focusing on social sustainability in the garment industry where connections between sustainability and customer offerings are less straightforward, we hope to complement existing studies and shed light on trade-offs in attempts to integrate sustainability into strategy (cf. Hahn et al., 2010).

In the next sections, we discuss the sustainability and strategy literature, the used method, the Nudie case, and our analysis of the case. We show that integration of social sustainability into strategy in global value chains is likely to be an emergent process that involves political considerations, traceability and trade-offs in product development.

**Sustainability and strategy**

Sustainability concerns have increasingly moved up the corporate agenda, and most “corporate executives acknowledge that CSR is an important consideration for driving success” (Galbreath, 2009, p. 120). Academics, non-governmental organizations and other stakeholders also stress the need to integrate sustainability into corporate strategy to both create competitive advantages and mitigate sustainability problems (e.g., Lash and Wellington, 2007; Savitz and Weber, 2007). Despite this, managers struggle to move sustainability concerns from the periphery into firms’ core operations (e.g., Galbreath, 2009).

In parallel with sustainability moving up the corporate agenda, research into sustainability has rapidly increased. This has led to numerous conceptual studies proposing how sustainability should be integrated in strategy. For example, Lash and Wellington (2007) propose a four stage model of how to integrate sustainability, Hart and Mistein (2003) propose that a sustainable strategy should cover four quadrants, and Galbreath (2009) proposes that managers have to consider six dimensions to successfully integrate sustainability into strategy. Numerous studies have also developed typologies of sustainability strategies usually ranging from reactive to proactive (e.g., Gago and Antolín, 2004) or provided anecdotal
empirical evidence for how sustainability is integrated in various firms (e.g., Esty and Winston, 2006).

While most scholars agree that “placing CSR within the context of strategy seems vital” and that normatively postulating that firms have responsibilities “does not describe how they can do so in a strategic manner” (Galbreath, 2009, p. 120), there is a surprising lack of in-depth empirical studies of corporate attempts to integrate sustainability into strategy. Partly, this is, of course, due to corporations mainly conducting sustainability activities such as producing sustainability reports, issuing corporate policies and improving operational efficiency that are important and worthwhile but not particularly strategic (e.g., Galbreath, 2009). Still, there are enough empirical examples of firms that seriously attempt to integrate sustainability into strategy to provide ample empirical cases for interested scholars.

The sparse existing empirical studies have tended to focus on integration of environmental sustainability into strategy in situations where win-win offerings can be readily found through long-term customer cost savings (Egels-Zandén and Rosén, 2015; Henfridsson and Lind, 2014). This risks overstating the potential of integrating sustainability into strategy, while downplaying the potential trade-offs in integrating social sustainability in less favorable industries such as the garment industry. As a counterbalance, it, thus, particularly important to study less favorable settings such as the integration of worker rights into strategy that is often presented as comprising win-lose tensions (cf. Anner, 2012).

Method

To examine the integration of sustainability into strategy in practice, we make use of materials from a qualitative study of the Swedish SME Nudie Jeans Co (Nudie). Given the dearth of previous empirical studies of sustainability and strategy, the reliance on a qualitative single-case study is in line with previously proposed methods (Egels-Zandén and Rosén, 2015; Marshall and Rossman, 1995).

Material for the Nudie study was gathered from interviews and written documentation. Between 2012 and 2015, over 40 Nudie representatives were interviewed using semi-structured interviews (several representatives on multiple occasions). This included interviews with all owners, all members of the top management teams, sustainability managers, representatives of all corporate departments, and representatives of Nudie retail stores. In
addition, over 40 interviews were conducted with Nudie supplier and quality control managers in Portugal, Italy, and India. In addition to interviews with Nudie and supplier representatives, 15 semi-structured interviews were held with Swedish and international stakeholders involved in collaborations with Nudie (such as Amnesty International and Fair Wear Foundation\(^2\)).

The interviews with Nudie, suppliers, and stakeholder representatives lasted on average one hour each and were recorded and transcribed. Written documentation (i.e., emails, PowerPoint presentations, Excel spreadsheets, weekly production reports, remuneration lists, and internal documents) were used both to complement and validate the information provided in interviews.

