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Framing Organizational Dynamics towards Circular-sufficiency Value Creation Systems

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Abstract: Practitioners from politics, economics, and the civil society, but also scholars increasingly recognize that business contributions to a circular oriented transition of the society are founded in new business models. However, most research in this field remains theoretically conceptual and offers a rather static view of a complex and constantly changing reality. This study strives to contribute to the shift in the circular business model debate from its definitional and motivational aspects to the understanding of organizational dynamics connected to the efforts of firms that experimenting with circular oriented business configurations. Based on eight problem-centered expert interviews with business consultants, the study provides a set of propositions on how they are framing corporate transitions towards circular-sufficiency value creation systems. It reveals starting points for understanding patterns of circular change in firms, which may simultaneously serve as impulses for future research investigations.

Introduction

In light of climate change, massive biodiversity loss rates, or growing natural resource scarcity, just to highlight a few ecological persistent problems, a fundamental reorganization of our social structures seems inevitable in order to move towards sustainability. In particular, the production and consumption patterns of the Global North, which have been expanding in other parts of the world over the past few decades, put tremendous pressure on nature. It is evident that business-as-usual cannot be sustained (IPCC, 2014; Schubert et al., 2011; Steffen et al., 2015). A profound shift in the purpose of corporations and almost every perspective on how they are conceived and arranged is necessary to shape the conditions for a livable future (Bocken et al., 2018).

One possible economic transition corridor that gained growing popularity among corporate representatives, politicians and scientists is the idea of a circular economy (CE). In the CE discourse, innovative business models (BMs) play an outstanding role by perceiving them as a catalyst for a sustainability transition of the contemporary unidirectional (linear) industrial

economic logic (Hofmann, 2019). Under certain circumstances, novel BMs have the ability to trigger a “process of industrial mutation” (Schumpeter, 1976: 83), as they couple multiple social actors, and link the production and consumption spheres (Bidmon and Knab, 2018).

Nevertheless, the following paper adopts the concept of value creation system (VCS; Rüegg-Stürm & Grand, 2016) as an analytical unit in order to approach corporate renewal in the context of a CE. It must be emphasized that a VCS goes beyond the usual notion of a BM. Current BM thinking largely assumes a mechanistic approach in which a firm can be understood by analyzing the core components, in this case BM elements (such as value proposition, value creation & delivery, value capture; Foss & Saebi, 2015). The notion of system, in contrast, accentuates “that the whole is greater than the sum of its parts and that the behavior of the whole thus cannot be understood from the properties of its parts” (O’Connor, 2008: 315). It is precisely this interdependent interaction that gives a system a certain structure, which in turn enables

specific functions (Kieser & Ebers, 2019). The function and central characteristic of firms as organizations is a unique kind of value creation that can be understood both as a result (products and services that can appear as vehicles of values) and as a process (dynamics of activities, resources, networks) that leads to this result. In other words, firms are at heart sequences of organizing that constitute and stabilize themselves as VCSs (Rüegg-Stürm & Grand, 2016; Weick, 1979). Hence, there are three conceptual conditions of VCSs that differ from the BM perspective: (1) VCSs assume a plurality of values, while the connotation of “business” models imply the focus on financial rationalities solely. This distinction is important because it highlights the complexity of the challenge involved in integrating principles of circularity and sustainability in corporations (such as new performance measurement indicators). (2) Enterprises as VCSs are steadily evolving: they are in a constant state of flux. The dynamic related perspective of VCSs emphasizes the importance of the time dimension and therefore the associated process of transition (Weick, 1979). (3) The ability of the firm to change their BMs is influenced by communication structures, decision patterns, roles, power constellations, belief reference frames, dynamic capabilities, etc. The rotational searching, experimenting, and learning sequences to stimulate BM renewal can only be explored by incorporating the organizational dimension. In a nutshell, VCSs combine the BM perspective with the process of organizing.

