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The stakeholder business case for circular economy

An ordonomic approach for developing a circular economy business case by stakeholder governance

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Abstract

Recent circular economy (CE) literature has examined the opportunities and limitations of business case logics, yet this area remains under-theorized. This article contributes to the emerging debate by drawing on the stakeholder business case *for* sustainability from corporate sustainability literature, emphasizing the role of stakeholder collaboration in addressing sustainability challenges. By adopting the ordonomic approach from business ethics, we (re-)conceptualize the stakeholder business case *for* CE, focusing on the dynamic interplay between profit motives and stakeholder collaboration. This article makes three key contributions. First, it bridges the gap between theoretical business case logics and CE practices, demonstrating how innovative stakeholder governance can foster incentive- and system-compatible CE integration. Second, it contends that successful CE practices demand a comprehensive, system-level approach that actively involves all stakeholders. It underscores the importance of broad stakeholder engagement in business case development and illustrates how such collaboration harmonizes individual and collective interests within a CE. Third, it expands the stakeholder business case *for* sustainability by introducing a conceptual distinction between stakeholders' semantics, governance, and optimization. This distinction offers new opportunities to reconcile profit orientation with environmental stewardship, advancing the societal transition to a functional CE.

KEYWORDS
business case, circular economy, corporate sustainability, industrial ecology, stakeholder, stakeholder business case for circular economy

1 | INTRODUCTION

The notion of a business case *for* sustainability has been a central yet contentious topic in the corporate sustainability literature (e.g., Busch et al., 2024; Schaltegger et al., 2012, 2016, 2019). While the concept aims to reconcile financial performance with sustainable development, critics argue that a narrow focus on business case logic risks subordinating sustainability to shareholder interests, thereby reducing it to an instrumental or opportunistic pursuit (e.g., Hahn et al., 2014; Schaltegger & Burritt, 2018). Some of the progressive critics take this argument further, arguing that the creation of a business case can be seen as immoral and contrary to achieving environmental and social goals (e.g., Milne & Gray, 2013). In response to such forceful critiques, Schaltegger et al. (2019) have advanced a nuanced typology of business cases *for* sustainability, ranging from narrow shareholder-focused models to broader stakeholder-inclusive approaches. Their significant contribution lies in developing the concept of a stakeholder business case *for* sustainability, which envisions stakeholder collaboration as essential for addressing and solving sustainability-related challenges (ibid). This line of thought has recently spurred scholarly interest in further developing the business case understanding towards an "all stakeholders win" orientation for the functional implementation of business cases for sustainability (Busch et al., 2024, p. 783).

In the field of circular economy (CE) research, a parallel discourse on the business case is beginning to emerge, although it remains in the early stages of conceptual development (e.g., Daddi et al., 2019; Dzhengiz et al., 2023; Frishammar & Parida, 2019; Gupta et al., 2019; Khan et al., 2020). Recent studies highlight the relevance of business case logics within CE, emphasizing its dual role as both a catalyst and a barrier to CE adoption (Dzhengiz et al., 2023). These logics are discernible in the two major ongoing debates within the contemporary CE literature. First, scholars critique the limitations of a profit-oriented approach within CE, arguing that a successful transition necessitates moving beyond business case logic, which often appears misaligned with societal and ecological goals (e.g., Bauwens, 2021; Siderius & Poldner, 2021; Siderius & Zink, 2023). Second, there is growing exploration of stakeholder collaboration as a transformative mechanism for reconciling CE practices with profitability (e.g., Kirchherr, 2022; Kjaer et al., 2019; Schultz et al., 2024a). While these debates provide valuable insights, the integration of profit motives and stakeholder collaboration within CE remains under-theorized. This gap underscores the need for a more systematic conceptualization of a stakeholder-driven business case for CE (e.g., Marjamaa et al., 2021; Schultz et al., 2024b; Tapaninaho & Heikkinen, 2022).

To bridge this conceptual gap and provide a more comprehensive synthesis, we build on Schaltegger et al.'s (2019) conceptualization of their stakeholder business case *for* sustainability to refine and specify the notion of a stakeholder business case *for* CE. To achieve this, we adopt Alvesson and Sandberg's (2011) "problematization" approach and apply their problematization review method (Alvesson & Sandberg, 2020) to critically reassess foundational assumptions in the CE literature. Unlike other review approaches (e.g., integrative, systematic, or narrative reviews), which often reinforce a field's inherent assumptions, a problematization review explicitly interrogates and challenges these assumptions. In CE research, Dzhengiz et al. (2023) have already demonstrated the potential of problematization to advance theoretical debates. While problematization serves as our theoretical foundation, we introduce an ordonomic lens to the stakeholder business case debate, providing novel conceptual insights into how stakeholder governance functions as a key mechanism for reconciling CE practices with profit-orientation. By combining both, this study not only challenges prevailing theoretical assumptions but also contributes to a more nuanced and theoretically robust understanding of the development of a stakeholder business case *for* CE.

