

The challenge for circular economy in Latin America: find the proper conditions for the profitability of circular business models.

Work in progress

Daniel Maranto (dmaranto@itesm.mx)

Associate Professor. Tecnológico de Monterrey, EGADE Business School. Researcher. Business-level strategies for small and medium-sized enterprises, sustainability and service management.

Carlos Scheel (cscheel@itesm.mx)

Professor Emeritus. Tecnológico de Monterrey, EGADE Business School. Researcher. Systemic and circular innovation, technological innovation and sustainable strategies.

Andrea Cantú (A00811462@itesm.mx)

Ph.D. student. Tecnológico de Monterrey, EGADE Business School. Management Ph. D. student; focus on sustainability and circular economy business models.

Abstract:

The Circular Economy (CE) concept is quickly capturing attention as a way of decoupling growth from resource dependency. Some of the benefits associated to transitioning to CE industrial system are to increase material productivity, eliminate waste and optimize the total system performance. Nevertheless, identifying the determinants for this systematic transition has been challenging. Findings show that most firms, mainly small and medium-sized enterprises (SMEs) have a deficient knowledge of Circular Economy (CE)—which is based on reuse-repair-remanufacture processes—and technical skills. Furthermore, even when having the knowledge and technology CE implementation can fail due to the lack of proper enabling conditions that firms and regions must develop.

Although previous studies performed in the area might serve as a steppingstone to formulate an overall hypothesis about the drivers and barriers, they are not enough to explain why some CE cases in Latin America have succeeded while some other have failed in the attempt. This study aims to compare several CE initiatives developed in Brazil and Mexico, through carrying in-depth interviews to SMEs located in both countries. The comparisons will be done at different levels involving: CE concept understanding, motivation, limitations and barriers of implementation, the country's context will also be considered. In this line of thought, this paper addresses the following questions: What are the barriers that prevent the implementation of and difficult CE practices implementation in Brazilian and Mexican SMEs? What are the enablers that facilitate CE practices implementation in Brazilian and Mexican SMEs? What is the economic, social and environmental benefit of CE practices in Brazilian and Mexican SMEs?

WORK IN PROGRESS 2

Our contribution aims improve business practices for a sustainable development of the region. In addition, by working with SMEs we will identify the capabilities business need to develop to enable the incorporation of CE practices and what proper conditions these businesses need to have to develop circular value systems, the findings of this research will assist policy-makers and businesspersons define practices that create economic value and also to reduce as much as possible waste and resource consumption on regions mainly of developing countries

Keywords: circular economy, barriers, enablers, sustainable strategies, challenges, Latin America.