**Case Analysis Questions**

**1. Discussion** Patagonia has a history of putting sustainability ahead of profits. But it also has to face up to everyday business realities and the need for operating capital. How do you think the company decides which products to offer so that the outcomes will be both business practical and environmentally friendly? And, with Chouinard such an important influence on company ideals and values, what can be done now to ensure that his positive impact is still felt long after he leaves the company?

*The company decides which products to offer by evaluating its environmental and social footprint.* ***The Footprint Chronicles*** *on the Patagonia website is an online interactive world map that pinpoints key suppliers in every textile mill and factory in its supply chain. It also features videos of how each product is made. Interestingly, on Black Friday, the notorious biggest shopping day of the year after Thanksgiving, the company purchased a full page ad in The New York Times featuring one of their best selling fleece jackets with the caption, “Don’t Buy This Jacket.” The advertisement, part of Patagonia’s “Common Threads Initiative,” suggests that people think about the environmental impact (what they refer to as the potential of “environmental bankruptcy”), of their consumption patterns. The ad copy states that each garment the company makes takes something from the planet that can’t be given back. In addition to that, each garment made emits several times its weight in greenhouse gases, scrap, and copious amounts of freshwater.*

*To assure that Patagonia’s culture of sustainability remains intact long after Chouinard’s departure requires an ongoing commitment to his deeply held belief system, company culture and sustainable business model. With a continued commitment to Chouinard’s philosophy to innovate and improve side-by-side with sustainable business practices, his influence on the company will continue to live on.*

**2. Problem Solving** Let’s suppose Yvon Chouinard comes to you, a new employee, and asks for a proposal on a timely and “forward looking” sustainability agenda for the firm. In other words, he wants a program that can drive Patagonia’s future and not just celebrate its past. What would you include in this agenda and why?

*Ideas may include:*

* *Sponsoring sustainable food products (Chouinard has started a sustainable salmon fishing operation).*
* *Sustainable eco-friendly travel and volunteer adventure tours that include choosing from a variety of volunteer projects in different countries where Patagonia’s products are made.*
* *Packaging alternatives to reduce the use of fossil fuel and to save resources*
* *Best practices consulting services (as they have done at Wal-Mart) to include evaluation of fibers and manufacturing practices and more effective supply chain management practices.*
* *Chouinard's book, "The Responsible Company," offers many profit-making ideas without inflicting undue societal harm. He has even started his own sustainable salmon fishery.*
* *Encourage students to check out Patagonia’s website showcasing its Footprint Chronicles, which demonstrates the transparency of Patagonia’s sustainability efforts and even indicates the metrics of a products’ carbon footprint in its supply chain from manufacture through delivery.*

**3. Further Research** Could ethics lose out to greed even in a company with the idealism of Patagonia? See if you can find examples of decisions that forced people in the firm to make difficult choices between ethics and profitability. Look for examples of decisions made at other companies that may have resulted in different ethics versus profitability choices. Try to explain through the examples what makes the difference between organizations where ethics and social responsibility are part of core values and those where they are more superficial issues. Could ethics lose out to greed even in a company with the idealism of Patagonia? See if you can find examples of decisions that forced people in the firm to make difficult choices between ethics and profitability. Analyze the decisions and their outcomes. Look for examples of decisions made at other companies that may have resulted in different ethics vs. profitability choices. Try to explain through the examples what makes the difference between organizations where ethics and social responsibility are part of the fabric and those where they are more superficial issues.

*Examples of difficult choices between ethics and profitability:*

* *VW, GM, United Airlines, Uber, Wells Fargo, Epipen, Panama Papers, Hampton Creek, Theranos,*
* *Like many companies in the early 2000s, Patagonia also made the choice to lower its labor costs by working with more factories. This resulted in doing business with more factories than they could handle, and the conditions in each factory, once something the company prided itself upon, were not closely monitored. The decision to reduce expenses also cost the company reduced product quality and fewer on-time deliveries. Customers became irate and the company lost profit due to an increased number of returns.*

*Other companies who made ethics vs. profitability choices:*

* *In the midst of obesity and diabetes reported at epidemic proportions, fast food companies and processed and packaged food giants make a conscious effort to get people hooked on foods that are convenient and inexpensive. Most of the products contain large amounts of salt, sugar, and fat – all which make the food items tastier.*
* *Pharmaceutical companies pouring research and development dollars into drugs sold to those able to afford the medication. Keep in mind the number of people in less developed countries who are victims of diseases and too poor to afford medication. Though in need, they’re less likely to be a focus of large pharmaceutical companies.*
* *Manufacturing companies engaged in product and production processes which cause harm (pollution and habitat destruction) to members of a community. British Petroleum’s public safety record had been questioned long before the Deepwater Horizon oil rig exploded on the Gulf of Mexico in April 2010.*
* *Health insurance companies achieving profitable results as a result of what the industry touts euphemistically as "medical management," code for denying claims and coverage for doctor-ordered care.*
* *The treatment of workers in overseas manufacturing plants, most of whom are producing products for U.S. companies to sell at a hefty profit.*

*The difference between organizations that practice ethics and social responsibility compared to those that do so superficially, is:*

* *In today’s business climate, consumers expect transparency and better business practices.*
* *In addition, businesses are in an excellent position to create long-term and sustainable change. Customer and employee engagement can also increase when a company has something, other than profits, good to talk about, which in turn, raises awareness about issues of concern.*
* *A company’s sustainability efforts can also increase innovation.*
* *Companies who practice CSR superficially cannot hide from consumers and other special interest groups.*
* *Word spreads quickly through social media outlets and online about companies who do not “practice what they preach.”*