

Circular Economy

Going Circular: What Enables Companies to Successfully Move from Ideas to New Circular Value Propositions?

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A step-by-step tool that allow managers to increase success by creating circular value propositions.

While many companies experiment with circularity principles, they often struggle to translate their ideas and ambitions into concrete, viable circular value propositions. By studying the emergence of four new circular value propositions, each requiring collaboration among different companies, our research provides a three-step framework that helps firms to increase their success when going circular. Through a set of diagnostic questions, the framework helps managers to create legitimacy and navigate internal and external alignment and thereby improve the odds for successfully creating circular value propositions.

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The Urgency and Opportunity for New Circular Value Propositions

The scope for improved circularity across industries is great. Material extraction and processing account for over 55% of global greenhouse gas emissions and over 90% of biodiversity loss and water stress.¹ Circularity is a promising way to address these challenges. However, as of today, only 6.9% of the global economy can be considered circular, a proportion significantly below the threshold required to mitigate climate change and sustain ecological resilience.² From a circular economy standpoint, circularity focuses on designing out waste and pollution while keeping products and materials in use for as long as possible. In cases where waste still accrues, its value should ideally be regenerated into new applications.

Against this background, governments across the world are incorporating circularity principles into policy, finance, and industry standards. Among other regulations, the EU has a circular economy act under development.³ China has embedded circularity into its national strategy through the 14th Five-Year Plan, focusing on industrial symbiosis, eco-design, and zero-waste initiatives.⁴ In the United States, where national policy for circularity is currently less of a priority, front-runner states such as California and Oregon are leading with extended producer responsibility (EPR) laws.⁵ Collectively, these policy changes are bringing circularity to the forefront of many corporate agendas worldwide.

Even without these policy changes, many companies view circularity as a pathway to resource efficiency and new business opportunities.⁶ As a result, they are developing new circular value propositions – namely, value propositions that enable companies to build business models based on value preservation, circular resource flows, and increased resource efficiency.⁷ Companies develop such value propositions for two reasons: the urgent need to reduce their environmental footprint in response to laws and regulations, and the opportunity to create new types of business and value. These two motives often go hand in hand; across industries, saving the environment is a source of competitive advantage and makes sound business sense.⁸

A new circular value proposition is created at the front-end of innovation, where information processing, creativity, and management of uncertainty⁹ intersect. Such value propositions are normally created in collaboration with partners outside the existing value chain – for example, when an incumbent manufacturing company collaborates with actors specializing in recycling.¹⁰ These challenges are further compounded because sustainability and circularity are often perceived as “wicked problems”¹¹ with unclear and ill-defined boundaries.¹²

The purpose of this Insights article is to outline a framework that helps companies improve their chances of creating new circular value propositions in collaboration with partners. The framework consists of three sequential phases and six steps, each guided by a set of diagnostic questions. Our results show that, at its core, a circular value proposition must be framed as a “strong hypothesis” for addressing a significant problem – typically one centered on improving the resource efficiency of products, components, and underlying materials, in a way that makes business sense to all collaborating partners.

The Real Challenge: Moving from Circular Intent to Implementation

While many companies articulate strong preferences for circularity – reflected in their strategies, roadmaps, and sustainability ambitions outlined on corporate websites – translating those intentions into realized action remains a formidable challenge.¹³ Indeed, intended strategies are far from always realized.¹⁴ To better understand how this intention-implementation gap can be closed when generating new circular value propositions, we conducted an empirical study aimed at tracing how circular ideas were developed into actionable circular value propositions.

We studied four cases (early-stage projects) in which collaborating companies endeavored to create new circular value propositions. Three projects were successful in the sense that they generated a circular value proposition, although each struggled with its own specific set of problems along the journey. One case was unsuccessful because it failed to generate a circular value proposition that was sufficiently viable to justify continuation of the project, even though it went through the process stages outlined below. In total, we studied

11 companies in the following industries: building materials, construction, recycling, wholesale, demolition, commercial real estates, and housing. Across the four cases, we drew on 17 interviews and 12 workshops, in addition to secondary data in the form of annual reports, sustainability reports, and strategy documents. The projects we studied were:

Project 1: Scaling national wholesale of reused construction materials. A major construction materials wholesale company wanted to develop a value proposition for reused construction materials. Market demand was present, but supply was not. By collaborating with a recycling company and two complementary asset providers, the project created a circular value proposition focused on complete quality control, logistics, and sales of construction material that would otherwise have been turned into waste.

Project 2: Zero waste on construction sites. A major construction company wanted to explore the business rationale for achieving zero waste on construction sites. It partnered with two suppliers and two construction clients to explore new circular value propositions and to assess the practical value accruing from zero waste on a construction site. The result was a new circular value proposition that delivered optimized materials to construction sites, eliminating waste and reducing costs.

