

Ly, Bora

Article

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*Corresponding author: Bora Ly,
Maastricht Sustainability Institute,
Maastricht University, Netherlands
E-mail: bora.ly@student.maastrichtuniversity.nl

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OPERATIONS, INFORMATION & TECHNOLOGY | RESEARCH ARTICLE

Competitive advantage and internationalization of a circular economy model in apparel multinationals

Bora Ly^{1*}

Abstract: The circular economy model enables businesses to incorporate regenerative manufacturing systems that use closed-loop resources to achieve economic and environmental sustainability. The work focuses on the circular economy's competitive advantage from the multinationals apparel industry's internationalization paradigm. A qualitative data analysis technique was used to analyze secondary data obtained for this work. Also, two cases study was selected to demonstrate the circular economy model practice. As a result, the fast fashion industry is increasingly focused on sustainability and environmental value development. Firms need competitive advantages to grow and can grow by leveraging the competitive advantages of the circular economy. Sustainable practices are not only essential for development but also business practices like production and operations. The value creation and competitive advantage in this work can also benefit the practitioners of this discipline when taking internationalization decisions from a circular economy perspective.

Subjects: Sustainable Development; Economics and Development; Economics; Environmental Economics; Industry & Industrial Studies; Information Technology

Keywords: Apparel multinationals; circular economy; competitive advantage; covid; fast fashion; OLI paradigms; sustainable solutions; value creation

ABOUT THE AUTHOR

Bora LY is a graduate student at Maastricht Sustainability Institute, Maastricht University, Netherlands. Recently graduated from Nanyang Technological University, Singapore. The research interests include BRI, circular economy, foreign policy, global governance, political economy, and sustainable development.

PUBLIC INTEREST STATEMENT

The circular economy model allows firms to implement regenerative manufacturing processes that use closed-loop tools to achieve economic and environmental sustainability. In order to obtain competitive advantages, businesses need to harness the benefits of the circular economy. Sustainable practices are essential not just for sustainability but also for business practices such as production and operations. Circular economy models can help businesses overcome this obstacle and achieve sustainability. Meeting sustainability criteria by the use of a circular economy has become a source of competitive advantage. Therefore, the value-creation and competitive advantage in this work can also assist practitioners of this discipline when making internationalization decisions in the circular economy perspective.

1. Introduction

Circular economy (CE) is a new idea that has already gained significant interest in the sustainable paradigm among scholars of all fields. This paradigm shift in the relationship between human society and nature aims at reducing resources and closing the energy and material loops to promote sustainability by implementing it at the micro, meso, and macro levels (Prieto-Sandoval et al., 2018). As a regenerative system, CE provides a promising route by focusing on the durability of goods and resources and reducing waste, pollution, greenhouse gas emissions, and energy consumption (Geissdoerfer et al., 2017). However, implementing a circular economy and working towards innovations requires a fundamental systemic change (European Commission, 2014), societal innovation (Diepenmaat et al., 2020), and new organizational forms (Jonker & Faber, 2019). Further, the new business model, which seeks to optimize all shareholders' economic profit, is deemed incompetent for coping with wicked problems (Kamm & Jonker, 2016). To deal with the complexities of society and complex problems, it will instead take a reframing of the notion of value creation within an industry context, for example, going beyond the single value emphasis of creating conventional business models into a state in which various stakeholders work together to create social and environmental value as well as economic value (Jonker & Faber, 2019). This idea of creating multiple values introduces a new type of cooperation that cannot ultimately be attained by a single actor (Adner, 2006). It rather implies new actors outside of the focal firm and active cooperation (Jonker, 2012). Particularly in the CE, in which actors share materials, knowledge, and best practices, collaboration, multi-stakeholder processes, and continuous exchange between all involved parties are required (Kok et al., 2013). Hence, a new way of organizing between people and institutions is needed, which allows for the simultaneous creation of multiple values for many stakeholders in the innovation process (Kamm & Jonker, 2016).

The textile industry has a considerable environmental impact across the entire supply chain, including the fashion industry. It includes natural fibres, such as cotton and wool production, and large volumes of water, energy, chemicals, and fossil fuels in manufacturing. The use of chemicals has a significant effect on water. There is a big impact on the environment when washing textiles and the drying process is combined, as chemicals and microplastics get into rivers and waste and water. Reports in 2015 show that greenhouse gas emissions from textile manufacturing are about 1.2 billion tonnes, more than foreign flights and combined shipping (Manshoven et al., 2019). One of the most polluting industries in the world is the textile industry. Consumption in the textile industry is increasing due to fast-changing, affordable fashion, as the effects are detrimental to the environment (Vehmas et al., 2018).

According to the survey in 2019 by ING, "US executives within the automotive, electronics, food and agriculture, and healthcare industries, we found that 78 percent of these companies have now adopted or plan to adopt circular economy frameworks, as they recognize the importance of this strategy to their future competitiveness" (ING, n.d., p. 2). The EU approach to waste management currently is mainly waste hierarchy-centric, which means promoting waste management mandates and guidelines. Even if such a system could help reduce waste and increase reuse or recycling in an ideal world, the current situation in the EU falls far short of this. Current policies related to products do not achieve the desired utilization of resources. The switch towards CE would be enabled by the development of policies (Milios, 2018).

Due to international pressure, businesses are engaged in green practices, and textile manufacturing increases renewable resources and energy, excessive water usage, and hazardous chemicals such as dyeing materials. Consequently, it is affecting the environment and society. Some businesses are introducing the circular economy since recycling and reuse are developed and improve closing loops. This paper aims to illustrate what motivates multinational corporations (MNCs) to adopt the circular economy concepts in their manufacturing and operations. This work will demonstrate how the fast fashion industry has managed to adopt a circular economy. Also, marketers must know how the circular economy model creates value and competitive advantage. The main driver for implementing a circular economy is environmental responsibility, which is seen as a severe issue requiring much more significant consideration. Companies are competing every day, so they must build a value proposition for their consumers to avoid losing market share.

Drawing upon the eclectic paradigm or Ownership-Location-Internalization (OLI) paradigm and circular economy model together with a qualitative approach and case study, the paper explores the following research questions: To what extent should apparel multinationals adopt circular economy concepts to their production and operation? How does the circular economy model create value and competitive advantage in markets? The following section reviews the current literature on the linear economy, consumer behavior, and circular economy within multinational apparel industries, thereby illustrating the circular economy model and competitive advantage by applying the OLI framework. The conclusion section also discusses the theoretical and implications of this study and its future research plan.

2. Linear economy

The term “consumer society” describes a modern phenomenon of human civilization. This idea’s appearance was simply due to a complete transition in the modern era, which only began three centuries ago. Before the Industrial Revolution, most people lived in the countryside and engaged in agriculture. The belongings were limited, and households or community artisans usually manufactured clothing. When only a small elite could afford to consume luxury goods and services, the cloth was often used and kept with repairs for decades (Goodwin et al., 2008). As a result of the Industrial and French Revolution, a new era began, full of hope and uncertainty, with promise and new development opportunities. The invention of mills, machinery, railroads, and businesses changed the way individuals viewed and communicated with the environment, transforming the relatively stable course of the preceding centuries (Badue, 2005).

