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Business models
reimagined

Unleashing the full potential of sustainability to drive transformational change

Sustainability is at the top of the strategic agenda everywhere. Trailblazing organisations are acting fast to reduce harmful impacts on people and the planet. And even those that have been slower to respond are being forced to act due to regulatory changes and stakeholder demands. Becoming more sustainable is now a given.

However, all organisations face a significant strategic choice: “Will sustainability provide us with the opportunity to rethink fundamental strategic approaches and change everything? Or will we address the issue through an isolated sustainability strategy to get on par?”

Faced with a proliferation of stakeholder requirements, there is a risk that many organisations are merely scratching the surface of sustainability as they try to keep up. But what if we used the sustainability agenda to profoundly reimagine why our organisation exists and how we operate?

We believe that, instead of a “sustainability strategy”, organisations of the future will have a “sustainable strategy”. Instead of taking incremental steps towards what is good for them, they will dare to unleash transformational change towards a brighter future that is better for all of us.

Let us explore the future together and reimagine sustainability.

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Business models reimagined

What if organisations of the future reshaped linear business models to make them fully circular while exploring new commercial opportunities – and put an end to the days of carbon tunnel vision and wasteful use of valuable resources?

Nowadays, it almost seems hard to come across businesses that have not publicly stated a clear goal of eliminating carbon emissions to reach net zero. While hard work still must be done to achieve the goal in due time and avoid greenwashing traps, the trend seems pervasive, and the tide will likely turn against the few remaining laggards. However, the strong focus on cutting emissions might have had the surprising side effect that carbon tunnel vision has emerged in some organisations.

While focus usually is a force of good, it can cover up the fact that every organisation must act on multiple agendas at the same time to become truly sustainable. Looking at the environmental agenda in particular, it is clear that a much more profound global biodiversity and resource crisis is gaining momentum. The UN shaped 17 Sustainable Development Goals, and the interlinkages between the goals are crucial.

Moving beyond carbon tunnel vision

Currently, humanity uses 75% more biological resources than the planet’s ecosystems can regenerate on a yearly basis.¹ We are using scarce and finite resources at an unsustainable rate, and the trend is clear. Global raw materials consumption is expected to more than double by 2060.² And due to overconsumption, we already experience significant shortages of raw materials across the globe and supply chain challenges.

While we extract and take too many resources on the one hand, we also dispose of and waste resources at staggering rates on the other hand. In a recent report, the European Environment Agency pessimistically concluded that it is unlikely that waste generation will significantly decrease by 2030. Each EU citizen, on average, generated 4.8 tonnes of waste in 2020, with 32% being landfilled or incinerated without energy recovery.³

¹ Geneva Environment Network

² OECD

³ European Environment Agency
Eurostat - European Union



Case in point:

Desso unlocks the commercial potential of circularity

Desso is a leading carpet brand owned by Tarkett, manufacturing high-end, innovative carpet solutions where circular principles permeate multiple aspects of the value chain and the company's value propositions.

Desso sources discarded fish nets, which, together with additional reused fractions, make up the raw material for its carpets, and then designs its carpets to be durable, modular and easy to disassemble, making it easier to reuse or recycle for customers. To close the loop, Desso has a take-back programme where it collects used carpets from its customers, which are then sorted, cleaned and separated into different material streams for recycling or refurbishing.

Desso recycles its used carpets by turning them into raw materials for new products or refurbishing them into new carpets. This process reduces the need for virgin materials and extends the lifespan of the products. Some of the fractions are further reused in the road and roofing industry.

Desso collaborates extensively with other companies to promote the circular economy and develop new business models that support the reuse and recycling of materials.

In other words, we need to radically rethink the kind of resources that are used as inputs to improve the ability to regenerate resources as well as reduce the volume of inputs while also lowering the outputs through both avoiding waste generation and improving our ability to recycle resources.