Project 3: Multi-stakeholder model for reuse and circular material flows. The market for the reuse of construction materials is at an early stage. Many stakeholders highlight the lack of infrastructure to match the supply and demand of materials. A recycling company, together with a real-estate company, explored the idea of creating such infrastructure. The resulting circular value proposition offered a new way to allocate and redistribute used construction materials.

Project 4: Circular feedstock from demolition. A leading construction materials producer explored how to increase the level of circular material supply in its production. The largest volumes of this material were expected to come from either renovation or demolition projects. In collaboration with a demolition company and a recycling company, the producer explored setting up such a system. The process first generated a tentative

“closed loop” circular value proposition, based on products with recycled content. However, in the final phase of the process, the value potential was deemed too limited to justify further development, so the project was eventually discontinued.

A Three-Phased Framework for Creating New Circular Value Propositions

Our analysis of the four projects uncovered a process that provides the foundation for how circular value propositions are developed. It begins at the idea stage, where a “mobilizing mission” is formulated, and ends with testing, typically in collaboration with a single key customer. Formal development and large-scale rollout – through internal development, new ventures, joint ventures, or strategic partnerships – is beyond the scope of our research.

Each phase consists of two steps, in which a set of diagnostic questions help managers and companies in their attempts to create circular value propositions. To facilitate use and implementation, all questions are posed on a nominal scale (Yes/No). A “Yes” indicates a readiness to move on to the next step and set of questions. A “No” points to challenges, calling management to either halt proceedings in an effort to arrive at a “Yes” or conclude that terminating the process is the best choice.

Phase	Step	Diagnostic Questions
1. Energizing and Legitimizing	A. Formulating a Mobilizing Mission	<ul style="list-style-type: none"> • Does the focal firm have the will and competence to frame a problem or opportunity – appropriately scoped – that, if solved, could unlock new business value? • Is the problem or opportunity framed in the form of a “mobilizing mission”? • Is the business potential large enough to justify subsequent investment?
	B. Getting Internal Approval & Mandate	<ul style="list-style-type: none"> • Is the mobilizing mission widely understood and aligned with the focal firm’s strategic direction? • Does the mobilizing mission have enough traction and internal approval? • Has sufficient legitimacy been created to access necessary resources in the focal firm?
2. Establishing Partnership Foundation and Intent	C. Inviting Key Ecosystem Partner(s)	<ul style="list-style-type: none"> • Can the focal firm engage relevant ecosystem partners using the mobilizing mission as a rallying call? • Does the mobilizing mission resonate with ecosystem partner firms’ strategies? • Is there at least one identified potential customer who would benefit from the circular value proposition?
	D. Assuring Ecosystem Partners are on Board	<ul style="list-style-type: none"> • Do all partner companies or organizations share a common understanding of the mobilizing mission? • Is intent to participate anchored at the right level of seniority in the partner organizations? • Has sufficient legitimacy been created to access necessary resources in the partner firms?
3. Exploring Circular Value Proposition	E. Ideating, Conceptualizing & Hypothesizing	<ul style="list-style-type: none"> • Is there sufficient mutual understanding of the participating companies’ motives? • Can partners co-create an attractive circular value proposition? • Are critical uncertainties and problems articulated as “hypotheses” to be tested?
	F. Testing, Evaluating & Decision Making	<ul style="list-style-type: none"> • Are coordinated testing efforts feasible? • Can hypotheses (e.g., market need, value potential, environmental impact) be verified or falsified? • Do all parties agree on how to interpret results and whether to proceed?

Table 1: Framework for Creating Circular Value Propositions

Phase 1: Energizing and Legitimizing

To successfully initiate the initial exploration of a circular value proposition, a focal firm must first articulate a mobilizing mission that secures the commitment of key internal stakeholders. A mobilizing mission¹⁵ is a compelling and unifying strategic intent that resonates as meaningful and inspiring, aligning decision making and energizing collective action. The goal is to generate internal commitment and secure the mandate to explore a new circular value proposition. To secure internal commitment, a business potential deemed sufficiently large is needed. As one informant from Project 3 explained: *“We experience a growing demand for both buying and selling reused construction material, but there is no functioning infrastructure that can provide it.”*

By “focal firm”, we mean a significant actor with the ability to coordinate and influence other actors in the business ecosystem. The focal firm can be a large “hub firm” at the center of the business ecosystem, but it can also be a smaller and less resource-rich firm that can nevertheless command sufficient legitimacy. The key point is that development must start within a specific focal firm, and the mobilizing mission must not only be articulated but also broadly accepted in that company. Gaining this internal approval is pivotal for moving forward with exploring a circular value proposition, yet it often proves challenging in practice. As one manager in one focal firm explained prior to the launch of Project 1: *“Although my internal stakeholder finds the mobilizing mission interesting, they see it from the vantage point of what we do today, which just adds constraints to what we should do going ahead.”*

A key to phase one is the endorsement of experienced managers who possess a deep understanding of emerging business opportunities, a strong intrinsic motivation to pursue a circular value proposition, and a mandate over resources. Our analysis shows that a mobilizing mission rooted in the belief that circular business can unlock new revenue streams and enhance profitability serves as a powerful driver of internal momentum – critical for reaching out to potential partners in the subsequent phase. Figure 1 proposes six questions to help managers assess Phase 1.

