

# When SME Clothing Brands integrate Sustainability Labels: An Identity-Practice-Knowledge Approach

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## **ABSTRACT,**

In this paper SME clothing brands will be investigated in how they integrate sustainability labels into their organizations with the focus on the brands identity, practice and knowledge. With the current trends in the clothing industry sustainability labels serve as a tool to prove sustainability efforts, leading to brands having to go through substantial organizational change in order to effectively incorporate requirements set. A direct connection of the changes necessary for the brand's identity, practice and knowledge and their mutual impacts is currently still unexplored in existing literature. Through conducting interviews with several clothing brands, practical insights were generated and put into comparison with each other in order to obtain general statements about the organizational change the brands go through because of their label membership. The results show the importance of constant organizational change and simultaneous development of the organizational identity, practice and knowledge with consideration of mutual impacts. This is especially relevant in order for clothing brands to effectively incorporate and work with external labels and this paper will help as guidance on multiple dimensions.

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## **Keywords**

Organizational Change, Sustainability, Labels, Clothing Industry, SME, IPK

# 1. INTRODUCTION

As defined by the Triple Bottom Line (TBL) the concept of sustainability can be broken down into the three core areas of the societal, environmental and ecological impact that business operations bring with it (Elkington, 1997). With its major impacts socially and environmentally, the clothing and textile industry can be considered one of the major contributors regarding sustainability issues across the whole value chain (Gupta et al., 2022; Kozłowski et al., 2012). With the field of Corporate Social Responsibility evolving ever so fast in the globalized world, new issues of business operations became apparent and create the need for stronger regulation (Kolk, 2016). For the clothing industry the trend of a race to the bottom in the recent decades led to it being not only one of the major pollutants but also playing an important role regarding the violation of human rights (Andersen, 2017). As economic growth for developing countries was put above environmental and social protection, international corporations exploited this decision to achieve lowest possible production costs without regards for working conditions or environmental impacts. (Boström & Micheletti, 2016). Generally big clothing brands can be considered the most dominant players in the clothing industry, holding much potential power regarding general trend setting (Hauge, 2006). As the domestic sector has been integrated into this globalized network at rapid speed, small and medium enterprises (SMEs) have less economic value leading to a parallel decrease in negotiating power with suppliers regarding the implementation of sustainability standards (Gonda et al., 2020). Still in terms of distribution SMEs make up a high margin and are therefore crucial regarding the implementation and representation of sustainability standards in the industry (IDEA Consult, 2012).

A popular option for handling these sustainability issues in the past years has been the integration of external verification by NGOs in form of ecological or social labels (Morris et al., 2021). Labels inform consumers about environmental and social impacts during the production process and ensure a minimum level of sustainable quality, while also helping consumers to make sustainable purchasing decisions without having to do extensive research themselves (Fliess et al., 2007). Apart from labels serving as communication method with stakeholders or a way of complying with external regulations and expectations, they also bring potential improvements for SME clothing brands regarding long-term cost savings and risk reduction (De Boer, 2003). Still especially for SMEs sourcing fabrics from developing countries, meeting the label standards in the first place might lead to increased costs along the value chain and therefore initially decreasing competitiveness (International Trade Centre, 2010). This leads to the need to on the one hand satisfy consumers' desires for affordable and stylish clothing products whilst on the other integrating the sustainable practices into the organizations in the most effective way (Boström & Micheletti, 2016).

For clothing brands to accommodate this shift towards sustainability they are required to not only internally change and adapt to consumer demands and external pressure, but also to increase cooperation with external actors (Boström & Micheletti, 2016). Especially the rising concerns from stakeholders and consumers about environmental and social issues leads to not only changing towards sustainable practices, but also to communicate potential organizational issues and becoming overall more transparent (Mori Junior et al., 2016). The shift towards sustainable practices is linked to an overall organizational change regarding management style and its implications on employees, organizational vision, mission and policies (Benn et al., 2014; Richardson, 2013). There is a high

need to integrate sustainability at the core of the organization to achieve vertical and horizontal effects next to being able to properly measure and reflect on outcomes through for example external labelling (Sroufe, 2017). The impact of internally changing and adapting processes towards sustainable labelling schemes is generally expected to have positive implications for management and production processes as the requirements for those are set on a best practice level (Mori Junior et al., 2016).

Still making such radical changes to the overall organizational structure will bring with them implications for the organizational identity, who they are, the practices, what they do, and knowledge, what they know. The multilevel model of incongruences by Kump (2019) investigates the relationship of those three domains and provides general incongruences occurring between them and examples of how to deal with them on an organizational and individual level. Alignment of the three individual domains and avoidance of possible incongruences by considering mutual impacts is crucial for shifting towards sustainable organizational practices. As the process of radical organizational change inherits potential tensions the development of the individual domains can be contradicting, using this model, potential problems can be identified up front and worked around (Kump, 2019). The model of Kump provides the general framework and applications but an analysis and implications for individual industries with a focus on sustainability is still missing in the current literature.

