Deloitte.

Circular Economy

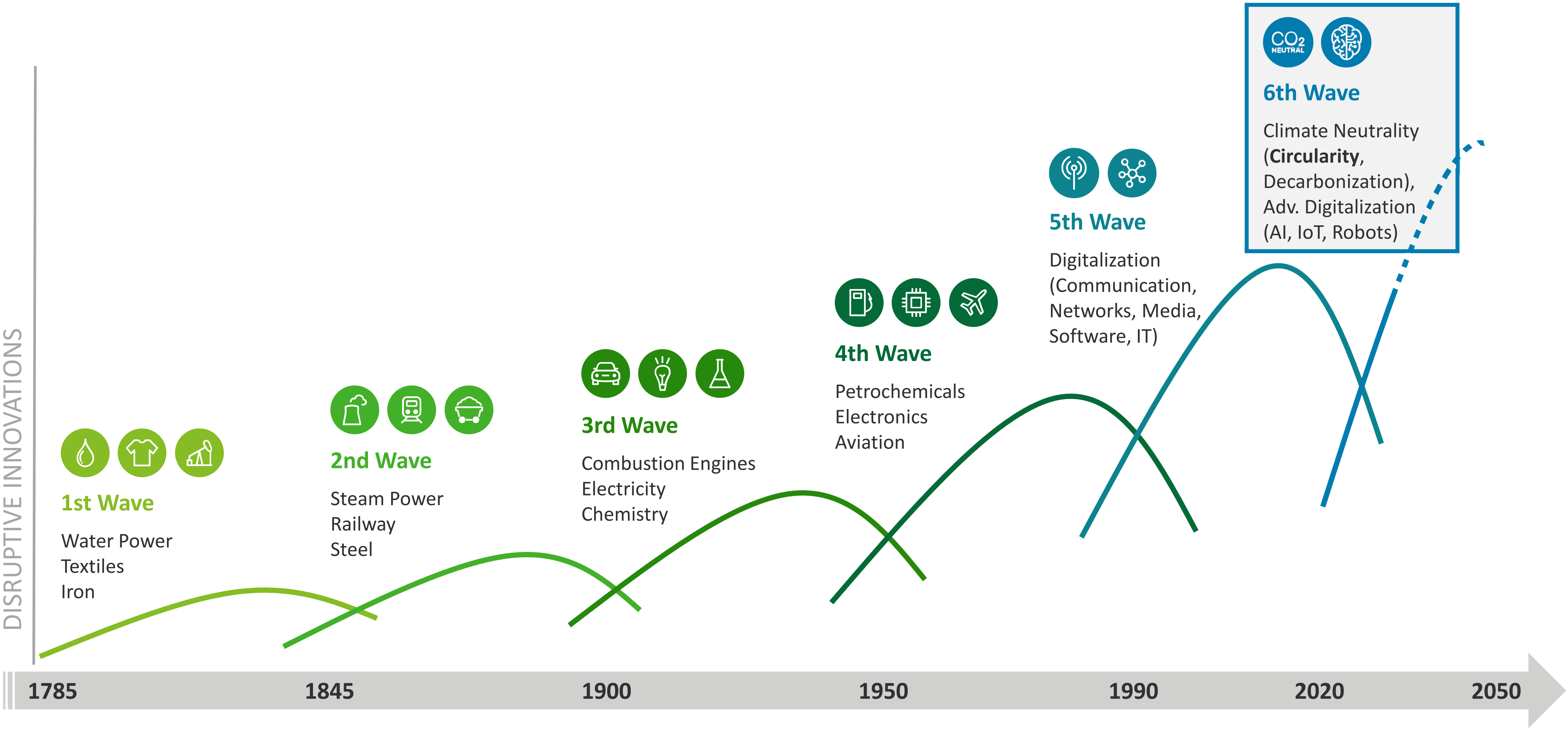
Preparing for the Transformation

February 2025

MAKING AN IMPACT THAT MATTERS since 1845

Is circularity the next big innovation cycle?

