



Extended Abstract | *The 1st Research Innovations in Sustainable Marketing: A Global Virtual Symposium*

A Longitudinal Analysis of Tensions Between Economic and Environmental Value Creation in a Circular Economy Solution

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Extended Abstract: Advocates of the circular economy position it as a solution to environmental problems that creates economic value while minimizing environmental impacts (Ghisellini et al., 2016). However, implementing circular business models may lead to tensions between the creation of economic and environmental value. Although researchers have probed tensions in sustainable businesses (Tura et al., 2019), little research has investigated the development of these tensions over time. This research therefore presents a longitudinal case study of CAMP, a start-up aiming to slow resource loops (Bocken et al., 2016) via the creation of a circular platform to extend the lifespan of fashion apparel. The author's 1.5 years working for CAMP developing and implementing an impact calculator was fraught with tensions between economic and environmental value creation. This sparked the research questions for this paper: 1) how do tensions between economic and environmental value manifest in circular business models? And 2) how do these tensions change over time as the business develops?

This paper borrows from Ritala et al. (2021)'s two dimensions of value creation and appropriation, the first of which relates to the type of goods used to create value (private goods, club goods, public goods, and common goods) and the second to the domain

of the value creation (economic, social, and environmental). This paper adds a longitudinal element to this framework to understand how these tensions develop. It draws upon interviews with key informants, business documents, and the researcher's field diary to better understand these tensions and their management over time. Data sources were coded and analysed using ATLAS.ti to create an abductive codebook (Vila-Henninger et al., 2022) from both predefined concepts (in this case, tensions and value) and emerging concepts. Analysis involved an iterative abductive process of systematic combining (Dubois & Gadde, 2002) to move between empirical and theoretical lenses.

Preliminary results identified a variety of tensions between economic and environmental value creation: 1) accuracy of impact data, 2) transparency of reporting impact data, 3) making decisions based on the impact numbers. Tensions involving the accuracy of the impact data traded off the comprehensiveness of the calculations versus the time and monetary cost of impact model improvements. Transparency related tensions involved a trade-off between giving fashion consumers a better understanding of the impacts of their actions versus protecting fashion brands from having to reveal negative impacts of products to consumers. Decision making tensions concerned handling cases where it would profit CAMP or its partners to perform actions



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that the impact calculator revealed would have a negative environmental impact.

Preliminary analysis also indicated differences between how these tensions were handled over time. Early on, before the app was released and partners joined the project, CAMP's focus was more geared toward environmental value creation. However, later stages of the project saw some of the pre-launch environmental ideals gradually replaced with economic focuses. CAMP's solution still involved creating both types of value in cases where there was little tension between them; it was only in the cases where tensions were perceived that the environmental value was put aside in favour of economic value creation, which led to continuous growth for CAMP. Despite this subtle shift, CAMP's marketing materials still referred to the creation of both economic and environmental value.

The tensions between economic and environmental value, like many tensions in the circular economy, can be seen as paradoxical (Daddi et al., 2019). These tensions are often treated as “either-or” problems, rather than searching for “both-and” solutions, an approach that yields worse results for sustainable businesses (Van Bommel, 2018). This prioritization of economic value relates to institutional asymmetries between economic and environmental value (Ritala et al., 2021). Based on this case, the author proposes that economic and environmental tensions remain latent in earliest phases for sustainable startups. However, as a startup grows, the reality of the asymmetries between economic and environmental value becomes increasingly salient, and the firm becomes more willing to dilute its environmental goals to attain economic success.

The findings of this research cast light on the tensions that arise between creating economic and environmental value as part of a circular business model and the interplay between these competing goals over time. Further analysis may help researchers and practitioners understand how a circular economy startup with a vision to make the world more sustainable can maintain this focus and overcome pressures to discard long-term environmental outcomes for short-term economic ones.

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