Inspired by a grounded theory approach (Glaser and Struss, 1967; Czarniawska, 2014), we engaged in an iterative process of collecting and analyzing data, continually comparing existing data with new data along emerging dimensions of interest. The transcribed interviews and written documentation were initially coded using NVivo to identify and distinguish between different sustainability initiatives (examples of codes are: sourcing strategy, living wage, transparency, purchasing practices, break-in, repair, recycling and eco-cycle). Based on this coding, the identified initiatives were categorized as strategic and non-strategic, and social or environmental sustainability. For the purpose of this paper, strategic initiatives were defined as having both a social sustainability impact (more specifically here worker rights at the points of production) and a business impact. Using this definition, the main identified strategic initiative was Nudie’s selective sourcing policy. In relation to this initiative, the empirical material was coded as to create a chronological account of key development stages and challenges.

There were few inconsistencies between the information obtained from the verbal and written sources. When inconsistencies were identified, either between interviews or between written and verbal sources, they were discussed with the relevant involved actors and, if still unresolved afterwards, were included in the case description to transparently present divergences of opinion. An earlier version of the empirical section of this paper was presented

\(^2\) FWF is a Dutch-based European nongovernmental multi-stakeholder organization that independently verifies European companies’ performance and efforts to improve working conditions at their suppliers.
to key Nudie representatives. The participants were not only given the opportunity to validate the descriptions of the process, but also to reflect upon the processes and to give us feedback; as such they also provided us with a deeper understanding of their work. From this first description, new queries emerged, which required follow-up interviews. Thus, the design of the study was constantly being reevaluated and redesigned (Czarniawska, 2014). Finally, based on the chronological account, description of key challenges, and coded material, analytical themes were developed. This was done mainly inductively, but with guidance from the above-discussed sustainability and strategy literature.

**Nudie Jeans Co**

**Background information**

Nudie was founded in 2001, has its headquarters in Gothenburg, Sweden, and is owned by the two founders and the current CEO. In 2015, the annual turnover was about 500 million SEK with profits of around 65 million SEK. Since it was founded, Nudie has been a highly profitable company and turnover has consistently increased. Nudie has about 50 employees at the head office and a total of 160 employees. The company sells around one million pair of jeans per year, representing 85% of their sales. Remaining sales stem from t-shirts, shirts, jackets and various accessories. Nudie’s products can be found all over the world with the largest markets being Australia, Germany, Japan, Norway, Sweden, United Kingdom, and USA.

Sustainability has been part of Nudie’s operations from the beginning, exemplified by its 2002 collaboration with Amnesty Sweden, which resulted in specially designed human rights t-shirts. With informal market surveys conducted by Nudie representatives suggesting that sustainability concerns are not a key reason for buying Nudie products, the motive for engaging in sustainability activities stems mainly from the owners’ personal values of wanting to do the right thing and a belief that sustainability can be a source of future competitive advantage. As the CEO put it, “it has always been central for us [i.e., the owners] to be able to go to sleep at night knowing that those that work and produce for us are doing well.”

Nudie engages in numerous value chain related sustainability initiatives. For example, it attempts to be “the most transparent company in the world” by disclosing the factory names
and working conditions at its production sites, it engages in factory auditing through the Fair Wear Foundation initiative, it collaborates with Amnesty International, and it has started to pay one of its Indian suppliers a living wage rather than the minimum wage that is standard in the garment industry. In terms of initiatives that integrate sustainability into strategy in global value chains, one initiative though stands out: Nudie’s selective sourcing policy.

**Initial sourcing from Europe**

A consequence of Nudie’s strive to produce high-quality products in a responsible manner was that it initially only had first tier suppliers in Europe, since the best suppliers were perceived, in early 2000s, to be located in Italy and Portugal. Additionally, and closely related, it was advantageous to source from Europe to be able to have control over quality, production and production conditions. As one of the owners put it, “Italy is a short plane ride away and reasonably similar culture. We can frequently visit the production sites and have control.” It was also logistically beneficial to have production in Europe as it minimizes lead times.

