

# Circular Economy and Relationship-Based View\*

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## Abstract

*In this paper, we provide early insights about a rethinking of the dominant logic of circular economy (CE) systems, which are described by the literature as still too strongly focused on the circularity of physical resources primarily for economic and environmental benefits.*

*We could observe that the traditional narrative of the CE is being challenged by new strategies that include the relationships among stakeholders and the reallocation of stakeholder roles. This is even more evident in the current health crisis, COVID-19.*

*Circular economy can have higher integrated impacts beyond the mere economic and environmental spheres if it is conceptualized as an open and dynamic loop of relationships, where stakeholders' power, roles and responsibilities overlap and converge into an emergent joint-value creation process.*

**Keywords:** Circular Economy, Stakeholder Theory; Relationship-Based View; Stakeholder Relationships; Joint Value Creation; Local Markets; Global Markets.

## 1. Why We Need to Rethink Circularity: The Antecedents

In the transition from the dominant logic of the linear economy to the circular economy (CE), it seems to have become almost compulsory for businesses to save the environment from their operations by preserving the integrity of natural resources and ecosystems through transformation (Jabbour et al., 2017; Park and Chertow, 2014). The circular economy, in this sense, aims at turning “*goods that are at the end of their service life into resources for others*” (Stahel, 2016; p. 435) by following the regenerative paradigm of reusing and recycling to avoid waste (Gupta et al., 2018).

Such an approach imposes a change of mentality regarding the way physical resources are taken, transformed, used and disposed. Theoretical contributions from various disciplines have provided multiple perspectives on the benefits of the circular economy, which are mainly related to the concept of value re-capture (Lieder and Rashid, 2016). The holistic approach (Ghisellini et al., 2016) creates new and

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innovative potential patterns for rethinking and reshaping business mindsets for more effective value creation and attaining sustainable development, with a strong focus on the environment (Despeisse et al., 2016). The CE has partially gained momentum because in addition to calling for the creation and reconfiguration of business models with a new purpose, it has the potential to establish a continuous process of sustainable growth that can avoid the typical trade-offs sometimes associated with traditional sustainability or corporate social responsibility approaches (Murray et al., 2017). In this context, the term trade-offs refers to a situation of residual value creation, where firms still consider profit to be the main driver of their activities and strive for social or environmental value creation once profit is maximized. In opposition to this view, some scholars support an integrated paradigm of simultaneous economic, social and environmental value creation, within which profit is not the purpose but just an outcome of a purposeful business (Elkington, 2018; Freeman & Dmytriiev, 2017; Freeman et al., 2010; Mosca and Civera, 2017).

But what does it mean to be a purposeful business?

The essence of a circular process, in this sense, might conjure what Freeman (2017) defines as a new story of business, where a new purpose that integrates social, economic and environmental goals is embedded in the core business of a company, and becomes key to a new narrative that sees profit as an outcome of novel ways of doing business. The CE can support the migration from residual to more integrated forms of company responsibility, where both firms' and industries' business mindsets are re-shaped and synchronized with their community and stakeholders' needs and claims (Freeman et al., 2010).

However, the latest research on the CE (Hoffman, 2019) points out that a clear separation between linear and circular processes aiming to solve grand environmental challenges is possible mainly theoretically. Scholars and researchers agree that the knowledge base on the CE is fragmented and still in its infancy (Bocken et al., 2017) and that, very frequently, the CE is just a more appropriate re-branding for waste management (Ghisellini et al., 2016). Furthermore, some common functioning mechanisms of the circular economy need further rethinking and its practical applications, which have not reached their expected integrated outcomes, are still a challenge for firms (Despeisse et al., 2016).

Many factors and reasons, some of which became more obvious during the global pandemic COVID-19, strengthen the need for a deeper analysis of the CE in order to increase its effectiveness on the involved targets and understand how circular thinking can create an integrated value to establish new paths for growth (Ghisellini et al., 2016).

First, while the CE has been thought to embody the logic of closed product loops as beneficial for waste management practices and environmental impacts, scholars are arguing whether a purely environmental and economic focus might diminish the potential of the CE in terms of social value creation (Niero and Olsen, 2016). The lack of integration of social aspects into the CE conceptualization might be considered one of the main shortcomings of traditional interpretations of the CE, which are mainly addressed to the reconfiguration of materials, products and their life cycles (Bocken et al., 2017; Gupta et al., 2018; Murray et al., 2017).