The contributions of this article are threefold: First, this article addresses ideational stalemates in contemporary CE discourse concerning business case logics, responding to Corvellec et al.'s (2022, p. 429) assertion that "there is clearly a need for conceptual coherence" in the CE literature. We emphasize the importance of innovative stakeholder governance for achieving incentive-compatible integration of CE into business practices. This integration is a prerequisite for the co-evolution of practical *ideas* (semantics) and functional *institutions* toward a CE. Second, we underscore that the principle of circularity inherently necessitates system(at)ic stakeholder engagement, in contrast to the narrower stakeholder orientation commonly associated with linear economies. This insight reveals that effective CE practices must inherently adopt a stakeholder-inclusive approach—a principle with significant theoretical and practical implications for managers seeking to embed CE within their firms and their value creation networks. This challenge is particularly relevant in the increasingly diverse CE stakeholder environment, characterized by conflicting interests that require viable approaches for resolution. By addressing both issues, we respond to Tapaninaho and Heikkinen's (2022, p. 2729) call to ensure that stakeholder relationships in CE transcend single-firm profit motives and reflect the "systemic and collective nature of a CE." Third, we take Schaltegger et al.'s (2019) stakeholder business case conceptualization one step further by introducing a distinction between (i) stakeholder discourse, which requires a semantic management to reorient the order of ideas, and (ii) stakeholder governance, which reforms institutional structures to enable incentive- and system-compatible CE business cases and practices.

This article continues with situating our study in the literature streams in Section 2. We then delineate our methods in Section 3. Next, we present our (re-)conceptualization in Section 4. We present our discussion and confer our concluding remarks in Section 5.

2 | THEORETICAL BACKGROUND

2.1 | The circular economy and stakeholders: Exploring interconnections

The CE is an evolving concept that seeks to transform the traditional linear model of "take-make-use-dispose" into a restorative system (e.g., Morseletto, 2020) designed to decouple resource consumption from economic growth dynamics (e.g., Kirchherr, 2022; Schultz, 2022a). While the CE concept advocates for a *system-oriented shift* toward circularity by slowing, narrowing, and closing resource loops (e.g., Bocken et al., 2016), achieving such a transformation necessitates holistic and collective innovation among various actors (e.g., Blomsma et al., 2023; de Jesus et al., 2021; Eisenreich & Füller, 2023; Jabbour et al., 2020; Jakhar et al., 2019). Such a large-scale systemic transition eventually leads to high complexity and uncertainty (e.g., Fobbe & Hilletofth, 2023; Kirchherr et al., 2018; Prieto-Sandoval et al., 2018). Given the systemic nature of the CE transition, incremental changes within traditional, company-centric, and gradual approaches may actually impede systemic transformation processes (Velenturf & Purnell, 2021). However, a radical and disruptive CE approach confronts substantial "challenges in the *governance* and management of … *inter-organizational and inter-sectoral* material and energy flows" (Korhonen et al., 2018, p. 45, emphasis added). Thus, de Jesus et al. (2021, p. 16) call for "further research to better define the role of diverse stakeholders" and to examine how stakeholder collaborations might enable a systemic CE transition. While stakeholder collaborations may partially address the challenges of a CE transition, further research is needed to understand how these collaborations can move beyond a firm-level focus and support an effective circular governance of stakeholder networks (e.g., Becchetti et al., 2025; Cramer, 2022; Minoja & Romano, 2024; Schultz et al., 2024b). Research on stakeholder governance from a systemic perspective in the CE field remains under-theorized, as most studies focus on product, firm, or market development (e.g., Castro-Lopez et al., 2023; Fobbe & Hilletofth, 2023; Jabbour et al., 2020; Jakhar et al., 2019; Pinheiro et al., 2018, 2022). As a case in point, Jakhar et al. (2019) examine how firms behave when faced with stakeholder pressure to adopt CE practices. Fobbe and Hilletofth (2023) offer insights on how firms can involve stakeholders in implementing CE practices as part of their sustainability initiatives. Provensi et al. (2024) highlight how stakeholder engagement drives CE adoption in startups. Castro-Lopez et al. (2023) also remain primarily focused on the firm level. While Pinheiro et al. (2018) identify legislation and regulation as CE drivers, they do not explore management's role in governance beyond laws and legislation. Similarly, Jabbour et al. (2020), Jakhar et al. (2019), and Pinheiro et al. (2022) primarily depict stakeholders as sources of pressure, rather than active collaborators working toward mutual benefits. Although Hansen and Revellio (2020) and Ho et al. (2022) initially examine governance frameworks, ranging from vertical integration to network collaboration, they largely bypass governance from a systemic angle. Only a few studies investigate stakeholder governance from a systemic point of view as Minoja and Romano (2024) explore how different stakeholder governance models—hub-and-spoke, lead role, and shared governance—can drive stakeholder cooperation in CE transitions. From a geographical perspective, Chembessi et al. (2024) found that geographical and organized proximities among stakeholders drive local resource mobilization and governance for effective CE initiatives. Cramer (2022) compares CE governance across 16 countries, highlighting the interplay between public and network governance, the role of government leadership, stakeholder involvement, and receptivity to collaborative governance in driving effective CE transitions.