During the 19th century, Britain became an example for factories and countries that needed mass manufacturing and consumption to be stepped up. When the textile industry embarked on a large-scale development, it could achieve an increase in productivity. The two-thirds of the quantity not consumed by the upper class was sold to other countries worldwide, mainly to developing states such as India and recently independent Latin American states, using trade links established by other countries such as Spain and Portugal (Goodwin et al., 2008).

Due to the construction of significant factories and the rise in urban populations, natural resource use was entirely transformed. Coal, oil, and gas, which have been available in nature for thousands of years, have been the primary industrial production source. Progress during industrialization and competition has also contributed to fundamental changes in society, generating new social and economic features: class separation, capital accumulation, changes in patterns of output and consumption, increased labor productivity, a vigorous and rapid expansion of trade, the emergence of new technology and services, as well as a consumption opportunity due to mass production (Badue, 2005). The notion of innovation and unlimited growth has been widely expanded worldwide during this period as large corporations have been strongly internationalized, looking for new sources of natural resources and new markets. Examples of the modern society portrayed by the United States and Europe have become an unavoidable route for agricultural communities, which have faced many economic and social challenges in developing countries. The miscegenation of goods and peoples became so widespread that countries’ economic situations became incredibly intertwined. Multinationalism, multiculturalism, languages, goods, and advertising have increasingly affected society (Kymlicka, 2011; Scott, 2004). Thus, large textile and clothing industries have become major players in this scenario, with business spread around the globe, with intense production, due to the evolution and speed of means of transport, storage and distribution, and the delivery of products to different continents at competitive prices, irrespective of the distances between production and distribution units (Gereffi & Kaplinsky, 2001). However, the flow of financial and economic capital and advantages is significantly limited by those who hold financial and trading interests.

3. Consumerism behavior

According to Hawkins and Mothersbaugh (2010), consumer behavior defined as “the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose

of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society” (p. 6). It is influenced by both internal (psychological) and external (sociological) factors. The external influences can include culture, subcultures, demographics, social status, peer groups, family relations, and marketing activities; perception, learning, memory, motivations, personality, feelings, and attitudes are all internal influences (Hawkins & Mothersbaugh, 2010). Therefore, marketers and businesses must understand psychological and sociological factors searching for the optimal consumer market (Diamond & Diamond, 2013). Equally, it is essential to understand the rules that direct human life and shape human behaviors to change the system that leads to planetary devastation since daily decisions are based on dynamic signals that decide the patterns of businesses, governments, and individuals (WWF, 2016). Understanding and reflecting on the dynamics of the current period and its cultural values seem to be fundamental to understanding the basis of consumer society; in other words, it “stands for the kind of society that promotes, encourages or enforces the choice of a consumerist lifestyle and life strategy and dislikes all alternative cultural options; a society in which adapting to the precepts of consumer culture and following them strictly is, to all practical intents and purposes, the sole unquestionably approved choice; a feasible, and so also a plausible choice—and a condition of membership” (Bauman, 2007, p. 53).

Overconsumption and obsolescence have been implemented as a development concept in the last decades, promoting new goods’ purchases and disposals (Badue, 2005; Bauman, 2007). In order to meet the needs of modern society, the textile industry eliminates from work its vital objective of producing goods that represent the needs of those who manufacture them, stimulating overconsumption (Muthu, 2014), as Baudrillard (2016) states, “now, we know that the order of production only survives by paying the price of this extermination, this perpetual calculated ‘suicide’ of the mass of objects and that this operation is based on technological ‘sabotage’ or organized obsolescence under cover of fashion” (p. 64). The concept is strengthened in the apparel industry by the “Fast Fashion” trend, which produces a modern production model in which low-cost designs are manufactured and distributed several times in a single week, entice customers to visit stores regularly to stay on trend (Perry, 2018). In this case, the individual is reduced to a mere consumer in the complex system of strategies that makes up capitalism (Baudrillard, 2016; Bauman, 2007). As Baudrillard (2016) claims, “to enter the cycle of consumption and fashion is not simply to surround oneself with objects and services as one pleases; it is to change one’s being and directedness. It is to move from an individual principle based on autonomy, character, the inherent value of the self to a principle of perpetual recycling by indexation to a code in which the value of the individual becomes rational, diffracted, changeable: it is the code of ‘personalization,’ which no individual himself possesses, but which traverses each individual in his signified relation to the others. The person as a determining instance disappears and is replaced by personalization. From this point on, the individual is no longer a center of autonomous values, but merely the expression of multiple relations in the process of shifting interrelationships” (p. 170).

Furthermore, consumers do not act and behave in the same way across industries, particularly in the fashion industry (Strähle, 2017). As previously stated, to understand what consumers want, it is necessary to understand what motivates them; therefore, manufacturers and retailers need to be prepared and pay attention to their customers’ needs and wants to address market challenges (Diamond & Diamond, 2013). As the motive of consumer behavior is widely debated, behavior in various industries has different motives. According to Strähle (2017), fashion consumers often purchase clothing for emotional reasons. Historically, many fashion consumers have chosen clothing based on the name of the designer, which is emotionally motivated (Diamond & Diamond, 2013). Fashion is a means of expressing one’s identity in contemporary society (McNeill & Moore, 2015). Identity plays a role in fashion consumer behavior. People want and need belonging to a community or society in various cultures (Hofstede et al., 2005).

Consequently, it is critical for individuals to feel accepted, and as a result, they conform to the values and social norms that society has developed within that community (Hofstede et al., 2005).

Hogg and Abrams (1988) define identity as “people’s concepts of who they are, of what sort of people they are, and how they relate to others” (p. 2). Most consumers seek to convey meanings about themselves and establish an identity through fashion because identity is so important to fashion consumers that it often trumps other ethical, sustainable, and functional (McNeill & Moore, 2015). On the other hand, Birtwistle and Moore (2007) emphasize that it depends on the lack of understanding about the adverse environmental impact of the fashion industry. Beliefs and behaviors are the outcomes of other factors that play a more prominent role in deciding purchasing behavior, such as price, value, trends, and brand image, all of which are significant in fashion consumption (McNeill & Moore, 2015).

Correspondingly, the debate about consumption and the reasons that drive consumption are as diverse and controversial as consumption itself. The current trade system also raises severe environmental and social pressures, as international business involves transporting goods between countries, and trade growth is a significant increase in the unequal distribution of resources. Thus, “benefits from a major transfer of resources from poorer, low consuming countries to richer, high consuming countries” (Giljum et al., 2009, p. 3). The latter are the ones that are most concerned with material welfare, resulting in a significant gap between them and other nations, despite the critical environmental situation, “only around a quarter of the world’s population have high enough purchasing power to benefit from the system of global resource extraction and resource trade” (Giljum et al., 2009, p. 5). The study produced since 1998, entitled “The Living Planet Report,” aims to demonstrate to the degree to which human activity has influenced the Earth’s capacity in terms of regeneration of renewable resources and ecological services through an instrument called the “Ecological footprint,” shows these negative environmental consequences clearly. The report states that “under a business-as-usual path for the underlying drivers of resource consumption, assuming current population and income trends remain constant, human demand on the Earth’s regenerative capacity is projected to continue growing steadily and to exceed such capacity by about 75 percent by 2020” (WWF, 2016, p. 85). Therefore, achieving sustainable natural resource patterns is vital to achieving sustainable development (Giljum et al., 2009).

