Policy instruments to unleash circular business models value creation potential: A survey

Abstract
Rémi Beulque - remi.beulque@mines-paristech.fr
Helen Micheaux - Helen.micheaux@mines-paristech.fr

Centre de Gestion Scientifique
Mines ParisTech, 60 boulevard Saint-Michel, 75006 Paris
French Institute for Circular Economy

Session 11: where do New Business Models come from? The role of public policies, institutions, and individual actors

Transition towards a more circular economy is increasingly becoming a worldwide priority for governments. Indeed, many States adopted national strategies to foster this process (Ghisellini et al., 2015) both in Europe, North America and Asia. As a matter of fact, this new restorative model enables to unbundle economic growth and environmental impacts (EMF, 2012). More importantly, as sustainability can hardly be achieved without wealth, circularity proved to have a significant value creation potential both at macroeconomic and firm levels (Esposito et al., 2016).

However, this recent movement, which led Governments to implement circular policies, also highlights a less optimistic acknowledgement: current legal frameworks were created to promote linear economy, or to control some of its environmental externalities, as waste production. Therefore, a significant shift is required to unleash “circular business models”
Beulque and Aggeri, 2015) and related industries’ value creation, and to capture potential (EMF, 2015).

In this article, we propose to map and describe the diverse policy instruments, which have been implemented in leading countries in terms of going circular, and can foster such a transition. We adopt a comprehensive and global approach. In fact, we analyze instruments that impact linear business models and industries, but also business models that are centered in the loops of circular economy, from recycling to inner loops as reuse, remanufacturing, repair or performance economy. Indeed, contrary to legal principles, declared objectives or framework laws that may prove to be ineffective, instruments have direct and concrete effects on actors (Hall, 1993; Lascoumes and Le Gales, 2007).

We show that if some of these instruments can be considered as new in their philosophy, materiality or implementation, others were set up several decades ago. We also shed light on a current trend. Indeed, public actors increasingly understand the new paradigm of circular economy. De facto, they do not see wastes solely as a source of pollution that need to be regulated anymore. Wastes are increasingly pictured as potential markets, in which firms have to develop business models and to provide goods and services to consumers. Therefore, some market-oriented instruments recently appeared, with the explicit aim to boost these new industries competitiveness and value creation, and to capture potential. However, we also show that circularity-driven policies are only at their beginnings. Indeed, even in countries that proved to be pioneers of a circular economy, this new model could still be significantly enhanced in the forthcoming years. More specifically inner loops will require a specific attention, as they remain under-instrumented.

Through this comparative approach, this survey aims at giving insights to policy makers who would be willing to identify innovative instruments that have already been effectively implemented somewhere else in the world. From a management perspective, this study can
also be useful to senior managers who seek to boost their circular business model sustainability and profitability, and could therefore be eager to advocate in favor of these instruments implementation. At last, from an academic standpoint, this article also fills a gap. In effect, global and comprehensive approaches of circularity-enabling public policies remain understudied, in particular the combined effects of diverse circular policy instruments.

References


Ellen MacArthur Foundation. 2015. Delivering the circular economy; A toolkit for policymakers.