Second, since the CE calls for a reconfiguration of physical resources through the development of new business models and the implementation of specific technologies, it is clear that in order to do so, firms need to establish long-lasting and

valuable relationships within a network of enabling actors along the supply chain and, in some cases, external to their own supply chain (Evans et al., 2009). Such a need imposes a disruptive view of the circumstances under which resource reconfiguration is achieved. Stakeholder relationships might create, accordingly, the conditions for new paths for integrated value creation in CE systems (Jabbour et al., 2017). The way stakeholders relate to one another and to the products can provide novel opportunities to open the CE loop and incorporate social objectives beyond mere environmental and economic goals within closed product systems.

Third, within CE systems that strive for new ways of doing business according to sustainable goals, sometimes the stakeholders involved resist or refuse to adapt to these changes because they lack relevant information about the complex system in which they operate and act independently (Gupta et al., 2018). Therefore, scholars suggest that by improving the coordination and cooperation of all stakeholders participating in CE-based systems, we have a chance to enhance the impacts of stakeholders' actions on the environment and society (Shrivastava and Guimarães-Costa, 2017), and improve the capacity to co-design new business models (The Ellen MacArthur Foundation, 2017).

Fourth, although CE systems work at both a local and global level (Schröder et al., 2019), crises such as the current global pandemic are exposing global relationships to limitations and higher risks (Brondoni, 2014). This highlights the need to build new ways of interacting and a stronger local resilience to facilitate the CE at a local level, where new relationships and supply configurations have more chances to happen and guarantee the local sustainability of the business and the community (Sarkis et al., 2020). COVID-19 has strengthened the localization of physical resources, knowledge and capabilities, shedding light on the potential of local relationships and establishing the basis for rethinking the traditional local/global paradigm in light of new interdependencies. The above mentioned phenomenon is particularly evident for local relationship developed within the medium and small business and its community.

Eventually, based on our previous comments above and because the circular economy can have higher integrated impacts as the product of continuous interactions among stakeholders, it seems that the closed circularity of transactions applied to physical resources and products needs to be replaced by an open logic of circularity of relationships within CE systems that regenerate not only products, but also relationships and new businesses. As stated by the Ellen MacArthur Foundation (2020):

□ *«Today, CEOs of some of the world's biggest companies, policymakers, philanthropists, academics, and other influential individuals have reaffirmed their commitment to building a circular economy. Together we can build an economy that is distributed, diverse, and inclusive.» (Ellen MacArthur Foundation, 2020)*

Building a distributed, diverse and inclusive economy through a CE is not possible only by redesigning and reusing products and material; a more complex thinking is required. Therefore, we need to identify new drivers and circumstances under which business mindsets and business models with a new purpose are created.

We propose that, particularly in light of the changes imposed by COVID-19, it appears almost compulsory to strengthen the relationship-based view of the circular economy because it is the circularity of relationships rather than just pure transactions that represent the circumstance for establishing new alliances and collaborations aiming at creating higher integrated value. Since circular thinking is more dynamic than any linear approach, we need to rethink not only the most common targets or strategies of a CE that apply to physical resources (Morseletto, 2020), but focus attention on how stakeholders inside and outside the CE system relate to one another and what their responsibilities and their purposes are, depending on the issue that a society, an industry, businesses and stakeholders need to address (Murray et al., 2017).

To employ a relationship-based view of the CE means looking at its functioning mechanisms and outcomes through a stakeholder theory (ST) perspective (Freeman, 1984), which evaluates business activities, processes and choices in light of business-stakeholder and intra-stakeholder relationships more thoroughly than any other managerial theory (Freeman et al., 2010).

This is not the first study applying stakeholder thinking to the CE, and previous research has supported the need to employ a stakeholder perspective to the CE in order to compensate for the lack of integration of social aspects of value creation within CE systems (Carter and Rogers, 2008; Geissdoerfer et al., 2017; Gupta et al., 2017; Murray et al., 2017). However, the novelty of our paper resides in adopting a ST perspective of the CE and combining it with the challenges arising from the ongoing pandemic crisis. Our observation of a peculiar process of the CE in the food industry in Italy during COVID-19 provided valuable insights into the relationship-based view of the CE and allowed us to witness that certain aspects of stakeholder theory, which have to date just been theoretically applied to the CE, found a practical implementation locally, which can be illustrative of some early managerial and theoretical lessons to global CE systems in the future.

The remainder of this paper unfolds as follows: Section 2 discusses the existing stakeholder approaches applied to the circular economy and outlines the main literature gaps in this regard. Section 3 describes the need for employing a relationship-based view of CE systems. Section 4 provides evidence of how stakeholders related to one another and reallocated their typical roles during the health crisis to allow the functioning and sustainability of a local supply chain in Italy. Section 5 identifies an emerging paradigm for CE systems to work more effectively, based on open and dynamic loops of relationships.

