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Gjerding, Allan Næs; Larsen, Mette Vinther

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A North-South Circular Value Chain (CVC) within Textiles
– Shared Governance Models for Scandinavian Workwear Companies

WP3

Collaborative governance in the textiles industry – principles, types, and reflections

Allan Næs Gjerding

Mette Vinther Larsen

Aalborg University Business School

Introduction

This short white paper describes shared governance models that can be used as an inspiration for circular practices in Scandinavian workwear companies and in the fashion and textile industry as a whole. The basic argument is that collaborative governance is a useful organizational principle for creating sustainable business models, because the development of such business models requires that actors along the value chain operate in co-junction.

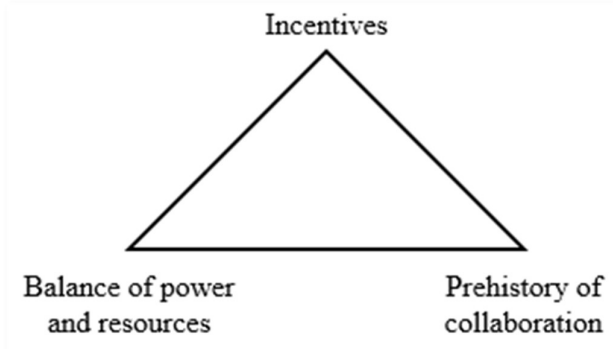
First, the paper starts up by clarifying the concept of collaborative governance and present the main dimensions that characterize collaborative governance. Especially, the paper stresses that it is useful to distinguish between collaboration driven by contract agreements and collaboration driven by facilitation of stakeholder interaction. Second, collaborative governance is elaborated by looking at how collaborative governance can be organized, and the paper describes five types of organization: Centralized governance, decentralized governance, public-private governance, interactive governance, and self-governance. Third, the paper introduces principles for designing sustainable business models and show five value chain configurations based on incentives for eliminating waste. Finally, the paper is summarized in three pertinent questions that companies and the industry as such must ask itself before embarking on circular initiatives. These questions occur at page 9.

We suggest that the reader goes to page 9 now and read it, and then returns to this spot and read the paper through where page 9 is revisited at the end of the reading.

Collaborative governance

The idea of collaborative governance originates from the field of political analysis and public administration, where the concept denotes situations where it is necessary and advantageous to remove public monopoly in certain activities and involve stakeholders. This occurs when regulation is inefficient to achieve public or collective goals. Inefficiency may occur in several forms. Policy may be hampered by resistance and lack of legitimacy across actors affected by policy, and involving stakeholders can increase acceptance and provide legitimacy. Involving stakeholders also bring new resources to the table, like knowledge and expertise, and in some cases manpower and financial resources. Furthermore, if diversity across stakeholders is present, more ideas may be produced which may lead to learning and eventually new types of activities that further the achievement of goals. Within sustainability related areas, we know this from numerous cases, e.g. the establishment of collaborative governance of managing water supply as in the Sacramento Water Forum in USA (Innes & Booher, 2003) and the gradual development of different types of environmental regulation as in the Netherlands (Driessen et al., 2012).

In their seminal review of 137 cases of collaborative governance, Ansell & Gash (2007) identify a number of conditions that are critical to the outcome of collaborative governance. First, a proper balance of power and resources across the set of stakeholders is an important condition for the effective outcome of collaboration. If disparities in power and resources are too high, stakeholders may



not be able to identify themselves with the collaboration in question and to contribute efficiently to the process of collaboration. This means that motivation and ability on behalf of stakeholders are not sufficient to ensure a positive outcome of collaboration. Second, incentives must be in place to create an efficient participation in collaboration across stakeholders. Incentives are especially strong if there is a direct link between the outcome of collaboration and the

participation of stakeholders. Third, if stakeholders have a prehistory of collaboration that has involved problems, conflict, and lack of trust, then collaboration is likely to fail unless the stakeholders are highly interdependent or involve themselves in processes of creating trust and transparency. How these initial conditions play out and are developed as collaboration unfolds depends on how the collaboration is framed by structures, processes, and the development of shared understandings. Here, commitment among stakeholders and the establishment of trust are necessary drivers which to some extent can be reinforced if collaboration entails some sort of facilitation, e.g. by an external facilitator or a central stakeholder who can serve as peer among peers.

As pointed out by Beyers & Leventon (2021) with reference to Dentoni, Bitzer & Schouten (2018), multi-stakeholder initiatives are increasingly applied to overcome the challenges that present themselves to private and public actors when developing sustainable activities and outcomes. The interaction among stakeholders may serve as powerful arenas for learning that enhances practices and knowledge regarding sustainability. In the case of the renown German Partnership for Sustainable Textiles, the arenas for learning comprise steering committees, expert groups, various partner initiatives, annual meetings, network events, and online-platforms (Beyers & Leventon, 2021: 8). To stimulate learning, the initiatives must be open to a diversity of stakeholders to promote efficient outcomes of stakeholder involvement. Furthermore, as argued by Beyers (2024), providing space for bringing stakeholders together bridge differences in mindsets and worldviews that may cause conflict and strategic misunderstandings which impede collaborative governance, and conflicting mindsets and worldviews may even be used as an occasion and engine for deliberation and collective action.