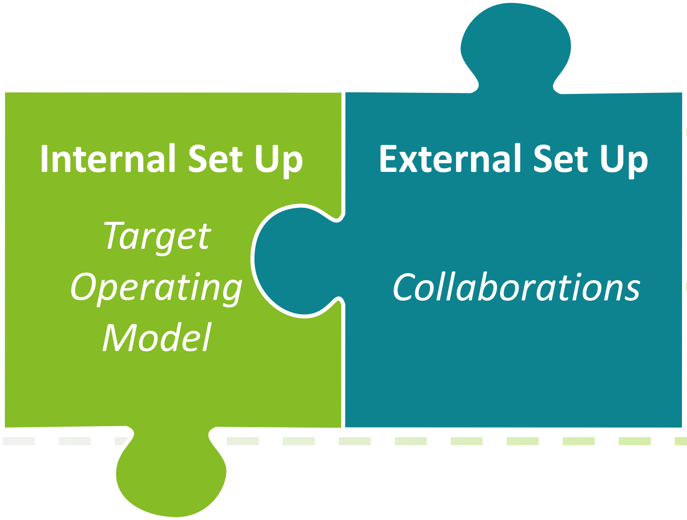
Following the digitalization boom the creation of a circular economy represents the next big innovation cycle, forcing companies to transform their organisation and operations to future-proof their businesses



WHY to prepare for the Circular Economy transformation?

A big gap between the challenges and the desired vision of a Circular Economy (CE) still exists – only by adjusting both the internal and external set up of a company the gap can be closed

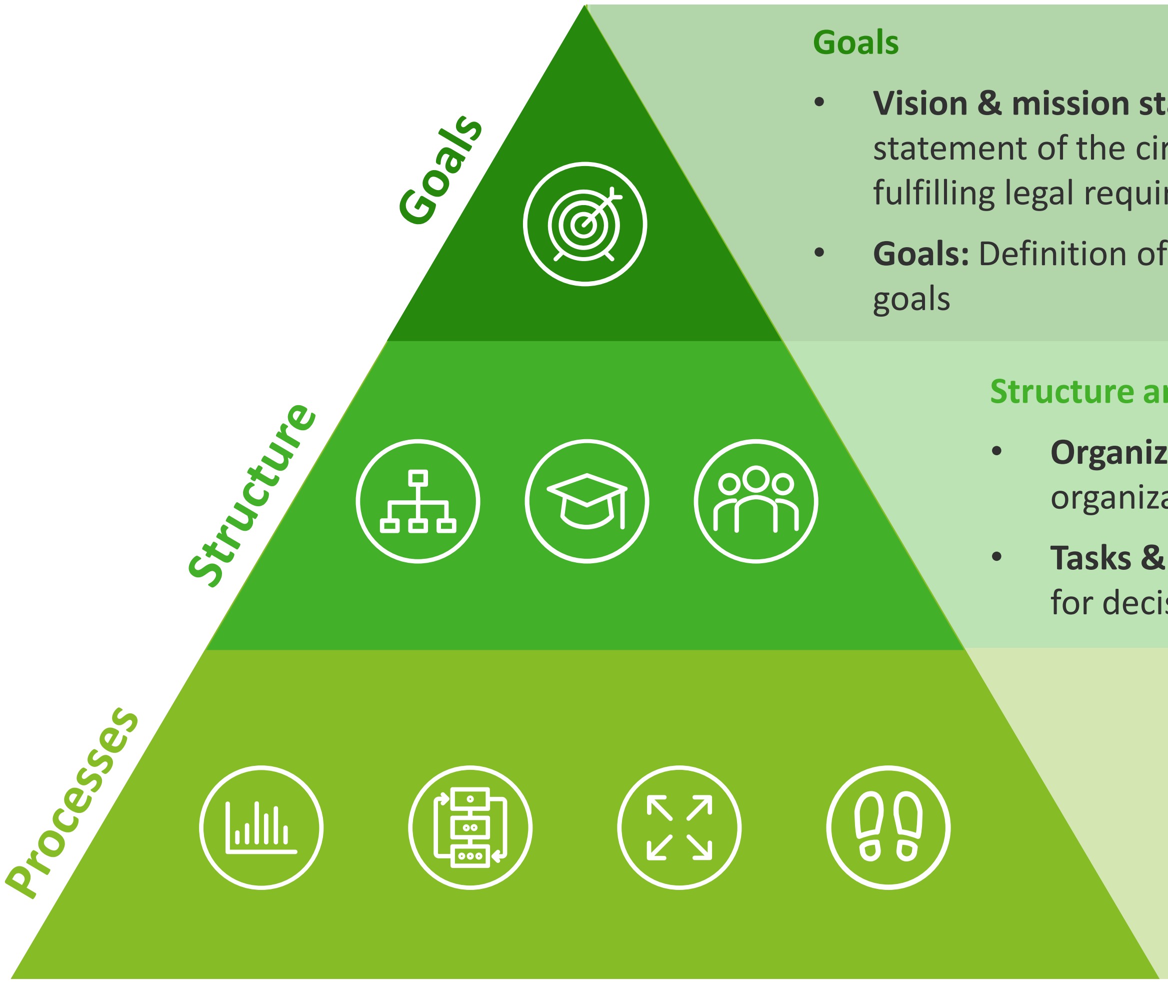
Current Circular Economy challenges	Future Circular Economy vision
Meet regulatory **secondary raw material** quotas	Secondary raw materials market with access to sufficient supply
Implement **product design adjustments**	(Re-)created, fully circular and modular products
Reduce **logistics emissions** and **waste & establish a scalable return concept**	Fully integrated forward and reverse logistics along horizontal and vertical supply chain
Elongate product lifetime via **ReX-strategies**	Novel business models with added revenue streams for emerging markets
Eliminate **post-consumer waste**	Closed materials loops across cross-industry supply chains