However, there remain major empirical and conceptual challenges for stakeholder governance. As a case in point, Souza Piao et al. (2024) argue that stakeholders in Brazil face challenges in CE adoption due to weak regulatory enforcement, lack of coordination, and market constraints. Ho et al. (2023) examine stakeholders' roles in CE transitions, emphasizing the need for clearer CE and stakeholder understanding. Finally, Becchetti et al. (2025, p. 2) highlight that coordination failures and a so-called "paradox of market failure induced by competition" are burdens to a systemic CE transition. Against this background, a systemic approach to stakeholder governance is urgently needed to facilitate a systemic CE transition with a particular focus on the relation between business case logics and stakeholder environments (e.g., Köhler et al., 2022; Marjamaa et al., 2021; Schultz & Reinhardt, 2022, 2023; Schultz et al., 2024b; Tapaninaho & Heikkinen, 2022).

2.2 | The unfolding of the business case debate

Schaltegger et al. (2019) note that a focus on business cases limits managers' ability to pursue morally driven goals, such as sustainability, which cannot always be justified solely by profit motives. Similarly, Weitzner and Deutsch (2019) argue that stakeholder collaborations that primarily benefit a small group of elite firms are unlikely to drive the broad systemic changes needed to reach a critical mass of market actors. Thus, debates within the corporate sustainability (CS) literature have long questioned whether the business case logic is compatible with adopting sustainable practices (e.g., Busch et al., 2024; Carroll & Shabana, 2010; Salzmann et al., 2005; Schaltegger & Burritt, 2018; Schaltegger et al., 2012, 2016, 2019). Some critics have further argued that the profit orientation central to business case logic inherently conflicts with broader societal and ecological objectives, even framing the business case as *"immoral"* in contexts where environmental and social goals are paramount (e.g., Hahn et al., 2010, 2014; Milne & Gray, 2013).

Despite these critiques, we contend that the CE literature has yet to fully engage with the seminal insights of Schaltegger et al. (2019) regarding the stakeholder business case *for* sustainability. Schaltegger et al. (2019) distinguish between a business case *of* sustainability—focused on optimizing sustainability initiatives for shareholder returns—and a business case *for* sustainability, which is co-created by stakeholders actively addressing sustainability challenges. This latter conception embraces the reality of tradeoffs between sustainability and business success while emphasizing the transformative potential of stakeholder collaboration. Yet, they propose that stakeholders possess the capacity to reframe these constraints through collaborative innovation, creating novel pathways to align value creation with sustainability. This perspective introduces an evolutionary dimension to the business case debate, wherein stakeholders collectively engage in processes of learning, discovery, and co-creation to reframe business models and sustainability strategies (e.g., Busch et al., 2024; Rasche et al., 2023; Schaltegger et al., 2019). Valentinov (2023) likens these processes to a Hayekian discovery procedure, highlighting the epistemic complexity of sustainability as a domain requiring iterative experimentation and collective problem-solving.