## **2. A Stakeholder Perspective of the Circular Economy**

Why can stakeholder theory be an effective lens for examining a system of circular economy?

First, business is about creating and exchanging value for and among stakeholders (Freeman, 2017; Schaltegger et al., 2019). When businesses and stakeholders are interconnected in an interdependent system of value creation and re-capture as that of a CE, such a process becomes broader and complex, and we need a managerial theory capable of explaining *how* value is created rather than just evaluating business achievements and financial performances in a linear way (Freeman, 2017).

Second, from a circular economy perspective, business systems are linked to other business systems through a continuous interaction mechanism in which stakeholders actively participate. This is distinct from a linear value chain, where the expected outcome is mainly financial. A circular value network includes businesses with new purposes and new DNAs and strives for greater integrated value creation (Freeman et al., 2020). In such a value network, in which CE systems can be placed:

□ « [...] *Each stakeholder must be a means and an end. Each contributes to collective flourishing and each must also benefit for the system to continue flourishing.*» (Freeman et al., 2020)

In this sense, a system view requires a stakeholder view (Freeman et al., 2020).

Stakeholder theorists have been debating the reconsideration of both businesses and stakeholders' roles and responsibilities within the value creation process and in specific industries (Civera and Freeman, 2019; Bridoux & Stoelhorst, 2016; Soundararajan et al., 2016; McVea & Freeman, 2005). Previous studies in ST demonstrate that adopting pure market pricing and financial logic, where profit is the dominant paradigm, overlooks the potential of value creation and does not lead to higher social outcomes (Venkatamaran, 1997). Accordingly, adopting such a restrictive logic does not facilitate an understanding of the potential of each stakeholder and business in the value creation process. Stakeholder theory, in this sense, is evolving toward the reconsideration of the firm-centric view – where the firm is considered to be the only powerful actor in the system with a higher responsibility than all other stakeholders – in favor of a system of shared responsibilities and power alignment among all stakeholders involved in solving a social, environmental or financial issue (Bridoux & Stoelhorst, 2016; Salvioni and Astori, 2013). This is why stakeholder theorists argue that a cooperative strategic posture and jointly held interests among multiple groups of stakeholders and businesses is critical (Boiral & Heras-Saizarbitoria, 2017; Strand & Freeman, 2015) in order to co-create a value that will permit the resilience of the system and, in the case of circular economy systems, a more effective and participative regeneration of integrated value.

In 2020, Civera and Freeman attempted to revisit the stakeholder map and logic of cooperation and alliances for greater value creation.

Their interpretation of stakeholder relationships – elaborated from enlightening studies of ST – is centered on stakeholder empowerment and engagement (Andriof et al., 2002; Civera et al., 2019; Dawkins, 2014; 2015; Greenwood, 2007; Greenwood and Van Buren III, 2010) as two of the main prerequisites for stakeholders to actively and jointly participate in the value creation process. An emergent process of joint value creation is placed at the center of the relationship map, which depends on the issue that societies and economies are asked to solve or to deal with locally, globally or in certain industries. Firms co-participate with the multiple stakeholders involved in each specific issue, and such a purposeful cooperation leads to integrated value creation. The map reflects a circularity of relationships rather than a firm-centric perspective based on transactions, and such a *relational circularity*, we argue, can be applied to and benefit circular economy systems in a dynamic and open manner.