According to Furajji et al. (2012), depending on the product purchased, there are various decision-making forms. The first one is called routine response behavior, and that is when buying low-cost products and products that are bought frequently (e.g., groceries) (Furajji et al., 2012). The second one is called limited decision making, and that is when a routine purchase decision and an extensive one are combined, it is usually when the consumer knows what they want but need to select the brand for the product (Furajji et al., 2012). The third is the most complex, and it is the extended decision making; this is when the consumer purchase infrequently products, more expensive ones, such as home appliances, houses, and cars (Furajji et al., 2012). Additionally, socializing and relevancy to individuals are essential in the decision-making process, resulting in overconsumption, as seen in the fashion industry, particularly fast fashion (Strähle, 2017).

In conclusion, consumption is not an act that ends independently since an individual’s actions can initiate a mechanism of action and reaction that develops in consequences that can cause wealth or destruction, comfort, or exploitation. As a result, simple decisions or actions will have direct or indirect effects, either positive or negative, for everyone involved (Badue, 2005).

4. Circular economy

The current economy in the fashion industry operates on a linear model. A linear economic model is also referred to as the “take, make, and dispose” model, which lacks crucial elements within the process to incorporate sustainability (Sillanpää & Ncibi, 2019, p. 1). The idea of a circular economy is relatively new; however, fashion companies have already begun taking steps to embrace a circular business model. According to Ellen MacArthur Foundation (2017), a circular economy is based on the principles to “design out waste and pollution, keep products and materials in use, and regenerate natural systems” (p. 48). The circular economy focuses on a production and use model involving reusing, repair, refurbish, and recycling existing goods and services to maintain

materials within the economy rather than utilizing new resources. Big brands such as H&M have started to use circular economic strategies within their business models to cater to both their target customers and reduce their environmental impacts. This includes the provision of drop-off receptacles for textile recycling in-store and the promotion of new goods made of recycled plastic waste.

It is difficult to integrate an effective circular economy model in current trends because it needs innovation in every phase of production and consumption, changes in consumer and culture, and the introduction of human-centered design (Lofthouse & Prendeville, 2018). In a capitalist and free-market society, design plays a vital role in a circular business model's success. From the engineering of product life-extension, the perception of human and technical innovation's duality, and recognizing human behaviors on a global market scale, all of these considerations need to be addressed in the design phase for a successful circular business model.

A circular economy approach in the fashion industry seeks to build a more sustainable and closed-loop framework to extend garment usage time and maintain the value of goods and materials for as long as possible. It ensures that all the elements can be recycled several times. Products are to be integrated into a structure that supports circularity in all respects. Several lifecycles should be included in the original design. All materials flow through the system, while waste must be collected and valued for material recovery. All items must be acquired back after the proper time has expired. Policy measures could contribute to this development by adopting the principles of Extended Producer Responsibility (EPR) (e.g., Niinimäki, 2013; OECD, 2001). For this reason, the circular economy requires an integrated approach, where all stakeholders—designers, producers, manufacturers, suppliers, businesses, and customers are all considered as integral actors in the system.

A practical example of the fashion sector models of designing a circular economy is shown in Figure 1. This model was constructed by RSA (Royal Society for the encouragement of Arts, Manufactures and Commerce). The model is building a four-level structure. Consumer behavior is included in the first phase since they are a crucial element of the product life cycle. The second

Figure 1. The four models of DCE.

Source: (RSA Action and Research Centre, 2016)



involves companies and new types of business models (e.g., Product-Service Systems (PSS)) to expand or intensify products' use. The third challenge for manufacturers is to have new ways to expand product use through remanufacturing. The fourth stage focuses on the recycling of materials using waste to create new fabrics and fibers. That is the most exciting stage, and many innovations in this sector are underway to explore how to use textile waste as a source to produce yarn. The model also includes vital stakeholders who will push the transition towards circularity. It is essential to create new forms of collaboration to ensure everybody onboard.

5. Value chains

Some case studies on apparel businesses with plans to build a more sustainable value chain can be found in sustainable clothing literature (Kogg, 2004; Turker & Altuntas, 2014; Vermeulen & Ras, 2006). Value chains involve how companies change business inputs into business outputs to produce a higher value than the original costs. The profit margin of a business is value generated and deducted by the cost of creating that value. According to Porter (1985), the more value a company generates and captures, the more likely it becomes to gain competitive advantage, profit, and success. A value chain is a collection of activities carried out by a business to produce value for its consumers. In his book "Competitive Advantage," Michael Porter (1985) addresses the importance of understanding how a company generates value to establish a competitive strategy. A well-managed value chain is a crucial enabler to build a competitive advantage. In order to retain a competitive advantage, the firm must constantly examine and develop its value chain system. How different value chain activities are organized and conducted to achieve a competitive advantage is dictated by its strategy (Porter, 1990).

Businesses can use several different mechanisms to evaluate their value chains and seek ways to improve value chain activities. The apparel industry is a vast system interconnected globally. Like most supply chains today, apparel typically conducts cross borders (Vermeulen & Ras, 2006). Clothing sold in Europe is often manufactured in developing countries, where labor costs are low. Because of its low entry barriers, the apparel industry is frequently viewed as a springboard for national growth. This includes low fixed costs and the labor-intensive nature of apparel manufacturing (Adhikari & Weeratunge, 2006; Gereffi & Frederick, 2010). Since there is little benefit from investing in overseas manufacturing locations, retailers and brands outsource their product manufacturing. Clothing manufacturing involves a low-skilled workforce, which typically adds little value to the product (Gereffi, 1999). Because of this, brands and retailers are essential players in the value chain. They choose which and where products are produced.

Making one piece of clothing from crop to market passes a long list of people and businesses working on it. Farmers who produce fiber crops, yarn manufacturers, fabric manufacturers, factories somewhere pieces of the apparel are assembled and put together, retailers, and finally, consumers are all involved. Multiple subcontractors are often used in the apparel value chain to manufacture a piece of clothing. Therefore, retailers find it challenging to monitor the supply chain's exact details, although to enhance supply chain sustainability, much data on where products come from, and much input from suppliers is needed. Consequently, apparel production in developing nations often faces challenges and an inability to make the value chain more sustainable (Faisal, 2010). It also means that businesses seeking high environmental sustainability tend to manufacture closer to home, where environmental regulations are stricter (Caniato et al., 2012).

Rossi et al. (2014) provide a more comprehensive picture of the apparel value chain, which they organize into five clusters, including 1) raw material supply, 2) input supply, 3) manufacturers, 4) export channels, 5) logistics companies, marketing, and retail. Gereffi and Memedovic (2003) use the same classification but add that the many variations between these clusters in geography, labor skill and circumstances, technology, and enterprise-scale affect market power and benefit distribution.

