

Research at European level on the relationship between the circular economy, corporate performance and reputation presented to the European Parliament. The results of a quantitative survey carried out by CRIET, IPSOS and LeFAC - TBS on European companies presented in a dedicated event, organized by MEP Simona Bonafè, S&D

The conference entitled "**Does circular economy affect corporate performance and reputation? The answer of the European enterprises**" was held on Wednesday, November 28, 2018 in the ASP 3H1 room at the European Parliament in Brussels. At the base of the conference are the results of the international survey conducted by CRIET - Interuniversity Research Center in Territorial Economics, in collaboration with IPSOS Italia and LeFAC - TBS Group, which saw the forwarding of a CAWI (Computer Aides Web Interview) questionnaire to owners and managers of the main companies operating in Europe, in the period March-September 2018. If the effects desired by the adoption of the principles of the circular economy seem to lead to greater efficiency of production systems, on the other hand, greater attention to the environment and to future generations can feed the reputational capital of the company, strengthening its competitiveness and its positioning. The survey aims to investigate the relationship between the adoption of the principles of circular economy, reputation and company performance. The underlying question is: **What impact does the adoption of the circular economy principles have on performance and corporate reputation?**

Here are some data that emerged from the research. In the **sample** of the 719 responding companies mainly distributed between France (19%), Germany (14%), Italy (25%), Spain (27%) and the United Kingdom (15%), 44% operate in industry and 49 % in services. Small and medium-sized enterprises (SMEs) represent 47% of the sample, while large companies account for 53%. From the point of view of **awareness**, the concept of circular economy is less clear than that of sustainability among respondents, although in all countries more than 40% of respondents state that they know the circular economy very much or completely (evaluation from 4 to 5 on a 1-5 point scale). The topics that are most associated with circularity (with evaluation of 4 and 5) are profitable practice, the radical approach to promote and use waste material, waste management and energy and resource efficiency.

There are three **clusters** identified in the behaviour of respondents towards the circular economy: the cluster of "closed" - 27% of respondents - with a focus on the circular economy that is below the average of the responding sample, the "open" cluster - 29% of the sample, with an attention in the average and the cluster of "mature" - 44% of the sample, with an attention above the average of the total respondents. Firm size affects the orientation to the circular economy. In fact, it is especially the large enterprises that adopt the circular principles: 51% of large firms belong to the "mature" cluster. However, it should be noted that while the size is a factor that influences strongly the level of circularity achieved by the firms, on the other hand

the circular economy is not foreclosed to smaller enterprises. This is demonstrated by 35% of SMEs that are in the "closed" cluster.

Among the **factors** that drive companies towards the circular economy are the owners' sensitivities to the principles of circularity, followed by the employees who push the company to move towards the circularity paradigm. Among the external drivers we find the community and customers, but with different priorities among the three clusters: for the "mature", the first driver is the demand of the market for products at affordable prices and with minimal environmental impact, followed by customer requests. For the "open", the main external lever towards circularity are customers, followed by two equally recognized drivers that are market and community. The "closed" instead give more importance to the market, to the community and to the demands of financial institutions in terms of environmental parameters (21%).

With respect to **performance**, the results of the research show that the more mature the adoption of circular principles by the company and the better is its performance. The circular economy has an impact above all on environmental performance and on the relationship with customers. For all three clusters the greatest benefits found in being circular are environmental (83% of the mature, 51% of the open and 29% of the closed), followed at a minimal distance by the relationship with the customers that collects 81% of preferences among the mature, 51% among the open and 28% among the closed. The economic performance is instead lower for all the clusters, with values that are however interesting in the cluster of the mature ones (67% of the respondents).

Being circular also affects **brand image** and **reputation**. The brand image is in fact evaluated from 4 to 5 points (on a 5-point scale, where 1 corresponds to minimum evaluation and 5 to the maximum one) for 37% of "closed", from 63% of "open" and from 87% of "mature" respondents. The reputation is assessed from 4 to 5 points for 40% of "closed", 62% of "open" and 87% of "mature". The factors that work most on corporate reputation, however, are different among the clusters: while the enterprises that are closed to the circular economy have a reputation is based above all on the offer, the more mature base their reputation on 4 four drivers: offer, financial management, vision and ethics.