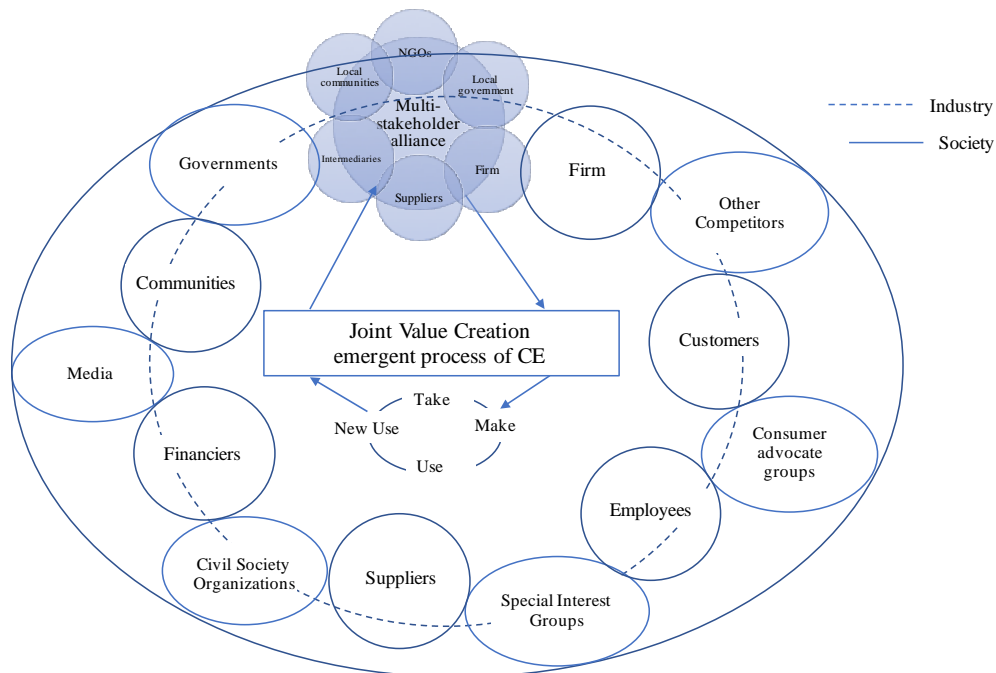
If stakeholders are driven by common values, interests and the intent to solve an urgent issue, such as it was that of COVID-19, we will witness a situation in which



everyone feels responsible for sustaining their society, the products they use, and the businesses or the industries they are engaged in, as well as a reconfiguration of stakeholders' roles. Furthermore, this could give rise to a situation in which stakeholders might even lose their conventional roles. McVea and Freeman (2005) propose, to this end, that a "names-and-faces" approach to stakeholders, according to which stakeholders are not defined by their abstract roles, but rather by their personal interests and individualities of moral worth, we will be better able to create ethical and human value as a result of novel and common action involving multiple stakeholders.

In Figure 1, we have slightly adapted the stakeholder map proposed by Civera and Freeman in 2020 to outline a similar relationship-based circular thinking between the CE and ST. The map shows that a joint value creation process is, simultaneously, the main driver and outcome of stakeholder relationships and partnerships (or alliances). In this case, the joint value creation emergent process at the center of the map coincides with the circular economy system (take-make-use-new use), where stakeholders cooperate not only to create value but to circulate the generated value and establish new business models with new integrated purposes, coherent with circular economy thinking. As shown by the map, firms co-participate with stakeholders in this dynamic and virtuous process, where relationships are self-regulated and interests are harmonized around a specific issue.

**Figure 1:** *Relationship-Based Circular Thinking Map*



Source: adapted from Civera & Freeman (2020).

### 3. Relationship-Based View of the Circular Economy: “Relate” and “Reallocate”

Adopting a stakeholder and relationship-based view of the circular economy, with added consideration of the contemporary health crisis, allows us to embrace a new perspective of circularity, which includes both tangible resources (according to the typical conceptualization of the CE) and intangible resources, with a focus on people and the way they relate to one another to create and *re-capture* value.

Traditionally, the circular economy system includes different steps that follow the principles of regeneration of materials and products in a closed circular loop (Mentink, 2014).

Potting et al. (2017) classified the strategies of the circular economy into a framework grouping together three main groups of targets. First, the strategies of refusing, rethinking, and reducing fall under the smarter use of products, meaning that the manufacturing system needs to rethink product use and the more efficient use of resources (Morsetto, 2020). Second, in order to meet the target of extending the lifespan of the product (and its component parts), the authors suggest that a circular economy system should be framed around reusing, repairing, refurbishing, remanufacturing, and repurposing the product and its parts to make new uses of them and/or create new products. Eventually, the recycling and recovering strategies aim to provide useful and new applications of materials or, for instance, turn them into usable energy (Morsetto, 2020).

As discussed by Jabbour et al. (2017), the circularity of a system of activities depends on a few “pillars”, which they describe through the acronym ReSOLVE. These pillars refer to the use of regenerated materials, the sharing of products, the optimization of the production system, the actualization of strategy for end-of-life products, and new trends linked to disruptive technologies (The Ellen MacArthur Foundation, 2017).

According to the models briefly described above, the principle of circularity appears closed for the use of products and materials and creates a circular value that mainly impacts the environment in terms of waste reduction and the transformation of products into usable energy or other products in an efficient manner (Gupta et al., 2018).