6. Competitive advantage

Considering that the circular economy may provide firms with an opportunity to gain a competitive advantage, this section discusses what a competitive advantage is and how to achieve it. The fundamental literature about the firm's competitive advantage can be traced back to the early 1980s when management authors began referring to it as the ability of a firm to achieve greater than typical performance through resources and capabilities (Gluck et al., 1980; M.E. Porter, 1980). After debating the relative importance of internal resources versus external factors, the discourse quickly switched to how competitive advantage could be attained and sustained, establishing a fertile research domain for the strategic management literature to flourish (Collis & Montgomery, 1995; Dierickx & Cool, 1989; McGrath et al., 1996). Additionally, Porter (1985) provided the pioneering definition, stating that a competitive advantage emerges when a firm can provide more value to its consumers than its competitors through cost leadership or differentiation. Porter adopts a market-oriented outside-in perspective, whereas Barney (1991) adopts an inside-out perspective that examines the fundamental competencies and describes how these competencies are used to obtain a unique position in the market. According to Barney (1991), "a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential player" (p. 102). The critical point was that a corporation achieves competitive advantage through the effective combination of resources and capabilities to build a distinctive competency.

The primary argument was that a corporation gained a competitive advantage by appropriately integrating resources and capabilities to build a distinctive competence. Resources and capabilities can include tangible assets such as machinery, patents, and even human capital (Barney & Wright, 1998) and intangible and difficult-to-transfer assets like knowledge, experience, stakeholder relationships, and culture (Fiol, 1991). However, not all resources and capabilities are sufficient to develop a distinctive competence, making it critical to evaluate them before investing in them thoroughly. The most extensively used management tool for evaluating resources and capabilities is the VRIO framework, which was created in 1991 by Barney, widely regarded as the founder of the Resource-Based View (RBV). Although capabilities were taken into account in the model, they thought that the concept of resources was too broad and inclusive (Kraaijenbrink et al., 2010)—as the name RBV attests—which to create sustained competitive advantage (SCA), had to be valuable, rare, imperfectly imitable and not substitutable (Collis & Montgomery, 1995). Firms often use the value chain to find relevant resource candidates (Barney, 1991).

Concepts in management theory fundamental to corporate competitiveness have grown and gained increased attention since the RBV model was first introduced, leading to questions about the solidity of the RBV framework (Peteraf & Barney, 2003). However, its crucial notion that achieving SCA requires valuable, rare, inimitable, and non-substitutable resources and capabilities remained relevant and was adopted by related concepts such as core competencies (Prahalad & Hamel, 1990) and dynamic capabilities (Teece et al., 1997). The formers are characterized as "the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies" (Prahalad & Hamel, 1990, p. 84). This concept illustrates the benefit of the original RBV theory, which is the ability to combine individual resources and capabilities into a synergistic one (Laurie et al., 2006). In the short term, strategy is bound by the resources and capabilities available. Therefore, it is formed by what the firm has. However, over the longer term, this strategy involves renewing and adding resources and capacity to generate distinctive competencies that adapt rapidly to changing contexts (Alexander & Martin, 2013; Zook, 2007). Due to the tremendous pressures of short-term cost and quality competition, most businesses do not devote enough time to create a corporate vision for the future, leaving them without the core competencies necessary to capitalize on prospects.

The strategic importance of an organization's ability to adapt its resource base responsively and purposefully to changing environments led to the designation of such capabilities as dynamic capabilities (Teece et al., 1997), distinguishing them from its current operational capabilities (Helfat et al., 2009). They are "the firm's processes that use resources—specifically the processes

to integrate, reconfigure, gain and release resources—to match and even create market change” (Kraaijenbrink et al., 2010, p. 357). Dynamic capabilities were developed to move away from all-inclusive RBV resources and recognize the distinction between inputs and those capabilities that allow the firm to choose, deploy and manage these inputs (Makadok, 2001). Resources continue to be critical to the survival of the business, not per se, but because of the configuration provided by dynamic capabilities (Ambrosini et al., 2009; Morgan et al., 2009). Along with internal resources, another form of input, particularly for critical technological capabilities, is external linkages (Coombs, 1996). Through collaborative partnerships centered on technological access, businesses can multiply internal resources and demonstrate a broader array of core competencies more quickly and cost-effectively (Teece et al., 1997).

Corporate enterprise has gone through a fundamental change over the past few decades. Big multinationals have been trying to combine philanthropic and economic performance in a single point for several years, and today it seems possible (Ciravegna, 2012; Pies et al., 2010). Leading businesses now believe that an innovative sustainability plan will give them a competitive advantage (Berns et al., 2009), allowing them to increase profits and take advantage of market opportunities (Khavul & Bruton, 2013). Multinational corporations are confronted with a severe problem in these fields. They either make an optimistic market building or cost money in the form of philanthropic programs for sustainability. Unless the companies can convert these practices into financial methods, or unless the managers can quantify the company’s financial result, the management is uncertain about embracing sustainability, which contributes to the risk of losing income and being portrayed as a responsible player in the business. In this regard, the circular economy will provide solutions for businesses to integrate growth and sustainability (Rattalino, 2018). It is possible because the circular economy has the potential to provide businesses with a competitive advantage. Companies from different industries with enhanced environmental performance can provide a competitive advantage (Nußholz, 2018). Also, Hart and Milstein (2003) contend that circularity can provide companies with a competitive advantage and achieve significant strategic objectives. MIT Sloan Management Review and the Boston Consulting Group conducted a similar study ten years later, confirming that sustainability provides the company with a competitive advantage (Kiron et al., 2013).

According to the literature, businesses that follow a circular economy have a competitive advantage, contributing to increased profits. Multinationals around the world adopting a circular economy are found among the best sellers. After embracing the circular economy model, Patagonia, the leading manufacturer, increased sales by 30% (Rattalino, 2018). Patagonia’s “buy less” campaign was a massive success because it used sustainability and circularity as a marketing strategy. Although Patagonia’s case indicates that their purpose was always to address sustainability, circularity and sustainability branding can subsidize the cost of circularity and benefit (Rattalino, 2018). Companies that care about the environment remain ahead of specific future regulations, giving them a competitive advantage over conventional rivals (Rattalino, 2018). Since consumers are more aware of the company’s social policies, circular campaigns are an effective brand marketing technique (Stevenson, 2012).

From the resource-based perspective, if firms can demonstrate distinctive competencies, it can contribute to long-term competitive advantage (Ghuri et al., 2016). It applies to enterprises that follow a circular economic model as leading players in apparel production in a state with a distinctive competence that could lead to a competitive advantage. The same study found that Zara and Walmart have a high-value chain and a competitive advantage over various value chain stages (Bhatnagar & Teo, 2009). When it comes to strategy, choices must be taken, and it is not easy to be everything to everyone. A firm must make a decision. Though, when environmental sustainability is included, the potential market becomes much broader, surpassing typical segmentation. A linear economy generally does not combine different abilities because it requires time and investment to get them, but circular thinking could enable the practice.

7. OLI paradigm

It is challenging to determine the boundaries and the scopes of the firm (Dunning & Lundan, 2008). Many scholars have sought to establish the firm's boundaries or scopes. Penrose (1959) is perhaps the most influential scholar in proposing an organization theory with the business's resource-based view. The resource-based or other theories that strived to suggest the organizational theories are mostly ownership-based theories of the firm that are increasingly challenged by the new forms of firms that do not mainly ownership-based (Dunning & Lundan, 2008). The new business model needs more adaptive theory to suit the current MNCs network. The contemporary model of MNCs is not based entirely on ownership but the network. Multinational apparel companies that are the subject of this study are industries where the firm owns a tiny portion of its value chain. The conventional linear approach to this industry was also a network-based method, which requires a different theoretical methodology for adopting the circular economy. The OLI concept is a theoretical approach that perfectly matches the need for the global apparel industry to adopt a circular economy approach.

