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Using Values Management for Shifting Companies to Circular Economy

Tomasz Stec[a]*, Peggy Zwolinski[a]

aUniv. Grenoble Alpes, CNRS, G-SCOP, Grenoble, France

* Corresponding author. Tel.: +33 7 69 88 99 46. *E-mail address:* tomasz.stec@grenoble-inp.fr

Abstract

The core of our sustainability opportunity depends on the decisions we make, and each decision is guided by core values. It is critical that we as a society shift towards a more sustainable way of living if we value our survival, and in order to do so, tools have been developed to help facilitate this transition. This paper explores whether values are considered in current Circular Economy (CE) tools, and goes on to corroborate theoretical findings with companies. Values can help address both rational and emotional fears, and a tool must also for it to be practical and useful. To do so, the paper looks at value and values, explores benefits of value management, and analyzes CE tools. Research is corroborated using discussions with companies. The resulting conclusion is that these tools do not includes values, and that it may prove beneficial to include values management when designing CE and sustainability tools. This is work was carried out as part of the EU project on Circular Economy called CIRC€UIT, for one of 15 PhD positions examining the practical sides of this sustainability strategy.

1. Introduction - Finding the Core

Stepping back to see what is going on in the world today, it becomes clear that the world is plagued with problems. Biodiversity loss, social tensions, environmental depletion, lack of appropriate nutrition, high consumption – these represent a plethora of issues that have nothing to do with each other. Or do they? Trying to solve this myriad of problems results only in a journey through every aspect of humanity – from technology, our ecosystem, our society, all the way to our own perspectives and ultimately our mind. Contextualizing all the related terms is key to understand the dynamic relationships between various concepts.

At first glance, every problem has a completely different nature, but upon closer inspection a pattern emerges. Biodiversity loss is caused by human action. Social tensions arise from human emotion. Environmental depletion is caused by high consumption which is, of course, tied to humans. A lack of appropriate nutrition is a result of our lack of knowledge and our ability to obtain the right foods. It seems that somehow, humans are at the core of every issue. But how can it be that our everyday actions are resulting in deforestation on the other side of the world without our knowledge and consent? After all, wouldn't we all like to live in paradise?

Is it a problem of solutions? Our level of understanding of ecosystems and technologies far surpasses that of what is used by society. Why are technologies and solutions not being used? Some because they are embedded – so connected central to our system that they cannot be changed without great conscious effort, but others?

The problem lies somewhere in values. It is not the fact that humans are at the center of it all that is the problem – the problem is our approach in the little and significant choices we make that tones the result of what will result from our actions. The natives in the Americas pre-Columbus had

managed to create an ecosystem so thriving, they effectively created the richness of today's Amazon.[1] Europeans used crop-cycling to regenerate the soil so it would be more productive, but Native Americans also included reforestation and Terra Peta flower beds that would allow nature to thrive. It was the desire to create an abundance in nature that was the difference, a desire to make nature thrive as opposed to regenerate and serve landowners. The approach is best captured in a quotation from Massasoit, a Wampanoag leader: "What is this you call property? It cannot be the earth, for the land is our mother, nourishing all her children, beasts, birds, fish, and all men. The woods, the streams, everything on it belongs to everybody and is for the use of all. How can one man say it belongs only to him?"[2]

Values can be taught, but social growth is a slow process. From generation to generation, social knowledge should hopefully improve. The evident problem here is that all the environmental problems have put us in a giant time constraint. Not only does society need to reanalyze its values, it needs to happen fast for us to not cross planetary boundaries. [3]

2. Purpose

Values affect each decision we make, collectively defining our entire impact on the planet. However, do current tools use values used to implement Circular Economy (CE)?

