



Be Circular, Buy Circular

A Research Into Drivers and Barriers to Define Circular Purchase

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Background

The government aims to complete the development of a full Circular Economy (CE) in 2050. Waste management company Omrin plays a big part in this transition, because it collects, sorts and recycles the waste of the Frisian households, companies and municipalities. Besides the company aims to purchase 25% circular in 2020 and 100% in 2025. However, the implementation of circular procurement (CP) is an under-researched topic in the current literature.

Objective

To shed new light on an existing supplier relationship portfolio model for purchasing strategies, by looking at drivers and barriers to CP. In this way the existing instrument is made applicable to develop circular purchasing strategies, and therefore contribute both to theory and practice.

Theory

Direct procurement (DP): part of a company's supply chain (SC) and enter the production or value creation process. Indirect procurement (IP): enable the (SC) to function. Distinction can be made between minor items and capital equipment. Cousins (2002), introduced a portfolio model (PM) based on 'dependence' and 'confidence' (see figure 1), both are important determinants for how a supplier relationship appears, because it explains the conditions that influence the choice of purchasing strategy within each quadrant (Caniëls & Gelderman, 2005). The purpose of the PM is that it allows relationship strategies to be positioned across a range of dimensions, when a firm realizes the type of relationship that they currently have, they can make the strategic decision to either change or to maintain it (Cousins, 2002). In the context of CP it will help explain what factors in different supplier relationship types have a 'driving' and a 'barrier' force to increase CP, and why. A driver can be seen as a factor that motivates firm to adopt CP practices (El Tayeb et al., 2010; Lee & Klassen, 2008). In contrast, a barrier can be seen as a factor that hinders to increase the CP.

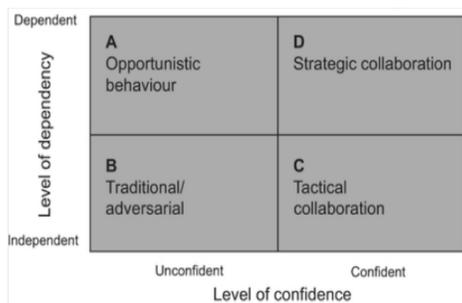


Figure 1. Supplier Relationship Portfolio Model of Cousins (2002).

Results

- All suppliers with low perceived degree of circularity are found within the tactical collaboration relationship, here only IP is done.
- DP is only done within the strategic collaboration relationship, here all suppliers are perceived with high degree of circularity (figure 2).

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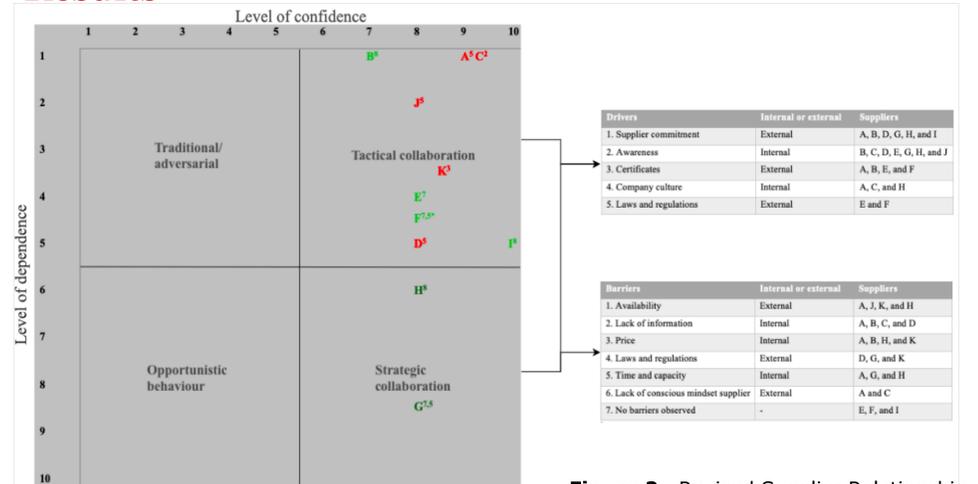


Figure 2. Revised Supplier Relationship Portfolio Model of Cousins (2002).

- The main identified drivers and barriers are to most extent the same for the board as for the purchasing representatives (figure 3).
- When DP is done, the circular mindset seems to be clearly established within the firm. While lack of information about the concept of CP is observed as a huge barrier when minor procurement is done.

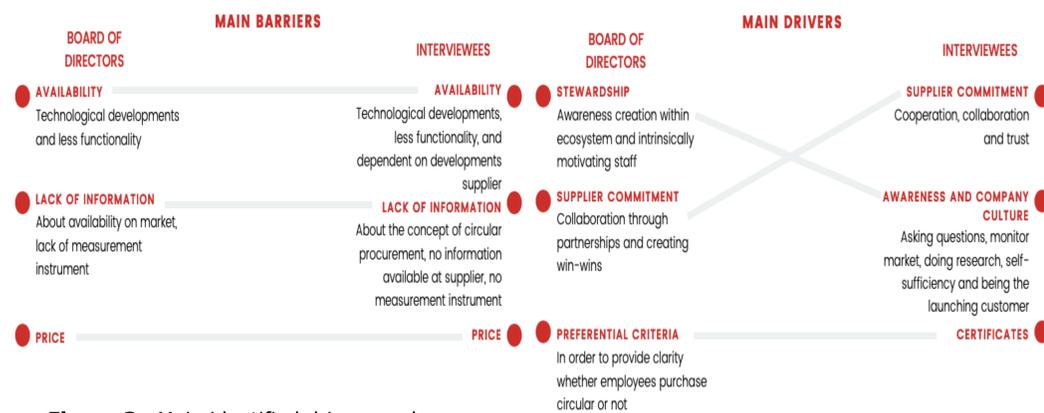


Figure 3. Main identified drivers and barriers by the board and purchasing representatives

Conclusions

- The model of Cousins (2002) seems to be applicable to define CP strategies, when including the identification of drivers and barriers within the model and the difference between DP and IP. Because this gives organisational specific insights about the current purchase practices.
- Implementation of CP for IP seems to be more difficult, because it is not part of the firm's core business operations. This is also stated within the literature. In order to change the current practices, a double-loop learning strategy should be applied.
- Omrin has a favourable position when it comes to managing its supplier relationships, because it can choose to increase CP in collaboration with the current supplier, to switch to another supplier, or to look for ways to be self-sufficient.