

10 BIG issues on Circular Economy

author: Douwe Jan Joustra

Circular Economy is a major shift in thinking about the existing paradigms of the economy. It brings new ways of 'wheeling and dealing'. The main question is of course: what do we need to address? In this three-pager you will find insights in the 10 major issues at stake, for inspiration, for direction or for a flying start.

1 What is new?

Nothing or everything, that depends on your existing business. You do have a product, services and clients or customers, so this is your starting point. Now the obvious thing to do is 'rethink' the way you perform: are products and services directly connected? Are you responsible for it during the whole product-life? Can you change your business model towards a model that is based on delivery of performance? This is the combination of the products, the service, the promised quality and a customer that pays for the performance. The customer does not buy the lamp (or car, or washing machine or drill or...) but pays for the light, because that is what she/he really wants: light on the table! Start this with your existing product(s) and clients: they will adjust to it quite easily. In practice it is about changing the normal routines: can we use and re-use our materials/products? Can we design product-service-business-models in changing the routines or do we need something else: for something completely different? The question is: do you like revolution or evolution? Both powerful but revolutions bring casualties and evolution takes a long, long time. *So rethink your strategy!*

2 Why change the business model?

The industrial revolution brought great social and economic development. The results are Ground breaking, in a figure of speech but also literally. For the sake of continuity of businesses, weaker and stronger signals of change need to be taken in account. These signals are all around: availability of resources in the market is volatile in price and physical appearance, new production methods (think: 3D or robotization) bring new chains in business, quality is everywhere but service is often unique and even more a unique selling point, the consumers prefer 'guilt free consumption' and businesses need to be the provider of that. Just a few signals that indicate the need of change. *You do not need to be a frontrunner, just be an entrepreneur!*

3 Why is Systems thinking a key?

Circular economy is a new approach to the economic system. It ends the linear way of working and brings a way of working that is directed towards 'closing the loops'. Looking at nature, based on these principles, one can see that nature is a complex system with many interrelationships and interdependencies. So, changing the system needs to be done by using the right leverages: the ones that create new values and growth in quality. "Finding Nemo", becomes "finding leverages". The first leverage can be found in the 'growing conditions': how can we create a situation that encourages the growth that we are looking for? These conditions are the first leverage. The second leverage is in the basics of economic performances: how do we respond to changes in the market in order to stay in market? The third leverage is to be found in people: businesses are groups of people with a certain focus and quality. Finding the right people in the company is a key issue. Analyse the system, think of interrelationships and interdependencies, see how feedback loops are around and can be used. *Understand the system and you will find the leverages.*

4 Why not save the Earth?

'Save the Earth' is a general idea. Based on idealism or reality. Mostly it is the message of the idealists or at least heard as such. The reflex is mainly: *'let them (government, big companies and others) start, we'll see...'* One could say this is because the cause is so big, so common, that the individual feels incompetent to be part of the solution. Often solutions are seen but not applied because of arguments related to the 'level playing field'. Now, saving the Earth is of course a good ambition. The question is whether this will be achieved by aiming on idealism and the 'less is more' strategy? Or can we create new operating conditions in our society and economy? Idealism is a driver for relatively small groups of people and the basis for differentiation between good and wrong. When we can change the economy into an operating system that applies to natural systems, it adds quality of life and then *doing good even by small steps will become giant leaps...*

5 What makes change to be real?

Humanity has one ability that can make the difference: the ability to reflect and learn. Entrepreneurs have this ability and the capacity to create business that makes changes reality. Think of the changes that the entrepreneurs in Silicon Valley brought to the world. No one anticipated, say 20 years ago, that our mobile devices would be used for other things than a single phone call and even that was futurism for many. Nowadays we even are able to catch Pokémons. So: "Yes we can!" is part of reality. It needs a focus on the characteristics of the change. Businesses rethink their actual business models. For instance, in products that are technical devices: each producer thinks he is unique and creates the best product. There are two issues to take in account: 1) it is best in the actual timeframe and 2) the competitor(s) think the same about their products. Quality of a product does not make the market change, the provided service and performances do change the markets. Kodak did not rethink their business nor did Nokia at the right moment. Who are you? Kodak? *Or are you the entrepreneur or company that sees the changes in time and performance, who anticipates and creates the new product-services for the market?*