However, we need to consider that one of the main goals of a circular economy system is to create new business models with a new purpose, and effective and collaborative stakeholder relationships are the catalysts and the conditions for new business models to be created. Therefore, we can argue that a circular economy system can push its internal boundaries and open stakeholders and businesses to collectively partnering with the actors belonging to external business systems and, in this way, form a more effective network for operating in overlapping open circular loops.

Such circular business models are more networked and require simultaneous coordination among all partner systems and networks to ensure a mutually beneficial situation for every stakeholder (Antikainen et al., 2013). The sharing of information is also becoming central for a vaster and more effective application of the CE principles (Genovese et al., 2017). In asking ourselves why the CE seems to have failed to adequately represent an effective solution for integrated value creation (Gupta et al., 2018, Murray et al., 2017), we need to formulate a response, not by looking at the circular models, but by investigating *how* these models are applied by

people, especially when stakeholders and businesses are deemed and feel responsible for dealing with specific issues, such as that of COVID-19, in their societies or industries. These connections are more evident in local communities than in global corporations that maintain directly their own relationships with stakeholders.

Stakeholders' interests are quite often seen and perceived as being in conflict (Harrison and Wicks, 2013). However, stakeholder theory supports “the underlying overlap of stakeholder interests in generating value [...]” (Harrison and Wicks, 2013; p.102) and also an overlap of roles (or no-roles) and responsibilities when urgent issues of moral worth need to be addressed (McVea and Freeman, 2005).

The current health crisis seems to have provided concrete evidence of the application of shared norms that represent collective, and not just self, interests. Furthermore, it seems to have pushed stakeholders to *relate* in a different way, (underscoring the shift from a linear to an adaptive behavior) and *reallocate* their roles and identities in the interest of something bigger than their own claims or the business's financial performance. This has provided concrete proof that engaging the entire industry or/and the society makes stakeholders keener to cooperate for greater value creation (Civera and Freeman, 2019).

In light of such considerations, we will present a circular economy business case during COVID-19 that illustrates the *relate* and *reallocate* strategies in meeting a new transversal target of the circular economy beyond the pure environmental logic: the creation of integrated value (social, economic and environmental) that is particularly evident for small and local business.

#### **4. Facts About “Relate and Reallocate” in the Circular Economy**

The first part of 2020 has been dominated by the coronavirus Sars-CoV-2 (COVID-19) pandemic. The repercussions of such a huge healthy emergency have impacted economies and societies everywhere in the world, modifying people's everyday lives as well as markets and business relationships (Cinelli et al., 2020). Global lockdown and protective measures, including the interruption of transport and the closure of retail shops, with the exception of supermarket chains and pharmacies, have caused severe threats to local businesses, especially the smaller ones that were relying on local suppliers and customers. Within this panorama, the food industry has been put under severe and urgent pressures. On one hand, panic-buying at the very beginning of the pandemic led to shortages of primary food products, such as milk, pasta, and rice (Nicola et al., 2020). On the other hand, the demand for certain food products fell short of the production and/or delivery capacity of local businesses, sometimes causing an overproduction that the supply chain could not absorb.

In Italy, many local food businesses found alternative pathways, with the assistance of new technologies, to deal with these threats and continue their operations in the “new normal”. Digital platforms have been created to support, for instance, the delivery of food and beverage items from small local food retailers and also help producers. In some cases, when local businesses and their regular partners could not efficiently respond to the new market logic, we witnessed novel proactive interventions by local stakeholders that established new relationships with businesses, the industry, and all other stakeholders, contributing in a manner that re-captured value that would have otherwise been lost. The Robiola di Roccaverano



case is evidence of such a situation and of a novel relationship-based mechanism of the circular economy. We have collected evidence of the case mainly from secondary sources as well as an interview conducted with the Robiola Consortium's chief institutional communication officer.

Robiola di Roccaverano is a brand of soft cheese made from pure, raw whole goat milk or mixed with no more than 50% raw whole cow and/or sheep's milk, handcrafted by small family farmers in the northern region of Piedmont (Italy). Some factors have contributed to establishing Robiola di Roccaverano cheese as a specialty and a heritage protected item whose origin is also certified by the Robiola di Roccaverano Association. First of all, environmental factors, specifically the climatic conditions of the territory where Robiola is produced, are affected by the sea wind and constant seasonal changes, which contribute to the multiple aromas of the milk. Second, the use of GMOs (genetically modified organisms) is avoided and the flocks are fed with a mix consisting of at least 80% of ingredients sourced from the local area where the cheese is produced.

The origin of the Robiola di Roccaverano cheese dates to the arrival of the Celts in Liguria and continues through Roman times, making it the symbol of a local, historical, traditional, and recognized high-quality product that is intrinsically linked with the territory and its evolution.

