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# Cooperation of third sector entities and business for the implementation of the circular economy

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Abstract:	Background: The introduction of elements of the circular economy requires major structural changes in economies, the involvement of a wide range of actors, including primarily businesses. However, it is worth noting the importance of other organizations, including the so-called third sector. Research objectives: The purpose of this article is to introduce the issue of cooperation of business and the third sector entities for the development of the circular economy. Research design and methods: For the purpose of the research paper, the following research method was used: a classic literature review and case study.
	<b>Results:</b> Collaboration between business and third sector providers has enormous potential for development and innovation.
Keywords: JEL Codes:	<b>Conclusions:</b> In Polish conditions the benefits and possibilities of cooperation between business and the third sector are not properly appreciated, and they are connected with a huge potential for the entities themselves and the possibilities of implementing the circular economy. business, circular economy, third sector

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## 1. Introduction

We are currently observing complex processes aimed at transforming the economies of European Union member states due to the very serious challenges of climate change.

The aforementioned processes have been intensified by the 2008–2010 crisis in the real economy, and have been initiated in the EU by measures related to the creation of a low-carbon economy, followed by a circular economy. The purpose of the article is to introduce the issue of cooperation of market and non-market actors for the development of a circular economy. The considerations made are based on a review of the literature on the issue of the essence of the circular economy sensu stricto, the scope of the subject undertaken in the literature in this regard. Subsequently, attention was paid to issues related to the actors involved in the circular economy and the creation of new business models. In addition, an analysis of data on cooperation between enterprises and entities of the so-called third sector in Poland was carried out in order to get acquainted with possible areas for establishing cooperation and thus developing conditions for effective implementation of the circular economy.

## 2. Genesis, concept and conditions of the implementation of circular economy

The crisis of the real economy (2008–2010), preceded by the crisis in the financial markets (initiated in the United States in September 2007), contributed to discussions and then concrete decisions and actions (taken not only at the level of the European Union) on the need for structural changes in economies so that they are more resistant to similar events in the future. The essential question concerned the qualitative dimensions of these changes in the context of human impact on pollution and environmental degradation and climate change. As early as 2007, the need for a green economy was pointed out internationally through the New Economics Foundation (NEF, 2008), UNEP (UNEP, 2009) and the OECD (OECD, 2011). And in the European Union, efforts have been made to implement clean "smart investment", which "means investing in the right skills for tomorrow's needs; investing in energy efficiency to create jobs and save energy; investing in clean technologies to boost sectors like construction and automobiles in the low-carbon markets of the future; and investing in infrastructure and inter-connection to promote efficiency and innovation" (EC, 2008). The transition to a low-carbon economy has thus begun. The low carbon economy is based on three direction of actions: increase of energy efficiency, cut down of greenhouse gases emission and increase of renewable energy. In an interval also turned to the circular economy, because of its importance in reducing resource use and waste management. The issue of circular economy is related with one of flagship initiative under the Europe 2020 strategy "A resource-efficient Europe" (EC, 2011), in which we can read: "Natural resources underpin the functioning of the European and global economy and our quality of life. These resources include raw materials such as fuels, minerals and metals but also food, soil, water, air, biomass and ecosystems. The pressures on resources are increasing. (...) It is necessary to develop new products and services and find new ways to reduce inputs, minimise waste, improve management of resource stocks, change consumption patterns, optimise production processes, management and business methods, and improve logistics" (EC, 2011). The circular economy represents a departure from "a linear model of resource consumption that follows a 'take-make-dispose' pattern" (EMF, 2013, p. 6) to circular one. However, it should be highlighted that the theoretical basis of the circular economy can be traced back to the 1960s of the XX century and the article "The Economics of the Coming Spaceship Earth" by K. E. Boulding (Michalak et al., 2020, p. 60).