John H. Dunning developed the eclectic paradigm or Ownership-Location-Internalization (OLI) Paradigm in 1977. It is a holistic framework that addresses the importance of certain significant factors which affect foreign market growth and production (Sharmiladevi, 2017). It explains how multinationals' advantages in ownership (O), location (L), and internalization (I) help them conduct value-added activities and how the importance of these advantages varies depending on the context, especially industry and geography (Sharmiladevi, 2017).

Ownership advantages (O) address that certain companies can pursue internationalization, and others are unable to do so. A corporation must have specific ownership advantages to compete in a foreign market, also known as competitive or monopolistic advantages. This sub-paradigm contends that the more significant the competitive advantages of the investing MNEs relative to other enterprises and those domiciled in the country in which they desire to invest, the more likely they are to be able to engage in/or increase their international production (Dunning, 2000). It also means that successful multinationals have some firm-specific advantages that help them overcome the costs of doing business in international markets (Neary, 2008). It implies that firms investing abroad must have some ownership advantage over local firms in the country they invest in, and the ownership advantage may relate to the firm's assets and transaction skills (Pedersen, 2003).

There are two sorts of competitive advantages to consider: (i) one advantage attributable to ownership of certain distinctive intangible assets, such as firm-specific technology; these assets are firm-specific and can be employed in several locations, (ii) the other advantage stems from the possession of complementary assets, such as the ability to develop new technologies or the capacity to efficiently coordinate cross-border activity. These are the ones that corporations eventually construct by interacting with their home institutional environment or the institutional environments of the countries in which they establish subsidiaries (Cantwell & Narula, 2001). Some of these ownership advantages may also be due to the firm's nationality (Dunning, 2015). In addition to tangible assets, other intangible assets of a corporation include expertise, brands, organizational structure, management skills, natural factor endowments, labor, capital, the cultural, legal, and institutional environment, and industry market structure (Rugman, 2010). These advantages must be substantial enough to offset the expenses of establishing and operating a foreign value-adding operation, in addition to the costs incurred by indigenous producers or potential producers (Dunning, 2015). Thus, the rationale for a corporation's presence in the foreign market is its ownership advantage (Neary, 2008).

The **location advantages (L)** depend on where the company will be located in the international market (Neary, 2008). This sub-paradigm asserts that the more immobile, natural, or created endowments, which firms must use in conjunction with their competitive advantages, favor a presence in a foreign, rather than a domestic location, the more firms will choose to augment or exploit their O specific advantages through FDI (Dunning, 2000). MNEs will choose to manufacture abroad whenever it is in their best interests to integrate intermediate products manufactured

in their home country spatially transferrable with at least some immobile factors or intermediate products specific to the foreign country (Dunning, 2015).

Several of the location advantages include endowment and availability of resources, geographical factors, or government intervention in resource allocation as reflected in legislation relating to the production and licensing of technology, the patent system, tax, and exchange rate policies, all of which a multinational wants to avoid or exploit (Dunning, 2015). Other significant host country location advantages include market size, natural resources, infrastructure characteristics, the education system, government structures, and other features of political and government activities (Rugman, 2010). Institutions play a significant role in FDI determination since they are the primary immobile elements in a globalized market. Legal, political, and administrative systems are typically internationally immobile frameworks whose costs define the international appeal of a location (Mudambi et al., 2002). While the eclectic paradigm treats location advantages independently of ownership advantages, international expansion is not made independently from ownership advantages (Cantwell & Narula, 2001). Also, possible location advantages including the supply and demand side, institutional and structural claims such as trade barrier protection, infrastructure, and so on (Pedersen, 2003). There are two motives when a firm engages in internationalization, especially in FDI. One is horizontal, and the other is vertical integration. The location is the prime decision behind production countries' choice, be it horizontal or vertical integration. The choice of location and pattern for international plants represents enterprises' complex integration strategy, both for the horizontal and vertical reasons for taking part in FDI (Neary, 2008).

Internalization advantages (I) reflect the firm's propensity to internalize the intermediate product market's international systemic or widespread limitations (Dunning & Lundan, 2008). This final sub-paradigm of the OLI paradigm provides a framework for analyzing potential approaches for corporations to organize the creation and utilization of their core competencies. The methods range from the purchasing and selling of products and services on the open market to intermediary market integration and purchases from a foreign corporation (Dunning, 2000). Internalization advantages depend on the corporation's decision either by a wholly-owned subsidiary or by a different entry type such as exports, licensing, and joint venture to operate in international markets (Neary, 2008). It indicates that complete control is preferable within the firm rather than using other alternative modes, such as joint ventures, licensing, export, and the full control by FDI requires the costs of transactions, uncertainty, and distribution control (Pedersen, 2003). Even though it relies on the firm's capability, companies are more likely to internalize certain operations that require the firm's specific expertise and capabilities (Dunning & Lundan, 2008).

Furthermore, internalization advantages stem from the easiness with which an integrated firm can recover the total return of its distinctive assets, such as its technology, as well as from the coordination of the use of complementary assets, subject to the costs associated with managing a more complex network (Cantwell & Narula, 2001). When the international market is not the optimum method for transacting intermediate goods or services, the MNE internalizes the benefits of a corporation with ownership advantages. International production requires that the corporation better off transfer its ownership advantage across borders than selling it to a third party via licensing or franchising. Another criterion is that the parent company retains a dominant influence over the subsidiary. It is regarded as more efficient in transferring higher-level technology and transforming the subsidiary into a far more productive unit than its local competitors (Dunning, 2015).

The OLI variable expresses different independent advantages that promote internationalization, but these variables are interdependent on one another (Sharmiladevi, 2017). Some authors defined this framework as narrower, and some criticized it as broader. The framework is narrower in that it only covers the FDI as a means of internationalization (Pedersen, 2003). It leaves a question mark against the paradigm for other modes of entry. The criticism was also broad and loose because O, L, and I advantage can be operational and reflect on being essential but not sufficient (Pedersen,

2003). Rugman (2010) finds epistemological shortcomings as the boundary between O and I blurs, which Dunning (Dunning, 2000) does not contradict, stating that O and I advantages tend to become inseparable (Pedersen, 2003). While Dunning and Lundan (2008) stated that rather than equating O and I, it is preferable to view MNE as a set of value-added activities managed and coordinated by the firm within internal and external ownership boundaries (Dunning & Lundan, 2008).

Despite a few drawbacks, the OLI paradigm has developed itself as a viable alternative to other internationalization theories. This theory is mainly applied institutionally among the other theories of internationalization. This study uses this paradigm as a theoretical framework to examine the value creation practices of apparel multinationals that have embraced the circular economy model. Regarding ownership advantage, location preference, and internalization or externalization, apparel multinationals' circular economy models seek to gain a competitive advantage in a cross-border sense. The circular economy has a very complex value chain, which determines the advantages and preferences of apparel multinationals in the sense of OLI.