3. Methodology and Reasoning

The CIRCЄUIT project of which this work is a part, focuses on innovation. Therefore, this piece of writing is a reaction to circular economy literature found on Science Direct and Web of Science, as well as some company perspectives, with the goal to innovate. Some external searches were done to track down specific pieces, like the Circular Economy Toolkit. The terms used were circular economy business, sustainable business, circular economy tool, sustainability tool, values, value management, business value, and sustainability/circular values. The terms circular economy tools and value were researched extensively researched. Other terms were used to create a knowledge backdrop and check corroboration, for example some sustainability tools relating to value were used because there are so few CE tools (and CE is aligned with sustainability.

The authors work began by researching CE value propositions in the design phase. Because the author uses purpose driven research to find answers to specific questions, he attempted to first understand underlying factors in this area. A series of questions lead to a larger realization.

In attempting to discover the backdrop for value propositions in circular economy, it became apparent that to create a value proposition one must first delve deep into the concept of value. Value was researched in business, sustainability, spirituality, and other fields. This then reached a more philosophical approach of understanding how things with value initially gained that value in the eyes of a person. This then lead to the realization that even deeper than value, was the concept of core values. To accommodate for the fact that different individuals have different values, core values

were defined as drivers in decision-making. The role of core values in key social problems was studied to understand importance.

Next, tools were collected and compared, analyzed to simply see whether they included values as an instrument for change or not.

After crafting a hypothesis on what was missing from current CE tools, the author attended a workshop at Cambridge Institute for Sustainable Leadership to learn about sustainable value tools using three tools that the institute uses with companies. This was also an opportunity to learn about company perceptions from the companies themselves. A few companies leading sustainability in their respective fields were questioned for validation: one company in the clothing sector, one company on the furniture market, and a consulting company that works with sustainability leadership. More information than included in the text cannot be shared as a result of a non-disclosure agreement.

By overlooking the human mind as an integral part of the sustainability problem, we are overlooking the one thing that actually connects humans to the problem. At the center of every thought is our mind, and without recognizing the impact of this on a larger scale, especially systemic sustainability issues, the problem will be difficult to resolve. Without asking a question that addresses the fundamental problem, it is difficult to find a holistic solution.

4. Theory

Before dealing with specific tools working with value and values, it is important to understand the difference between the two.

Value has many definitions, but here we will use a meta-definition that works for the purposes of this paper. Value can be described as benefits in comparison to sacrifices.[4] Customer value is classified into two types: desired value (what a customer desires) and perceived value (what a customer believes he/she is getting).[5] The key takeaway here is that at the center of value is a need or perceived need, something that aligns either positively or negatively with the customer's judgement of value. If positive value is assessed, the receiver is inclined to want the product, if negative value is assessed, the customer is likely to not want the product.

Core values are what our minds use to accelerate our analysis of information, principles that are so deeply embedded in our way of thinking that they are often used without our knowledge, yet they impact all of our choices from the shadows.

It is core values, our drivers in decision-making that generate actual value. A UN keynote speaker, a spiritual thinker, and Stanford Compassion and Altruism Research Center guest speaker, Amma has dedicated her life to alleviating human suffering through building universities, schools, and homes and also providing spiritual teachings across the globe. She says, "The values of love, compassion, concern, honesty, truthfulness, humility, and forgiveness are now almost like a forgotten language. Thankfully they are just forgotten, not lost."[6] These values resonate with core cultural and religious values around the world, the values that

are arguably strived for but not necessarily used. They align with Native American outlooks on guidance, reflection, balance, and wholeness.[7] The health crisis, environmental problems, and racial tensions may all stem from the confusion of one value, that society has confused pleasure for happiness.[8] Core values are so important they play a central role in many large-scale problems.

Maslow offers a theory of what needs to happen for a person to consider higher values. In Maslow's Hierarchy of Needs, there are 5 tiers of psychological needs, and higher tiers are not reached before needs of lower tiers are met.[9] The tiers are: Physiological, Safety, Belongingness and Love, Esteem, and Self-Actualization. There are only two basic needs, Physiological and then Safety. This indicates that that to create change, one must address the needs of the one making the change.