The term of circular economy is definitely more presented through features, activities rather than some succinct, explicit shots. For example, Martin Geissdoerfer et al. describes it "as a regenerative system in which resource input and waste, emission, and energy leakage are minimised by slowing, closing, and narrowing material and energy loops. This can be achieved through long-lasting design, maintenance, repair, reuse, remanufacturing, refurbishing, and recycling" (Geissdoerfer et al., 2017). In turn Ellen Macarthur Foundation highlights: "The circular economy is based on three principles, driven by design:

- Eliminate waste and pollution,
- Circulate products and materials (at their highest value),
- Regenerate nature.

(...) A circular economy decouples economic activity from the consumption of finite resources. It is a resilient system that is good for business, people and the environment. The circular economy is a systems solution framework that tackles global challenges like climate change, biodiversity loss, waste, and pollution" (EMF, n.d).

According to the European Parlament: "The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended. In practice, it implies reducing waste to a minimum" (EP, 2015).

The common elements of these descriptions are the challenges of implementing the circular economy – pollution and environmental degradation, the climate change, and the need of changes of production processes and consumption as to use less in much more rational way.

To summarize, circular economy implies:

- changing the approach to the use of resources at the input of production processes,
- designing products in such a way as to use as few resources as possible for its production, to make the product's life cycle as long as possible and as little burdensome for the environment as possible, to be able to repair it and, when it ceases to be useful, to be able not only to recycle it and recover as many components as possible to be used in another way or to use these products in another way (giving it a second life),
- changing the approach to the use of wastes at the output of proces.
  In the literature, the issue of the circular economy is taken up in a very broad way, including

both the terms and subjective scope. In the first one, the authors presents the following issues:

1. theoretical aspects related to:

- conceptualization according to sustainable development (Korkhonen et al., 2018),
- definition (Ekins et al., 2019; Figge et al. 2023),
- linkage to ecological economics (Korkhonen et al., 2018),
- the issue of transition to circular economy (Ellen Macarthur Foundation, 2013),
- circular economy indicators (de Oliveira et al., 2023),
- circular economy assessment tools (Chrispim et al., 2023);
  practical aspects related to:
- implementation of circular economy (Mao et al., 2018, pp. 151–170), bariers related to implementation of it (Galvão et al., 2018),
- public awareness and attitudes about circular economy (Smol et al., 2018),
- adoption of circular economy by sectors, for example by construction sector (John et al., 2023),
- flow of material (Mao et al., 2018, pp. 87–102), flow of energy in circular economy (Mao et al., 2018, pp. 103–126),
- natural resource management (Brears, 2018),
- waste management (Ghosh, 2020),
- circular supply chain management (Farooque, 2019, pp. 882–900),
- sectoral transition to circular economy, e.x. textile industry (Härri et al., 2022).

Mentioned above term "transition", means "a change from one form or type to another, or the process by which this happens" (Cambridge, n.d.). Implementation of circular economy needs changes related to production processes, the life cycle of products, the waste management and also changing consumer practices to more rational and economical ones. Implementing these changes requires an ingenious systemic approach using a range of instruments, including: legal, political, programmatic, financial, organizational-administrative and educational ones. They must be interrelated and make it easier for producers to make changes in production processes (from the I – input, to the end – output) and the products themselves, and for consumers to consume more rationally and in an environmentally friendly manner.

Implementation of circular economy needs (Michalak et al., 2020, p. 79):

- conscious and consistent economic policy,
- product and process design,
- new production and consumption models
- consumer attitude.

The introduction of these elements requires different types of tools, instruments, activities and, very importantly, the cooperation of different actors.

# 3. The role and importance of business and third sector entities in the circular economy and cooperation between them

In the literature, in the context of the actors involved in the creation process circular economy, the most important role is played by companies due to the fact that its essence concerns the model of economy in terms of production processes. This view is held by, among others, R. De Angelis. Next thing, which should be highlighted is related which activities and goals of companies: extractions of materials, using them in process and selling (EMF, 2013, p. 6). They are therefore important considering, on the one hand, the level of resources used in production processes and, on the other, the products offered to customers.