Aligning mindsets, worldviews, incentives, and motives for collaborative governance may be more difficult at a national level than at an international level within the textiles industry. While this at first glance might seem counter-intuitive, the reason is that the textiles industry is a global factory where the different parts of the value chain are dispersed across countries and continents, which means that interdependence among companies is likely to be stronger at the international level than the national level. Value chains within the globalized textile industry tend to be buyer-driven (Pla-Barber & Villar, 2019) which implies that upstream actors are likely to set the norms and procedures that drives the value chain. The element of buyer-driven governance is likely to be less widespread at the national level, reflecting that the degree of interdependence among actors is weaker. In consequence, aligning goals, incentives, and motives for collaborative governance across internationalized value chains may be easier to achieve than within national collaborative governance structures where facilitation rather than contracts drives collaboration. Similarly, while national collaborative governance may be more focused on learning, knowledge exchange, and creating new mechanisms of regulation for achieving sustainability, internationalized collaborative governance may be more focused on optimization and mechanisms for value creation and capture.



Of course, facilitated collaborative governance does not only occur at the national level, but can be found at the international level, as well. An illuminating example is the TEXTALL alliance, the experience of which was studied by DiVito, van Wijk & Wakkee (2021) for the period of 2016, where TEXTALL was initiated with ten companies and three NGOs, until 2018 by which time the network comprised one active NGO and twenty-six active companies (and two inactive companies) from ten countries of which half of the participants came from the Netherlands (DiVito, van Wijk & Wakkee, 2021: Table 1). An important observation in this study is that companies' value capture from collaboration is highly sensitive to how able the participating individuals are to transfer knowledge and insights to their home organizations. The extent to which they can do that depends on prior knowledge and experience. So, facilitating collaborative governance and creating processes of and platforms for collaboration and learning are not enough to achieve efficient outcomes. Besides having open and transparent arenas (Beyers, 2024), these arenas must be populated by knowledgeable individuals with the ability and position to transfer value to private companies and ensure value capture (DiVito, van Wijk & Wakkee, 2021).

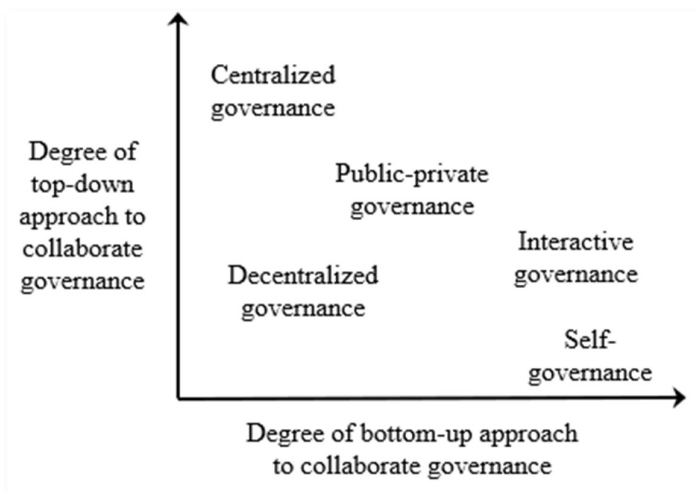
Types of collaborative governance

Collaborative governance can be organized in various ways, depending on the overriding rationale of governance and the actual implementation of that rationale. A useful framework is to distinguish between polity, politics, and policy (Lange et al., 2013; Beyers & Heinrichs, 2020). *Polity* refers to how the interaction between stakeholders are structured, i.e., who participates in which fora and on

<i>Polity</i>	Structure of interaction between stakeholders
<i>Politics</i>	Combinations of actors and resources
<i>Policy</i>	Goals, activities, procedures, conflict resolution

which occasions (representation), how interaction takes place, e.g., in a formalized or less formalized setting, and to which extent collaborative governance is organized on a

top-down/bottom-up continuum. *Politics* refers to the combination of actors and resources, i.e., which position do stakeholders have in collaborative governance, at which level of decision making do they intervene, and what is their power base for exerting influence. Finally, *policy* refers to goals, measurable indicators of the outcome of collaborative governance, processes of implementation, conflict resolution, integration of strategies, and procedures for managing collaborative governance. Within this framework a multitude of types may exist. Driessen et al. (2012) suggest that collaborative governance is categorized along a continuum ranging from centralized to decentralized governance with the occurrence of some medium types, thus arriving at five types of collaborative governance, i.e., centralized governance, decentralized governance, public-private governance, interactive governance, and finally self-governance.