Following this, using the model of the identity, practice, knowledge gaps, changes necessary in these domains during the process of integrating sustainability labels for SME clothing brands will be discovered and based on this the research question for the paper is the following:

*How does the integration of external sustainability labels affect SME clothing brands' identity, practice, and knowledge?*

For answering this question, a qualitative research based on seven interviews with SME clothing brands located in Europe will be conducted and insights brought into comparison to extract similarities and differences during the change process for each individual organization. The general objective of this research is to understand what changes and challenges occur for SMEs clothing brands when transitioning with sustainability labels. The types of labels considered address environmental, social or both issues at the same time. The change process will be centered around the understanding of potential internal conflicts and incongruences regarding the identity, practice, and knowledge of the organization during the change process. By investigating direct and indirect effects occurring from decision-making during the process a comprehensive review will be conducted, and these gaps present during the process defined.

Main practical contributions for organizations are the uncovering of challenges and integration in the planning process for SME clothing brands considering a sustainable organizational change by utilizing labels. This can on the one hand apply for clothing brands looking for a way to become sustainable or for brands already active as label members, trying to gain the maximum benefit out of their membership. The integration of this research into SMEs change strategies will on the one hand enable them to better anticipate the outcomes when pursuing a change with external sustainability labels, and on the other help identifying the possible changes and conflicts occurring across the value chain.

Regarding current scientific literature the results can be used to better understand the practicability and success of sustainability labels within the clothing industry with a focus on SMEs. As this is focussed on voluntary labels only, further connection can also be made by evaluating the impacts compared to mandatory

regulations. Other than that a connection of the internal identity, practice, and knowledge incongruences can be made with overall organizational change during the process of sustainability change for SME clothing brands.

## 2. LITERATURE REVIEW

### 2.1 SME Clothing Brands

Clothing brands considered for this study fall into the category of SME, classified by number of employees, maximum of 250, and an annual turnover of less than 50 million EUR. (The Commission of the European Communities, 2003). As SMEs work under the same condition as big global players, they fall subject to the external, e.g. rent or profit margin, and internal factors, e.g. brand image or knowledge, impacting their effectiveness. Important aspects to consider for SME clothing brands competitiveness are the price and value ratio, services provided and emotional factors, like for example the brand identification through it being more sustainable. In order to be competitive towards big industry rivals regarding those factors SMEs require external support in form of for example policy changes (Gonda et al., 2020).

### 2.2 Sustainable Clothing

Overall, the global clothing industry brings with it major ethical dilemmas about environmental and social impacts. This is mainly due to the evolution of the new fast fashion trend over the last couple of years, where clothing items are being produced in the masses and thrown away after only wearing it a couple of times. (Birtwistle & Moore, 2007). Overall the global textile production is after the oil industry the second largest polluter accounting for about 1.2 billion tons of greenhouse gas emissions ("The price of fast fashion," 2018). Most raw materials used and the side products resulting from them are harmful to the environment and potentially toxic to humans whilst simultaneously polluting not only air but also water and are further increased through heavy consumption rates and little to no counter measures in place (Chen et al., 2021).

To counteract these impacts organizations are implementing sustainable practices in the form of environmental and social protection. The general trend in the last couple of years lead to the focus not only being on for example the waste and pollution occurring during production but also a generally stronger emphasis on good working conditions, avoidance of child labor and meeting fair trade rules. Next to that a complete life cycle consideration of the impacts from products or services is being valued by external stakeholders. A popular way of ensuring that companies follow these regulations and actually practice the values they communicate to the public is voluntary cooperation with external parties through sustainability labels (Koszewska, 2015).

The concept of a label was explained by De Boer (2013) as certifying specific properties or features of products and services and with that are the result of a causal chain. Further it can be seen as an external quality assurance based on internal operations affecting private and public concerns. A distinction can be made between the generic labels and the sector-specific labels. The former can be applied in any industry and makes them comparable in terms of sustainable performance. The latter sets guidelines more shaped towards a specific industry or issue, enabling to reach further to the core and apply changes there. Next to that it is important to differentiate between labels that are set from a best practice point of view and the ones setting only baselines (De Boer, 2003).

The impact and success of the label for the organization is strongly dependent on the stakeholders and their impact on the organization, while also varying based on the targeted

stakeholder group due to possible conflicts of interests (De Boer, 2003; Tröster & Hiete, 2018). Next to that, as technologies are evolving, requirements for labels are changing constantly and SMEs will have to adapt to those to continue being labelled over a longer period of time (De Boer, 2003). Popular labels shaped for the clothing industry would be the Green Button or Fair Wear. With its focus group set on one particular industry, targets and requirements are set in the most realistic but also partly challenging way. Next to that, general labels such as the Blue Angel or Fairtrade are very common tools to achieve a proper sustainability standard across the whole value chain (Ziyeh & Cinelli, 2023).

