

CIRCULAR ECONOMY AND SUSTAINABLE BUSINESS DEVELOPMENT

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Abstract:

There are a lot of challenges that characterized modern economy such as COVID 19 pandemic, climate change, severe degradation of natural resources and a general negative impact on the global ecosystem is observed. Thus the old business models based on treatment nature as unlimited resource or that it can recover autonomously is no longer possible. So a lot of attention is according to sustainable development and different models to define better transition to circular economy. The concept of sustainable business development have to be examined more complexly and can be defined several alternative perspectives of development. In this order is important to take different decisions that must be analyzed and adapted to the dynamic environment in which companies operate. It was defined different definitions of the term sustainable development and some important features related to it was presented. Endeed terminology that characterized the sustainable development has become overwhelming important in order to avoid confusion, ambiguity and misconception. Describing sustainable business development, it is important to underline three fundamental concepts, namely: economic growth, social equity and the specific abilities of natural systems to maintain dynamic balance. These three ideas are interconnected, but for the entrepreneurial mind their integration is still at an early stage. Undoubtedly, the implementation of the principles of sustainable development involves some obvious changes with an impact not only on enterprises, but also on management and entrepreneurial strategies as general concept. Currently, the business, for various reasons, is beginning to assume some responsibilities both for society and for the environment, and is trying to implement different new principles. But at the same time, business needs help and guidance in integrating the sustainable business development process.

Key words: Circular economy, sustainable development, business, society, environment, waste.

JEL classification: Q57, O13

INTRODUCTION

Nowadays one of the main problem of sustainable development of different enterprises that are engaged in different types of activities would be mismanagement and the fact that is not taking into account the impact of their activity on society and nature as a whole. So, for enterprises, the implementation of the principles of sustainable development involves not only financial benefits, investments and costs, but also innovations oriented to create the new green, not wasted economy. At the same time, sustainable development can be seen as a strategic opportunity to attract the attention of customers who care about the environment. We can underline that environment orientation is a trend for a long term, customers are more loyal to enterprises that are promoting such values, thus it is forecasting increase in potential profits.

Currently, the concept of sustainable business development have to be examined more complexly and can be defined several alternative perspectives of development. It is important to overview the multitude of influencing factors, including 4.0 industry and all transformations induced, the economic and financial crisis, the impact of COVID-19 pandemic, the global competition and the protectionist policies of some global actors, the awareness of the importance of customers etc., need to take different decisions that must be analyzed and adapted to the dynamic environment in which companies operate. In this order of ideas we can say that today's businesses

face various challenges that are sometimes particularly difficult to solve with usual, classic business methods.

1. SUSTAINABLE DEVELOPMENT

Given the growing social and environmental problems, we are going to formulate some concepts of sustainable development. In the scientific literature can be founded a multitude of terms of sustainable development. Terminology related to the sustainable development has become overwhelming important in order to avoid confusion, ambiguity and misconception. [1].

Following we will highlight the content of the terms described in this article. According to the authors that were considered, these notions are more significant, broad and are describing the field studied.

The concept of sustainability was first set out in the definition of "sustainable development", being described as "development that meets the needs of present generations without compromising the ability of future generations to meet their own needs" [2]. Analyzing this definition we can define some important features related to sustainable development. First and foremost, the idea of increasing and improving people's quality of life by recognizing that it is paramount objective of every society, but taking into account limited resources and reduced environmental capacity and, this way, is important to promote innovative scientific and technological research that could guarantee the development of human civilization.

Second, long-term development have to be based on increasing attention to the harmonious coexistence of all living creatures on the Earth, including humans being, animals and plants, in this order to maintain good and green perspectives for future generations. So we can say that the Earth must be seen as a complex system of interactions and interdependencies, where happened exchanges of materials, energy and information, and those narrow, outdated visions that underestimate the complexity of the global economy should be changed. As a conclusion we can say that time and space are common, this means that any human activity has consequences and must be viewed and analyzed simultaneously both in space and in time strongly connected, because the present directly influences the future.

In this way, we can highlight two different opinions related to sustainable development. The first one, traditional, that would use the term "hard sustainability" and admits that natural capital can not be replaced by natural capital, because the former is a "stock" of limited natural resources, which is constantly being depleted. The second opinion would be that the term "easy sustainability" tells us about the possibility of replacement between the two capitals, provided by improvement in technological skills [3].

Thinking about sustainable business development, it is important to underline three fundamental concepts, namely: economic growth, social equity and the specific abilities of natural systems to maintain dynamic balance. These three ideas are interconnected, but for the entrepreneurial mind their integration is still at an early stage.

