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Circular Business Models and Theoretical Anchoring: Are We There?

Roberta De Angelis

Cardiff Business School, Department of Marketing and Strategy, Cardiff (UK)

deangelisr@cardiff.ac.uk

Extended Abstract*

The magnitude of the ecological, economic and social sustainability challenges of this historical juncture, including climate change and a broken economy resulting from the outbreak of COVID-19 pandemic, makes a strong case for the transition towards a more resource efficient and resilient circular economy (CE) (Desing *et al.*, 2020; Mohammed *et al.*, 2021). For one, within the context of our current climate emergency, by transforming the way in which we make and use products, particularly across five key areas (cement, aluminium, steel, plastics, and food), CE principles can eliminate 9.3 billion tonnes of CO₂ emissions in 2050 (EMF, 2019). What is more, circularity is a huge source of new profit pools. Several business leaders have started capitalising on circularity benefits via reduced costs, enhanced sales and mitigation of linear-

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related risks: it is estimated that a global economic opportunity worth \$4.5 trillion can be unlocked by 2030 through the implementation of CE principles (WBCSD, 2021).

In parallel with the rising interest towards the CE in business and policy contexts, CE thinking has entered the scholarly literature contributing to the advent of a novel field of academic enquiry (Goyal *et al.*, 2021). Yet, understanding of CE remains multifaceted and in need of both consolidation, and a common theoretical background (Borrello *et al.*, 2020; Webster *et al.*, 2021). Hence, the rationale of this research paper is to contribute to the much needed conceptual and theoretical clarity in the CE field. To accomplish its goals, this article suggests a range of theories that can be used for the theoretical coupling of research on circular business models (CBMs). Theoretically grounded CBMs studies are scarce. In fact, Geissdoerfer *et al.* (2020) lament that “despite the importance of the circular business model notion, there is considerable lack of clarity about its theoretical conceptualisation” (p. 1).

To build such a theoretical repertoire, this article line of enquiry hinges upon the business models (BMs) literature. Since CBMs are one of the offshoots of the BM concept, it is appropriate to couple the theoretical foundations of CBMs with those underlying the mainstream BMs literature. BMs research is positioned within the strategic management literature (Ritter and Lettl, 2018). Consequently, this article makes links with the strategic management literature, and, particularly, with the natural-resource-based-view of the firm (Hart, 1995). Not only is this useful to establish consistency among the lines of enquiry characterising BMs and CBMs research but also a strategic management perspective fits with the competitiveness dimension of CBMs and is pertinent to advance current understanding of CE business strategies. Research on the micro level, and so on the organisational dimension of the CE and

CBM innovation, is limited (Barreiro-Gen and Lozano, 2020; Hofmann and Jaeger-Erben, 2020; Khitous *et al.*, 2020).

Furthermore, this article draws on sustainability transitions and systems theories, which have received some application in corporate sustainability and CE studies (e.g., Sarasini and Linder, 2018; Tate *et al.*, 2019; Webster, 2013; Williams *et al.*, 2017). Transitions theories - with their multidimensional and multi-actor focus - are appropriate to investigate the complexities involved in systemic innovations, which are also crucial for the emergence and scaling up of CBMs. Coupling CBMs experimentation studies with transitions lenses is deemed appropriate in current research on CBMs (Bocken *et al.*, 2021). In fact, although CBMs innovation stems from individual/organisational agency, structure must be aligned so that CBMs can effectively emerge and reach significant scale. Additionally, CE thinking is informed by complexity and systems thinking (EMF & McKinsey, 2012, 2013; Fehrer & Wieland, 2020). This means that the theoretical coupling of CBMs cannot do without the establishment of a relationship with systems theory, which is rarely captured in current CBMs studies. This is much welcomed in the CE literature with Rovanto and Bask (2020) lamenting that the relationship between CE and CBMs “is still rather informal and ill-defined” (p. 5).

Concepts and theories evolve through three different stages: introduction and elaboration, evaluation and augmentation, and consolidation and accommodation (Reichers and Schneider, 1990). CE thinking has yet to move beyond stage one. It is hoped that this article line of enquiry is useful to stimulate academic debate as how to advance the theoretical foundations of CBMs research. Arguably, as correctly put by

Bansal and Song (2017), “an academic field’s development is aided by a consensual research” (p. 106).

Keywords: circular business models, systems thinking, strategic management, transitions theories.

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