Implementation of elements of the circular economy forces them to act at the input and output stages. Input requires greater rationality in the amount of resources sourced, but also waste as base materials for production. And this second element assumes particular importance, since it is necessary to implement production technologies that will allow the use of waste, generated in this or other industries, as a basic raw material. This also requires new skills of production workers. And then it involves also changing products. Sourcing waste from other partners requires exchanging information, creating and developing cooperation among these companies. But this is only one dimension of cooperation there are others, with different subjects. Atasu et al. (2021) propose three types of circularity strategies:

- Retain product ownership the producer rents or leases its product to the customer rather than selling it,
- Product life extension Companies applying this strategy focus on designing products to last longer, which may open up possibilities for markets in used products,
- Design for recycling Companies applying this strategy redesign their products and manufacturing processes to maximize recoverability of the materials involved for use in new products. This strategy often involves partnering with companies that have specific technological expertise or that may be best able to use the materials recovered.

However, mentioned above De Angelis, presents the issue of difficulties conceptualizing of circular business model: "The term circular business model, (...), overlaps with the concept of closed-loop supply chains, and always involves recycling, remanufacturing, reuse or one of their sibling activities (e.g. refurbishment, renovation, repair)' (...). CBMs are regarded as tools for creating value through the circulation of materials and resources once conceived as waste at the end of life but there are also some shortcomings in this conceptualisation of the CBM. It does not make explicit links to all the BMs components. Value capture is not considered, and the description of value creation appears to be used as synonym for value capture and as if containing elements of the value proposition dimension" (De Angelis, 2018, pp. 58–59). So this is an issue that needs to be worked out in theoretical terms. However, for this to happen, it is necessary to practice cooperation not only between companies, but also between com-

panies and other entities, for example, the so-called third sector. According to Salamon and Sokolowski (2014) the conceptualizations of it vary across Europe. Department of Social Economy in Polish Ministry of Ministry of Family and Social Policy defines it as follows: "the totality of private organizations, and those operating socially and not for profit, i.e. non-governmental organizations (non-profit organizations)" (DES, n.d.). In turn National Audit Office in the United Kingdom highlights: 'Third sector organisations' is a term used to describe the range of organisations that are neither public sector nor private sector. It includes voluntary and community organisations (both registered charities and other organisations such as associations, self-help groups and community groups), social enterprises, mutuals and co-operatives (NAO, n.d.).

Particular importance of this third sector in circular economy should be attributed to the area of waste management. For example: "Third sector organisations (TSOs) make a valuable contribution to waste management and resource recovery in many areas across Europe. This is often hidden because due to the nature of TSOs, their value is not quantified, reported and publicised. As a consequence, their contribution to local, national and international regions in terms of supporting civil society, alleviating poverty and recovering value from resources is not properly recognised or appreciated. (...)" (Williams et al., 2012).

Third sector organisations are driven by the need to supply to low-cost household items to people in hardship; such items include furniture, electrical equipment (e.g. computers, mobile phones, cookers and microwaves), textiles (clothing and bedding), foodstuffs and children's books/toys. They also provide opportunities for long-term unemployed and other socially-excluded individuals to gain practical skills and re-engage with society, and for anyone to volunteer for the overall benefit of civil society. Many TSOs are regarded as social enterprises – in order to achieve their social objectives, which also carry environmental improvements, they contribute to service provision in certain areas. Being not-for-profit and having a low cost workforce (a high proportion of trainees and volunteers) enables them to operate competitively with public and private sector services – realising triple bottom-line (TBL) benefits (N.B. the TBL is a framework for encouraging institutional concern about sustainability and incorporates the 3P's – people, planet and profit)" (Williams et al., 2012).

# 4. Cooperation between business and the third sector in the area of circular economy – Poland

Forms of social action within the third sector can include foundations, associations, enterprise cooperatives social cooperatives.

The role of third sector actors in socio-economic life is very important and particularly pronounced in highly developed countries, where these actors show considerable activity, as well as the scale and intensity of intra- and inter-sectoral cooperation.