A circular-sufficiency based VCS connects firstly, circular business configurations focusing on result- and performance-oriented product-service-systems; manufacturing and offering durable, reliable, modular, and repairable products; practicing conscious sales (slow fashion, slow travelling etc.); and adopts an economic long-term view of operating (based on Bocken & Short, 2016; Bocken et al., 2016; Dyllick & Hockerts, 2002; Young & Tilley, 2006). And secondly, the consumption side of business, which includes responsible (non-)consume activities, such as repairing instead of buying new products; second hand purchasing; sharing; or buying locally and regionally manufactured products that can be summarized as “sufficiency”. Therefore, circular-sufficiency-driven VCSs attempt to reduce the absolute overall natural resource

consumption by moderating demand through education and consumer engagement, making products that last, extending product lifetimes to slow down disposal and replacement rates through changes in sales and marketing practices (Bocken & Short, 2016).

Research in the CE field at the corporate level has primarily developed in two main tracks addressing two sets of questions: why should or should not companies adopt circular value creation architectures, and what makes a corporation more circular? Answering “why”- or “why not”-questions accentuates motivational aspects (such as decoupling growth from natural resource consumption or to become more autonomy and independence from international commodity markets) or studies of drivers, challenges and barriers of integrating CE core principles into daily business routines (e.g. Linder & Williander, 2017; Nußholz, 2017; Rizos et al., 2016; Sousa-Zomer et al., 2017; Tura et al., 2019). Research on “what”-questions focusing on the constitution of circular BMs, the description of properties and features of individual circular BM elements or circular BM design strategies that can be summarized as conceptual debates (e.g. Bocken et al., 2016; Bressanelli et al., 2018; Lewandowski, 2016; Lüdeke-Freund et al., 2018; Manninen et al., 2018; Planing, 2018; Urbinati et al., 2017). Despite, and in part because of, the discourses on the definitional (“what”), motivational (“why”), and risks (“why-not”) issues, there is still missing a significant investment in scientific knowledge production, apart from a few exceptions (e.g. Antikainen et al., 2017; Bocken et al., 2018; Heyes et al., 2018), on questions according to the dynamics through how incumbents trying to navigate a circular transition of their VCS. In other words, the CE research field benefits from directions in exploring corporate practices of organizational discovering, experimenting, and learning to stimulate circular change.

This study follows the few tentative investigations that have been conducted so far addressing the “how”-questions. It provides a set of propositions on how consultancies as direct advisory agencies of firms framing organizational transitions to circular-sufficiency VCSs. This allows outlining starting points to (1) reveal patterns of circular renovation of incumbents, (2) identify contradictions and shortcomings of CE narrations in real-life

contexts, and (3) highlight future research directions.

Research approach

The research approach of the study is both qualitative and explorative, examining on how business consultancies narrate, frame, and draft transition processes towards circular-sufficiency value creation logics at corporate level. The data was collected through eight semi-structured, problem-centered expert interviews. The interviewed persons hold different positions (two junior consultants, one senior consultant, one department head, one chief operating officer, two chief executing officers, one managing partner) in six international operating business consultancies that offer consulting services for circular organizational change. They were detected through extensive web searches and personal expert recommendations. The selected individuals were assessed as particularly knowledgeable and experienced about the topic of interest. The duration of the interviews varied between 55 and 89 minutes, which were conducted in German between March 2019 and May 2019. All interviews were recorded and transcribed word by word.

The obtained data in the form of written communication was processed and interpreted with the use of both open and axial coding according to Straus (1978). The objective of the data analysis was the rotational deconstruction of the transcripts to firstly, open up new dimensions of meaning behind the obviously perceived surface of the text, or in other words to break up the manuscript into sub-textual interpretation categories. And secondly, based on this, to formulate a preliminary set of propositions on the object of research to approach the observed phenomenon.

There are several reasons why business consultancies were chosen as experts. They are advisory bodies that use their expertise, experiences, networks and abilities to influence corporations and therefore contribute to certain developments and arrangements of markets and industrial sectors. Consequently, they are relevant to social negotiation processes as economic authorities and should thus be able to indirectly or directly affect the thinking and actions of corporations. As they have a certain degree of interpretive sovereignty on socio-economic developments, it seems sensible to

examine their ideas and deliberations on circular business development in order to draw conclusions about contemporary and potential future VCS formations. In addition, there is still no research on circular change at the corporate level that specifically uses experiences and narrations of business consultancies as source of knowledge.

Framing organizational dynamics towards circular-sufficiency VCSs

Framing comprises the process of embedding occurrences and phenomena in interpretative schemes. This allows intricate information to be selected, structured, and complemented in a meaningful way to handle the complex reality. "To frame is to select some aspects of a perceived reality and make them more salient in communicating text, in such way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation for the item described" (Entman, 1993: 52).