Recent years have witnessed the emergence of the business case debate in the CE context (e.g., Daddi et al., 2019; Dzhengiz et al., 2023; Frishammar & Parida, 2019; Gupta et al., 2019; Khan et al., 2020; Schultz et al., 2025). This debate highlights the need to address tradeoffs between the (seemingly) conflicting goals of economic, ecological, and social value creation for the systemic nature of CE (e.g., Frei et al., 2020; Linder &

Williander, 2017). As recently highlighted by Suarez-Visbal et al. (2024, p. 1), this "lack of comprehensive systemic vision creates blind spots, generating unintentional tradeoffs between social and environmental objectives." Business case logics are often viewed as contributing to these tradeoffs, with some scholars arguing that CE frameworks may not consistently achieve optimal outcomes, neither for the environment nor for firms (van Loon et al., 2018). Progressive critiques question the fundamental premise of profit orientation, arguing that the CE may require moving beyond the business case logic to successfully address environmental and social challenges (e.g., Bauwens, 2021; Siderius & Poldner, 2021). From this perspective, CE is conceptualized as a transformative "moon shot" achievable only through "non-market, socially planned, and collectivist" mechanisms (Siderius & Zink, 2023, p. 1588). Such critiques portray profit orientation as not only incompatible with CE but also fundamentally illegitimate in addressing societal and ecological challenges (e.g., Siderius & Poldner, 2021; Siderius & Zink, 2023). Siderius and Zink (2023, p. 1574) hold that market incentives often prioritize profit maximization and growth, even when these objectives fail to deliver "real value for society." Similarly, Zink & Geyer (2017, p. 593) argue that encouraging private firms to prioritize profitable CE opportunities may inadvertently undermine or negate the environmental benefits of CE initiatives. Building on this critique, Siderius and Poldner (2021) advocate the view that the neoclassical assumptions of rationality and profit maximization represent relics of an economic paradigm from which CE should seek to depart. Instead, they propose a reimagined approach to business centered on cooperation, care, and solidarity to replace the traditional idea of profit-making for capital accumulation. Bauwens (2021) similarly contends that a post-growth economy would require a fundamental reconsideration of what it means to "do business," prioritizing community and collective well-being over profit generation. These positions underscore a tradeoff between CE aspirations and the business case logic, with some scholars questioning whether traditional frameworks of competitive markets and competitive firms have to be abandoned for tapping CE's transformative potential (Siderius & Zink, 2023). In sum, some parts of the contemporary CE literature focus predominantly on tradeoffs and stakeholder conflicts. This has overshadowed the potential for system-oriented collaborative innovation to reframe the business case *for* CE in a system-compatible, transformative way.

3 | METHODS

3.1 | Problematization and problematization review

Rather than engaging in conventional "gap spotting," we adopt Alvesson and Sandberg's (2011) 'problematization' approach and apply their 'problematization review' method (Alvesson & Sandberg, 2020). Problematization, as introduced by Alvesson and Sandberg (2011, p. 248), can serve "as a methodology for identifying and challenging assumptions that underlie existing theories," facilitating a more critical and generative re-examination of theoretical assumptions. Recognizing concerns about the dominance of gap-spotting in management research (Bartunek et al., 2006), Alvesson and Sandberg (2020; Daft & Lewin, 2008, p. 1300) further refined problematization into a structured review approach, providing systematic principles to interrogate foundational assumptions and advance theoretical debates. Building on this approach, we systematically examine and critique the core assumptions underpinning the current CE discourse on business cases, stakeholder relations, and underlying business-stakeholder logics. This enables a reassessment of the stakeholder business case for CE, ensuring that our review does not merely consolidate existing knowledge but critically evaluates the implicit assumptions shaping CE scholarship. This allows us to deconstruct arguments and address the urgent calls for more assumption-challenging studies in CE research (e.g., Corvellec et al., 2022; Schultz & Rhein, 2024; Schultz et al., 2024a). Notably, Dzhengiz et al. (2023) have recently demonstrated the potential of "problematization" to advance theoretical debates in CE research. While theoretical debates tend to rely on "ready-made" perspectives from established theorists rather than offering genuinely new frameworks (e.g., Grandy & Mills, 2004), our research seeks to avoid these prepackaged perspectives by critically interrogating foundational assumptions within the business case and CE debates.

Oriented by Alvesson and Sandberg's (2020) structured approach, our review was conducted in three iterative stages: (1) an initial broad and selective search of the literature, (2) a focused enrichment of the sample with influential texts, and (3) a reflexive reading that challenges dominant assumptions and interpretations. Each of these stages is detailed below.