In reality, however, the need to harmonize the economy, society and the environment is realized and supported by different cultures, including national, organizational etc. Unfortunately, attention to environmental issues has only become important in recent decades and is not very spreaded, even if any human activity has a significant impact on the environment. In particular, any economic activity is based on a transformation of raw materials and labor into goods into an environmental context that is affected. And yet, in general, the real impact of global industrialization, advanced technologies and the information society is changing the approaches and actions that need to be taken to meet the requirements of sustainable development [4].

The concept of a "green economy" derive from the idea of an economy based on "improving human well-being and social equity, as well as the imposing reduction of environmental risks and ecological deficiencies" [5]. Over time, this concept has gained a multitude of meanings, as its broad definition may include various environmental policies, as well as various strategies for "green" business. And yet, almost all the components that refer to the interconnection between the

environment and business, their way to harmonize and to support, can be found in the notion of "green economy".

Globally, ecological tension began to rise with the period of industrial revolution. Especially since the 19th century, characterized by intensive development of industrialization, trade and finance, and the massive movement of capital and people from one continent to another. After the Second World War, Western countries registered a high economic development, highlighting only the fastest possible recovery after the war and didn't take into account the effect on the environment.

Scientific research and evidence from the second half of the twentieth century, related to environmental change and the potential impact on global warming, have demonstrated the negative effects of the traditional models of business, which were later recognized and as a result appear the concept of "Sustainable management".

In the literature we can find information on the main factors that lead to necessity of sustainable development [6]:

- 1) Industrial development that induce respectively high growth rates of pollution, resource intensive use and waste formation;
- 2) Importance and interconnection of civil society stakeholders, especially environmental NGOs, which disseminate principles of sustainable and green management through IT and other new technologies;
- 3) Appearance sometimes of unexpected new technologies, their improvements in emerging industries, such as nanotechnologies and energy regeneration sources.
- 4) Population growth, poverty and inequality worldwide, due to including globalization.

Undoubtedly, the implementation of the principles of sustainable development involves some obvious changes with an impact not only on enterprises, but also on management and entrepreneurial strategies as general concept. Currently, the business, for various reasons, is beginning to assume some responsibilities both for society and for the environment, and is trying to implement different new principles. But at the same time, business needs help and guidance in integrating and managing the dimensions of sustainable development that includes all elements: the economy, the environment and society. The issues related to sustainable development must be taken also at the business level, to be integrated on a systemic perspective, which would take into account the external factors of the enterprise and the internal factors.

2. CIRCULAR ECONOMY

It is important to underline that there is a need not only for a sustainable development of business, but for a "clean", "green" comprehensive development, without any negative impact on nature, society, business, so promoting a circular economy.

The principles of the "circular economy", such as the rational use of natural resources, the use of renewable energy sources and the exclusion of waste, were not only as a theoretical concept, an idea that have to be developed, but really was implemented in the economy and social life, and sometimes this was the only way of doing business.

Subsequently, the development of technologies and the use of crude oil, during the industrialization and mass production, significantly changed the way business was developed. At the same time, industrialization, in correlation with such phenomena as rapid urbanization and population decline in rural areas, led to a process of distancing people from "mother nature", while linear industrial development was growing and becoming priority. It was spreaded the perception that nature have unlimited resources and humanity can take from it like a winner. Nowadays, we can see that human civilization is beginning to look to the "past", to find new solutions that can solve major problems, though not at the intuitive level, but on the basis of consciousness and concrete thinking, supported by advanced technologies and modern equipments that can it helps society and business to be "less dependent on primary energy and material resources, and to have the possibility of regenerating nature" [7].

In order to reach a good understanding of the circular economy, we have to analyze the concept of industrial ecology. The industrial ecology was probably one of the first concepts that were favorable for creation of a more sustainable industrial system, namely by helping to minimize the use of resources and the development and implementation of cleaner technologies [8].

Analyzing the principles of industrial ecology, we can conclude that circularity is not fully included, because the mainly attention was focused to production and consumption processes, and their influence on the environment, while the principles of the circular economy are more comprehensive, including both the economic system and business strategies and practices and is aimed at disseminating circular thinking. At the same time, we have to point out that the basic components of industrial ecology and the circular economy are oriented towards a preventive approach, which promoted intensively are solving systemic problems, and exclude limited approach, which in fact tends to gradually reduce or just resolve symptomatically some problems [9].