Circular-sufficiency reinventions are determined as substantial, architectural, and complex organizational changes of incumbents as already existing VCSs that are embedded in their own past, in different social spheres, and in interrelated ecosystems. To be capable of acting and not to be paralyzed from the faint of complexity and uncertainty of the future, selecting and prioritizing specific constructed realities is necessary to absorb uncertainty (March & Simon, 1958). Consequently, selecting and prioritizing certain issues of corporate transition processes opens up spaces for action. Due to interpretative schemes the diffuse openness of evolution pathways can be reduced to make recommendations and decisions about future operations (Luhmann, 2002). The following subsections introduce a set of four propositions how the individuals interviewed embedding organizational dynamics towards circular-sufficiency VCSs into their interpretative schemes.

Proposition 1: Circular-sufficiency reinventions as organizational black boxes that lead to perplexity

The management of circular-sufficiency based VCS reinventions and its dynamics is ambiguous and opaque. In this context, corporate management appears in many ways to be a black box, and this despite of the

tremendous importance of navigating and evolving today's firms against the backdrop of the anthropocene. Black boxes are simplified representations of complex systems, which processing specific stimuli to possible responses, without knowing how the inner structures and spaces are designed and organized. It is a construct consisting of both entrance and exit, but its inner architecture is opaque and declared as irrelevant. Hence, a black box ensures a specific functionality, but its manner of functioning is unknown (Baecker, 1999).

The core principles to integrate circular-sufficiency VCSs into daily practices or, in the language of the black box metaphor, the input factors to stimulate implementation are known and discussed widely. Applying new technologies, especially of digital ones, involving relevant stakeholders in the VCS design process, collaborating within value creation networks; and reorganizing producer-consumer-relationships are frequently mentioned premises for the development and successful realization of circular-sufficiency VCSs both in the conducted interviews and in the scientific literature. The expected behaviour patterns of circular-sufficiency VCSs (black box output) can be aggregated in the modes of value creation and offerings to slow resource loops (e.g. Lüdeke-Freund, 2018; Hofmann 2019). These include, for example, repairing, maintaining, refurbishing of products and components, managing reverse logistic systems (modes of value creation) or providing product functions and performing services (modes of offerings). But so far there are no answers or concrete solutions on how to orchestrate the core principles of integration. What does this mean for the organizational dimension of incumbents? How do communication structures, decision-making patterns, hierarchies, power constellations, and key performance indicator matrices change in order to generate the imagined output? The lack of knowledge and the resulting uncertainty find their expression in the perplexity and paralysis of corporate decision-makers. This kind of faint may leads to inertia and stall substantial firm transitions, which seem necessary to identify and figure out potential pathways for overcoming persistent problems, such as climate change or resource scarcity. "There is a great helplessness on how to implement this (CE)

and, in particular, how to implement it in companies" (interviewer A).

Proposition II: Circular transition as a reactive concept for heteronomous VCSs

The narratives about circular corporate transitions start predominantly by emphasizing on key external competitive and social compulsions. "In my opinion, there are two or three main pressure points that lead companies to think about the topic (circular reinventions) at all" (interviewer B). Enterprises are driven and determined by price volatility on raw material markets, climate change, legislative modifications, customer needs, shareholders, price fights, digitalization, the own chief financial officer, concentration of power and monopolies, etc. In other words, they can contribute solely to socio-economic developments if stakeholders provoke them. This is in line with the stakeholder approach, which implies causality thinking based on unidirectional power of the environment that affects the architecture and logics of VCSs. Thus, firms are constructed as externally controlled administrative organizations: as passive and reactive social agents that merely adapt to the environment (Schumpeter, 1976). They are triggered, driven and chased by foreignness, and fight with their backs to the wall trying to pursue economic, social, and ecological trends with elaborated strategic plans. From this point of view, circular corporate reinvention is articulated as a reactive concept for heteronomous VCSs.