Stage 1—Narrowing the focus and initial screening: In the first stage, we adhered to the principles of "less is more" and "reading more broadly but selectively" (Alvesson & Sandberg, 2020), focusing on a select set of peer-reviewed articles on CE, business cases, and stakeholder relations. We conducted a comprehensive keyword search in the Clarivate Web of Science and Google Scholar databases, using the search queries in the title (TI) search: ("Circular economy" OR "CE") AND ("business case"); AND ("stakeholder"); AND ("profit"); AND ("economic"); AND ("market"); AND ("growth"); AND ("governance"). Our search covered articles published between January 2015 and March 2025. Initially, 1875 articles were identified—650 from Web of Science and 1225 from Google Scholar. To ensure the robustness of our sample, we applied stringent inclusion and exclusion criteria. Only peer-reviewed journal articles published in English were considered. Articles had to explicitly address relationships, tradeoffs, tensions, and synergies between CE, business cases, and stakeholders. We also included articles that directly engaged with the alignment of CE with profit orientation and economic welfare. Articles were excluded if they were non-peer-reviewed, gray literature (e.g., blogs, unpublished theses, etc.), or only tangentially referenced CE without substantial relevance to business case implications. In the first screening phase, we reviewed only article titles and abstracts, selecting those explicitly engaging with our research focus, resulting in 273 articles. The second phase involved a

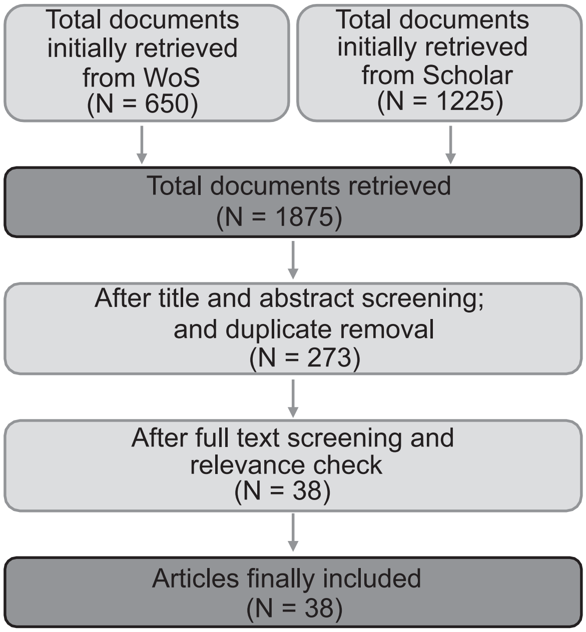

FIGURE 1 Flowchart for literature search.

full-text review to ensure alignment with our focus on CE business cases, stakeholders, and governance. The final dataset consisted of 38 articles (see Table 1 of Supporting Information S2), which were systematically analyzed for recurring themes related to three criteria: (1) conceptualizations of the business case in CE, (2) the role of stakeholder relations and governance in CE, and (3) the relationship between CE, profit orientation, and economic growth.

Stage 2—Enriching the sample with influential literature: In the second stage, we aimed to enrich our sample by incorporating key foundational texts that provide a broader perspective on the business case *of/for* sustainability. To do so, we consulted influential articles in this literature stream, identified through the "Chartered Association of Business Schools" rankings and Web of Science's "Highly Cited" articles. Abstracts were screened for relevance to business case and stakeholder theories, with the aim of identifying underlying assumptions in the literature that could challenge the prevailing discourse on CE. This resulted in the selection of 13 influential articles (see Table 2 of Supporting Information S2).

Rather than solely accumulating additional studies, we followed Alvesson and Sandberg's (2020) principle of "not accumulating but problematizing." Thus, we engaged deeply with this limited number of texts that were most relevant to our research focus. The goal was not simply to expand the breadth of our sample, but to identify and challenge the taken-for-granted assumptions regarding stakeholder business cases *for* CE. This stage allowed us to critically examine the foundational literature and consider alternative conceptualizations.

Stage 3—Reflexive reading and challenging assumptions: In the third stage, we applied the principle of "reflexivity," as recommended by Alvesson and Sandberg (2020), to critically interrogate the literature with the utmost care and scrutiny. This involved not only engaging deeply with the literature sample but also exploring alternative perspectives and potential sources of inspiration. We worked with doubt, questioning interpretations and considering alternative viewpoints, while recognizing the role of intuition in guiding our insights. Reflexivity in this context means not merely accepting established interpretations but actively challenging them to foster new, innovative ideas (e.g., Alvesson & Sandberg, 2011, 2020; Alvesson & Sköldberg, 2017). This process allowed us to question the assumptions, perspectives, and vocabularies embedded in the existing literature, avoiding the reliance on dominant logic or the researcher's own preferred reasoning (Figure 1).