Due to the transformative nature of the challenges of the Circular Economy, companies are required to adjust both their internal operating model to manage own activities and to make use of collaborations to create holistic circular ecosystems.

WHAT are the building blocks of a successful target operating model?

A successful transformation towards a circular business requires the set up of a solid target operating model consisting of aligned goals, transparent responsibilities and practical process adaptions



Goals

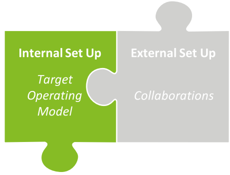
- **Vision & mission statement:** Definition of the vision and mission statement of the circular transformation (e.g. differentiation, fulfilling legal requirements)
- **Goals:** Definition of CE goals in alignment with overall business goals

Structure and roadmap

- **Organization structure:** Embedding a CE function into the organization and creation of relevant interfaces
- **Tasks & responsibilities:** Establishment of relevant committees for decision-making as well as escalation processes

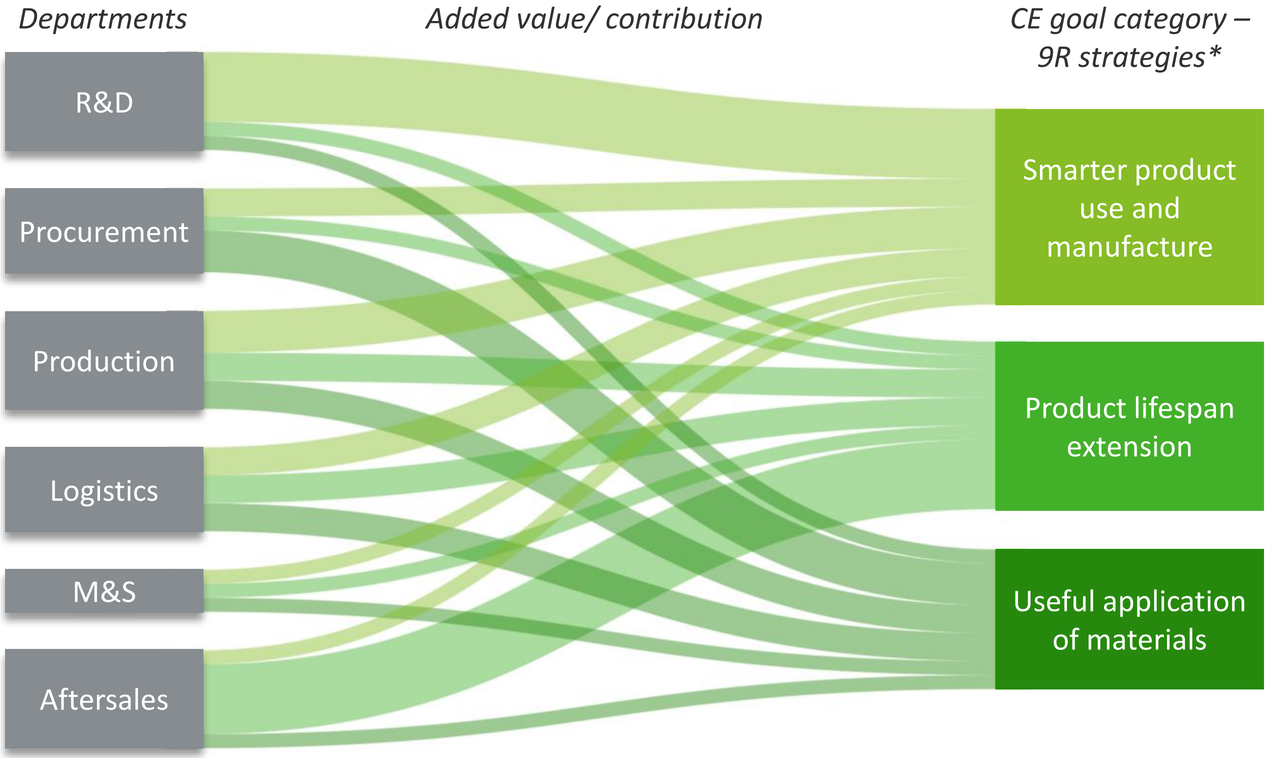
Processes and operations

- **Processes**: Definition and establishment of central processes (e.g. status reporting of CE projects) as well as review and escalation processes
- **Meeting structure**: Setting up work sessions, incl. definition of participants, frequency and content focus



WHERE to embed the Circular Economy function in organizational structures?

The organizational embedding and management of the circular transformation not only depends on the level of ambition and maturity but also the depth of value creation of the company



Hypotheses

The efficient **operationalization** of CE requires a stringent **organizational structure:**

- The department with the **highest depth of value creation** has the biggest potential to **contribute to the company's CE goals**.
- The **CE unit** needs to be embedded within the **department with the highest added value for the prioritized CE goal** (category).
- All **other departments** contributing relevant shares of value **need to be involved** and contribute their part to achieving the CE goals.