Furthermore, there was a political stance taken by the owners of only wanting to source from democratic countries where working conditions are acceptable. One of the owners explained that this decision was based on the owners’ personal political considerations: “This is my political view. It is not a poll. It is *not* about doing what the general public think is correct. We do what we want from a very subjective perspective.” The decision to restrict sourcing raised fundamental questions for the owners about what type of company Nudie was. As one of the owners put it, “we have an idea about a modern company and are trying to answer the question of whether you can you be capitalistic to the max on one hand and responsible on the other?”

**Extending sourcing beyond Europe**

The most obvious consequence of the initial decision to source from Europe was increased production costs. Nudie sourcing managers estimate that it is, in 2015, about four to five times more expensive to produce in Italy as compared to China (and even more so if compared to, for example, Bangladesh). This was, though, at least initially, less problematic for Nudie than

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3 See the “Production Guide” on Nudie’s website ([http://www.nudiejeans.com/productionguide](http://www.nudiejeans.com/productionguide)), and Egels-Zandén et al. (2015) for a description and analysis of Nudie’s transparency project.

4 See Egels-Zandén (2015) for a description and analysis of Nudie’s living wage project.
for other companies given that the desire to produce a high quality product was the founding
tea of the company and pricing and other aspects stemmed from that decision. However, as
both the quality of Asian suppliers improved (it is now possible to source high quality
products) and Nudie’s production volume grew, sourcing restrictions are today more delicate
for Nudie managers.

This is most clearly seen in Nudie’s sourcing of t-shirts, shirts, jackets and various accessories
where sourcing has started to move outside of Europe. The move was initiated in 2011 when
Nudie shifted production of its backbone collection (simple everyday t-shirts) and its newest
Amnesty collection (the “Empowerment” t-shirts) from Portugal to India to lower costs and
allow the use of Fairtrade cotton (not available to Nudie in Portugal). The move to India was
“a big deal” for several Nudie representatives who “were very proud of only having produced
in Europe” (interview, Nudie customer relations manager and store manager). Nudie store
representatives also raised concerns since it “was a nice add-on sales pitch to explain that the
products were produced in Europe”. Still, to achieve the lower target price for simpler
product, a move outside of Europe was perceived as necessary.

The move sparked discussions of worker rights in the production of Nudie’s products. As the
social media, and former sustainability, manager put it, “when we produced in Europe, we felt
that we were in low-risk countries where it was safe to be. Looking back it was of course too
simplistic of us to assume that everything is fine in Portugal and Italy, but at that time it made
sense. The move to India changed a lot for us.” During the move to India, Nudie joined the
multi-stakeholder code of conduct and auditing initiative Fair Wear Foundation and started to
conduct audits of their factories in both India and Europe. This, in turn, led to a more
systematic approach for working with worker rights improvements at the sites of production.

The move also led to discussions about Nudie’s sourcing policy. If India was acceptable, what
other countries were then acceptable? While this discussion is still ongoing in Nudie, a
position has started to emerge with a formal policy now stating that Nudie “will source from
countries and supplier where the political situation allows an open, democratic and
progressive climate” regarding “human rights, labor practices, environment and ethics”. In
other words, countries such as China are not options, while it is more debatable whether
sourcing from, for example, Pakistan and Bangladesh is acceptable. As one of the owners put
it, “No, I do not think we could ever source from China. No, it does not feel right. It should be
democracies and countries that have a vision to respect human rights. China is off the table. Other countries are more difficult though. Where do we draw the line?” The origin of the sourcing policy was the three owners’ personal political stance where both acceptable production conditions and democratic climate were necessary requirements.

**Traceability a necessity for restrictive sourcing**

In terms of first tier suppliers, Nudie’s move to India started an expansion of the scope of countries where it sourced from (it now also sources from, for example, Tunis and additional suppliers in India). However, it also initiated a discussion of where Nudie’s sub-suppliers are located. For example, where are the cotton producers, fabric suppliers and suppliers of trims (e.g., buttons, zippers and stoppers), gadgets and give away items located? Nudie’s intent with the restrictive sourcing policy was that it should extend through all supplier tiers, making traceability of all parts of Nudie products a necessary. In an industry where companies have difficulties naming even the first and second tier suppliers involved in their production (Boström et al., 2012; Doorey, 2011), this was a daunting task.