The manufacturing of the Robiola di Roccaverano involves several small local firms in Piedmont, strongly linked to one another and their environment and local society. This is an aspect that contributed, together with the peculiar characteristics of the cheese, to the assignation of the label "Protected Designation of Origin" in 1996.

During the COVID-19 health emergency, the shrinkage in the distribution process and the closure of many small retailers selling the Robiola caused 85% of the cheese to remain unsold, with hugely negative expected repercussions for the losses and the waste that the firm would have generated. In response, some of the overproduced cheese was donated by the Robiola Consortium to the Monsignor Galliano Hospital in Acqui Terme and other local health care institutes, confirming the engagement of the firm to its territory of origin, and establishing a network of actions of solidarity in the form of in-kind donations that could represent a benchmark for other small and larger food producers.

However, the turning point for this situation, where an overproduction of Robiola (that would have certainly been donated but would have, at the same time, caused severe economic consequences for the producers), came with the unexpected proactive action by groups of consumers and other local stakeholders, who were also admirers of the long tradition and local involvement of the cheese producers. These groups activated a spontaneous *word of mouth* campaign through social media with the aim of raising awareness of the Robiola di Roccaverano overproduction crisis and saving the unsold items by establishing purchasing groups all over Piedmont.

The Robiola Consortium was overwhelmed by phone calls from people who wished to show support by purchasing the Robiola, and the producers were forced to organize quick deliveries around Piedmont to meet the demand. The requests ranged from a few pieces to large quantities by larger groups of customers and were coming from various stakeholder groups, including, as stated by the Consortium itself:

□ « [...] shopkeepers of other sectors who collected the requests of friends and relatives by drawing up long lists of buyers, simple enthusiasts, administrators of condominiums, restaurateurs with closed restaurants, municipal administrations and mayors as well as the Masters of Onaf [National Association of cheese tasters].»

Thanks to the proactive involvement of stakeholders at multiple levels, a collaboration was also launched with the Consortium of Barbera d'Asti and Monferrato wines. The Facebook page for the Robiola Consortium started featuring "Hunt for Robiola". This initiative allowed stakeholders to report which shops sold the cheese and offered a map of buying locations as well as useful information to those who could not be accessed by the cheesemakers for deliveries because they were too far from the production areas, or perhaps were only interested in buying small quantities to try the product for the first time.

The Robiola Consortium website offers evidence of the success of this spontaneous multi-stakeholder initiative:

□ «This has been an unexpected success. I decided, together with the Consortium President, to write a press release about our difficult situation. Our aim was to raise awareness in the community about us, the disaster we were facing, and the possibility of wasting a huge amount of product. Once done, I began receiving requests about how to buy our cheese and where to find it: in few days, we could fix our problems thanks to the goodwill of consumers, small retailers, local communities [...] We really have to thank small groceries, rather than large scale distribution players.» (Fabrizio Salce, Chief of Robiola Consortium Institutional Communication)

The Robiola Consortium acknowledged the key role that local stakeholders played in supporting the circularity of their unsold production to avoid waste and recognized the importance of embedding values of localisms and local community engagement in times of crisis. The local stakeholder initiative also served to raise awareness about the brand:

□ «After the crisis, many restaurant owners have highlighted the presence of the Robiola di Roccaverano among their recipes. They have done it with much more pride than ever!» (Fabrizio Salce, Chief of Robiola Consortium Institutional Communication)

The fact that the multi-stakeholder initiative was developed by small groups of local stakeholders that functioned as catalysts for institutions to also protect and support the Robiola and its supply chain, is evidence that the emergent joint-value creation process is activated in a logic of circularity of local relationships first and then functions in a logic of circularity of resources and products.

Especially in times of crisis, we acknowledge that circularity is something more than what we have always thought. A circular movement of resources, before even considering waste management and any environmentally focused strategy, needs to

be referred to in a relationship-driven dynamic mindset, since it is only when local stakeholders act together toward the accomplishment of goals that are common and shared that all the other circular economy drivers find their reasons to exist. It is not only a matter of tangible resources and how they are put in a system, but it is also about the ways in which stakeholders relate to one another beyond self-interest in order to tackle common issues in a joint value creation process. Furthermore, this case shows that the real circular movement occurs when stakeholders, in light of urgent common claims, abandon their typical roles in the business and supply chain network and reallocate themselves in other ways: producers enhance the social dimension of their activity to sustain their own and other businesses and their community; consumers and small retailers become catalytic intermediaries and partners of new projects and initiatives to contribute to the resilience of the supply chain; institutions take part to the established initiatives by becoming activists in communication and promotion.

