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**WHEN CIRCULAR ECONOMY REACHES NATIONAL BOUNDARIES:  
A EUROPEAN PLATFORM SOLUTION FOR CROSS-COUNTRY  
RESOURCE ALLOCATION**

**Introduction.** Against the backdrop of fundamental ecological, economic, and social challenges systematised by the United Nations, the global society is forced to cope with worldwide crisis conditions, with organizations being assigned a special responsibility in meeting these challenges [1; 2]. Especially industrial organizations are, in many cases, directly affected by resource shortages since their value creation is predominantly based on finite resources, increasing competition for them [3]. This makes the reintegration of resources in the production process increasingly important and economically viable [4]. Such a transformation forms the concept of *circular economy*.

The circular economy is a restorative and regenerative system that aims to transform resources into closed loops [5-7]. This transformation aims to replace the “end-of-life” approach with the restorative use of resources [4; 8]. Yet, what if the most promising approach to climate change prevention – the establishment of the circular economy – is restricted? First, organizations predominantly follow the *cradle-to-grave* approach, creating waste that is not reused due to missing economic efficiency or unclear sustainability impact. Second, despite the political action plans, the existing economic mechanisms did not sufficiently contribute to transforming traditional *cradle-to-grave* approaches into *circular cradle-to-cradle* approaches at scale. Third, societies are challenged on how to cope with the complexity of the circular economy, establishing it in complex and dynamic environments.

**Value Creation in a Circular Economy.** Circular value creation is considered a paradigm for new industrial models [9; 10], utilizing innovation to realize new ways of creating value around circular principles such as the reuse of materials,

extension of the product life cycle, or recycling) [11]. Therefore, the transformation of linear value creation towards a circular one must also be profitable for industrial organizations, especially since such organizations are affected by the forces of competition.

In theory, a circular economy helps to decouple value creation from resource use. As a consequence, more efficient use and reuse of resources and the resulting reduction in overall resource use facilitate the reduction of negative environmental impacts without jeopardizing the economic growth of organizations and, ultimately, the wealth of societies [6; 12]. Unsurprisingly, on a political level, countries such as China have already anchored the circular economy in their state strategies for years [13], and the European Union has also released an action plan to close the loops of value creation [14]. Yet, is this goal achievable within the existing economic and political framework of the European Union?

### **Challenges in increasing the circularization of the economy**

Despite the fact that the concept of circular economy has been a subject of scientific, industrial ecology research for decades [15; 16], and has become a part of a growing number of policies and initiatives [7; 17], its technological and economic realization remains a key challenge [18; 19]. The uncertainty is influenced by the lack of understanding about the mechanisms applying and scaling circular economy, which is present in many organizations. In addition, crises like wars disrupt the business environment, increasing the complexity of establishing circular value flows, especially since managerial sciences mostly neglect the context of warfare. This is why outlining the mechanisms that can reinforce circularization is so challenging.

Relying on the transactional costs theory, we assume that national boundaries stifle the realization of the circular economy. Certain capacities or their lack can determine the value of a resource in a national economy in such a way that it is uneconomical for organizations to close the resource loop. However, thinking beyond national boundaries and adding the capacities of another national economy can generate new opportunities for closing the resource loop, requiring a cross-country network perspective on circularity. As an example, the recycling of concrete can be considered, since concrete production in Germany is thought to be heavily polluting, while recycled concrete will be essential in building up the Ukrainian economy [20].

### **Ecosystems of Circular Economy**

Existing research recognizes that industrial organizations do not act isolated but are integrated into complex socio-technical value-creation systems. Therefore, organizations, being particularly involved in dynamic business networks, are also known as ecosystems [21-23]. Ecosystems are primarily understood as dynamic forms of cooperation for the organization of cross-company and multilateral value creation [21]. To close the resource loops, the cooperation of several network partners is indispensable [23; 24]. Similarly, the closure of resource and value flows through cooperation among multiple network partners is also understood as the sustainability-enhancing manifestation of an ecosystem [23; 25]. The Kalundborg Eco-industrial Park is an example of a circular ecosystem since the park promotes the mutual use of by-products and the sharing of production capacities among the ecosystem actors involved [26]. This example shows that circular value creation benefits from the collaboration of multiple actors.

The same, we argue, holds for countries. The cross-country interdependencies (i.e., between the European Union and Ukraine) may help allocate resources in order to close the resource loops between industrial organizations. Hence, following the network idea, industrial organizations might often be unable to realize the full potential of circular value creation on their own. Due to economic reasons and the complexity of applying some of the numerous circular principles [27], companies develop only capabilities to provide certain products or services, challenging the organization's need to meet European directives [28]. Accordingly, due to missing capabilities, organizations are experiencing significant challenges and barriers in transforming their creation from linear to circular and need support from science [7; 29].

However, the existing studies with an ecosystem view on the circular economy are mostly theoretical-conceptual and do not pursue a cross-country perspective. As for the empirical studies, so far they have been conducted mainly with consumers without surveying industrial organizations [30; 31]. Accordingly, there is a lack of empirical data necessary for scaling circular value creation experts (e.g. from purchasing, supply chain management, and production processes) from the perspective of industrial companies. To overcome these challenges, further research is needed. From a cross-country perspective, identifying potentials for circular collaboration and leveraging them based on a digital platform solution, would help incorporate different values for

certain resources. This would represent perfect collaboration opportunities for the countries of the European Union (e.g., Germany or Austria) and Ukraine.

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### **FUNDAMENTAL CONCEPTS FOR SELECTING A STRATEGY TO FOSTER COMPANY GROWTH**

The company's development strategy provides it with a set of means of adaptation to changes in the external environment and ensures the transformation of competitive advantages into an effective management tool. The company's development strategy should ensure the maximum use of potential opportunities with limited resources, as well as stimulate the innovative activity of construction enterprises. The processes of formation of market relations significantly changed the characteristics and conditions of entrepreneurial activity. Such changes forced most enterprises to look for new management concepts and tools, in particular, new approaches to managing enterprise development. One of the new tools is the enterprise strategy, the use of which in