In 2012, the CEO of Nudie launched the vision “to become the most transparent company in the world.” The idea was to be able to trace all parts of Nudie products through their entire global value chains. Traceability in this way became an integral part in the implementation of the sourcing policy, while it also had value in itself when communicating with customers and other stakeholders. After launching the traceability vision, it became apparent that traceability required partial restructuring of Nudie’s value chain, since some of Nudie’s suppliers had as “their policy not to provide the names of their suppliers” (interview, sustainability manager). After intense negotiations with in particular supplier agents, Nudie in some instances received information about sub-suppliers and in other instances terminated its relations with resistant supplier. Despite these measures, Nudie still, in 2014, had difficulties receiving information from its suppliers about sub-suppliers to, for example, fabric suppliers and suppliers of complementary materials (e.g., zippers, buttons, and threads). Furthermore, for some products (such as pens with logos) value chains are so opaque that traceability is close to impossible.

Another limitation in Nudie’s traceability effort has been its almost exclusive focus on products produced for sale with products for internal use such as computers and Iphones not having been included so far. As one of the owner acknowledged in a public presentation about Nudie’s decision not to source from China, “as you see [holding up his Iphone] we still have a
long way to go.” Another illustration comes from a kick-off meeting with Nudie’s global sale staff where the custom made shirts were “made in China” and the bandy clubs were produced in Pakistan (a country where Nudie has decided not to source from). While lack of consideration for the country of origin had led to the sourcing of the shirts from China, it had turned out to be too difficult to find bandy clubs produced in countries on Nudie’s restricted sourcing list. These examples illustrate the vast undertaking it is for any company (or even individual) to ensure that it only sell or use products from democratic countries and suppliers where worker rights are respected. In sum, while Nudie’s traceability effort allowed for greater country of origin control, Nudie still has a long way to go before it is able to control the country of origin of its sub-suppliers and suppliers of internal products.

**Design trade-offs a consequence of restrictive sourcing**

In addition to traceability implications, Nudie’s restrictive sourcing policy also led to trade-offs in product design. With the rise of global value chains, production of specific products has clustered in certain geographical locations. For example, more “technical” garments (such as Gore-Tex outdoor wear and sneakers) are almost exclusively produced in China. As Nudie’s product development manager put it, “you cannot make certain products in Europe anymore. There are no factories producing these products and the know-how is gone. You may find an individual supplier here and there, but they are unrealistically expensive and not particularly efficient in their production.”

This clustering effect was experienced by Nudie’s designers when they wanted to produce an outdoor jacket. As one of the Nudie designers explained, “we had to start with the question of what we can do in Europe rather than what we wanted to do. Had we sourced from China, our options would have been almost unlimited.” After having experimented with numerous different materials and discussed with several of their suppliers, Nudie’s design and sourcing team was able to develop an outdoor jacket that had a reasonable functionality without sourcing fabric or production from China.

However, the problems did not stop at finding a producer for the actual jacket, but also trims such as stoppers that were not produced in China were hard to find. As one designer explained, “if you check with agents and suppliers, they show you big books of options. When I explain that I want something not produced in China, nothing is left. We have to go through our own channels in Europe and explore if they know someone who produces
stoppers and we might get one or a few options that we have to run with.” The implication of such restricted choices is that details on expensive products such as jackets might not be up to the design or quality standards that Nudie strives for despite them costing much more than options from, for example, China.

The above described problems are not unique for technical outdoor products, but are also experienced in the production of, for example, backpacks and caps. When Nudie wanted to produce a cap, it was not possible to get “an equally technically well-made cap” produced in Europe (interview, Nudie designer). They had to settle for a more “hand-made” look that after extensive collaboration with one of their suppliers gave the Nudie cap a distinctly different look as compared to the caps produced in China. As one designer put it, “it is like reinventing the wheel when doing this in Europe.”

**Integrating social sustainability into strategy**

**Emergent sustainability strategies**

A first observation based on the Nudie case is that the integration of social sustainability into strategy was an emergent process with the idea of restrictive sourcing gradually crystalizing and changing (Mintzberg and Waters, 1985; Mirabeau and Maguire, 2014). This could, of course, be due to Nudie being an SME and as such being characterized by less strategic planning (Fitjar, 2011), more ad hoc strategy formation (Jenkins, 2004; Preuss & Perschke, 2010), and more patchy strategy processes (Jamali et al., 2009). At the same time, studies of MNEs attempting to integrate environmental sustainability into strategy find highly similar patterns of emergent strategy formations (Egels-Zandén and Rosén, 2015; Henfridsson and Lind, 2014). This finding is critical as the assumption in conceptual sustainability strategy literature has been that sustainability strategies form in a planned top-down way (Neugebauer et al., 2015).