Simona Bonafè - MEP-European Parliament Rapporteur of the Circular Economy Package hosted the important event: "The survey illustrated is, for the legislators like me who treat the circular economy, a very important tool that gives us the measure of how much this model is already adopted by many companies, which have understood their potential also in terms of corporate reputation. Making circular economy is, in other words, an excellent business card and this shows that the way taken is the right one: the circular economy is the only development model able to reconcile respect for the environment and business. At the same time, in my opinion, the data also tell us that there is still much to do. We must ensure that the transition from the current linear model to the circular economic model is no longer an exception, but normality. This involves change both in consumer behaviour and in industrial production. The future has only one direction, and this is circular".

"In the dynamics of the market, the theme of circular economies is becoming very important and topical. CRIET has been active on this issue for years, through research particularly focused on the implications that the circular economy has on business models and marketing opportunities. The research presented illustrates how companies are incorporating the principles of the circular economy and with what kind of results. The research also allows us to focus on the level of maturity of companies on this issue in various European contexts," says **Angelo Di Gregorio**, Director of CRIET.

The research was presented by **Laura Gavinelli**, Research Project Leader, Senior Research Consultant at CRIET and Research Assistant at the University of Milan-Bicocca: "the research presented allows us to get into details with business dynamics and at the same time to adopt a European perspective on what are the effects for enterprises of adopting of the circular principles. If the literature teaches us that circularity leads to greater efficiency of production systems, on the other hand, it seemed necessary to investigate whether a greater attention to the environment and to the future generations can feed the reputational capital of the company, strengthening its competitiveness and positioning it on the market in a more effective way".

Andrea Alemanno - Group Director Corporate Reputation of Ipsos Public Affairs - presented the part of the results on the relationship between circularity and reputation: "the attitude towards circularity is a reputational engine, which acts independently of the firm size, and contributes strongly to corporate reputation. The sustainable growth of enterprises is not linear, it is spiral. Paraphrasing Anaïs Nin - life (in this case of the firm) is a circle that widens until it reaches the circular movements of the infinite".

The round table that followed the presentation of the research saw several **experts** compare on the "doing" circular economy in Europe.

Paola Migliorini - Team Leader Eco-innovation and Circular Economy, DG Environment of the European Commission - "To move to a circular economy it is essential that this is desired by the highest levels of management both in the public and in the private sector and shared in its elaboration and implementation with all the actors in the supply chain, as well as the citizens".

Ilaria Ugenti - Service Line Leader Corporate Reputation, Ipsos - comments: "the drive towards sustainability and the implementation of circular economy models allows us to sustain and increase the reputation of a company, of a brand, building a virtuous circle in which all stakeholders are involved".

Sergio Piazzardi - Policy Officer, Private Sector & Trade of the European Commission: "In a situation of strong interest, but also of heated competition at geo-political level, supporting a transparent and responsible management of mineral resources in developing countries has become an essential factor to promote new models of sustainable growth based on the circular economy".

Angela Frigo - Secretary General, European Food Banks Federation: "The collaboration between companies and our European Network of Food Banks shows concretely how the circular economy not only has an environmental and economic impact, but contributes also to rediscovering an intrinsic social value that benefits the company and the entire community".

Marco Lucchini, Secretary General, Banco Alimentare Italia Onlus Foundation: " today it is necessary to invest in the circular economy. We need not only financial investments but above all investments in knowledge, relationships, and collaboration between the various subjects that work to make the life of European citizens more sustainable. This is why the concept of reputation is not only linked to a positive image, but even more to a concrete daily action that generates a heritage for future generations. "

The report of the research and conference materials will be published on the website: www.criet.unimib.it/en, section «CRIET Incontra» dedicated to events.

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