

TreeToTextile: A Joint Venture Model for CSR

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Introduction

ITMA Milan 2023 encompassed an innovative view of the industry, including many examples of sustainable manufacturing technologies. Most of the companies represented at ITMA that focused on these sustainable ventures were larger companies with years of expertise and experience. Among the many seasoned companies were firms in their early stages of development that appear to be poised for the task of addressing the industry need for innovations. ITMA 2023 highlighted these companies through a new exhibition forum entitled “Start-Up Valley.” This paper focuses specifically on one company featured in Start-Up Valley that demonstrates a unique joint venture model towards addressing environmental sustainability – TreeToTextile <https://treetotextile.com/>. Highlighting the unique company model of TreeToTextile is essential, as the firm’s mission and positioning towards sustainability exhibits a commitment to CSR and the continued importance of sustainability to the industry as a whole. The information in this article is based on discussions with TreeToTextile representatives, company promotional material, the company’s website & social media, and supporting academic articles focused on start-ups, joint ventures, and corporate social responsibility (CSR).

Start-Ups Defined and ITMA’s Start Up Valley

To begin the discussion of start-ups, a clear definition should be stated. According to Islam et al. (2018), as start-up company commonly entails the following three criteria: (1) the company was established within the last 10 years or less; (2) the firm strives for innovation in their products and also in their business model; and (3) the venture seeks to grow within the market they operate in. Research has shown that start-ups have gained popularity over the years and have impacted the productivity of the economy (Nofsinger & Wang, 2011). Given this factor, ITMA undoubtedly saw the need to showcase these types of businesses within their show, especially since innovation is at the root of a start-up firm’s existence. ITMA’s Start-Up Valley featured 16 start-ups that were curated by a panel of industry experts. Within ITMA’s promotional material, they referred to this collection of firms as encompassing the “latest disruptive innovations that create a new market and value network” (ITMA, 2023). More specifically, the Start-Up Valley housed early-stage firms with inventive solutions and technologies for the textile, garment, and fashion industry.

TreeToTextile and the Joint Venture Model

One highly promoted firm within ITMA's Start-Up Valley was TreeToTextile. TreeToTextile is a Swedish based company that has developed an innovative technology for production of cellulose-based fibers, like trees, to be transformed for use into textile and nonwoven markets. Their approach leads to a unique, sustainable, and cost-efficient fiber that has similar luster and draping capabilities as cotton, viscose, and synthetic fibers. Moreover, the technology used to create the man-made cellulosic fiber is bio-based processed, thereby cultivating a low environmental footprint given the lower demand for chemicals, energy, and water. While the textile technology aspect of TreeToTextile is formidable, what is also distinctive about the company is its business structure. That is, the Swedish based company was founded by entrepreneur Lars Stigsson, but is owned today by H&M Group, the IKEA Group, and forest company Stora Enso. The goal of this unique joint venture is to commercialize this technology and fiber on a global scale (TreeToTextile, 2023). From their perspective, as the global population increases, the need for alternative fibers that meet the demands of good sustainability will increase. Thus, TreeToTextile thinks cellulose has the potential to answer this increased need (ITMA Daily News, 2023).

A joint venture occurs when two or more firms pool a portion of their resources for the purpose of accomplishing a specific task. A joint venture also means that all parties involved share risk and divide rewards from their combined enterprise (Kogut, 1988). Given the joint venture structure of TreeToTextile, this speaks volumes to the commitment that H&M and the IKEA Group have to sustainability. According to Forbes.com 2022 Financial online reports, the two companies combined have a net value of approximately \$37 Billion - specifically 22 billion and 15 billion respectively. While both have had sustainable collections and/or initiatives within their companies, an investment to this

magnitude takes on different meanings. But why would two-billion-dollar companies join forces in this joint venture start-up? Actually, from a big picture and future thinking perspective, this move makes sense for large companies like H&M and IKEA – as it is akin to the common business strategy of corporate social responsibility or CSR.

CSR

As stated by a TreeToTextile executive "... the global size of our owners gives us a unique opportunity to make an impact on the environmental footprint of the textile industry" (ITMA Daily News, 2023). This mission of large corporations wanting to positively impact the environment aligns well with the concept of CSR. CSR is defined as a self-regulating business model that helps a company be socially accountable and ethical to itself, stakeholders, and consumers. Furthermore, CSR typically consists of four key pillars: (1) Environmental Corporate Social Responsibility (2) Philanthropic Corporate Social Responsibility (3) Human Rights Corporate Social Responsibility and (4) Economic Corporate Social Responsibility. Particularly, the TreeToTextile joint business model and goal speaks directly to the CSR pillar of environmental corporate social responsibility. In fact, the company's tree to cellulose focus addresses the environmental concept of "recycling and remanufacturing" – as the investment in their technology allows them to create by-products within the manufacturing system. Thereafter, the cellulose by-products can be used within the product portfolios of H&M and IKEA for a win-win framework. From a sustainability perspective, this joint venture sets H&M and IKEA up for success and can lead to a more circular manufacturing process as a whole.

Discussion

ITMA 2023's addition of the Start-Up Valley exhibition area allowed for the highlighting of many up-and-coming firms that focus on bringing innovations to the textile industry. While all 16 companies were novel and inventive, TreeToTextile's

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joint venture model towards their environmental sustainability focus clearly has a competitive advantage – especially given the participation of established brands including H&M and IKEA as a part of the firm’s DNA. Moreover, research within the industry has shown that companies that fully invest in CSR strategies add value overall to a company, and the integration of environmental technologies and programs signal to consumers and the industry that companies like TreeToTextile are taking actionable steps to be environmentally conscious – instead of just talking about it (Sarkis, 2001). Production in their demo plant is set to begin very soon. Thus, the company is ready to advance production capability to bring the unique wood-based fibers to a wider market with powerful brand partners.

References

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