It is, thus, possible that sustainability strategies, in comparison to “regular” strategies, are more prone to form in emergent ways. This might, for example, be due to sustainability issues being more long term, harder to capture in calculations, being driven by both ethical and business motives, and often facilitated by individual champions in companies producing “untapped” sustainability related activities. The Nudie case is filled with such individual champions that for, at least partially, personal reasons are willing to invest time and effort
into, for example, designing a cap and an outdoor jacket not made in China. In other words, deliberate strategies might be more difficult to form in relation to sustainability as compared to “regular” issues, while emergent strategies might be comparatively easier to form. Future research is well advised to further explore how the characteristics of sustainability issues shape strategy formation in order to contribute both the sustainability literature and the broader strategy literature that often has lacked consideration of sustainability issues (Carter et al., 2008; Jarzabkowski and Spee, 2009).

**Political sustainability**

The Nudie case also highlights the importance of political considerations in the integration of social sustainability into strategy. Again, Nudie’s SME characteristics of centralized ownership certainly provide the three owners (the CEO, the chairman of the board and the creative director) autonomy and legitimacy to exercise discretion in how to use company resources (Jenkins, 2006) and minimize the pressure of quarterly results (Fassin, 2008). This possibility is more restricted in publically listed companies. Still, the autonomy is used to bring politics straight into the core of Nudie’s business by being highly restrictive in where to source, despite the cost, traceability, and design trade-offs that follow from such a decision.

In comparison, most other publically recognized sustainability frontrunners emphasize neutrality with regards to politics, allowing them to readily source from all over the globe as it is a pure “business” decision. The attempt to separate business and politics is highly similar to that of attempts to separate sports and politics with the exception that the business/politics separation rarely is questioned or considered in the sustainability movement. For example, in 2013, IKEA removed a politically sensitive picture (supporting the feministic punk group Pussy Riot) from one of its photo competitions in Russia with reference to IKEA being politically and religiously neutral. While this led to some initial protests in the West, it did not tarnish IKEA’s reputation as a sustainability world leader.

In light of this, the Nudie case is interesting as it illustrates that “political sustainability” (or “political CSR” as it is often called) is not solely about a new mode of governance (Scherer and Palazzo, 2011) or the politics of forming sustainability standards (Bartley, 2007), but also more directly about the willingness of corporate managers to allow political considerations to inform strategic decision making. The political stance to restrict sourcing clearly impacts Nudie’s business, but it also allows Nudie to distinguish themselves by, for example, forcing
them to produce distinctive caps, backpacks and jackets. In this way, political considerations shape both Nudie’s product development and growth trajectory (Hart and Milstein, 2003) in a way that integrates social sustainability considerations into the strategy of the firm. It is also worth noting that in sharp contrast to much of the sustainability literature that emphasize compliance with stakeholder demands to gain legitimacy (e.g., Bartley, 2007), the owners’ personal motives, rather than stakeholders’ demands, were the driving force behind this integration. Again, this difference might be due to the centralized ownership of Nudie as compared to the mainly publicly listed firms analyzed in previous studies. The role of political considerations is not stressed in previous studies of integration of environmental sustainability into strategy (Egels-Zandén and Rosén, 2015; Henfridsson and Lind, 2014), indicating a potential difference between the integration of social and environmental sustainability.