Centralized governance is the overriding principle in collaborative arrangements at national or supranational level and is mainly a top-down structure where stakeholders are chosen by central authority to operate within formal rules and a fixed set of goals and strategic aims. Conversely, *decentralized governance* is a variety of centralized government where stakeholders can negotiate on how to implement centrally determined goals and strategic aims and thus have considerable influence on how collaborative

governance takes place in daily practice. In *public-private governance*, private actors still need to comply with aims and goals that are issued centrally, but they have the final say on how to do this, and how the actual collaboration takes place, if at all. *Interactive governance* is a partnership where all stakeholders have an equal say, and where goals and strategic aims, implementation, procedures, and ways of collaborating are determined through continuous deliberations and negotiations. Finally,

self-governance represents a genuine bottom-up process, where the actual ways in which collaboration takes place is determined among stakeholders as activities unfold and develop.

Within the textiles industry, facilitated collaborative governance like the German Partnership for Sustainable Textiles and the cross-national TEXTALL collaboration is likely to have a high degree of decentralization, especially at the point of initiation. To the extent that more stakeholders join the collaboration, a process of formalization of collaboration and interaction may take place to avoid that activities set off in too many directions, and to the extent that national or supranational policy schemes support collaboration financially, the collaborative governance may become even more structured, especially if compliance to conditions for financial support is involved. In global value chains that are buyer-driven the main rationale of collaborative governance is likely to be centralized or decentralized within a uniform framework of goals and strategic aims, especially when these goals and aims are supported by measurable accountability, e.g., KPIs. If collaborative governance focus on developing new so-

lutions that secure process or product upgrading at various points of the value chain, decentralized governance

Innovation type	Most efficient organization
Exploring process or product upgrading	Decentralized collaboration
Optimizing methods and solutions	Centralized collaboration

is probably the most efficient way of organizing if actors along the value chain are required to explore, develop, and implement new ideas. On the other hand, if the focus is on incremental change where actors are required to tailor given methods and solutions to local circumstances, centralized governance with small degrees of local freedom is probably the most efficient way of progressing.

Sustainable business models

Collaborative governance is a useful organizational principle for creating sustainable business models, because the development of such business models requires that actors along the value chain operate in co-junction. The purpose of sustainable business models is to overcome the dilemma between value for the company and value for the environment in the sense that a sustainable business model generates profit while not harming or perhaps even regenerating the environment (Lüdeke-Freund et al., 2018; Geissdoerfer et al., 2020). Aiming for sustainability implies that the company innovates its business model, and Lüdeke-Freund et al. (2018) identify forty-five patterns along which sustainability-oriented business model innovation can take place. These patterns range from focusing on economic goals to focusing on social and ecological goals where a number of patterns combine these two opposites in different variations. The basic idea of identifying such patterns is to provide action-oriented templates for sustainable business innovation by which a company can transform its business model according to the market and industry circumstances in which the company operates (Lüdeke-Freund, Breuer & Massa, 2022). Geissdoerfer et al. (2020) takes a more strategic view and proposes four types of strategies, i.e., cycling, extending, intensifying, and dematerializing. *Cycling* is based on recycling and reusing materials, while *extending* implies that the life of the product in use is prolonged. These two strategies for sustainable business model innovation seem to capture many ongoing sustainable activities in the fashion and textile industry. *Intensifying* reflects the sharing economy where the life of products in use is extended by users sharing the products in different ways. In the fashion and textiles industry this means sharing clothes which is probably less applicable, unless recycling by retailing is included in the sustainable business model strategy. Finally, *dematerializing* means that the use value of the product is provided by software-based solutions. While this may fit into various administrative and planning activities, it is less likely to be relevant to fashion and textile end products.

Along the same lines, Lacy, Long & Spindler (2020) discuss how to transform businesses and value chains along circular paths and suggest five ways to create circular business models. Their point of departure is that value can be created and captured by focusing on four types of waste (Lacy & Rutqvist, 2015):

- (1) *Wasted resources* comprise material and energy that are not regenerated on a continuous basis and therefore must be substituted by other kinds of material and energy which are renewable.
- (2) *Waste embedded value* reflects resources that could be recovered and used if systems to do so were in place.
- (3) *Wasted lifecycles* signifies the opportunities associated with prolonging the life of products or resources in use, e.g., through manufacturing, repair, and resale.
- (4) *Wasted capacity* refers to products and resources that could be utilized more efficient or for a longer period of time if they became part of sharing economy systems, e.g., like resource pooling and joint use and ownership.

In consequence, Lacy, Long & Spindler (2020) propose five business models (or value chains, as they also call them).