In the end, as the change towards sustainability for clothing brands is still bound to high expenses and a radical change to management and organizational structures, it stops current global players of the industry to proactively transition towards environmental and social practices due to the potential loss of competitiveness (Bertola & Teunissen, 2018).

### 2.3 Organizational Change

As implied in the general concept of sustainable development, becoming more sustainable as an organization is directly linked to continuous organizational change overall (Elg et al., 2015). The focus of organizational change when implementing sustainability labels will be set for this study on the dimensions of the organizational identity, practice, and knowledge. As described by Kump (2019) the changes occurring in the different dimensions will take effect at the individual and organizational level and are inherent in the process of radical organizational change. Alignment of those three domains on both levels will enable the organization to successfully transition towards their desired state. The IPK model points out the necessity of facing upcoming conflicts and incongruences rather than trying to avoid or ignore them. This identification of challenges and ways to adapt within the clothing industry from the view of the IPK standpoint is currently still lacking and therefore focused on in this paper.

In terms of organizational identity, a decision will have to be made regarding the portfolio and general standpoint as an organization towards sustainability. Shifting only partly might cause confusion for consumers whilst a complete shift of production might cause supply chain issues and limited stock (Baker & McNeill, 2024). Still there is an argument made that shifting towards sustainable practices for clothing brands acting as retailers only will mostly impact the practices of the supply chain. This means that the brands may not necessarily have to make greater internal changes in order to become part of a label on a minimum basis and therefore no proper reflection on the brands identity is being done (Baker & McNeill, 2024). The core shift in practices for the brands themselves then only lies in preparation and submission of reports and assigning or doing audits at the producers. For the domain of knowledge in some cases there are trainings and workshops being done about sustainability or an enhanced tracing processes of the production set in place but detailed knowledge gains during the process are still unexplored (Baker & McNeill, 2024).

Organizational change within the clothing industry is shaped by the deeply networked structure which has evolved over the past for their practices, leading to nearly no vertical integration at all. This also means that many times information and skills are lost along the value chain and the brands have little knowledge about how to change the actual production to becoming sustainable. Even though the development of sustainable materials for clothing production has evolved over the last couple of years, still the actual implementation into the market through the brands is

stagnating due to the ability to upscale (Bertola & Teunissen, 2018).

Similar research to this study exists only for the aquaculture industry in form of a study about the implementation of sustainability labels for organizations, which presents deeper insights about the changes to organizational identity, practice and knowledge during that process. Core aspects revolved around having to adapt their practices into a more transparent way, adjusting their skillsets and knowledge to comply with everchanging requirements and lastly having to adapt their identity due to external pressure on the market and consumer demands (Amundsen & Osmundsen, 2020). Still, these will only be considered as examples of general effects possible when integrating external labelling schemes for organizations and not taken into active consideration as the two industries differ significantly.

With no further research done regarding the links of the IPK framework and clothing industry or sustainability labelling this leads to the research gap investigated in this paper of how these effects on the identity, practice, and knowledge occur for SME clothing brands when obtaining their sustainability labels.

### 3. METHODOLOGY

Interview / Brand	IP Position	Sector	Country
1	CSR Manager	Streetwear	Germany
2	Sustainability Officer	Workwear	Switzerland
3	Quality Assurance & CSR / Product Management	Workwear	Germany
4	Sustainability Project Manager	Promotional & Corporate Wear	France
5	CSR Managers	Sportswear & Outdoor Clothing	Germany
6	Managing Director	Workwear	Switzerland
7	Ethical Compliance Coordinator	Outdoor Apparel	UK

Table 1: Interview Partners

#### 3.1 Research Method

For conducting the research, a qualitative approach was followed. This was done in the form of a semi-structured in-depth interview, where core questions were noted in advance in an interview guide, but the conversation naturally evolved around those (DiCicco-Bloom & Crabtree, 2006). The data analysis was done in a conventional content analysis, exploratory style, as there is no theory created upfront but rather derived through the interviews by defining codes only at the stage of the data analysis (Hsieh & Shannon, 2005).

#### 3.2 Sampling

As stated in the research question, the clothing brands considered are only micro, small, and medium sized enterprises based on the above set boundaries, suggested by the EU. The geographical area investigated will be restricted to Europe only, as most of them are either directly or indirectly affected by the same

regulations and operate in similar markets. To ensure diversity among those organizations from all three enterprise sizes and a variety of countries will be selected. This will enable data covering the entire selected scope of the industry and a realistic analysis later. There were seven interviews conducted with personnel selected based on the principle of purposive sampling (Tongco, 2007). The interview partners (IPs) work in similar positions and have sufficient knowledge about the internal implementation process of the sustainability label. For the types of labels, as previously stated, social and ecological ones will be considered equally, therefore a rather equal distribution of these will be tried to achieve but as both are considered sustainability label for this research paper, the focus lays on having a broader spectrum of organizations regarding size and location.

