

Barriers and Drivers to Circular Business Models: A Framework

Internal/external dimensions	CBM-related concept	CBM sub-concepts
LEVEL 1: CATEGORIES	LEVEL 2: BARRIERS/DRIVERS	LEVEL 3: BARRIERS
Internal regulatory barriers/drivers (formal / official company policies)	CBM in the company strategy	Circularity strategic aims (alignment business and societal / environmental goals) Company vision (and mission) on natural capital conservation and circularity / CBMs Key performance indicators / assessment methods on circularity (and sustainability)
	Formal alignment on circularity / CBMs (i.e. formal information and communication in different departments and levels of the organization)	Circularity: fostering of CE brand, e.g. selection process employees, trainings, communication of strategy and results etc. Sustainability: fostering of environmentally-friendly / sustainability brand, e.g. selection process employees, trainings, communication strategy and results, R&D focus, innovation mechanisms for sustainability etc. Basic: internal formalized collaboration mechanisms for explorative innovation / experimentation
	Experience with CBM contracting	Not found
External regulatory barriers/drivers (laws & governmental policies)	Government instruments, laws and regulation on CBMs	Formal public (financing) circularity / CBM instruments
		Guidance on circular contracting and value sharing in new BMs
		Policies that support recycling but not reuse / repair
		Policies that discourage / sanction linear BMs / textiles
		Coherence of local laws and industry-wide laws (issue of incoherent governance levels)
		Taxation systems
		Tendering mainly still based on/assigned on best price
		Hygiene or safety rules, regulations and guidelines for reused or repaired products
		Regulations that prohibit exporting "waste"
Permits / allowances (experimenting with) turning waste into secondary materials		

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Internal cultural barriers/drivers (informal institutional)	Company culture	Willingness to collaborate on circularity / CBMs (e.g. among employees, departments; with partners in the value chain)
		Circularity: Circularity awareness among employees
		Sustainability: Sustainability awareness among employees
		Company transmitting attachment to existing BM, production process, product quality to employees (i.e. can lead to skepticism on new approaches)
		Alignment of propagated and perceived brand image with circular message
		Attitude towards performance of remanufactured products
		Perceived convenience of purchasing over repairing/reprocessing
		Attitudes on trial & error / making mistakes
External cultural barriers/drivers (informal institutional)	Sense of urgency for CBMs	Not found
	Perceived business value of CBMs	Perceived financial value
	Consumer awareness and interest in CBMs	Perceptions on CBM products and their attributes
		Company control in CBM (client data, lock-in brand etc.)
Consumer product use behaviours	Not found	

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Internal financial & market barriers/drivers	Available working capital for pre-financing CBMs	Labour costs through circularity / CBMs
		Returns on investment (ROI) and time horizon ROI with circularity / CBMs
		Investment costs for circularity / CBMs
		Cost of capital and liquidity with CBMs
	Operational risks from CBMs	Cannibalization of existing business from circularity/ CBMs
		Extended responsibility for products beyond sale in CBMs
		Operational risks from investing into CBM diversification (human and other resources)
		Risk of achieving cost-effective CBM
Financial lock-in from linear BMs	Not found	
Investments directed to circularity/CBMs	Not found	
External financial & market barriers/drivers	Consumer demand for CBMs	Not found
	Investments directed to circularity / CBMs (global financial system)	Signals and values (valuation systems) for circularity / CBMs
	Secondary raw materials market supporting CBMs	Not found
	Market standard for CBMs	Not found
	Financial profitability of CBMs	Cost of virgin materials (competing new products)
		Residual value EOL
		Costs of takeback, handling in CBMs
		Attaining economies of scale in reprocessing markets
Nature of the fashion industry	Not found	
CBM financial instruments by private investors (external funding)	Not found	

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Internal organisational barriers/drivers	Communication on circularity / CBMs	Style: type of communication, e.g. top down communication
		Means: Formal communication, limited verbal and interactive communication
	Decision-making that enables circularity / CBMs	Distributed style decision-making / governance, e.g. centralized decision-making
		Time-horizon orientation in decision-making, e.g. short-/long-term based decision-making
		Employee involvement in decision-making
	Information sharing on circularity/CBMs	Level of information sharing on circularity / CBMs
	Cross-departmental teamwork on (sustainability) / circularity / CBMs	Not found
	Responsibility distribution in the company on circularity / CBMs	Not found
Organizational structure	Rigid hierarchical organisational relationships	
External organisational barriers/drivers	Collaboration with the supply chain on circularity / CBMs	Not found
	Collaboration on circularity / CBMs with external organisations beyond the supply chain	Collaboration with partners (NGOs, foundations, other intermediaries) on CBMs
		Collaboration with peers on CBMs
	Responsibility distribution in the supply chain circularity / CBMs	Power structures/structure of the fashion industry supply chains
		Control over processes in the supply chain / limited capability for change due to positioning
Vulnerability of the fashion industry		