The third, being equipped with the right tools to achieve their goals, which are delivered in the form of social services (Chlebisz, Żak, 2018, pp. 11–12):

- is an expression of the exercise of the right of association and collective action,
- is a factor conducive to the development of democracy, social participation,
- shapes public awareness by providing important, often niche information, influences social change by making citizens aware of the scale of social problems, the causes of their emergence and the possibilities of their prevention. Entities in this sector can, for example, shape consumer attitudes, motivate and direct market actors to hold companies accountable, or consumer boycotts in the case of unethical actions striking at social welfare,

- undertakes a real fight against social problems, and makes effective the creation of institutions set up to represent the interests of the strata at risk of marginalisation in social and economic life,
- is not infrequently an inspirer, an initiator, of circular solutions or an enabler of them for enterprises and other market participants,
- as entities of higher public trust, with greater empathy and sensitivity towards society and the market, they increase the chances of realising socio-economic development by mediating the relationship: state-society as well as enterprise-society.

NGOs undertake intra- and inter-sectoral cooperation.

GUS monitors and publishes research on the cooperation of non-profit organisations with other entities every year. The latest research is from 2021. According to these data, 96,800 associations and similar social organisations, foundations, social religious entities and economic and professional self-governments were active in Poland in 2021. Thus, in 2021, non-profit organisations mainly cooperated with public institutions. 77.4 per cent (74,900) of organisations cooperated with the government administration, local government or its subordinate units. The second most frequently indicated group of entities with which cooperation was established was other entities of the same sector (50.6 thousand; 52.3%), while cooperation with enterprises was unfortunately undertaken the least frequently (26.5 thousand; 27.4%) (GUS, 2021).

NPOs can work in parallel with partners from different sectors. Only 18.7% chose to partner with all groups at the same time. Cooperation with public institutions and other NPOs was undertaken by 26.8% and this was the largest group in terms of total cooperation. Cooperation with non-profit organisations and enterprises was indicated by only 1.7% of the surveyed units, while no cooperation was undertaken by 13.9% of the organisations (GUS, 2021). The main motives for cooperation between NGOs and businesses are presented in Figure 1.



Figure 1: Percentage of NPOs in 2021 by purpose/motivation of collaboration with business

Source: compiled on the basis of (GUS, 2021).

Undertaking joint activities with the business sector was mainly dictated by material motives. Almost half of the non-profit organisations started cooperation to obtain financial resources (48.1%), and 39.8% of the units declared that the motivation to undertake joint activi-

ties with business was the possibility of benefiting from material support (GUS, 2021). It is noteworthy that less than 29% of the surveyed organisations indicated the motive of acquiring, knowledge and experience (valuable resources) through cooperation with businesses.

Interestingly, NPOs relatively rarely declared the presence of barriers to collaboration with other actors. In 2021, their share was: 21.7% for organisations cooperating with the commercial sector. Attention was drawn in this respect to the lack of knowledge on the part of the part-ner about the cooperation (11.5%), lack of partnership relations (5.4%), conflict of interest (3%), possibility of taking over resources (people, capital, knowledge – 2.3%) possibility of losing independence, reputation (3.8%), unclear regulations and legal procedures (4.2%) (GUS, 2021).

In turn, the Monitoring of innovativeness of Polish enterprises carried out by the Polish Agency for Enterprise Development (PARP) in 2021 shows that in the case of innovation-active companies, cooperation with external partners was declared by 53.6% of respondents who introduced innovations and 58.3% who implemented an innovation project in an ineffective manner, i.e. interrupted, abandoned or did not complete it (PARP, 2022).

However, it is important to note that third sector entities were not mentioned among the entities with which firms collaborated in undertaking innovative activities. Public sector entities; customers, suppliers, competitors; the academic sector; clusters and business environment institutions played a key role (PARP, 2022, pp. 62–64).

One can only wonder whether and to what extent, within the framework of cooperation with the public sector and, more precisely, with local authorities, enterprises have cooperated with third sector entities in the discussed scope. The public sector, looking for cheaper and bottom-up methods of operation, increasingly seeks to cooperate with the third sector by outsourcing various tasks to it.