8. The case of zara

Zara is the leader and pioneer of the fast fashion model from the Inditex group. Indeed, it has more than 300 designers who are constantly looking for new trends to exploit (Mayrhofer & Roederer, 2011). As Amancio Ortega, group founder, says: "Flogging fashion is like selling fish. Fresh fish, like a freshly cut jacket in the latest color, sells quickly and at a high price. Yesterday's catch must be discounted and may not sell at all" (The Economist, 2012). This catchphrase portrays the business model of Zara: spot trends, design, sell, start again. The company manages its stores through constant sales and inventory communication because every retail store sends information to the headquarters twice a week and receives new products accordingly (Dopico & Crofton, 2007). It is embarked on using personal digital assistants (PDAs), which are computers available to each store's management (Aftab et al., 2018). This business model helps the brand adjust to the trends within seasons, besides avoiding large stocks and reducing inventory costs. Seasonal collections represent less than 40 percent of total sales, while inside-season changes in colors, cuts, and fabrics generate the remaining 60 percent (Dopico & Crofton, 2007). Also, Zara operates in Just-in-Time production (Mayrhofer & Roederer, 2011) to reduce its design to retail period to 2–3 weeks compared to the industry average of 5 months (Aftab et al., 2018).

These shorter design-to-retail cycles are also possible through the highly synchronized supply chain of the company. Indeed, the Inditex group has one of the most vertically integrated supply chains in the industry, as its production is still done in-house, compared to most of its rivals (Mayrhofer & Roederer, 2011). Initially, the company handled all value-adding activities in-house, such as purchasing raw materials, designing, cutting, dyeing, quality control, ironing, packaging and labeling, distribution, logistics, and outsourcing labor-intensive and low-value-adding tasks, such as sewing (Dopico & Crofton, 2007). However, just 50% of its production is currently carried out internally, and the rest is outsourced to Asia and Europe (Aftab et al., 2018).

At Zara, items are classified as "non-durables"—pieces of clothing usually remain in store for four weeks before being returned to warehouses if they are not sold. Every year the company launches 50,000 different designs (Aftab et al., 2018). This constant change in supply creates a value for scarcity which stimulates more sales, as shoppers know that an item they are not buying now will probably not be available next week (Dopico & Crofton, 2007). Finally, Inditex avoids cost-plus pricing to defeat its rivals, rather than adopting competitively priced costs, 15% below its competitors' price (Aftab et al., 2018).

Zara has established a highly successful business model. Unfortunately, as a result of these activities, the brand is depleting the Earth's resources, heavily polluting soils, oceans, and the air,

and exploiting its staff (Chua, 2019), only for the production of average quality clothes that will end in dumps less than a year after production (Ellen MacArthur Foundation, 2017).

9. The case of H&M

H&M is one of the first brands to remember when it comes to fast fashion, with 5,076 stores on six continents and 74 markets at the end of 2019 (Knoema, 2020); Swedish retailer was founded in 1947, which makes it one of the world's most prominent clothing manufacturers. The company's success relies principally on its internal organization consisting of a buying office (BO) that delegates tasks to 20 production offices (PO) in Eurasia. Since they have no production facilities, the POs directly communicate with over 800 vendors, negotiating production contract costs. This strategy enables the brand to take advantage of the best prices as contract manufacturers bet and wins the lowest production costs. H&M has built a robust IT network to reduce inventory and related costs to enhance coordination among the BOs and POs, improving output, distribution, and inventory management (Tun, 2019). The POs are supposed to conduct sustainability audits of the suppliers, but given that it is in their best interests to sign the contract, it is fair to assume that these audits are biased to some degree. The POs also organize distribution from manufacturers to a central distribution center in Europe or regional distribution centers in America and Australia. All products are labeled, packaged, and sent to regional distributors. Unlike Zara, which uses minimal ads, H&M invests in extensive marketing campaigns with well-known models and catchy themes and slogans. The company is launching new campaigns with famous designers for each of its capsule lines; H&M recently focused on sustainability with campaigns such as H&M Conscious, emphasizing organic cotton. However, the green image that the brand is attempting to project is not coherent with their business practices. Its growth speed, low prices, the network of suppliers, and raw materials are all factors that indicate the brand's high environmental and social impact on the world (Faure, 2018). Also, the brand launched a "fair wage" initiative in 2013, which promises to provide all employees with a reasonable living wage. However, research carried out in Cambodia by the Labour Behind the Label organization found that pay was still inadequate to live with dignity. According to the study, a new manufacturing system required workers to work longer hours than usual, lowering work quality and adversely impacting their health (McMullen et al., 2016).

10. Coronavirus and sustainability

The Covid-19 pandemic strikes the industry unexpectedly. According to the McKinsey report in 2020 anticipates that "56% of global fashion companies were not earning their cost of capital in 2018, we expect a large number of global fashion companies to go bankrupt in the next 12 to 18 months" (Amed et al., 2020, para. 7). With a decline in demand and shops closing, there are huge stocks for the retailers, leading to drastic financial losses (Cosgrove, 2020). This condition causes significant players to reconsider their strategies (Chua, 2020). One way to rebound from this inventory crisis is to recycle the already manufactured garments and reuse the content for a new collection (Huet, 2020) or sell next year the 2020 collection (McIntosh, 2020). Hopefully, the fast-fashion companies currently struggling with these problems will use this opportunity to look more objectively at their business models and transition to a more sustainable fashion approach (Magnusdottir, 2020).

11. The implications of the fast fashion model

According to Anguelov (2016), there used to be a difference between luxury and mass-market clothing. Customers can now dress in fashionable, high-quality clothing at low prices and change their wardrobes many times a year. People today wear only seven times on average before disposal (Chua, 2019). Other environmental and social costs offset the low prices charged by end consumers, so this phenomenon has ramifications. Furthermore, discarded goods produce a substantial amount of waste. This section discusses in more depth the externalities of the linear model of the fashion industry.

12. Environmental damage

Unfortunately, environmental externalities can occur anywhere in the fashion industry's supply chain, ranging from the procurement of raw materials like cotton to garments' production to consumer use and disposal (Anguelov, 2016). Businesses can easily avoid environmental regulations due to the widespread practice of environmental procurement by multinational corporations (MNCs), thus increasing their effect on our world and society. According to the UK House of Commons (House of Commons Environmental Audit Committee, 2019), the garment industry uses approximately 79 billion cubic meters of water annually. Moreover, Anguelov (2016) illustrates that the industry pollutes the water it uses extensively because of many procedures, including:

- Cotton production necessitates the use of pesticides and other chemicals, as well as vast quantities of water (Perry, 2018).
- Before being woven into the fabric, cotton is bleached and mercerized. Both procedures necessitate a significant amount of harmful material since they both involve dipping cotton into chemical baths.
- It is coated with starch during the weaving process to make the fabric stronger. It again leads to polluting waters which are then dumped into clean waters.
- If the objective is to produce a poly-blend fabric, an additional mixing of cotton with synthetic fabrics is required, which involves heated water, then released into nature.
- Fabrics are typically subjected to other wet processes to stiffen the starch and improve the textile's consistency.
- Finally, additional chemicals are used to color textiles. Textile dyeing is, in reality, the second biggest water pollution operation in the world.