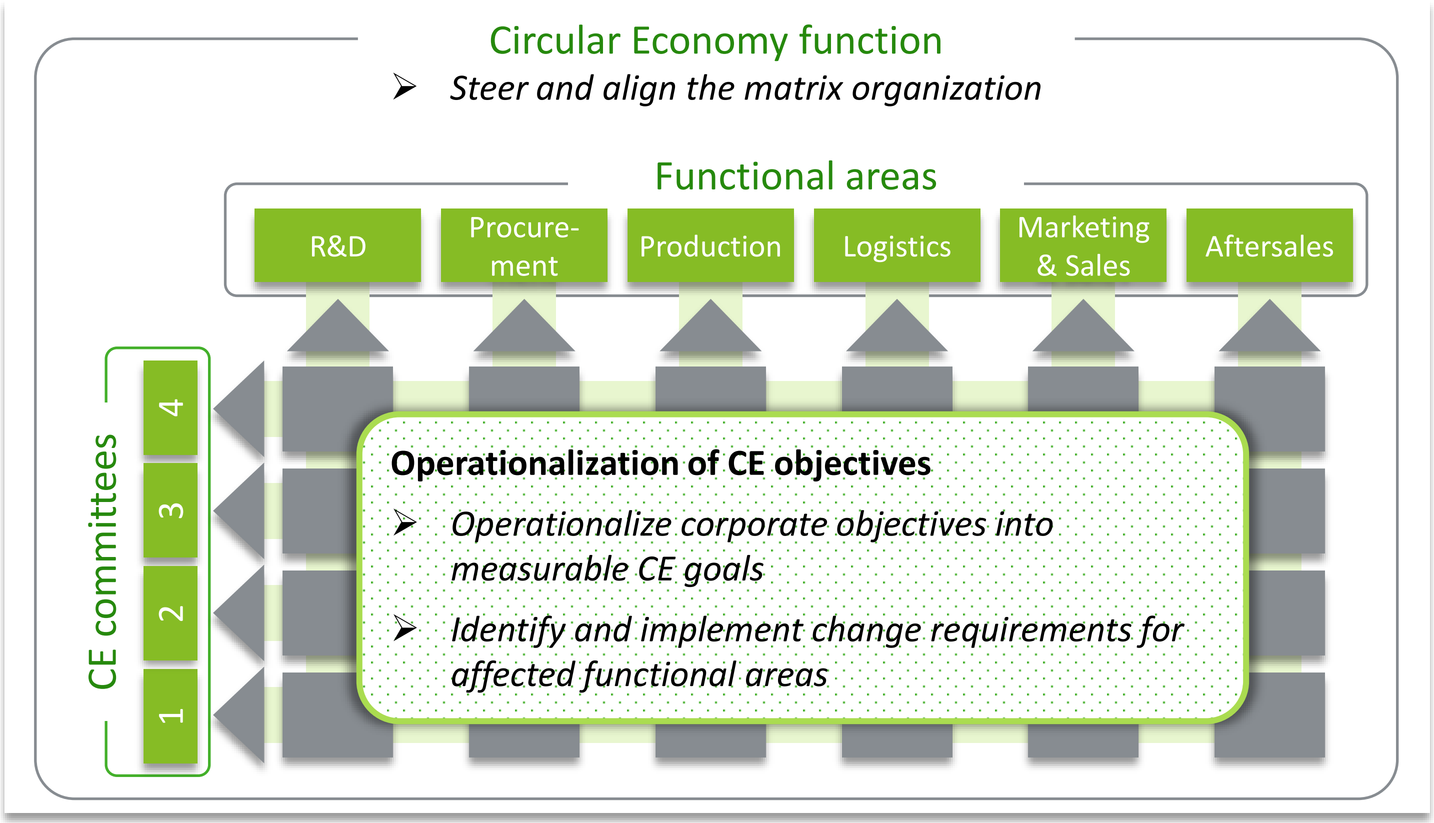
D.

An organizational unit for the coordination, management and steering of CE measures needs to be established for orchestrating all company CE activities in alignment with the key contributors and reporting to the board.

* The 9R strategies represent a system comprised of key strategies to increase the degree of circularity that companies can adopt – Recover, recycle, repurpose, remanufacture, refurbish, repair, re-use, reduce, rethink, refuse.

HOW to operationalize Circular Economy ambitions?

Setting up transparent decision-making processes and enabling expert committees are key success factors for the operationalization of Circular Economy objectives

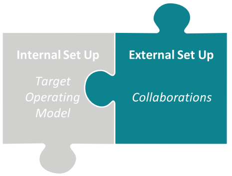


Hypotheses

The **operationalization** of CE requires an enabled matrix organization with clear responsibilities**:**