4.1. Values Management - Company

Values Management is valuable to companies. Peter Druckers, often considered the father of modern management, argued that companies who value profit will lack organizational goals.[10] Managing values instead of value can improve organizational efficiency and even increase brand value by up to 240%.[11] Results-oriented companies have to micro-manage several aspects of the project to ensure that results are unified. By unifying values instead, everyone's results will already align because they were aligned by specific core values that influenced every decision.

The theory of the Golden Circle explains that connecting a company and a customer with a "Why" is more powerful than connecting with a "What", because the former appeals to the emotional mind while the latter appeals to the rational.[12] Right now companies are scared of going green,[13] and when it comes to emotions, it is not proof that is important but persuasion. [14]

4.2. Values Management - Customer

The values lens also presents an opportunity with regards to the customer. Some evidence suggests that using Willingness to Pay, customers are either willing to pay more for environmental products (because values align and this can become a more important factor than product price) or that the WTP for a competitive product decreases (they are less willing to pay for non-environmentally friendly products.

However, what is even more influential is a concept called Perceived Marketplace Influence (PMI). PMI says that what is actually important is the customer's perceived empowerment, his feeling of impact created by purchasing the product. Interestingly, the PMI is even more important than the actual sustainability of the product, and here is where the danger of greenwashing arises. PMI is a great concept to utilize to increase sales, but only if the product fairly represents its sustainability benefits.

4.3. Tools

Key tools found were a value mapping tool for sustainable business modelling[15], a framework on how to integrate sustainable development into companies[16], the Circular Economy Toolkit[17], as well as the Circular Economy Business Model Toolkit[18] but other relevant materials were also used [19]–[25].

Of this list, the value mapping tool, The Circular Economy Toolkit, and the Circular Economy Business Model toolkit all focus on new value opportunities. This then is the continuation of business as usual, but by luring companies to a revenue stream in the form of a new opportunity, ultimately a possible step towards environmental impact reduction. The framework for integrating sustainable development in companies assesses how organizations function, and possible methods of instilling change in different organization types (e.g. top-down, bottom-up).

A few other tools were also used to supplement these, tools that deal with sustainability and not specifically Circular Economy (although they can be applied to CE specifically). These are the Cambridge Value Mapping Tool[26], the Sustainable Value Mapping Tool[27], and the Business Transformation Tool[28]. These were made available for those at the workshop, but are not necessarily available to the public. These all looked deeply at new value opportunities from many angles, but did not

Of the tools considered, none deal with the decision-making process. The closest one is the framework for implementing sustainability in companies, by looking at how decisions are made in companies, but even this one does not consider how decisions are made on a personal level. It becomes clear that the current theoretical approach for CE tools found does not include the decision-making factor as such.

5. Preliminary Findings

The goal here was to test if theoretical research corroborates with companies. One executive from each of three different companies was asked about the importance of core values in creating a shift to sustainability.

The first, a leading sustainable clothing brand, in reaction to "How important were the core values and philosophical background you mention in making you spearhead sustainability work?" answered that: "Core values are essential. By unifying the company according to values, the whole organization works towards naturally aligned results, even describing the organization as 'Managed by absence.'"

The second company, a leading sustainable furniture company, was asked "You speak a lot of the core values, philosophical background, and ethos that drives design in your company. Do you think it is possible for a company to be sustainable with these?", and the answer was a succinct "No. The core values are what provide actual benefit and ensure that we remain focused on our own work and striving to do the best." Both companies show a complete lack of interest for competing with other companies, some even open-source solutions, because they are far more concerned with the actual

impacts of their actions than with market-place competition. The third company was a Sustainability Leadership consultancy with expensive experience in consulting executives that spoke as to the critical importance of the Golden Circle or "Why How What" of Simon Sinek, that instead of looking at value in value propositions based on profit, what needs to happen is that companies need to consider the actual purpose of actions and align actions on a higher level.

The workshop did include a section based on Sinek's Golden Circle, but it was not included in any of the tools.