Throughout history many principles of industrial ecology have in fact been similar to the principles of a circular economy, and, in such a way, have been the basis for the development of a circular economy.

Following we will try to describe a general model that would reproduce the specificity of the circular economy. So the circular economy can be described as a system in which natural resources through production processes are transformed into consumer goods, thus creating utility and wealth. However, the extraction, processing and transforming raw materials into goods and their further consumption result in waste, which could be used as raw material for recycling. However, we must recognize that continuous recycling is not possible, because there will be some waste that can not be recycled anyway, due such factors like - lack of opportunities, limited technologies or various difficulties related to processing at different stages, also it could be very high costs for the recycling process [9].

In the literature we can also find a more sophisticated model of the circular economy. This model is based on three main concepts.

The first concept would be the possibility to exclude waste as much as possible. This can be achieved by a correct design of the product from the beginning, being optimized the use of materials, structures of materials, its composition not to present a danger to the environment and being adjusted for reuse by disassembly.

The second concept would be the need to differentiate between perishable products and durable products. The composition of perishable products, such as food, natural cloth etc. consists of biological elements, which due to its specificity are not polluting, but even favorable, with subsequent return to consumption or at the least complete disaggregation. Meanwhile, durable products, to which we can attribute different appliances, gadgets and other IT equipment etc. contain technical chemicals, such as plastics, various metals, which being processed no longer meet the requirements of the environment. Such products cannot be used by humans directly but only their services, so it is important to design them in such a way that their use will be for a long term and recycling process to be naturally friendly.

And, the third concept would be related to renewable energy sources. Only renewable energy should be used for doing business, so in this way to increase the resilience of the ecosystem and reduce mankind dependence on crude oil stocks [10, 11].

That system of circular economy can help us to make the right choice, in making decision of using a new material or a material already used. Within the circular economy we can highlight some important factors, which influence both - the demand of material needs and the creation of added value [10]:

- the strength of the inner circle, which involves optimizing transformation stages and minimizing waste for the products intended for reuse;
- the advantage of long repeated circulation, which involves maximizing the number of cycles and the period of use;

- the advantage of cascade use, which involves the reuse of materials and products in the multitude of variants, from the most effective, subsequently less effective to the least effective;
- the advantage of pure initial materials, which implies the use in production only of clean, pure materials, which can later be easily reused, maintaining the qualitative properties at the same level for the following cycles.

In this way, we can say that the goal of the circular economy is to achieve higher performance, by optimizing the entire global system, and is not limited just at the level of an enterprise or an individual.

Even at the level of the European Union we notice a significant concern towards the development of a circular economy [12]: “In 2050, we will live better, according the ecological constraints on the entire globe. Human prosperity and a healthy environment will emerge from an innovative circular economy, where nothing is wasted in vain and where natural resources are managed in a sustainable way and biodiversity is protected, valued and recovered in such a way as to increase the sustainability of our society”.

We can underline that the circular economy can be used by the business on the global level as one of its strategic opportunities, which could facilitate the integration and implementation of the those three concepts of sustainability. In order to optimize the use of resources, renewable energies and zero waste and emissions, the principles of circular economy tends to reproduce the circuit of natural ecosystems in the human activities. Thus, in order to improve economic, environmental and social performance, the business must develop and implement the elements of a circular economy in its innovative strategies and practices.

CONCLUSIONS

The comprehensive multilateral analysis demonstrates that traditional economic models, characteristic of extensive industrial development, are no longer relevant to the requirements of the modern economy, especially from the perspective of the future. The principles of the linear economy, applied since the industrial revolution, have led to a steady increase in people's living standards, however, lately, the effects on the environment can not be neglected, they have a growing impact that can even be an existential danger.

It is a vital necessity to create an ecosystem in which human interventions are harmonized with nature, which would stop the degradation of the environment and in the future could ensure the sustainability of a robust development. The formation of such an ecosystem requires sustained efforts on different dimensions: institutional, regulatory, economic, innovative, educational, cultural, etc. These require high-cost projects, so only the EU to reduce emissions and ensure environmental sustainability plans through the European Investment Bank to capitalize in the next decade about 1 billion Euros, however the losses would be considerably higher if certain measures are not taken. It is necessary to create a system of incentives, including financial ones, which would make producers and consumers proactive in creating a favorable natural environment. At the enterprise level, it is important to create a regulatory framework that would be favorable for industrial greening, to provide funds for research and development in the field of circular economy, to intervene in the establishment of objectives that would include in addition to economic and others with social and ecological character, which would ensure the principle of sustainability and circularity.

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