3.2 | The ordonomic approach

The ordonomic approach—a theoretical lens situated at the intersection of institutional economics and business ethics (Pies, 2016, 2022; Pies & Schultz, 2023; Schultz & Pies, 2024; Schultz, 2022b)—is particularly well-suited to elucidate the complexities of stakeholder collaboration, especially in contexts where stakeholders possess diverse and sometimes conflicting interests (e.g., Pies & Valentinov, 2024). Exemplarily, Schultz et al. (2024a, 2024b) have recently demonstrated the potential of "ordonomics" to advance theoretical debates in CE research. Applying the ordonomic approach to the CE discourse acknowledges that a CE transition is a systemic task that creates novel ideational (*semantics*) as well as institutional (*governance*) challenges. Ordonomics emphasizes the system(at)ic co-evolution of both (Pies et al., 2010): Ideas drive institutional development, which in turn can foster coordinated changes in individual perceptions and behaviors, as conceptualized within the ordonomic three-level

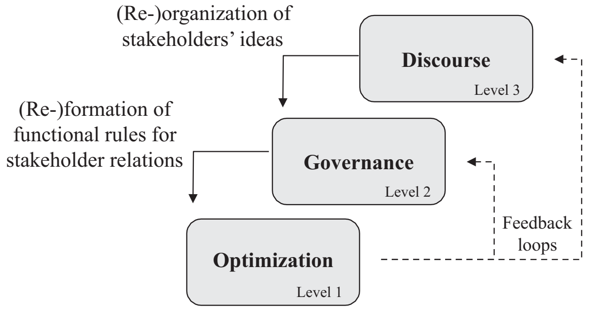

FIGURE 2 The three-level framework (own illustration inspired by Pies et al., 2010).

framework (Figure 2). Value creation (level 1) requires the organization of incentive arrangements (level 2), and the establishment and adaptation of these arrangements necessitate institutional ordering (governance) to shape and re-form institutional conditions and their incentive effects (e.g., de Ridder et al., 2023; Pies et al., 2009; 2010). The success of actors in creating these arrangements (level 2), however, depends on their understanding of the current system, their interpretation of the status quo, and their vision for better alternatives (level 3). This highlights the importance of a semantic management of ideational perceptions for successful value creation (e.g., Pies et al., 2020, 2021; Will & Pies, 2018).

Semantics encompass cognitive frameworks, mental models, and belief systems embedded within ideas that influence how individuals perceive social norms and rules that structure social interactions (e.g., Denzau & North, 1994). A zero-sum mindset, focused on tradeoffs, can hinder institutional reforms, while a mutual-benefits perspective facilitates the identification and implementation of joint solutions to shared problems. A conceptual reorientation of semantics can thus promote a shared understanding of common interests and reveal new opportunities for value creation, which can then be realized through improved governance enabling individual optimization. The ordonomic understanding of *governance* follows Williamson (2010; p. 674), who defines it as the "means by which to infuse order, thereby to mitigate conflict and realize mutual gain."

Against this background, the ordonomic approach has contributed conceptually to various academic debates by critically examining key concepts and their underlying assumptions, including corporate citizenship (Pies et al., 2009, 2010), corporate sustainability (Beckmann et al., 2014; Pies & Schultz, 2023), the sharing economy (Hielscher et al., 2022), price gouging (Jauernig et al., 2024), and stakeholder theory (Pies & Valentinov, 2024).

Thus, the ordonomic lens and its three-level framework are well-suited for critically examining the assumptions in the targeted CE literature, particularly around business case and stakeholder logics. The following (re-)conceptualization seeks to reconcile divergent perspectives and enhance conceptual clarity rather than develop a predictive theory, aligning with best practices for conceptual paper development (Gilson & Goldberg, 2015).

4 | RE-CONCEPTUALIZING THE STAKEHOLDER BUSINESS CASE FOR CE

4.1 | Stakeholder optimization, governance, and semantics from an ordonomic view

Pies and Valentinov (2024) emphasize that the ordonomic approach holds significant implications for how stakeholder theory could explore the reconciliation of diverse and sometimes conflicting stakeholder interests. As illustrated in Figure 2 (see Section 3), within the ordonomic framework, individual stakeholders can engage in three distinct roles: (1) optimization, that is, the pursuit of efficiency within existing constraints; (2) stakeholder governance, that is, the process of negotiating and establishing the very structures, rules, and institutions that define and guide optimization behavior of stakeholders; and (3) stakeholder discourse, that is, open discussions to reorient categories of thought that shape individual perceptions of social norms and of the formal rules that govern social interactions (e.g., Denzau & North, 1994). (1) Optimization describes how stakeholders act to maximize their individual interests within established rules, often prioritizing immediate financial returns. Focusing on this very level emphasizes profit orientation within a narrow timeframe, which may overlook broader, potentially conflicting stakeholder concerns. (2) Moving to the stakeholder governance level, attention shifts toward the (re-)formation of rules, where stakeholders engage in rule-setting and institution-building to mediate conflicts, align interests, and promote mutual gains. (3) The stakeholder discourse level helps to re-organize ideas by improving semantics that further shape stakeholder governance by introducing a deliberative dimension—stakeholders collaboratively exchange their perceptions and find joint interpretations of ethical principles and societal norms (on level 3) that then shape (on level 2) the rules and practices established by stakeholder governance, which finally (on level 1) guide their everyday business operations.