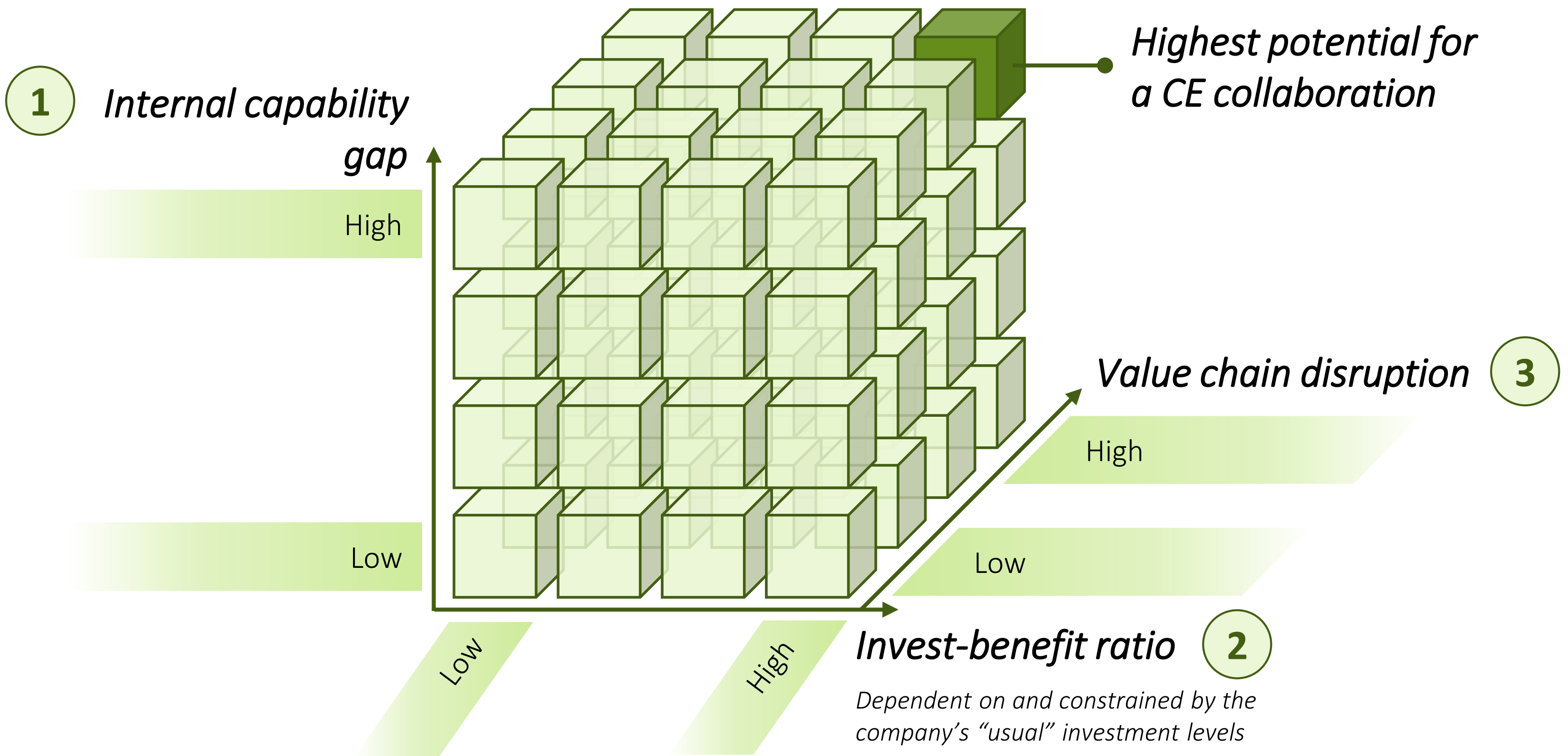
- **Decision-making** on CE goals and measures has to take place in **CE committees**, with each one contributing to a different CE goal without overlaps.
- Each CE committee consists of **all experts from each functional area** with an impact on the dedicated CE goal.
- **Functional areas translate** committee decisions on CE initiatives into **operational process change requirements** and **report KPI progress** back to the CE committees.

Implementing CE measures always has a cross-functional impact. Hence, functional areas should never make CE decisions independently and in silos. The operationalization of CE objectives only works in a matrix organization.



WHEN to engage in a collaboration to implement a Circular Economy initiative?