Proposition III: The need for provocateurs and troublemakers

Where does circular-sufficiency change arise at corporate level? How does dynamism emerge in seemingly stable systems? Taking into account the axiom that VCSs as social systems cannot exist without humans (human "resources" as strategic importance of corporations), it can be inferred that employees are essential origins of irritation and inspiration who scrutinize the existing VCS. The data indicate that intrinsically motivated, usually influential persons initiate circular-sufficiency reinventions, who encounter resistance with intrepidity and courage. They become role models of renewal through their attitudes and behavior. Other employees perceive them as idealized paragons of progression, as the personification and leading figure of change. They reinterpret the rules of the game, even try

to reformulate them, and critically reflect routines and thus the logic of the contemporary VCS. They irritate existing communication structures and make non-conform decisions. Thus they confront the “establishment”; act against power and hierarchy pyramids, or use them for their ideas.

Nevertheless, it must be considered that individuals are not able to directly control and deterministically influence organizational dynamics (Luhmann, 2002). Corporations as VCSs are not just representations of visionary ideas of self-confident and sovereignly performing top managers. The interfering impact of individuals depends on situational occurrences, on the interaction of a multitude of experiences, identities, expectations, and is determined by communication processes.

Proposition IV: Circular-sufficiency VCS reinventions begins in the minds of flexible and versatile employees

Circular-sufficiency transitions of VCSs are radical and highly uncertain projects of incumbents that gradually begin to emerge in the minds of creative and unconventional thinking individuals, whose ideas must stabilize in organizational communication and decision-making processes. The accumulation of new and situation-specific knowledge is needed amongst the employees that they attain through practical and experiential activities. Unidirectional (take-make-dispose) and unidimensional (merely in monetary terms) economic thinking and acting are deeply anchored in current value creation logics, so that circular-sufficiency VCSs cannot even be imagined. It is argued that CE-based VCS transitions start at the optimization of product functionalities or due to the modifications of product materials, e.g. recycled materials substitute the use of primary natural resources. These incremental variations may elicit a new efficiency revolution, but they do not automatically provoke the prevailing business rationales that cause the persistent problems we face. Even if changes of product configurations and value creation patterns like recycling waste into new forms of value are important for restructuring consumption and production systems, greater efforts are needed to design VCSs that flourish within planetary boundaries. But how can incumbents radically rethink their actual VCS and explore new appropriated approaches?

One possible option is safe and autonomous physical “playgrounds” where there are no bans of thinking. Open spaces to imagine entirely new corporate objective dimensions. Arenas of freedom decoupled from everyday settings to test, negotiate, reflect and evaluate new game rules and course of actions in order to build up transformative knowledge assets and expertise.

Discussion and Conclusion

Through qualitative and explorative research, eight business consultants were interviewed focusing on how direct advisory agencies of enterprises narrate, frame, and draft transition processes towards circular-sufficiency value creation logics at corporate level. The introduced set of propositions proposes tentative insights for understanding patterns of circular-sufficiency reinventions; identify contradictions and shortcomings of CE narrations in real-life contexts; and highlight future research directions.

VCS conceptions must go beyond efficiency and consistency strategies to address the challenges of the anthropocene. No question, “what is truly required to reduce environmental impact is less production and less consumption” (Zink & Geyer, 2017: 600). But how does this insight influence enterprises in their everyday routines, in their assumptions of economic activities? Obviously, circular-sufficiency transitions of VCSs are radical and highly uncertain projects representing a black box, not only for incumbents and business consultancies, but also for the scientific community. The resulting state of faint shows us that there is an enormous lack of theoretical and practical knowledge about such immense processes of renovation. This nebulous uncertainty is reinforced by narrations that conceptualize and articulate CE transitions as a reactive response to stakeholder strains. We should rather emphasize the ability of corporations to proactively contribute to solutions for climate change, biodiversity loss, etc. Among other aspects, this also means further conceptual development of the stakeholder approach. A key insight from the data is that circular-sufficiency VCS transitions begin with unorthodoxy thinking and behaving employees, and not with novel product designs and business models as often highlighted in scientific literature (e.g. Moreno et al., 2016; Planing, 2018; Urbinati et al., 2017).

Among other issues, future research should focus the intra-corporate experimentation process, e.g. through case studies, ethnography and longitudinal studies, to obtain knowledge about organizational learning topics and how the above-mentioned thought and action “playgrounds” of freedom must be constructed for creating compatible and fruitful outcomes.

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