From an ordonomic perspective, stakeholders must be enabled to transition from passive participants to active system co-creators. This shift can be achieved through principles of, for example, procedural fairness, shared accountability, capacity building, and semantic alignment. Procedural fairness involves establishing transparent decision-oriented processes that ensure all stakeholders have a voice in the stakeholder discourse. Shared accountability focuses on jointly co-designing governance structures that accordingly distribute risks and rewards. Capacity building emphasizes providing marginalized stakeholders with the resources and knowledge they need to participate in stakeholder discourses effectively. This could include offering funding support for small businesses to adopt circular practices. Finally, semantic alignment involves fostering meaningful discourses among stakeholders to co-define shared visions for joint value creation. These stakeholder dialogues can thus help reconcile conflicting interests, build trust, establish the foundation for long-term collaboration, and encourage innovation.

4.2 | Enriching the business case debate by offering an ordonomic perspective

This ordonomic distinction between optimization, governance, and semantics provides a robust institutional economics foundation for understanding Schaltegger et al.'s (2012, 2016, 2019) differentiation between the "business case *of* sustainability" and the "business case *for* sustainability." According to Schaltegger et al. (2012, 2016, 2019), the business case of sustainability focuses on shareholder-centered optimization, where sustainable practices are pursued only to the extent that they support shareholder returns. Within the ordonomic three-level framework, this approach aligns with optimization, where under certain rules, sustainability initiatives are subordinated to financial outcomes. Here, sustainability may yield benefits, but these are incidental, driven by shareholder interests rather than by a comprehensive alignment with stakeholder needs. Such a business case does not actively engage diverse stakeholders but primarily serves as a mechanism for enhancing shareholder value, often sidelining broader sustainability goals and potentially even creating social dilemmas as other stakeholders seek to overcome imbalances in terms of environmental and social benefits.

In sharp contrast, Schaltegger et al.'s (2019) stakeholder business case *for* sustainability embodies, in ordonomic terms, a shift from focusing on optimization to also considering governance opportunities. This ordonomic perspective therefore offers a heuristic to address the problem structure by introducing and distinguishing multiple levels of abstraction. This involves not merely rule-following (on level 1) but also the establishment of an institutional architecture conducive to collaborative problem-solving among stakeholders (on levels 2 and 3). It enables tradeoffs to be transformed into synergies through governance mechanisms that invite ongoing dialogue and co-creation. While Schaltegger et al. (2019) distinguish between a "business case *for* sustainability" and a "stakeholder business case *for* sustainability," the ordonomic perspective suggests that a genuine business case for sustainability needs to explicitly address the interests and subjective interest perceptions of multiple stakeholders—employees, suppliers, customers, communities, and the environment—rather than serving shareholders exclusively. Ordonomics reinforces this broader orientation by positing that genuine sustainability orientation requires open discourse on ideas and interpretations to discover and implement governance structures that harmonize stakeholder interests and integrate them within the organization's own strategy.

In the CE literature, debates around the limits of profit orientation have challenged the legitimacy of a business case logic suggesting that it is not only an insufficient, but what is more obstructive (and even "immoral") motivation for corporate CE efforts (e.g., Bauwens, 2021; Siderius & Poldner, 2021; Siderius & Zink, 2023). From an ordonomic viewpoint, we argue that much of this debate has stemmed from a failure to clearly conceptually distinguish between optimization and governance. The business case *for* CE could be interpreted as either a profit-driven optimization endeavor (on level 1) or as a governance-oriented model of coordinating ideas and incentives (on levels 2 and 3), encompassing a range of stakeholder interests, some of which may be driven by their own profit-seeking. Drawing on this ordonomic distinction, we can describe the *stakeholder business case for CE* as a governance-centric model wherein CE enterprises co-create value by participating in discussion and negotiation processes for clarifying and integrating the diverse interests, resources, and capabilities of multiple stakeholders—including employees, customers, suppliers, communities, and the environment—to foster sustainable, restorative, and economically viable business practices. This conceptual model proposes that environmental and social value are generated alongside economic gains, with collaborative governance structures that align stakeholder objectives and facilitate mutually beneficial outcomes. This ordonomic perspective helps to understand how improving stakeholder relationships in CE through stakeholder discourse and stakeholder governance can enable the transcendence of single-firm profit motives into the "systemic and collective nature of a CE," as recently requested by Tapaninaho and Heikkinen (2022, p. 2729). Hence, within a stakeholder business case for CE, stakeholders act not merely as beneficiaries of incidental gains but as active co-creators of sustainable solutions, advancing CE as a systemic shift rather than an isolated individual initiative.