Phase 2: Establishing Partnership Foundation and Intent

As firms move from internal commitment toward the external development of a new circular value proposition, the next critical step is finding and inviting relevant partners within the broader business ecosystem. Securing this engagement is essential to bridge the capability gaps of the focal firm; without buy-in from strategic partners, the exploration of a viable circular value proposition is unlikely to gain the traction necessary for success. The immediate goal is clear: ensure that potential ecosystem partners are sufficiently motivated to commit resources. For example, in Project 3, it was clear that senior managers in a large real estate company experienced a growing need for reusable materials in both new and renovated buildings – a need that only external partners could fulfill.

Across the cases we studied, the collaborative process begun by identifying and reaching out to potential key partners. These actors could reside inside or outside the firm's current value chain and were selected based on their potential to contribute essential capabilities or, in the case of customers, to benefit from the resulting new circular business. Yet, engagement hinges on more than operational logic – it requires strategic alignment. Each invited partner must have a clear rationale for participation – be it advancing their own circularity goals, achieving emission reduction targets, or addressing other pressing business priorities. Without such alignment, the foundation for collaboration is likely to remain insufficient and fragile. As one respondent noted at the start of Project 1: *“The timing for participating in exploration of circular value proposition is perfect... we have customers calling everyday now asking for reused materials with a low GHG footprint.”*

In sum, outreach efforts to partners must be preceded by a thorough assessment of potential complementarities in capabilities, overlapping business interests, and shared strategic ambitions. This preparatory work ensures that the engagement process is purposeful and targeted. In response, invited firms must be able to articulate both their motivation and their ability to contribute meaningfully – demonstrating the requisite expertise and mandate. Whereas earlier efforts focused on securing internal legitimacy, this stage centers on cultivating external approval – an equally important issue to move forward with exploring a competitive circular value proposition. This presupposes that the mobilizing mission is understood, shared, and aligned with the strategic intent of ecosystem partners. Another set of six questions helps managers to assess if Phase 2 is on track, or if additional work and effort are required.

Phase 3: Exploring Circular Value Propositions

For a mobilizing mission to evolve into a viable circular value proposition – whether aiming toward new business, new ventures, or strategic partnerships – the focal firm and its partners must engage in a process that is both structured and creative. This phase of development focuses on formulating a circular value proposition through agile iterations and guided exploration. For example, in Project 2, it was evident that the mobilizing mission of zero use of containers at construction sites was a fertile starting point for specific hypotheses on issues of desirability and feasibility, fueling a process that ultimately led to a circular value proposition.

A central challenge during this phase is breaking free from the constraints of existing core business models and logics, which often limit creative thinking. At the same time, trust among participating companies is critical: without it, open dialogue, co-creation, and commitment are difficult to achieve. The companies we studied pursued development in an agile “workshop mode” over multiple sessions – with each company selecting a small, focused team of two to four participants. Between sessions, ideas and hypotheses were questioned, refined, and renewed. This opt-in approach mitigates risk, fosters psychological safety, and encourages engagement. Clarifying assumptions about value creation for customers or end users was key. For example, in Project 3, one participating manager stated: *“The process and its workshop format enabled discussions to be open and on the right level, mitigating the risk of falling back into our own companies’ business logics.”*

Ultimately, this phase culminates in a critical evaluation of the developed circular value proposition from both a business and environmental perspective. Based on this assessment, participants determine whether to discontinue the effort or move forward by establishing a business innovation project – thus translating the mobilizing mission into formal development. Another set of six questions helps management decide whether Phase 3 can be brought to a satisfactory close (see Figure 1).

Conclusions

While many companies experiment with circularity-driven principles and ideas, they often falter when turning their ideas and ambitions into concrete, viable circular value propositions. A key reason is that circular value propositions require the involvement of not just a single firm but an ecosystem of collaborating actors. Executives faced with the task of making the necessary investment decisions may therefore hesitate, as the associated risks are difficult to grasp.

Consequently, there is a need to find new and better approaches to create circular value propositions that transcend company boundaries and enable ecosystem collaboration. This Insights article provides a framework that does just that. The framework helps companies and managers to create new circular value propositions by breaking down the process into distinct phases, steps, and diagnostic questions. It illuminates the journey from the initial formulation of a mobilizing mission in a focal firm all the way through testing and evaluating with partners. By doing so, it offers a systematic approach to the creation of new circular value propositions.

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