

How to convince top management to move to a circular product or business model

27 October 2023, 12:59

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Removing Circular Economy hurdles - blog 4

Transitioning to the circular economy is anything but easy and goes against the common business of selling more and more. The circular business model requires a different way of thinking and working in R&D, production, sales, services, ... The high start-up costs have an inhibitory effect. However, all obstacles can be overcome. How? With the explicit support of the top management. But what does top management do to speed up or slow down the company's circularity journey?

Sirris and Agoria have started a series of blogs, that will provide some insights from front-running companies in the circular economy, derived from the Agoria-Sirris Learning Network CE Connect for the technological & manufacturing industry. During the Executive Exchange session in April 2023, the C-level management from the network shared its insights and lessons learned in a panel discussion with Atlas Copco, Signify, BSH, conTeyor & Barco. The panel’s insights are reflected in a blog series: 'Removing Circular Economy hurdles'.

A circular economy poses a considerable challenge to top management. Development, production and sales processes must be rethought. People need to be retrained, new business models

developed and implemented, and so on. This requires investments and creates uncertainties. For example, how will the sale of these circular solutions go? Are there enough circular raw materials? Do we have the needed expertise in our team?

These barriers and questions led to the last quote during the circularity panel discussion at the Agoria-Sirris Learning Network CE Connect for the technological & manufacturing industry. The provocative proposition: "Top management will never be convinced to move to a circular product or business model."

Convincing top management can be a challenge

The C-level panellists from Atlas Copco, Barco, BSH, conTeyor and Signify acknowledge that convincing top management can be challenging. They see the need for a small group of persistent, circular believers to pave the way. They should do it boldly and in small steps, because opting for a circular business model is radical. Incremental changes are not enough, but they are necessary to start with. In the end, the entire business has to switch from the classic sales model to a service model in which products have a longer lifespan.?

"Creating added value not linked to materials will be one of the new goals," says Gert Roeckx, Country Manager of Signify. "For this transformation to succeed, initiatives must be interesting for all parties: clients, the planet, society and the company which supplies the circular products. The management needs a long-term vision. The value of sustainability and circularity can be demonstrated through marketing and communication. Set clear targets and KPIs on sustainability goals. Train people and customers in this."

Clear and realistic goals

Guy Van Wijmeersch, Director Innovation & Design Thinking at Barco continues: "Set clear and realistic goals. Meeting legal standards is the minimum ambition. Encourage awareness and demand for circular solutions. Share success stories and get clients to ask for circular or sustainable products. Demonstrate the possibilities and start measuring. Identify quick wins and mark the level of ambition. Enable comparisons and encourage internal competition between business units."

Start with small steps. Use figures from proofs of concept, pilot projects and minimum viable products to demonstrate that the circular strategy works. Add data and indicators about the current situation and illustrate where the innovation will lead to. Propose a more mature business case.

"Good arguments are crucial to convincing the top management," knows Bert Derom, President Portable Air Division at Atlas Copco. "Determine your focus, set science-based targets and provide measurements to determine their impact. Then turn goals into results."

Frame circularity in a holistic vision

Demonstrable results in the future are essential to convince top management. Show the bigger picture and explicitly emphasize the win-win-win. What is the win for customers?

Orm Verberne, Group CEO of conTeyor points out: "Focus from the first projects on what is important for customers: in our case, the most compact packaging, the lowest total cost of ownership (TCO), the lowest ecological impact, waste reduction and damage prevention." It is

essential to see the value or benefits to the company, customer, society and other stakeholders. This holistic view and impact should resonate with top management's helicopter view.

Also, read the article on the value of TCO.

Bruno Vermoesen, Head of Brussels Office for Environmental Governmental Affairs at BSH: "You have to frame your idea in a holistic vision, with society at the centre. Consider the impact of future legislation, societal challenges, sustainability, the international geopolitical situation, and so on. Demonstrate the positive impact of the project on three dimensions: the environment, the economy and society. This is how you generate positive impact for internal and external stakeholders."

5 insights from the Agoria-Sirris Learning Network CE Connect:

1. Convince top management to move to a circular product or business model with a holistic vision.
2. Start with a small group of persistent, circular believers to pave the way.
3. Demonstrate the positive impact of the project on three dimensions: the environment, the economy and society.
4. Determine your focus, set science-based targets and provide measurements to determine their impact.
5. Share success stories and get clients to ask for circular and sustainable products.

How do you deal with this challenge, and what did you learn so far? Feel free to share your insights related to this topic.

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