#### 3.3 Data Collection

To ensure the validity of questions used in the interview guide they will be based on theory available in the area of the research domain, with the focus on theories used in the paper under the sections of the introduction and literature review. The interview consists of mainly open questions and, where applicable, follow-up questions. This will enable that, even though a semi-structured interview style is chosen, there is a consistency in between the individual Interviews, leading to an in the end better comparability and foundation for the research. The questions will focus on change occurring for the individual dimensions of identity, practice and knowledge. Next to that they will aim to get insights about possible challenges faced during the process, reactions and responses and possible lessons learned for the organizations. Overall, as the research question revolves around the specific aspects of the organizational identity, practice and knowledge, the form of an in-depth interview style will help to get the insights needed for each individual domain. The format of open questions will help get realistic and rather spontaneous answers, avoiding generic responses which are not reflective of the actual business operations. As the interview partners will potentially be spread around the whole of the EU, interviews will be mainly conducted online with potentially few exceptions happening in-person.

#### 3.4 Data Analysis

For the data analysis every interview will be recorded and transcribed using a combination of automatic and manual transcription. This will on the one hand enable effective workflow but also by manually adjusting the transcription ensure validity of the data. Followed by this the data will be coded with ATLAS.ti, which will make the qualitative data collected through the interviews comparable and easier to integrate into theoretical concepts. The common content analysis techniques are inductive and deductive coding. The prior one is used when theories and concepts in existing literature is not yet developed enough and theories will emerge during the coding process. The latter one on the other hand utilizes already existing literature to create codes upfront and extend existing literature (Hsieh & Shannon, 2005). Still as the topic of this study is not yet explored in depth the coding process follows the combined approach of top-down and bottom-up, as the codes of identity, practice and knowledge are deductive, but further inductive codes will be established during the coding process (Blair, 2015). The inductive codes created during the process were always interlinked with either of the three deductive codes and when possible applicable for all three of them to create further comparability. The inductive codes generated during the coding process will serve as guidance for the subchapters.

### 4. RESULTS

In the following the knowledge gained through the interviews will be summarized and categorized into the three domains and

deductive codes: identity, practice and knowledge. As mentioned above, the chapters are further broken down by utilizing the inductive codes.

## 4.1 Identity Changes

### 4.1.1 External Representation

One of the core features of labels for brands is having the logo or label present on its products or website for consumers to see. This generates awareness of the brand's effort towards becoming more sustainable and is described by Brand 6 as a marketing tool, whilst Brand 1 even claims it as being essential. This is supported by Brand 6 statement about their membership at the label, that

*"It is always a topic at our presentations or when we acquire new customers. It is always a point that we emphasize strongly and always well received"* (Brand 6, translated).

Furthermore Brand 4 claims that non-certified products cannot be compared directly on one level to sustainably certified ones. This sort of representation is important as Brand 2 highlights the problem of convincing customers to buy more expansive products because of sustainability.

Mentioned by nearly half of the interviewed Brands was also the change towards becoming more transparent to external stakeholders as an organization (Brand 1, 4, 7). This is supported and emphasized through the following two statements:

*"It [Transparency] is a big, big goal for us"* (Brand 1, translated),

*"Transparency is key"* (Brand 4).

Becoming 100% sustainable as an organization is considered not possible by Brand 1 and they also consider themselves more sustainable rather than being sustainable. Next to that Brand 4 also states that there is always room for improvement and Brand 1 proposes to accept that your organization is not the very best and being open to talking about internal challenges with externals in order to get help.

Another feature of labels discussed is the ability to create, verification and legitimacy of sustainability towards stakeholders (Brand 2). This is connected to the fact, which was mentioned by nearly half of the brands, that sustainability is to some extent only an added value as quality and price are considered the key factors (Brand 1, 2, 6). Losing the membership of a label will most likely result in heavy damage to the brand's image and is considered not worth the risk (Brand 2). Further, in the case of the workwear industry having certain labels is to some degree a minimum requirement and therefore key for any business operations, up to the point where it is not even considered worth mentioning with extra emphasize on for example the website (Brand 3).

### 4.1.2 Internal Identification

The internal perception of the label and its impact on the identity is dependent on the degree to which it is shared and lived across departments (Brand 7). For Brand 6 internally the ambition is to become as best as possible without it being noticed by external parties to that extent.

Overall, the acquisition of a label is a dedication of being actually sustainable rather than only preaching about it (Brand 1). It is about taking responsibility as an organization for its products and business activities (Brand 7). As highlighted by Brand 1, the acquisition of a Label will require general organizational shifts and being open to changing how the organization approaches their business decisions. In the case of Brand 3 this can also occur in a natural way, where the old focus of reducing resource use to save costs also took over the role of being more environmentally friendly. Brand 2 also emphasizes the need to focus on a few labels that have a big impact rather than having too many

unsignificant ones. The general standpoint of Brand 1 on becoming sustainable is as follows:

*"I believe, if you have an honest interest in becoming more sustainable and to work fairer as an organization, the customers will notice and it is not too complicated anymore"* (Brand 1, translated).