6 Why would a CEO listen?

At the level of systems innovations, the decisions are taken in the boardrooms. Now the question is: what are the issues to be discussed in the boardroom? Is it the development of availability of resources? Is it the technical issue(s) that needs attention of the product designers? No, the real questions are related to the 'company continuity', market-trends that influence the position of the company and other fundamental issues regarding the existence of the company. That will make the CEO listen and maybe in the boardroom they decide not to change for the moment. *Well, 'not listen' is a choice but realize yourself: the competitors will change...*

7 Where do you start?

Real innovations are disruptive. That can be on technical, process or systems scale. Most innovations are aimed at enabling more efficiency, optimizing the existing way of working. This is a dilemma: how disruptive can we be or do we want to be? Start small might be a good choice: maybe even in a safe surrounding (create a spin off or external start-up). Though starting with the existing products in a new business model seems a safer way to realize change. Stop selling, start delivering services: the lightbulb or deliver light, that is the question. That will bring new needs in the product design, will bring new connectivity to clients / the market, that will bring new continuity to the company and in the end will bring new values in the use and reuse of products. So, maybe the question is on what level are you working in the company and *how big is your circle of influence? Start there, just start!*

8 What is the role of design?

Design is basic in creating circular business. On *product* level it will be about design for disassembly or use and re-use. When the company does not sell the 'stuff' anymore, it will keep ownership and then the value of the product in second markets will be an issue or the value of parts-recovery and in the end the ability to re-use the resources. These are the new economic drivers for product design. Then there is the need or necessity of *service* design. Since services are becoming the real trade in the market a thorough design of the services is needed and will bring new perspectives on the functionalities of the company. What we see is that these design issues also bring forward the need of a re-design of the *business* model. Business model design towards circular business is interesting, inspiring and gives a new market approach.

That is smart entrepreneurship: redesign products, services and business models.

9 What will drive your clients/customers?

Clients nowadays want a good performance and not just your product. That implies that the product does what it should do, the service is excellent, the provider takes responsibility and the client pays for the result. That makes the client and the provider happy. Then you facilitate their needs, whether these are visible or hidden. For instance, the Xerox-machines. No one buys a Xerox-machine anymore, we have contracts with the provider for a number of photocopies. The contract says that the provider is responsible for the performance and the user pays for the performance (= the number of photocopies). Another example of the need of good services are the coffee-counters in the city. They all focus on good quality of coffee and the ability of their staff to communicate with the customers. What does the customer want? A good place to sit with decent coffee and good Wi-Fi connectivity. So the coffee-counter that has bad Wi-Fi will lose its customers to the neighbour, who also has good coffee. The owner of the coffee-counter thinks it is about the quality of the coffee, but in reality it is the service that makes the client make a choice.

So make the needs and hidden needs of the client your priority.

10 What makes you qualified?

This can be answered in a rather short way: always believe in the '**power of one**'. When you have an idea, pursue it! That makes you qualified. Change begins somewhere with someone and you can be that one. Find your way through the organization, be persistent and in the end you will see results! Your core capacity should be: 'ask the new question' and this is about the client's real needs (and even your colleagues are your clients). As said before, it is all about identifying the performance that the client needs: does he/she want a lamp or do they need light?

Be aware of the change that you pursue, it will take time and small steps to come forward but never forget to try to make a huge leap.

Douwe Jan Joustra

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ICE Amsterdam - Inspiration, Implementation & Innovation
D.J.Joustra | Oudezijds Achterburgwal 188-1 | 1012 DX Amsterdam | The Netherlands
M +31 (0) 6131 959 68
E djj@ice-amsterdam.nl
T @djjoustra
W www.ice-amsterdam.nl
ICE-Amsterdam is partner in the Amsterdam Resilience Collective (ARC)



Douwe Jan Joustra is entrepreneur, (international) speaker, trend analyst and strategist on Circular Economy