Companies are entities with particular market potential. The position of many of them is strong and steadily increasing thanks to the market position they have achieved, the marketing and logistics assets they have built up, and their outstanding ability to manage these resources.

They secure the growth of their performance largely by participating in various types of linkages, relational or network arrangements. These can have the function of transferring distinctive resources, complementing them or strengthening them and overcoming barriers to market access.

The above-mentioned realities, which are the basis for the success of many companies, significantly change the conditions of competition in the market, contribute to the raising of barriers to market access, and to the elimination from the market of companies that are not able to meet the new requirements. These requirements include, in addition to the need to reduce traditionally understood business risks (e.g. quality of services, delivery times), also the reduction of so-called reputation risks and the network-relational organisation of activities.

Such networks can in practice take the form of corporate and cooperative ties. The latter form of networking/relationality is of interest from the point of view of the work topic undertaken.

The resources and skills already mentioned are the primary source of companies competing in the market. These resources can be divided into active resources, which include, among others, technological and IT infrastructure, and intangible resources, among which employee knowledge and corporate image dominate. The latter also include organisational culture, research and development facilities, the information system and customer loyalty. The value of intangible resources is of particular importance to companies – as they can be used in different places at the same time, most often gaining in value. The aforementioned resources are in the form of assets whose value is dependent on their possession of durable (difficult to copy), unique and strategically oriented competences for their management (Śmigielska, 2007). These competencies are derived from the knowledge, skills and organisational experience of managers and other employees in performing various types of tasks more effectively than competitors. Such competences allow for better or faster exploitation of opportunities and reduction of threats arising in the environment. These include, among others, solving consumer problems in a unique way, motivating and developing the skills of employees, creating and developing relationships with stakeholders.

It can therefore be said that resources and the skilful sourcing and management of them determine the success of market players.

Another author emphasises that the foundation of an efficient organisation is cooperation, responsibility and commitment. These are key skills that increase a company's chances of success in the market (Kozielski, 2017).

This cooperation can be carried out with different stakeholder groups, one of which are third sector actors.

The manner and effects of such cooperation depend on the model of cooperation pursued within the framework of this responsibility.

In the traditional approach to social engagement, companies have pursued charitable or philanthropic activities. Today, they seek strategic solutions that minimise the broader risks of the business and maximise the company's chance of success in the long term. Companies, especially the largest ones, are seeking solutions that are effective while taking into account sustainability principles, including environmental issues (FOB, 2014, pp. 23–26).

In this optic, companies are increasingly pursuing a model called strategic philanthropy. Through it, the company not only builds long-term positive relationships with the external environment, but also engages and builds the sensitivity of its employees, among others, in cooperation with the third sector. The company not only donates money to social causes, but also mobilises the skills it has and the relationships it has with other actors (FOB, 2014).

A model that combines the economic goals of a company with the social goals of a particular enterprise is cause-related marketing (CRM). An example of a CRM activity could be donating a percentage of the profit from the sale of a product to a specific social cause or NGO (FOB, 2014).

A marketing innovation that fits in with the CSR trend and the circular economy model are social marketing solutions in the form of Corporate Social Marketing (CSM). It refers to marketing activities aimed at bringing about a lasting change in the behaviour (especially consumption) of customers. This type of marketing makes it possible to simultaneously introduce a socially relevant change and create a market for a new type of service or products (FOB, 2014).

An example of such an innovative marketing strategy on the Polish market, meeting the criteria of CSR and CSM, can be the ,Conscious Energy' programme run by RWE Polska. The aim of the campaign was to bring about permanent changes in the way energy is used. Specialised educational materials were developed for this purpose, including the "RWE Home Guide". In addition to the public sector, non-governmental organisations can also be good partners and even initiators of such projects; due to their social and environmental credentials, they can be valuable partners for similar projects (FOB, 2014).

Project partnerships and especially strategic partnerships of a long-term nature (FOB, 2014) are also of great importance.

Collaboration with the third sector is also a valuable source of business innovation and third sector opportunities.