All of this is, in fact, not breaking news, and the solution has been in the making for many years. What might be new is that the reasons to act are mounting, and a tipping point is approaching. Growing awareness among customers and stakeholder groups, coupled with intensifying regulatory measures calling for both transparency and documented action, is pushing businesses from thinking and experimenting to executing and reshaping their business models.

In essence, making a shift from designing linear business models exploiting resources through a simplistic "take, make and dispose" logic to introducing circular business models aiming at reducing the need for virgin resources, keeping valuable resources in the loop and ultimately closing the loop to avoid waste generation.⁴

Unlocking the commercial potentials of circularity

Although regulatory and stakeholder pressures are forcing businesses to move on the circularity agenda from the outside, one significant upside of transitioning towards circular business models is the ability to link environmental value creation to financial value creation. While companies seeking to cut carbon emissions sometimes encounter significant costs and investments, the ability to apply circular design principles seems to be more easily linked to promising commercial potential. And after all, going more circular inherently, by definition, often means cutting emissions.

Looking across the value chain and the lifetime of solutions, four distinct levers to improve the level of circularity stand out.

Firstly, rethinking how we use input materials and resources in solutions can help mitigate inefficient and expensive design as well as limit negative environmental impact. Designing products and components for durability, modularity and flexibility will enable lifetime extension, and designing solutions based on recycled and recyclable inputs can lower cost levels across lifecycle stages.

Secondly, innovative business model design patterns can be applied to shift from a product-centric to a solution-oriented mindset where you sell the benefits rather than the functionality of your value propositions. That means offering products as a service or providing benefits delivered through advanced contracting such as paying for a specific performance. Alternatively, business models can be designed to maximise the usage of assets or resources through sharing economy principles known from rental services or car-sharing schemes. On top of that, a switch to a service-based business model enables the creation of sticky add-on services or even platform-based offerings connecting multiple players across an ecosystem. The net effect of all design patterns is higher utilisation rates of scarce resources as well as increased cost efficiency and reduction of negative impacts.

⁴ Ellen MacArthur Foundation

Thirdly, expanding the lifetime of solutions while in use will both unlock commercial potential and lower the need for extracting new resources. Building on the service-based business model, a range of complementary service offerings are worth considering, such as providing continuous performance upgrades through adding new features, advanced maintenance and repair services as well as refurbishment and even reselling services to both expand lifetime and provide a second life for used solutions. All services can be fully digitally supported while also building the ability to establish close customer relations and interactions.

Fourthly, recovering valuable resources at the end of a product's life is key to generating cyclical flows where materials keep their status as resources instead of ending up in landfills or incineration. Again, the commercial potentials arise when valuable or rare materials can be recovered and reused in either your own products in closed loops or sold in markets for recycled materials in open loops. Moreover, innovative partnerships and entirely new value chains can be shaped by launching take-back programmes that conserve resources through collection, sorting, processing and reselling fractions.

Scaling solutions beyond own operations

Evidently, the range of commercial opportunity spaces is abundant when looking into circular business potentials, and the ability to sense, select and seize the opportunities strategically is key to not losing track. However, taking a step back and looking at the bigger picture, the most profound potential might emerge when multiple companies work together within and across value chains and networks.

That would entail moving the strategic agenda from becoming a fully circular company to spearheading a much larger transformation across ecosystems and setting the standard across industries. And, by the way, almost every step of that journey would have the pleasant side effect of significantly reducing carbon emissions along the way, linking circularity nicely with our common journey towards net zero emissions.

Questions worth considering

Have you truly moved beyond carbon tunnel vision and launched an equally ambitious agenda tackling a wider range of material environmental issues?

Where do the biggest commercial opportunities and upsides emerge when switching from linear towards circular business model design principles?

What would it take to fundamentally reshape the way your industry is working by collaborating vertically and horizontally to enhance biodiversity and save valuable materials at scale?

Sustainability
REIMAGINED