□ *«We have risked disappearing forever, but [...] We could experience and benefit from the power of our local relationships. We want to keep representing a territorial protection element for our natural resources and local families who base their livelihood on our production.» (Consortium Press Release, 2020)*

The Consortium positioning around the safeguarding of local resources and the enhancement of local relationships is also evident from a newly introduced 2020 project that the Robiola di Roccaverano producers participated in: the “Rob In” project. “Rob-In” comes from the original words “ROBiola” and dINtorni” [“surroundings”] and includes all initiatives to promote the cheese and the producers of the local territory. Led by the Consortium for the Protection of Robiola di Roccaverano DOP, the project groups together cheese producers, restaurant owners and wine producers in a cooperative agreement to deliver tourism-based experiences strictly linked to local food specialties. This renovated form of product and people re-allocation became clearer during and after the COVID-19 pandemic and allowed us to observe some of the traditional circular economy targets and mechanisms from a relational-base perspective, contributing to the enrichment of the typical CE paradigm through stakeholder theory.

## **5. Emerging Issues for the CE Paradigm: “Relate” and “Reallocation”**

Global crises typically introduce key lessons and open further potential for disruption both in management disciplines and in real-life reactions (Reeves et al., 2020). In our case, the changing narrative of the circular economy paradigm became evident by adopting a relational perspective that stakeholder theory has supported for decades (Bridoux and Stoelhorst, 2016). The COVID-19 pandemic has put clear limits on physical relationships and physical circulation of resources, and yet paradoxically, has created the relational circumstances for joint value creation processes with unprecedented outcomes.

First, the crisis allowed us to look at stakeholders for whom they are: individuals with sometimes diverging and other times common claims, who operate and act in

an ecosystem made by other individuals who are exposed to the same societal and environmental challenges, risks, and limitations. We are no longer allowed to see stakeholders in any business ecosystem with a fixed role (McVea and Freeman, 2005); instead, the crisis has led us to consider that whenever stakeholders are asked for “more” or feel that there are common urgent issues to be tackled, they start acting beyond self-interest as human beings related to other human beings and become capable of establishing relationships of value, even when they do not have any institutional power to act or react for change. The relationship-based view of the circular economy has always been thought of as necessary and yet overlooked in practice (Gupta et al., 2018; Murray et al., 2017) because of an underlying assumption that products and value circulate and can be recovered and recreated solely by an economic system. However, people and how they relate to one another became explicit key conditions (Jabbour et al., 2017) for disruptive value creation in CE systems during COVID-19. That is why we argue that the “relate” strategy has emerged as fundamental in any CE system; this is the nature of relationships that can reconfigure how a system works and can also activate the circular process of a firm’s products in order to sustain the business, the supply chain, and the local society’s resilience.

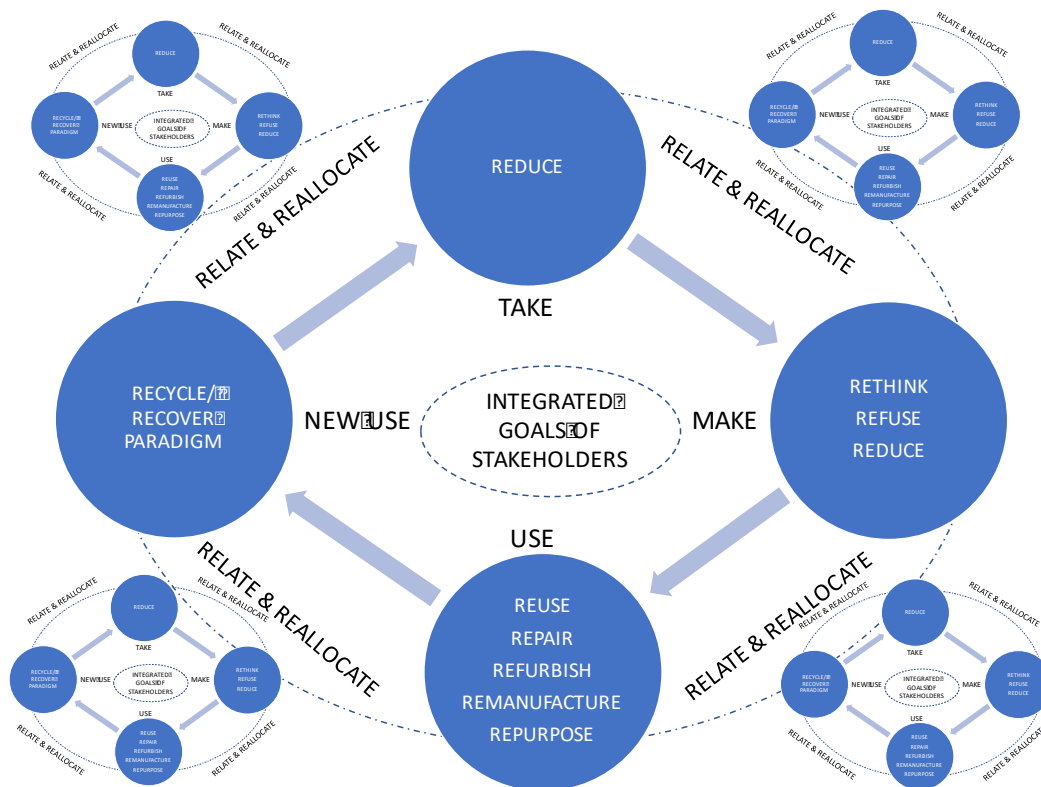
CE systems become, under this perspective, open-loop systems of relationships that involve the reconfiguration of stakeholder relationships for new project development and new business model creation. We have also witnessed from our case that constant interaction and communication among stakeholders plays a crucial role in supporting a product’s circularity. Since communication is an intangible driver of strategies, it is also very difficult to remain within boundaries, and it is most likely to change a traditional closed system of physical resources into an open ecosystem of relationships stemming from a local territory and expanding beyond it.