Value chains for realizing the potentials of circular economy	
<i>Circular inputs</i>	Use of renewable energy, bio-based or potentially completely recyclable materials
<i>Resource recovery</i>	Recovery of usable resources of energy from waste or by-products
<i>Product as a service</i>	Offer a product with retention of the product at the producer to increase resource productivity
<i>Product use extension</i>	Prolongation of product use through repair, reprocessing, upgrading and resale
<i>Sharing platforms</i>	Increased usage rates through collaborative models for usage, access, or ownership

Adapted from Lacy, Long & Spindler (2020), figure 2.2, p. 19

The *circular inputs value* chain addresses the issue of wasted resources by using inputs to the production process that are renewable or come from processes of recycling. The *resource recovery* value chain exploits the benefits from industrial symbiosis by using inputs that occur as by-products or waste from other processes, either in the company itself or in other companies with which the company cooperate or trade. While these two models are driven by incentives to improve or innovate processes of production, the *product as a service* value chain is focused on the end use of products at the market by employing take-back schemes that the company sets in place for its customers. Similarly, the *product use extension* value chain is customer-focused in the sense that it offers various ways of prolonging use value through repair, reprocessing, upgrading, and sale. Finally, the *sharing platforms* value chain can include both a production process orientation and a customer orientation.

Supporting the practical realization of UN SDG targets is increasingly becoming an important motive for engaging in sustainable business models, and, in principle, application of these value chain configurations may contribute to any SDG goal. However, depending on the set-up of the value chain configuration, some SDG goals seem more relevant than others. If sustainable business model innovation is part of a transnational effort by which the global factory contributes to social and economic development in emerging economies, SDG goals related to developing industry, innovation and infrastructure (G9) and ensuring decent work and economic growth (G8) are obvious to pursue, perhaps in a way that contributes to fight poverty (G1) and reduce inequality (G10). If stimulation of entrepreneurship and upgrading of skills and competencies are part of the effort, issues like quality education (G4) and gender equality (G5) might be addressed. Depending on the extent to which collaborative partnerships is the dominant organizational principle the effort will contribute to develop partnerships (G17), especially concerning subgoals related to multi-stakeholder partnerships and technology. An obvious G17 subgoal to focus on is capacity development to the extent that focus on waste types requires developing competencies, repositories, and procedures along the value chain. However, the most important issue from a company perspective is that the effort of pursuing SDG goals needs to be carefully focused to ensure a balance between creating economic and social value. Therefore, companies are well advised to concentrate their efforts around a limited number of SDG goals or even target a few specific subgoals to achieve this balance.

Reflections on why collaborative governance is important to developing textile circularity

Pursuing sustainability in the textiles industry encounters a number of bottlenecks and obstacles that affects the whole value chain. These challenges can be illustrated by posing three questions.

Is environmental sustainability also technologically sustainable?

Technological sustainability requires that the value chain is tuned for sustainability, especially when it comes to reusing or recycling materials. Even if take-back schemes exist, there may be a lack of transparency regarding not only the quality but also the origin of recycled or reused materials. Furthermore, production processes must be in place to secure that circularity occurs. Establishing efficient production processes is especially challenged by diversity in textile blends and the risks of degrading the quality of materials during the process.

Is environmental sustainability also economically sustainable?

Economical sustainability requires return on investments which in the case of developing circularity can be quite costly. To create and capture value from circularity, the value chain must be optimized to achieve the necessary level of economies of scale. As circularity is still in its infancy, it tends to appear in isolated spots along the value chain which complicates coordination of value chain activities. However, even if the value chain becomes tuned and coordinated, value can only be captured to the extent that there is a market for sustainable products. So, economical sustainability does not rest alone on the achievement of economies of scale within the value chain, but also on the size of the market at which profits must be realized. At present, working with sustainability in textiles seems primarily to take place at the levels of firms and value chains with a focus on supplier-buyer collaboration, while consumer behavior is less integrated with how value chains are tuned.

Is environmental sustainability anchored in appropriate infrastructures?

Environmental sustainability requires capacity building that can accommodate the challenges mentioned above. Capacity building is not only a question of creating repositories along the value chain which can handle materials recovery, ensuring production processes, and provide logistics that are not too costly for securing profit margins. Capacity building also requires that materials are traceable, and that products and production processes are subjected to standards which apply across the industry. Unless the industry arrives at a common set of standards, uncertainty regarding what is actually used and achieved becomes too high. So, environmental sustainability requires that the institutional regulative and legislative framework has been established.

The textiles industry is not an industry where dominant players can set standards and define the rules of the game. The industry is too diverse and endowed with high complexity along numerous globalized value chains. Achieving sustainability in individual value chains and realizing the associated benefits is sensitive to the macro structure of economic, political, and social forces within which the industry operates. Therefore, collaborative governance at the value chain level needs to be complemented by collaborative governance at the national and supranational levels.

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