These described wet-processes deal with the most significant environmental problems in the fashion industry and 20% of industrial water contamination in the world (Ellen MacArthur Foundation, 2017). The quantity of chemicals used in all the above processes depends on the nature of the desired material. The higher the output required, the more chemicals are used in the production process. According to the World Bank, less than 60% of the chemicals produced can be purified, which reduces the toxicity level (but does not bring it down to 0) (Anguelov, 2016). It is also worth noting that most of these processes are ineffective, as about 15% of the materials and chemicals used and significant quantities of water are lost in the process (around 200 L of water for 1 kg of fabric) (Anguelov, 2016). Unfortunately, water contamination does not occur only during the manufacturing of clothing. Indeed, some harmful substances to marine wildlife have been said to be laundry detergents (Herrero Rodriguez, 2017).

Furthermore, when polyester, nylon, or acrylic textiles are washed in a washing machine, small pieces of plastic are released into the environment, eventually ending up in the ocean. According to Leafico (2019), washing clothes releases approximately 500,000 tons of microfibers into the ocean each year. Some of these microfibers are consumed by microorganisms, which then end up on our plates. Therefore, the fashion industry has a detrimental effect on the oceans and our health (Ellen MacArthur Foundation, 2017).

According to Perry (2018), fast fashion has made clothes appear disposable. Clothing consumption has fallen by 36% in the last 15 years (Ellen MacArthur Foundation, 2017). About 500,000 tons of used clothing were exported from the United States to developing countries in Africa and Asia. Globally, approximately half of the clothing manufactured by fast fashion brands are discarded in a year or less (Ellen MacArthur Foundation, 2017). Since prices are so low, buying new clothes is cheaper and more convenient than repairing old ones, further incentivizing consumers. The problem has become a global one because of the internationalization of fast fashion brands (Anguelov, 2016).

Non-organic cotton production is polluting because chemical fertilizers and pesticides accelerate the process (Karaosman, 2016; Herrero Rodriguez, 2017). Cotton is mainly grown in the US and developing countries such as China, India, and Brazil. These countries are attempting to attract investors by lowering environmental regulations to allow farmers to source their raw materials to avoid paying environmental taxes, resulting in even more soil pollution (Anguelov, 2016).

Around 100 million animals are bred and killed annually for the fashion industry in intensive fur farms (Humane Society International, n.d.; Karaosman, 2016). Besides, Water and soil emissions devastate ecosystems, stripping wildlife of their natural habitats (Brooks, 2019).

The logistical aspects of the fashion industry's supply chain also have environmental effects, primarily through carbon dioxide (CO₂) emissions. CO₂ emissions from apparel and footwear-related supply chain account for 8.1% of global greenhouse gas emissions (Chua, 2019). It is because 80% of the cotton grown in the US is primarily shipped to other parts of the world to produce clothes and then return to the US (Anguelov, 2016). Since American farmers receive substantial subsidies, they have a cost advantage over their rivals and market cotton much lower. Therefore, many multinationals tend to obtain their cotton in the US rather than in another country closer to home (Anguelov, 2016).

Moreover, the emergence of e-commerce and associated product shipping contributes to air pollution (Herrero Rodriguez, 2017). Similarly, CO₂ emissions from the fashion industry also represent a large amount of textile disposed of annually by Westerners, which typically end up being shipped or flown to Africa, even if dumped initially in recycling or charitable bins (Anguelov, 2016). According to the Ellen MacArthur Foundation, the apparel industry emitted 1.2 billion tons of CO₂ in 2015, which is more than all flights and maritime shipping combined (Ellen MacArthur Foundation, 2017; House of Commons Environmental Audit Committee, 2019).

13. Social consequences

The fashion industry has been criticized for its negative social impact on many of the 2030 Sustainable Development Goals, including decent works and economic growth, gender equality, and reduced inequality. Because fashion retailers aim to minimize costs further and further, they seek labor-intensive outsourcing activities to emerging countries where labor is cheap. Owing to the pressure placed on all parts of the supply chain by clothing multinationals to minimize costs and retail cycles, employees in these factories may face poor working and living conditions. Not only is 97% of fast fashion manufactured overseas in developing countries with poor labor laws and human rights protections, but 80% of the clothing is also made by young women, who often face horrible working conditions and violence and do not even make a living wage (Mao, 2020). Also, women in Dhaka, Bangladesh, Indonesia, India, Sri Lanka, and other nations are routinely subjected to various forms of violence (Global Labor Justice, n.d.).

Moreover, fifteen countries now generate 90% of global textile exports and 80% global clothing exports (Ellen MacArthur Foundation, 2017). Asian clothing factories typically make employees stay longer than acceptable. Mostly it is because over-time is a general procedure in the industry in handling production peaks. According to the Universal Declaration on Human Rights by the United Nations, a living wage is human rights, but the salary is too often meager in a garment factory (ILO, n.d.).

Growing raw materials causes social problems, especially when farmers are exploited. For instance, a big problem has arisen among farmers in India, forcing them to use pesticides in their cotton fields, and they must buy expensive cotton seeds from a monopoly company in the region. Farmers cannot afford to buy expensive cotton seeds as they often do not benefit from cotton. Farmer debt is typical in India, and many farmers committed suicide (ClearIAS, 2021). Pesticides adversely affect the soil, and cotton can no longer thrive in this soil. In addition to exploitation, exposure to pesticides in cotton or contaminated water often leads to psychiatric diseases, tumors, and birth rates declines (Aktar et al., 2009).

14. Application of OLI framework

The study has identified several benefits based on the circular economy model that multinationals follow. Firms adopt a circular economy to reduce waste and greenhouse gas emissions in the manufacturing process and conserve natural resources. For example, H&M uses a closed-loop system to recycle clothes multiple times rather than dumping them in landfills. The mainly circular economy also contributes to creating competitive advantages on the international market and long-term survival. Sustainability practices distinguish H&M from competitors. H&M achieved 57% of recycled materials and used 95% recycled cotton as of 2018 of its targets to use 100% sustainably sourced cotton by 2020 (H&M group sustainability report, 2018). According to Francois Souchet contends that “collaboration and innovation are key to creating a fashion industry where clothes are used more and never become waste. As a core partner of Make Fashion circular and a brand with a significant global presence, the H&M group is playing an essential role in driving momentum towards this new vision for the industry.” (H&M group sustainability report, 2018, p. 34).

In terms of ownership advantages, circular designs, product developments, innovative methods for processing old clothes, and sustainable production management are examples of sustainable production management. It primarily has circular resource-based advantages, which have been internationalized to other global markets. The core vision of H&M is 100% circular and renewable, 100% leading the change, and 100% equal and fair. Also, the scale and scope advantages of decentralized production in foreign countries, particularly in Asia. It has about 800 independent suppliers in Europe and Asia in particular.

Similarly, maintain a corporate culture through a code of conduct, rewards, and training for suppliers to maintain the corporate culture in international factories and subsidiaries. According to H&M’s sustainable development study for 2017, 458 factories were trained in the factory to ensure that suppliers have high-quality products delivered on time (H&M group sustainability report, 2017). Hence, these ownership benefits will help H&M achieve its objectives.

Location advantages-It offers strategic, economic, and institutional advantages to targeted firms. Because of the location advantages, H&M primarily outsources production to Asian countries because their labor costs relative to Europe are meager. Advantages of internationalization include H&M’s vast expertise and know-how, as well as the transfer of tacit information to a local business. H&M transfers its ownership advantages to its subsidiaries, and as to production houses, H&M shares the know-how and experience and circular economy methods to suppliers. It trains production and distribution workers to help the circular economy grow. The circular economy implementation of fast fashion companies is primarily influenced by ownership and internationalization advantages.