Restrictive sourcing: Does it work?
The Nudie case also raises interesting questions regarding the consequences of restrictive sourcing. Given that previous research has questioned the effectiveness of private regulation of worker rights in global value chains (Egels-Zandén and Lindholm, 2015; Locke et al., 2007) and few, if any, studies have analyzed actual cases of companies attempting to be restrictive in where they source, the Nudie case provides a fruitful starting point for a discussion of this arguably more strategic way of addressing worker rights in global value chains. On an overall level, the Nudie case provides qualitative support to the findings in previous quantitative studies of working rights in global value chains (e.g., Locke et al., 2007; Distelhorst et al. 2015). Identified worker rights violations at Nudie’s suppliers in Europe, and to some extent India, were relatively benign as compared to violations identified in factories in, for example, Bangladesh, China and Indonesia (cf. Egels-Zandén and Lindholm, 2015; Locke et al., 2007). In other words, in comparison to garment retailers’ traditional business model of “exploitative low-cost country sourcing” with a layer of “superficial practices” such as factory audits (Kourula and Delalieux, 2015:1), the Nudie case indicates that integrating social sustainability into strategy through restrictive sourcing is a more effective approach.

On a more detailed level, a more complicated picture emerges. First, the Nudie case illustrates that restrictive sourcing is not only about willingness to accept, often greatly, increased costs. It also requires extensive investments in traceability of products and willingness to restructure the firm’s value chain to ensure such traceability. Furthermore, and arguably for many firms even more problematic, sourcing restrictions will shape product development since production
of certain products have clustered in specific geographical locations. The integration of sustainability into strategy in the Nudie case is, thus, far from a straightforward “win-win” story and rather echoes the call for sustainability scholars to carefully consider involved trade-offs (Hahn et al., 2010).

Second, despite sincere efforts and extensive investments, Nudie still has a long way to go to ensure that it does not source from non-democratic countries or countries with ineffective public labor regulation. This is so in relation to both sold products where complete traceability is lacking and products for internal use where Nudie has yet to start its traceability efforts. These shortcomings make it difficult for Nudie to externally communicate and brand its restrictive sourcing policy, limiting the, at least short-term, business potential of the strategy. It is beyond the scope of this paper to analyze whether or not Nudie’s restrictive sourcing strategy has been profitable or not, but the case indicates that it is equally possible that Nudie so-far has been profitable despite the restrictive sourcing as it has been so thanks to the policy. The owner willingness to “do the right thing” without a clear cut business case might though provide valuable in the long-term as it distinguishes Nudie in an era of green-washing tendencies and cynical win-win reasoning (cf. Lyon and Maxwell, 2011).

Third, while restricting sourcing to democratic countries is a straightforward rule of thumb, it is not clear-cut that worker rights compliance is higher in democratic countries. For example, garment suppliers’ compliance in areas such as salary and health and safety are often higher in China as compared to, for example, Bangladesh, India and Pakistan (cf. Egels-Zandén and Lindholm, 2015; Soundararajan and Brown 2015). At the same time, freedom of association is less restricted in such democratic countries indicating that firms face a trade-off between different worker rights issues. Nudie’s emphasis on democratic countries is understandable given their simultaneous emphasis on selecting highly compliant premium priced suppliers in countries such as India with such high-compliance suppliers being hard to find in China due to legal restrictions on freedom of association. Selective sourcing, thus, makes it possible to select high-compliance suppliers, while not guaranteeing such compliance.

**Conclusion**

The purpose of this paper has been to ignite a shift in focus away from conceptual studies of how sustainability *should* be integrated in strategy (e.g., Galbreath, 2009; Hart and Milstein, 2003), and empirical studies of non-strategic sustainability activities (e.g., Helin et al., 2011;
Steurer and Konrad, 2009). Based on a study of how the Swedish SME Nudie Jeans Co moved beyond sustainability policies and factory audits and addressed worker rights in global value chain by restricting sourcing to democratic countries with acceptable working conditions, we have joined the likes of Egels-Zandén and Rosén (2015) and Henfridsson and Lind (2014) to provide a starting point for further detailed empirical studies of the integration of sustainability into strategy.

In contrast to previous studies, we have focused on social, rather than environmental, sustainability and stressed the importance of studying industries where the connection between key sustainability challenges and customer offerings are far from straightforward (such as the garment industry) as such studies hold the potential to move beyond a simplistic “win-win” rhetoric and reveal trade-offs (cf. Hahn et al., 2010). Based on the Nudie case, we have shown that integration of sustainability into strategy in global value chains is likely to be an emergent process that involves political considerations, traceability and trade-offs in product development. As with all single case studies, future studies will have to explore the generalizability of our findings in other industries, countries of origin and corporate sizes.
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