Next to that, Brand 3 points out how important it is that managing directors actually support the label work by, for example, providing human or financial resources at times. Brand 4 adds that *"You don't do it, if you are not convinced that you have to do it"*, which Brand 7 also approves as this happened regarding the implementation of the freedom of association guidelines and their internal operations team. Overall Brand 6 states about sustainability label work:

*"The difficulty in implementing sustainability is that it requires a lot of work, a lot of passion, a lot of willpower, and consistently the determination to enforce it."*

## 4.2 Practice Changes

### 4.2.1 Labels as Sustainability Strategy

Generally, the effort and benefits of working with a label can depend on the label chosen, as some follow a generally more holistic approach and others only focus on specific areas like, for example, veganism or ecological cotton usage (Brand 1,3). This is supported by Brand 2 stating that some labels follow the generic approach, and others go in depth into the industry.

Label work is considered an everyday business area (Brand 6). Nearly half of the brands point out the continuous improvements required to keep the label and the possibility to drop down even though effort is being put into sustainability topics (B2, B4, B5). Brand 3 further describes the current change as partly challenging to keep up with as

*"Whether governmental or NGOs, everyone is tightening their reins, everyone is raising their standards"* (Brand 3, translated).

Brand 4 classifies the label as a tool rather than a rule setting body and highlights the benefit of having the earlier mentioned social or environmental audits. There are many trainings and webinars done on topics like production countries or gender equality (Brand 1). This is supported by Brand 5 mentioning the in-person meetings that have moved towards more and more online meetings after covid. As Brand 1 state, in the process of deciding how to become more sustainable and tackle issues they use the label as help and guidance. For Brand 2 the label on the one hand, sets targets and measures their performance annually but on the other also provides possibilities to meet these targets and offers options to take part in projects. Brand 4 acknowledges that the workload associated with labels can be a lot at times but also adds that it is not *"out of the blue"* (Brand 4). This is connected to them stating that labels push the Brand to go a bit faster than they would on their own (Brand 4).

### 4.2.2 Challenges for SME Clothing Brands

Brand 2 acknowledges that meeting all targets is nearly impossible, which Brand 3 also supports by saying that some requirements are not plausible to meet for them in their situation. Similar to this, Brand 2 points out the necessity for certain workwear products to meet security standards and therefore limits the possibility of aligning with label requirements. This is supported by Brand 7 stating that for some products there are only a limited number of industry experts to choose from.

Brand 6 further acknowledges that the priority when choosing production facilities is still generally quality in order to have a chance on the market. Next to that as Brands with investors are still primarily focused on growth, they see sustainability as not

the key domain but have an interest in it, which leads to for example the creation of a CSR department (Brand 7). Brand 2 also points out that the function of CSR is under constant pressure due to it generating no direct income but only providing additional costs.

Further Brand 1 describes having best practices provided about every two months from the label and presents a discrepancy between sometimes the practices being helpful and plausible to implement but also sometimes them being challenging leading them to including a lawyer to properly go through with them. Connected to that they and Brands 3 and 5 also mention heavy documentation work and data collection in order to fulfill the labels' requirements. This is further supported by the following quote: "You would need someone working fulltime who only documents the work" (Brand 1, translated). Handling tight schedules at times requires assigning additional human resources for the task, examples here again revolve around data management (Brand 3). Doing the work part time is considered impossible and proven by the fact that every brand interviewed had at least one person responsible for sustainability issues (Brand 6). Brand 7 mentions how cooperation across departments and ranks within the organization are required and developing values for working internally. In the case of the lifecycle perspective for clothing Brand 2 gives the example where the infrastructure to go through with the label requirements is missing and it might require an outside of the box solution.

#### 4.2.3 Audits

One of the core practical additions mentioned by all brands is the addition of audits (Brand 1-7). For Brand 1 the audits went far more in depth than their previous internal audits. Next to that they provided a list of improvements that have to be discussed afterwards and worked on with the suppliers. Brand 2 adds that through the structured audits they are bound to meet certain targets in time and cannot move deadlines as they wish. They can also be additional audits to the internal happening ones checking on the same things but providing external proof (Brand 5). As Brand 7 adds, audits have to be initiated by themselves and social audits were a general new concept for them. Connected to this is the concept of the "audit fatigue" (Brand 4) where suppliers are subject to multiple different audits due to different brands choosing different labels leading to a higher negotiating load for the brands to get their desired standards.