As an example of fruitful and circular cooperation between partners, AmRest's innovation, the Harvest Programme, started in January 2017 and operates in more than 240 KFC restaurants in five countries: Poland, Spain, Bulgaria, Serbia and Hungary (approximately 35% of all units). AmRest's initiative to share surplus production with those in need also means reducing the carbon footprint generated by the restaurants and significantly reducing the company's landfill costs. We therefore have economic, environmental and social benefits thanks to a new operating procedure – a special system for freezing and storing ready-made chicken meals. This innovation required a number of microbiological tests and cooperation with the sanitary authorities. KFC donates ready-to-eat chicken meals to charities, working with more than 30 local branches of Food Banks and more than 70 NGOs. In less than a year, AmRest has donated more than 280 tonnes of ready-to-eat food to recipients, which translates into nearly one million protein-rich meals (Deloitte, 2018, pp. 112–113). KFC is the first restaurant brand in Poland to promote a project preventing food waste on such a large scale. The action taken directly influences the perception of the brand in the region and builds employee engagement. However, the project was made possible by innovation in the area of partnerships, including with third sector actors (Deloitte, 2018).

Another example is the activity of the Sendzimir Foundation, which has developed concepts for blue-green infrastructure systems, supervises the preparation of detailed designs and the implementation of these investments. The entity implements various installations based on nature-based solutions to increase landscape retention (rain gardens, retention basins, infiltration roundabouts, flower meadows, water purification islands, etc.) (Sendzimir Foundation (2018).

The Foundation conducts practical training courses for city officials, designers and business representatives in the field of blue-green infrastructure, thus disseminating green solutions to different stakeholder groups. In its innovative projects, it seeks to involve interdisciplinary groups of participants by providing opportunities to confront different skills and points of view (Sendzimir Foundation, 2018). The attractiveness of cooperation between companies and third sector entities is therefore evidenced by the greater opportunities for both sides of the partnership to achieve benefits (in relation to individual actions) that meet the requirements of today's market.

For businesses, these benefits are primarily:

- access to key resources: knowledge, skills, information and experience in the implementation of social projects,
- increase in social sensitivity of employees at various levels,
- reduction of operating costs,
- shaping an attractive offer on the market, adapted to the needs and requirements of the market,
- increase in innovation capacity,
- increase in sales revenue,
- increasing the ability to defend effectively against competition through image enhancement and cost-saving considerations.

For NGOs, on the other hand, the benefits of cooperation are (FOB, 2014):

- access to modern management methods,
- more effective implementation of statutory objectives,

- increased level of commitment to important social goals,
- a better public image and thus more opportunities to engage in other programmes,
- increased opportunities to obtain project funding.

Improving the competitiveness of market players today requires, among other things, the creation of lasting partnerships with all stakeholder groups.

According to the concept of relationship marketing, it is about creating and maintaining bilateral and multilateral relationships between the company and buyers and other stakeholders in the process of creating and delivering products and services.

Relationships with stakeholders within the sector as well as those in other sectors are therefore important. The participation of partners in the creation of the company's offer is intended to contribute to the improvement or creation of a new offer that meets the needs of purchasers, also taking into account social needs and translating into the realisation of the circular economy.

### 5. Conclusions

Cooperation between business and third sector entities has great potential for development and innovation. A number of circular projects between businesses and the third sector can, and indeed should, be implemented on the basis of cooperation and exchange of resources, skills and competencies of both groups of partners.

At present, the benefits and prospective possibilities of such cooperation in Polish conditions are not properly appreciated.

Changing this situation requires a lot of encouragement and promotion of information, mainly from the public sector, about the advantages of cooperation between the two sectors. It is also a necessity to promote circular solutions that create space and opportunities for partnerships between these actors.

In this respect, there is a need to improve the system of incentives (taxes, subsidies, entitlements, and licences) for entrepreneurs inducing them to act towards a circular economy.

There is also a need for greater availability of bank offers offering special financial instruments to support companies pursuing the idea (circular economy projects often escape standard financial evaluation) (Deloitte, 2018). Socially responsible public procurement is also key in this respect.

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### **Conflict of Interest**

The authors declare that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.



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