

## Chapter 8

# Implementation of Circular Practices in Small and Medium Enterprises in Developing Countries

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### **ABSTRACT**

*New forms of production and consumption seek greater respect for the environment and the environment in which economic agents are. This has led to circular business practices becoming more important and generating benefits in the final product. This chapter will show the relationship between this practice and SMEs, the problems faced by these companies, and the benefits that this practice can generate for the growth and competitiveness of organizations. The chapter will show in its first part the evolution of the circular economy, and then explain the relationship between it and the SMEs, highlighting the problems and obstacles faced by these companies to implement best practices in production. Finally, recommendations are given to facilitate the implementation of this practice in companies.*

### **INTRODUCTION**

There is currently a great debate about the damage that for many years' humanity has done to the environment and the availability of resources; which are used without some measure and with the belief in their perpetual availability. This debate is given by the different information that shows the effects of climate change, the melting of polar ice caps, "continents" of garbage in the oceans, food waste in decomposition, industrial development in some nations and other actions that occur throughout the world.

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This undoubtedly has led businessmen, rulers and civil society in general to rethink the production and consumption model, seeking with these new paradigms that allow changing the situation and the problems that will be noticed for the future. The first major change that is intended is focused on production, so that it is cleaner, and the different goods produced can be reused; extending the life of products and reducing the effect of these on the environment. The other major change that is sought at the level of society is related to consumption. For years, a culture of consumption was fostered in which the production chain and the inputs used did not matter, if it was in the latest trend. Currently, it is responsible for responsible consumption, where consumers are demanding not only quality products but also being fair to their workers and the environment; in addition to this, consumers have been forcing companies to carry out practices focused on recycling or reuse of products.

These new trends in production and consumption should lead to thinking about how to take advantage of the changes so that small and medium-sized companies increase the opportunities to compete in the market and even reach new markets. Clearly the decision and the possibility of implementing new and better production practices will depend to a large extent on the capabilities and resources available to the company, for this reason the ways that allow the massification of these practices in all companies must be thought of and created and not reserve these developments for large companies with greater capital.

Probably in developed countries and specifically in big companies, the idea to implement circular practices is not difficult at all, these kind of companies have financial strength and they can generate process inside the company in order to guarantee the reuse or recycling or the remanufacturing of products or inputs used in the production; also they have the capacity to negotiate with suppliers in order to buy more and better inputs, with a better cost in the productive structure; aspect that has a huge importance in managerial decisions.

The problem is for the Small and Medium Enterprises (SME's), this kind of companies can be more that the 80% of the total number of companies in countries, even in some countries this category of company reach the 95% (in developing countries). There is huge number of small companies with short or limited resources that block the possibility to implement changes in production and in the stage after the client use. This is one problem, the other can be the degree of knowledge that owners have about this topic, probably is none, and obviously the need to change the production is not going to be in the agenda. A third problem can be faced, legislation in developing countries is still now in creation phase, so there is a lot of voids and lack of regulation that reduce the probability that producers implement this practice.

For those reasons, the purpose of this chapter is to show how circular economy has been developed in small and medium enterprises; from this, determine the ease or complexity that the implementation of circular practices can occur in this category of companies; showing the barriers that SMEs have and their degree of impact on the implementation of circular practices.

In order to do the above, the following research question has been established: *¿What are the barriers that avoid an adequate implementation of circular practices in small and medium enterprises?* with a special focus on developing countries. This problem question will allow, based on the determination of these barriers in the SMEs, to see not only the difficulties that these companies face, but also to generate possible proposals or strategies that allow them to solve this situation to achieve greater success to when implementing circular practices in production.

The formulation of the previous problem question leads to different hypotheses that allow further investigation and the chapter. As a first hypothesis was developed: H1: *Circular economy implementation in Small and Medium Enterprises has been complicated, especially in developing countries.* The

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