Inherent in the increased auditing is the general transition towards becoming transparent where, for example the degree to which the supply chain is shared and to what extent risks are discussed play an important role (Brand 1). Brand 4 describes the suppliers that are already working in a transparent way easier to cooperate with as for example "They know what's coming in Europe and they're willing to prepare for it" (Brand 7). Brand 4 brakes down the need to working in a transparent way by stating:

*"The main goal is having more transparency and facility. Because you cannot improve something if you don't know it" (Brand 4).*

#### 4.2.4 Supply Chain

Other than that, implementation of sustainability standards at suppliers and producers is said to be heavily dependent on the production volume share (Brand 2). To counteract this, nearly all of the brands utilize long-term partnerships with their suppliers, which is built on mutual benefits (Brand 1,2,3,5,7). As some suppliers only have to adjust due to the brands' demands and don't have the resources and knowledge to implement the changes by themselves, Brand 3 invested heavily in human and financial resources:

*"And ultimately, we also financed these certificates for the contract manufacturers" (Brand 3, translated).*

Further the brand highlighted that timely communication with the suppliers is key in order for them to acquire a certain certification. Next to that they also point out that working with new suppliers requires extra work as they have to be scanned regarding the label's requirements (Brand 3). On that topic Brand 6 moved most of its production from Asia to Europe in order to be able to have more control and closer relationships. This also proves to be a challenge for Brand 3 as they do not have the necessary resources to visit their production facilities in Asia. Brand 1 also talks about how official contracts with partners or suppliers became more due to the work with external labels. Brand 1 also faces the challenge as with their comparably small size and leverage, producers that are not in close partnerships do not follow up to their demands. Next to that they provide the example where the impact of paying an extra at the end of the year for the workers to account for the wage gap is heavily dependent on the leverage at the producers and might feel meaningless for the workers in the end (Brand 1). Also, some guidelines might cause employees at the producers to feel treated unfairly as in Brand 6's case where the cleaning staff nearly earns as much as the full-time workers.

Also, Brands 2 and 3 suggest that in some countries the general evolution of the social and environmental movements is far behind the Western European one and therefore having difficulties communicating and integrating concepts like gender equality. Next to that the previously only lived culture needs to be put into words and documents and proven to the labels (Brand 3). It can also happen that producing countries dislike concepts from the Western culture, like for example Freedom of Association, leading to an impossibility to implement it (Brand 5). Still Brand 4 also mentions red flags where labels would publicly announce certain issues, like for example child labor, they found in case they are not taken care of within a short period of time.

#### 4.2.5 Connection of Industry

Another aspect that changed, which was mentioned by nearly half of the brands, is the connection or cooperation of the industry (B1, B2, B7). Brand 1 talks about a close information exchange, especially with organizations that are geographically connected. As the brands have similar problems, they share knowledge or documents, which is heavily supported by the label directly (Brand 2). Brand 7 states that "You can't really do it on your own". They value communication and add that it has been one of their main learnings through the label work. Through the label as an umbrella organization individual Brands have the opportunity to come together and discuss topics like existential minimum wage and have a bigger impact on suppliers and the industry (Brand 1). Brand 2 mentions an example on that topic where through cooperation they had more resources and impact on the suppliers:

*"That's when we technically came together and decided to share costs and divide the work" (Brand 2, translated).*

Brand 3 mentions also the possibility where leading brands in an industry sector can help the label to formulate requirements. They take part in discussions to not only represent themselves but also other brands in the industry and strive for mutual benefits in the end (Brand 3).

#### 4.2.6 Regulatory Advantage

Another often mentioned practice change is the ability to get ahead of upcoming governmental regulations (B1, B2, B3, B5). As in Brand 1's case they are not applicable to, for example, the supply chain law enforced by the EU but still they already work

on the requirements through their membership at the label. Brand 5 talks about the changing governmental regulations and its parallel shift towards transparency across the supply chain, which they have already completed beforehand leading to a potential benefit towards other industry players. This scenario has already applied to Brands 2 and 3 where the topic of sustainability became more important in tenders over the last few years and through the label work, they were already prepared for this. For Brand 3 a major benefit was already having the supply chain transparent and only having to make slight adjustments when the regulations came into effect. Still Brand 5 also points out that sometimes having governmental regulations and label work simultaneously can be too much for a small to medium sized organization. Label requirement changes can also appear parallel to the governmental ones as mentioned by Brand 1.

### 4.3 Knowledge Changes

#### 4.3.1 Learnings from Label Experts

Working together with sustainability labels is described as a constant learning process. It gives the decisions made a scientific background and helps to understand and apply definitions and concepts, like for example a basic living income, which is said to be key to handling these issues (Brand 1). Brand 2 supports this statement by saying:

*“I really gather the knowledge from there [labels] because all the research on social issues is extensive and very intensive” (Brand 2, translated)*

Brand 1 describes the label as a sandbox program lead by experts which goes hand in hand with Brand 4 and 5's statement of the Label being a tool for them. The labels provide basic knowledge on topics like, for example framework agreements which the brand can then use to further investigate the topic with their specific suppliers (Brand 1). They provided recommendations on what to focus on or areas of investigation and by that act as a guide to plan out the strategy for coming periods (Brand 7). Example topics covered in materials provided by the label are gender or freedom of association (Brand 5). Brand 1 claims that in the end the label gave them an overall concept to be more sustainable.

