



REFRAME

**Circular Economy strategy FRAMEwork
for sustainable SMEs**

IO3: Circular Economy Implementation Framework (CE Framework)

Disclaimer:

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SIGMA



3.1 Organisational factors

A successful transition towards a circular economy (CE) needs critical success factors to be in place. Organisational factors are mainly related to the acceptance of the CE and sustainability in general (which can also be associated with other organisational underlying factors, e.g., hierarchy), the opportunities for value creation, the skills and capabilities of employees and the top management commitment to a more “green” and circular economy business model. The first level of CE Implementation should begin with organisational development with emphasis on change management and managerial mindset.

Regarding organisational factors as drivers, the CE can be seen by companies as an opportunity to improve product or services development and differentiate their brands and business models to create value. Since implementing a Circular Economy is associated with companies owning up to their social and environmental responsibilities, implementing it can also improve the reputation and image of companies. It highlighted the importance of adopting the CE within the company’s vision, mission, strategy core values, and culture. Innovative company culture is a key part of the equation towards achieving the CE. Transition to CE could help create value by helping businesses to differentiate from the rest, achieving reputational gains, and getting ahead of regulations, among other things. Finally, two other drivers mentioned in the bibliography are the shareholders and investors’ pressure to achieve sustainability and protect the business, and the abilities of people (managers and employees) to manage key resources.

As far as the organisational factors as barriers are concerned, many companies seem to still struggle to view the CE as a revenue-making paradigm, rather than risky and costly. Barriers that can be related to the organisational factors are mainly the lack of the formal inclusion of CE principles in the strategy, mission, vision, goals, performance indicators, and culture of an organisation. One of the hardest things for mature companies appears to be internal resistance within the company and fear of taking risks and how to carry through with a change, including changes in the organisational structure. Other examples of organisational barriers include a high level of hierarchy, the lack of support from the top and middle-level management, the lack of capabilities and skills of employees and the employees and management's resistance to change.

Examples of organisational challenges related to CE business implementation include e.g., hierarchical systems inhibiting flexibility and innovation and risk aversion of managers. Problems are also faced due to weak management support and failures in creating common understanding, lack of skills and capabilities and incompatibility with existing operations. Missing abilities to change the mindset to long-term thinking, solve problems with the existing business culture, communication throughout the value

chain and lack of systems thinking also present organisational barriers to the promotion of CE business.

Towards assessing the role of the organisational factors, the following questions are important:

- Is there a clear vision and mission statement for CE transition?
- What are the organisation's policies and procedures toward CE Transition? Is the organisation certified with the relevant environmental management system?
- What are the task requirements and individual skills/abilities/knowledge needed for a CE business model?
- Is there a structured training course for employees?
- What are the systems in the organisation which support a successful CE Transition?
- Is there any change in the organisational structure? Is the role of environmental manager/officer assigned to a specific person?