H&M is more successful in embracing a circular economy, and Zara creates competitiveness through its production pace in just 15 days. However, recycling goods requires time to create new products in the case of a circular economy. On the other hand, Zara is known for its quick turnaround times, producing three times its rivals. Furthermore, introducing the circular economy demands new design approaches and manufacturing processes. Zara produces a wide range of clothing, with designs that adapt to the seasons. As a result, making recyclable clothes in such a short time is a challenge for Zara designers. Accordingly, H&M has adopted a circular economy amid the outsourcing process, and Zara faces barriers to implementing the circular economy mainly through internalized sources.

According to McKinsey’s survey on consumer sentiment on sustainability in fashion in 2020, in the context of the COVID-19 crisis, European consumers want fashion industry actors to behave responsibly and consider their businesses’ social and environmental impacts (Granskog et al., 2020). Although sustainability has begun to impact most people’s decisions, it is still not a process or a part of the process for fashion consumers (Strähle, 2017). According to Lundblad and Davies (2016), there is no ideal for the fashion industry, so defining sustainable fashion is difficult. They also state that one might believe that fashion and sustainability are inconsistent because, in most cases, the fashion industry maintains a concise product life cycle that requires

constant revisions in design. However, the authors further claim that sustainable fashion consists of various concepts, such as organic, slow, ecological, and fair trade, each of these concepts attempts to incorporate additional political concerns, including animal rights, the environment, and the right of workers. Similarly, recent growth in consumer interest has also resulted in sustainable production and the interest of many designers and retailers.

Moreover, sustainable consumers are motivated by various factors, including self-expression, group conformity, aesthetic pleasure, ethics, and avoid guilty feelings. Therefore, authors argue that a conscious sustainability-minded customer does not value price in the same way due to price is a trade-off between raw resources, scarcity, and time spent researching environmental or social issues. Additionally, they conclude that sustainable fashion consumers are inspired by the fact that they reduce risks for other individuals by purchasing fair trade goods. Simultaneously, consumers look for individuality, comfort, look excellent and sound designs, which is the same for hedonic shoppers of all fashions (Lundblad & Davies, 2016). Also, understanding environmentally sustainable fashion consumer behavior needs more study than it does in other sectors because it produces the most vibrant products and experiences the most significant change in general (Gam, 2011).

Therefore, customer behavior has a significant impact on the circular economy. In order to gain popularity, businesses must change customer attitudes by raising awareness of how to dispose of clothing waste properly and providing a discount coupon on their next purchase if they place their clothes in the collection box. H&M collected over 20,649 tons of textiles for reuse and recycling in 2018 (H&M group sustainability report, 2018). It encourages its customers by offering guidance about caring for their garments and reusing and disposing of them. H&M introduced the idea of “take care” to inspire consumers. They return them for reuse and recycling after consumption. This urges consumers on how to care for their clothing correctly. However, there is still a lack of consumer knowledge about renting, leasing, and repairability in the circular economy and an excellent secondhand market. According to the study, the prices and durability mainly attracted customers (Lee & Chen-Yu, 2018). Most businesses face obstacles such as a lack of information and technological innovation.

Similarly, they would need a substantial investment to develop technologies and train designers. In 2017, H&M tried a new transparency activity for customers could see where garments were produced, what materials were used, and who made them. That was a successful move to raise consumer awareness of the materials. H&M offers consumer incentives for sustainable actions, which encourage consumers to reuse, re-wear, and recycle.

Moreover, there are difficulties that businesses face in implementing the circular economy, such as the lack of awareness (e.g., customers are uncertain of how to dispose of their old clothes properly), lack of technological innovation (e.g., businesses have no advanced technology, and they need a huge investment to launch recycling machinery), and rapid shifts in the fashion industry-every day fashion changes. The recycling of recyclable materials is a time-consuming process. They must then concentrate on a new circular concept.

These benefits can also be called internationalization motives. These advantages allow businesses to expand internationally both at home and abroad. Companies decide to internalize and externalize value chain activities based on O, L, and I advantage.

15. Conclusion

Conformity with environmental criteria is a must from an international marketing point of view. Sustainability and the creation of environmental value in the textile industry continually gain more momentum. Apparel multinationals are typically among the world’s largest firms. These firms can have a significant impact on every single move. Every firm wishes to extend its operations on a global scale. Firms in a global environment are continuously faced with numerous conventional problems such as host country trade-tariff, dumping, human resource, cultural

disputes, and so on. In recent times, the major challenge is its sustainability concern, which directly impacts its market positioning. Circular economic models can solve this challenge and achieve sustainability for the business. The models help the organization achieve social, economic, and environmental sustainability. Adopting circular economy models is not just the commitment activities; it will be mainstreamed by incorporating circular economy practices. Consumers have become more aware of the issues of sustainability, and their desires are also concentrated. Since the demand and consumption paradigms are changing, meeting sustainability expectations is becoming the norm. Sustainability achievement can offer a competitive advantage in this changed global business scenario. It is something that companies in the clothing manufacturing industry have already begun to believe. Sustainability is a critical corporate principle for the case firms in this article, and it is on this value that they attempt to capitalize on the market. Meeting sustainability requirements by adopting a circular economy became the source of competitive advantage.

Moving to a circular economy will improve firm competitiveness in the short and long term, as the arguments above will compound and result in a more competitive business. The economic system will undoubtedly change, and early adopters of the new system will enjoy a competitive advantage. Firms need competitive advantages to grow, and they can grow by taking advantage of the circular economy's competitive advantages. Sustainable practices are needed not only for development but also for business practices such as production and operations. Since the current linear economy affects the environment by using chemicals and the unnecessary use of the resource, this work was carried out from the circular economy's perspective, which emerges to save the planet by providing the businesses with competitive benefits with sustainable solutions.

The central objective of the study was to illustrate to what extent apparel multinationals should adopt circular economy concepts to their production and operation. Also, to what extent the circular economy model creates value and competitive advantage in markets. The study was based on theoretical foundations and supported by evidence from case studies. This work contributes to the existing knowledge on circular economy implementation by providing options that could help MNEs mature and orient their corporate strategy toward the sustainable issue. Equally important, it sought to contribute to the value chain theory and competitive advantage over the circular economy model. Also, these approaches receive significant backing from several internal and external influences, which are included in the circular economy strategy domains. These findings may assist MNEs and practitioners in determining the optimal combination of resources, competencies, and capacities to acquire to mature toward the aim of sustainable development. Therefore, MNEs would design strategies to include ecological innovation while incorporating a circular economy.

This work attempted to explore every aspect related to the topic issues. Some limitations of the work still exist, which could be considered in future studies. This paper used small-scale case analysis and qualitative approaches to analyze secondary data. Further studies in this field should take a large-scale form using qualitative or quantitative or mixed methods. Also, there is not enough theoretical inclusion in this work. Future studies in this field have the potential for incorporating the institutional and structure perspective on internationalization theories.

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Author details

Bora Ly¹

E-mail: bora.ly@student.maastrichtuniversity.nl

¹ Maastricht Sustainability Institute, Maastricht University, Netherlands.

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