#### 4.3.2 Mutual Learnings of Label Members

Next to that, through the membership individual brands gain access to strategies or concepts that have been proven to work, which leaves them to not having to re-invent the wheel (Brand 1,2). As Brand 7 stated, a lot of knowledge is gained through active communication with the label or other members. This is supported by Brand 6 stating that through annual member meetings members can profit from each other's knowledge and experience. Brand 1 specifies this further as to some extent there are industry leaders present, sharing parts of their experiences. This knowledge and experience exchange is also supported by Brand 5 and further points out the gains from years of expertise that other members or the label have. Next to that it proved to be a good starting point to work on the environmental friendliness of Brand 5. Brand two further supports this by stating:

*“I would definitely say positive because you get access to so much knowledge” (Brand 2, translated)*

Other than the sharing of knowledge from other members, the labels also provide personalized help in the form of chats or meetings and Brand 3 has their personal contact person. This is supported by Brand 6 as they also positively mention the guidance for personalized issues, for example country specific topics. On the topic of country specific help Brands 1 and 5 also stated that there are plenty of trainings happening on the producing countries, which are considered more or less helpful by Brand 1 depending on personal circumstances. This is also

discussed by Brand 7 stating that *“It doesn't necessarily work for every business”*.

## 5. DISCUSSION

In the following first, in regards to the existing literature, the direct impact labels have onto clothing brands will be presented for each of the individual domains of the IPK framework. Second, links between the domains will be made to point out mutual impacts and possible incongruences.

### 5.1.1 Impacts on Identity, Practice and Knowledge

#### 5.1.1.1 Identity Changes

For the domain of identity the parallel evolution of internal and external aspects became clear through analyzing the interviews, which is in line with the “I, Me” relationship of organizational identity (Hatch & Schultz, 2002). As stated an organization will have to take up an internal standpoint towards the external stakeholders regarding the topic of sustainability in order to achieve actual impacts (Baker & McNeill, 2024). The interviews showed the importance of not only having the support from the managing positions but also from everyone of the workforce. Through the research it also becomes clear that moving towards sustainability as an organization is bound to greater identity changes and acknowledging the possibility of past actions being insufficient. Further, there is an organizational wide cooperation and dedication required with actual ambitions rather than loose words and transparency towards customers and other external stakeholders. This stakeholder management can be based on already existing literature on general sustainability schemes, not specific to the clothing industry (De Boer, 2003). As De Boer (2003) also suggests, working with a label is a constant process and through the brands interviewed this was extended to the point where it is suggested that being perfect or sustainable in the terms of labels is impossible.

#### 5.1.1.2 Practice Changes

As stated many implications of integrating sustainability labels for clothing brands will impact heavily the supply chain and less the internal organizational structures (Baker & McNeill, 2024). Still through the present results it becomes clear that even though it is true that many changes due to working with labels are impacting the supply chain, this still brings major implications for the brands themselves regarding human and financial resources. This is supported by the fact that all brands interviewed had roles specifically responsible for the topic of CSR and label work, which was only partly accounted for in current literature (Baker & McNeill, 2024). Further, as some brands had more than one label membership, the distinction between generic and industry specific labels stated in the literature proved to play a role regarding the changes necessary but also for the assistance provided (De Boer, 2003). This was extended through the research towards labels that focus on one environmental or social issue or labels that follow a more holistic approach. One great addition which was only partly mentioned in existing literature is the benefit of the cooperation between member brands in form of knowledge or experience sharing up to cooperating at suppliers to increase the leverage. As highlighted by the literature and through the interviews, the clothing industry is under a lot of pressure due to its environmental and social impacts, the brands utilize labels as a tool to shape and create their strategy in the most effective way (Koszewska, 2015). The results further show that the members can effectively take over the recommendations and strategies provided and simply have to adjust it to their own specific situation.

### 5.1.1.3 Knowledge Changes

In order to utilize the labels as a tool and shape the brands sustainability strategy the results show how the labels provide knowledge and expertise, which comes in form of either scientific insights from experts or other member brands. Similar to previous research the insights might also come from trainings, but through the interviews it also became clear that member meetings or personal contact to either the label or other member brands play just as an important role (Baker & McNeill, 2024). Through the results it becomes clear that brands that are part of the label program benefit just as much from scientific insights as they do from practical experience and data from other industry players, with potentially way more experience. As already mentioned previously this sector of member cooperation was previously less accounted for when considering the knowledge gains through labels.

## 5.1.2 Mutual impacts of Identity, Practice and Knowledge

### 5.1.2.1 Identity and Practice

An honest identity caring about sustainability is only possible if it reflects in its actions, which is proven by the fact that all interviewed brands had to put in serious effort and resources to gain their current status. For this effort labels provide a logo for member brands to represent with, but at the same time set high expectations of what the brand has to do in practice to obtain and keep the membership. Still sustainable practice can only be enforced effectively if the organizational identity is in line with the changes required and fully supports decisions taken into consideration.