The potential of a partnership depends on a three-dimensional analysis of the internal capability availability, the invest-benefit ratio and the degree of disruption on the value chain



Source: Deloitte CE decision model

Forcing pressures may overrule this decision-framework (e.g. regulation), making a collaboration inevitable

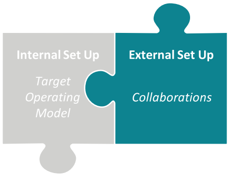
Subsequent strategic questions

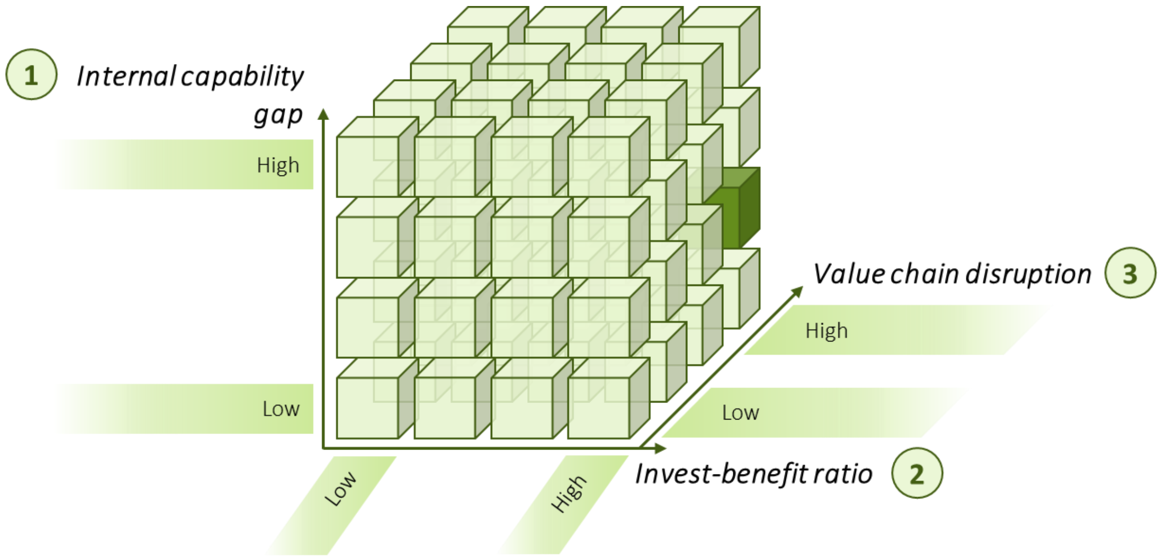
- What are the company's strategic goals - First mover vs. copy cat?
- Which organizations are needed in the partnership?
- What (joined) goal should the collaboration follow?
- How to orchestrate the collaboration and with whom?

Additionally to the three-dimensional analysis, a collaboration objective needs to be clear. It can differ between ADVOCACY, INNOVATION & COMMERCIAL.

HOW can companies collaborate along the value chain?

Depending on the Circular Economy transformation challenge considered and the position of the focal company within the value chain network, various vertical and horizontal collaboration options arise





Source: Deloitte CE decision model

EXAMPLE 1

Current Circular Economy challenges

Meet regulatory **secondary raw material** quotas

Most challenged players

Manufacturers

Possible collaboration options

Horizonal collaboration

- via purchasing alliances with direct competitors or players in other industries

Vertical collaboration

- with raw material suppliers
- via recycling partnerships with 3rd party service providers

Deloitte.

Circular Economy

We support you on your transformation journey!

Tomas Henninger
Partner
SC&NO | Circular Economy Offering Lead Germany
Deloitte Consulting GmbH

thenninger@deloitte.de
+49 151 1268 3999

Louisa Roesler
Senior Consultant
SC&NO | Circular Economy Expert
Deloitte Consulting GmbH

lroesler@deloitte.de
+49 152 38863629

Daniel Stommel
Manager
SC&NO | Circular Economy Expert
Deloitte Consulting GmbH

dstommel@deloitte.de
+49 151 19175571

Angelika Pawusch
Senior Consultant
SC&NO | Circular Economy Expert
Deloitte Consulting GmbH

apawusch@deloitte.de
+49 151 19175461

MAKING AN IMPACT THAT MATTERS since 1845