

## Chapter 2

# Circular Green Economy: Resources and Capabilities – Theory-Based Analysis

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### ABSTRACT

*The purpose of this chapter is to analyze the green and circular economy (GCE) model from the point of view of the resources and capacities of the organization. How is the application of the circular economy model related to strategic management? At first glance, it seems that the CE is operating within an operational level with a social impact. However, it also has implications that allow us to think that it can be used as an internal resource of the company that, if applied in the right way, can become a competitive advantage. In other words, the application of the CE is related to strategic management through the point of view based on resources and capabilities. Therefore, the present investigation has a descriptive-correlational nature, which was analyzed through Peng's VRIO framework.*

### INTRODUCTION

In recent decades, the care of the planet has begun to appear on international political agendas as a matter of urgent concern, since we have begun to notice the consequences of the decisions taken by past generations to obtain economic benefits without worrying about the damage to the environment they

DOI: 10.4018/978-1-7998-5116-5.ch002

caused. As such, it has been decided that it is time to worry and take measures to survive in a planet of limited resources with a population that does not stop growing.

Beyond the individual responsibility, those who can make a noticeable change and chain reaction are the companies that, regardless of size or classification, are important actors in the global scope since they have an active role in the degradation or preservation of its environment close to social, economic and environmental level. Then, it can be considered that it is of vital importance that companies begin to have the main goal of achieving sustainability.

That is why the Circular Economy (CE) represents an essential factor that arises from the reengineering of existing products or the creation of new products that are generated (Ünal, Urbinati, & Chiaroni, 2018). According to the Ellen MacArthur Foundation, an organization dedicated to the study and dissemination of the circular economy, the beginning of the concept as such has not been registered, but is the result of an evolution of several schools of thought such as Regenerative Design, economics of performance, industrial ecology, biomimetics, blue economy and natural capitalism.

In this sense, regenerative design it is a school of thought that focuses on the theory of systems oriented to design processes. That is, the theory emphasizes the fact that existing processes are modified to improve, eliminate or adhere new sources of energy and / or materials (Morlet, et al., 2016). Therefore, the regenerative design has a base derived from the ecology of the systems that is responsible for providing a biokinetics in the ecosystems (Ballie & Woods, 2018) with the aim of achieving an ecological economy system (Gleason Espíndola, Cordova, & Casiano Flores, 2018) that is viable and closed for any industry (Liakos, et al., 2019). It also seeks to ensure that the resulting system does not generate waste, which is completely effective, to achieve this it is necessary to redesign the culture of human habitats (Heaven Grown, s.f.)

According to the European Commission, the regenerative design will impact the processes at the social level through the generation of jobs, in economic competitiveness (Ecointeligencia, 2017), in the new distribution in the use of resources and waste. The CE promotes a performance economy in companies (Kumar, Sezersan, Garza-Reyes, Gonzalez, & AL-Shboul, 2019) through four main objectives to extend the useful life of existing products, generate new products that are considered durable from their design, think of campaigns or activities for the prevention of waste and reuse of these (Bocken, De Pauw, Bakker, & Van der Grinten, 2016; Ellen MacArthur Foundation, 2019). Therefore, the green circle economy is one of the essential sustainability factors in SMEs.

## **GREEN ECONOMY, GREEN GROWTH AND SUSTAINABLE DEVELOPMENT**

The green economy concept is called the next oxymoron after sustainable development because they overlap each other (Green & McCann, 2011). Conference on Sustainable Development (Rio+20) in 2012 agreed that in the context of sustainable development, the concept of green economy should be promoted. The transition to a green economy has economic and social justifications for public and private actors to contribute offering opportunities for investments and green procurement by providing new market-based incentives and mechanisms (Shimova, 2019; Popkova, Bogoviz, & Ragulina, 2018).

It is because the green economy prioritizes well-being for the present and for future generations and the efficiency of improved technology is not necessarily sufficient. Likewise, a green economy is essential for sustainable development (Popkova, Bogoviz, & Ragulina, 2018; Shimova, 2019), improving social equity, human well-being, reducing ecological scarcity and environmental risks. Green economy

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