

# SUSTAINABLE BUSINESS MODEL INNOVATION IN THE CIRCULAR ECONOMY: A MULTI-CASE ANALYSIS OF EUROPEAN FIRMS

## Author:

Matteo Ricci

Department of Management

School of Economics, Management and Statistics

University of Bologna, Italy

## Abstract

The transition toward a circular economy has compelled firms to rethink traditional business models and adopt sustainable innovation strategies. This study investigates how European companies implement sustainable business model innovation (SBMI) within the circular economy framework. Using a qualitative multi-case analysis of firms across manufacturing and service sectors, the research identifies key drivers, strategies, and barriers associated with circular transformation. The findings reveal that successful firms integrate sustainability into core value creation processes rather than treating it as an auxiliary function. However, institutional constraints, cost structures, and market readiness remain significant challenges. The study contributes to interdisciplinary research by linking business innovation, environmental sustainability, and economic transformation.

**Keywords:** Circular economy, business model innovation, sustainability, European firms, interdisciplinary research, green innovation

## 1. Introduction

The increasing urgency of environmental challenges has forced businesses to reconsider traditional linear economic models based on “take–make–dispose” logic. In response, the concept of the circular economy has gained prominence, emphasizing resource efficiency, waste reduction, and sustainable value creation.

European firms are at the forefront of this transition, driven by regulatory frameworks and market pressures. However, adopting circular practices requires more than incremental changes—it demands **fundamental innovation in business models**.

This paper explores how firms operationalize sustainable business model innovation (SBMI) and addresses the following questions:

1. How do firms redesign business models for circular economy integration?
2. What are the key drivers and barriers to SBMI?
3. What distinguishes successful circular business strategies?

## 2. Literature Review

### 2.1 Circular Economy and Business Transformation

The circular economy promotes closed-loop systems where materials are reused and recycled. Geissdoerfer et al. (2017) define it as a regenerative system minimizing resource input and waste output.

Kirchherr et al. (2017) emphasize that the transition requires systemic change across production and consumption patterns.

### 2.2 Sustainable Business Model Innovation (SBMI)

SBMI refers to the integration of sustainability into a firm's value proposition, value creation, and value capture mechanisms (Bocken et al., 2014).

Foss and Saebi (2017) argue that business model innovation is a key driver of competitive advantage, particularly in sustainability-oriented markets.

### 2.3 Drivers of Circular Innovation

Key drivers include:

- Regulatory pressure
- Consumer demand for sustainability
- Technological advancements

Ranta et al. (2018) highlight the role of policy frameworks in enabling circular transitions.

### 2.4 Barriers and Challenges

Despite its potential, SBMI faces challenges such as:

- High initial investment
- Lack of consumer awareness
- Supply chain complexity

Ünal et al. (2019) note that organizational resistance and uncertainty hinder implementation.

## 3. Methodology

### 3.1 Research Design

This study adopts a **qualitative multi-case study approach**.

### 3.2 Case Selection

Three European firms (representative profiles):

- Manufacturing firm (circular production model)
- Retail company (product-service system)
- Technology firm (digital circular solutions)

### 3.3 Data Sources

- Published case studies
- Industry reports
- Peer-reviewed journal literature

### 3.4 Analytical Method

Cross-case comparison focusing on:

- Business model transformation
- Innovation strategies
- Sustainability outcomes

## 4. Case Analysis

### 4.1 Case 1: Manufacturing Firm (Circular Production)

The firm redesigned its production system to incorporate recycled materials and minimize waste. This resulted in reduced costs over time and improved environmental performance.

### 4.2 Case 2: Retail Firm (Product-Service Model)

The company shifted from ownership to service-based offerings, allowing customers to lease products. This extended product lifecycle and improved resource efficiency.

### 4.3 Case 3: Technology Firm (Digital Circular Solutions)

The firm developed digital platforms for tracking material flows and optimizing reuse, demonstrating the role of technology in enabling circularity.

## 4. Cross-Case Insights

**Table 1: Comparative Analysis of Business Model Innovation**

| Dimension           | Manufacturing | Retail   | Technology  |
|---------------------|---------------|----------|-------------|
| Innovation Type     | Process       | Service  | Digital     |
| Sustainability Gain | High          | Moderate | High        |
| Key Challenge       | Cost          | Adoption | Integration |

## 6. Discussion

The findings suggest that successful SBMI requires:

- Integration of sustainability into core strategy
- Strong leadership and organizational commitment
- Alignment with regulatory and market conditions

Unlike traditional innovation, SBMI is inherently interdisciplinary, combining economic, environmental, and technological dimensions.

## 7. Conclusion

Sustainable business model innovation is essential for achieving circular economy goals. While European firms demonstrate significant progress, challenges remain in scaling and standardizing these practices.

Future research should explore quantitative performance metrics and cross-sector comparisons.

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