In case of misalignment of Identity and practice there is the potential of greenwashing accusations, which can be avoided by having an open identity, what they really stand for, and practice, what they do (Shahrin et al., 2017). As seen in the results, real and transparent effort towards sustainability will be noticed. Next to that implementing new sustainable practices will become nearly impossible in case the identity of the brand is lacking behind on that topic as can be seen in the results which suggest that generally you only do things if you are convinced to do it.

### 5.1.2.2 Practice and Knowledge

Organizational practice is heavily dependent on what the organizations and individuals within it know and are able to do (Kump, 2019). Through the interviews it became clear how much the brands rely on information provided by the label itself or the network around it in order to make effective sustainable changes to their internal and external operations. The results show that the labels not only set high standards but provide great options for active communication and coordination within the clothing industry. On the other side the knowledge expressed by the member brands or labels about social or environmental topics is based on intense data collection work and long-term industry experience.

New or improved practices can only evolve if either theoretical research data is generated or data from the industry is being used, leading to the need of member brands to parallel focus on both, the data collection and knowledge generation whilst simultaneously the implementation of it. As on brand described this can even come in the form of cooperation of leading brands with the labels to shape requirements and recommendations for other industry partners.

### 5.1.2.3 Knowledge and Identity

A rather weak link is apparent between the brands knowledge and identity. The knowledge available can be impacted by the overall standpoint of the organization towards open

communication and its ability to self-reflect. Brands need to be generally open to sharing and receiving information with the label and other member brands whilst also acknowledging the fact that they are not and cannot be perfect regarding sustainability. As can be seen in the results this can lead to slow progress through the lack of communication with the label or other members.

On the other side the identity of a brand can be shaped by implementing approaches and strategies learned from the label or other members. As described in one interview some leading brands like for example Patagonia serve as a sort of role model and next to that set expectations of what is possible for a clothing brand.

## 5.2 Theoretical Implications

As in previous research on labels in general information on the three domains of identity, practice and knowledge has already been gathered, this study provides reason to classify and interlink the data into the given domains (Baker & McNeill, 2024). Next to that, through this research the general use of the IPK-Framework to analyze organizational change is supported and further insights and data in this field is generated (Kump, 2019). Lastly this paper also provides general information on sustainability transitions within the clothing industry, specifically shaped towards SMEs.

## 5.3 Practical Implications

This study provides SME clothing brands, but potentially also others, with insights on how to utilize sustainability labels and provides information to avoid potential internal or external conflicts of interest. On the one hand it can serve active member brands to make use of their label to the full extent possible and provide new standpoints for current issues. On the other hand, it can provide clothing brands who are looking to become more sustainable with a starting point and a general idea of what to expect when integrating external sustainability labels.

In both scenarios this study points out the importance of incorporating organizational identity, practice and knowledge in the decision-making process at all times. Clothing brands can use these findings to reflect on their own organization and strategies by making connections between the individual domains.

## 5.4 Limitations

The first major limitation to this research is the relatively small sample size of seven as with the clothing industry being globally spread and interconnected this will lead most likely to excluding potentially significant sources. Even though the samples are spread around Europe and from different sectors of the clothing industry, in order to get a comprehensive view, more are required. Next to that all brands interviewed in this study are part of similar labels, as in Europe there are certain labels generally better represented than others. This is also linked to another limitation, where the type of label, generic vs industry specific and reductionist vs holistic, has a high influence on how the cooperation is actually happening. Therefore, there is a potential lack of comparability between the individual labels applied at the clothing brands within this study. Lastly there are certain industry sectors that have not been yet covered by this study which might have significant impacts on the outcomes.

## 6. FUTURE RESEARCH

Based on the limitations present, future research can therefore be done in regard to specific labels, sectors or countries. This might give more in-depth individual results which then can be brought together for one comprehensive literature review. Next to this a study can be done incorporating clothing brands from all across



the globe in order to get insights on potential differences resulting from this.

Next to this a deeper focus on interactions between the individual domains can be made in order to get more insights into the challenges, incongruences or potential opportunities resulting from these interactions. Especially for the interaction between the domains of identity and knowledge further research can be done to either prove that the relationship is less significant or acquire new findings that oppose this.

Lastly the organizational changes related to integration of sustainability labels can be put into perspective and evaluated with other strategies within the clothing industry to achieve the desired sustainability targets.

## 7. CONCLUSION

In regard to the research question of:

“How does the integration of external sustainability labels affect SME clothing brands’ identity, practice, and knowledge?”

a mutual dependency can be seen between the three domains of the IPK framework pointing out the necessity of constant organizational change in order to acquire and keep the membership of a label. As supported by the literature, these should evolve at a similar speed as otherwise there is the risk of potential incongruences, which could lead to problematic or ineffective outcomes (Kump, 2019).

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