6. Discussion

Despite value playing an incredibly influential role in shaping our society, it is not included in conceptual tools. The tools use the current market approach to creating change: solely using the attraction to profit as a means to shifting companies towards a more sustainable economy. Values management has an inherent benefit if considered by itself. Therefore, if combined with CE tools, it can only make the value proposition of shifting to CE stronger. Managing values can also increase the connection companies have with customers.

On a more practical level, the ethical and philosophical underpinnings of a company clearly need to center around strong core values that align the company. Two industry leaders validate this theory, claiming that a strong philosophical driver is the critical part that makes them industry leaders. Interestingly, having such core values makes them focus intently on how they can be even better, and in this mindset the whole idea of competition seems to evaporate. They are both unapologetically focused on doing their best, and transparent in what they have done wrong. They open themselves as an example so that others can learn – competition for the sake of competition completely disappeared. In fact, a sense of cooperation to challenge the cutting-edge of problems seems to arise.

The representative of the third company proves how important the "Why" from the Golden Circle is. In fact, it makes it seem like the whole value approach is backwards, that addressing the core values was far more important than discovering new value opportunities. It seemed that discussing new value was playing the same business game, but the only way to change the game was to understand that the core values actually create the new value, and that shifting to value without shifting core values is a meek simulation. Without embracing the core concepts, it will be difficult for the company to find all the new opportunities, which is needed to become a market leader.[29]

This would imply that considering the "Why" is not only important for companies to do with regards to their approach, demonstrating core values to align with customers and society, but also for the design of the tool itself. Using the "Why" can help alleviate the feeling of companies being pressured into environmental action and the fear of taking risks. It seems that all the values knowledge can be used not only for helping to persuade companies to CE, but also in persuading them (reducing fear, empowering employees).

One aspect that could be developed further would be to include an extensive analysis of sustainability tools beyond those included at the Cambridge workshop.

6.1. Possible Approach

A possible way to approach persuading a company arises from the research that was carried out, which can be broken down into the following three steps.

The first aspect is to make sure that company needs are met to enable a shift. To put Maslow's Hierarchy of Needs in a business context, Physiological Needs for companies are profit while Safety refers to a sense of economic stability. One of the fundamental problems is that sustainability frameworks try to bring companies to a third tier, that of Belongingness and Love Needs without dealing with a need for economic stability. Companies cannot fear that they are risking their business by looking into circular economy.

The second step is demonstrating how company actions relate to CE (e.g. maybe a company is using lean manufacturing which can be aligned with CE). This will help the company see how CE can align with their business.

The third step is to empower the company: instead of making it feel forced into environmental action, relate company principles to CE principles and demonstrate a clear path forward. Solidify the company shift around a strong "Why", reduce obstacles, and show how the company comfortably fits into a CE system. Demonstrate benefits of using core values both for the company itself and with customers. Perhaps link company values in mission and vision statements to CE values.

7. Conclusion

Overall, research and company responses seems to support the initial hypothesis. The analysis of tools was simple, but proved that values are not included in the papers found. Other research proved the benefits of including core values in companies. This was later tested with several companies, all of whom supported the idea, even more vigorously and enthusiastically than the author expected. It seems that including values in CE and sustainability tools could be beneficial and make them have more of an impact while also creating an additional advantage.

On a grander scale, this may indicate that perhaps the discussion of CE and sustainability, the core concepts themselves, should also consider to include the aspect of core values. Not one definition of CE includes core values, and perhaps it would prove beneficial to include it conceptually as well as to unite the field.[30] Perhaps it could also help unite sustainability with CE or define the relationship in a clearer manner.[20]

Last, by overcoming behavioral tendencies to include love, compassion, and care, we can not only omit the current problem we are causing but also future problems caused as a result of misaligned values.

8. Information about the Project

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If you are interested in collaboration or even a simple discussion, please do not hesitate to contact me. You may also be interested in other papers authored by my fellow PhD from the EU CIRC€UIT Project on Circular Economy. You can find more information at itn.circuit.eu.

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