Second, the crisis permitted us to observe that stakeholders are most likely to abandon their fixed roles when urgent matters arise. Our case highlighted that local stakeholders involved in and engaged in the supply chain and the product did not feel restricted due to the limitations imposed by the crisis. On the contrary, we have observed the initiation of overlapping roles and responsibilities among all actors involved (Civera and Freeman, 2020): producers with the help of their Consortium found alternative ways to deliver their products to a growing de-localized demand; with the support of institutions acting as spokesmen of the Robiola’s values and needs, consumers and admirers of the product became intermediaries. The traditional dichotomous narrative that links companies and their stakeholders has been surpassed (Bridoux & Stoelhorst, 2016; Freeman et al., 2010) by a dynamic relational system where stakeholders have become morally important individuals (McVea and Freeman, 2005) who overcame the shortcomings of a supply chain and a firm in strenuous conditions. The decision-making process was simultaneous at multiple levels, and no separation occurred between business decisions and human values. We can reinforce the concept put forth by McVea and Freeman (2005) that when stakeholders stop being treated and seen as abstract entities and they become individuals with common and integrated goals, the value created has higher chances of being recaptured in a CE system. That is why we argue that the “reallocation” strategy emerges as fundamental in any CE system; it is the dynamic nature of stakeholders that can allow new relationships to be formed in order to sustain the business, the supply chain and the local society’s resilience.

CE systems become, under this perspective, dynamic systems of relationships that involve the reallocation of stakeholder roles for new project development and new business model creation.

Figure 2 is a graphical representation of our conceptualization of CE systems as open and dynamic loops of relationships through the relate and reallocate strategies.

**Figure 2:** *The Relate and Reallocate Paradigm of the CE*



Source: Authors' elaboration.

The idea behind our model is that by integrating stakeholder theory and a relationship-based view with the challenges and pressures that times of crisis put on traditional CE systems, we can observe a self-harmonization of stakeholder interests and a self-reconfiguration of power, roles, and responsibilities among stakeholders, in particular in local communities and for small business. Stakeholders seem to self-harmonize their claims in the interest of something bigger based on the “business or society case” that must be solved: for example, a case of industry survival or, as in our case, to support the circularity of a product and strive for the business’s survival; a business that was oriented to the local community at its very core.

Despite being limited to one company in a single country, the Robiola di Roccaverano makes a good case for a relationship-based view of the circular economy. Apart from being strongly linked to a logic of localism, it provides the basis for the replication of relational mechanisms based on local engagement in international and global contexts (Brondoni, 2014). Local territories can turn challenges into opportunities when the relate and reallocate strategies are undertaken



by empowered and engaged individuals locally. Such a change of mentality can be adapted to global contexts, where circularity of relationships has the potential for furthering CE systems beyond company and the country boundaries, establishing an open and dynamic loop logic, which avoids the prioritization of economic and environmental benefits in favor of an integrated value creation process (Geissdoerfer et al., 2017; Murray et al., 2017).

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