We illustrate our understanding of the *stakeholder business case for CE* as a governance-centric model in Figure 3. In this figure, in the upper part, profit is plotted on the ordinate (*y*-axis), and activities promoting circularity are plotted on the abscissa (*x*-axis). The graph shows profit lines (PL) shaped as inverted U's. The shift from PL1a to PL1b and from PL2a to PL2b, respectively, indicates that in an open market, positive pioneer profits diminish over time due to competitive pressure. In the short term, a positive profit (like point B) is achievable. However, in the long-term equilibrium, a firm under market competition realizes at best zero profit (point B*), defined as revenue minus *all* opportunity costs for using factors of production. Against this conceptual background, we can now distinguish two options for improving CE performance. (a) Critics advocating for a departure from optimization behavior and favoring solely the pursuit of a "beyond business case logic" suggest that firms should move along the given PL1a toward a point like C to further increase their level of circular activities. While this "non-optimization" behavior may be viable in the short term (point C), it leads to losses in the long term (point C*), hence lacks sustainability and even risks undermining dynamic long-term innovation for further increasing the level of circularity. (b) The alternative approach is not to move along the PL1a curve further to the right, but instead to shift it toward PL2a. Instead of deviating from the optimization logic to increase circularity, governance by credible commitments (Williamson, 1983) can re-arrange

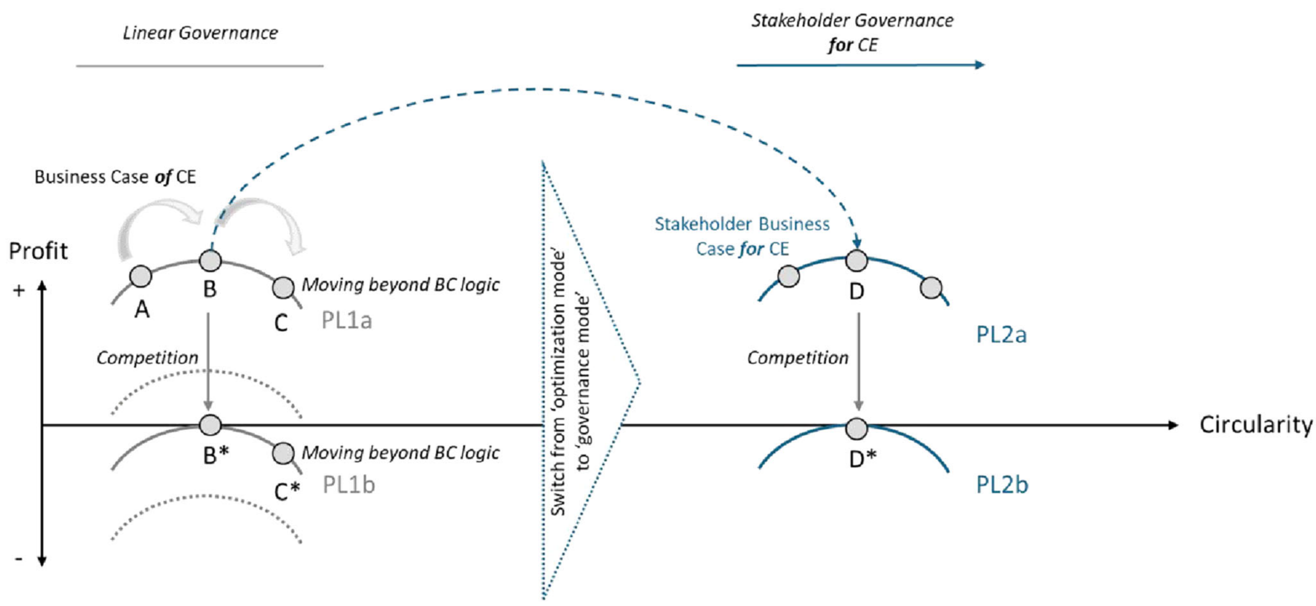

FIGURE 3 Governance perspective on the relationship between a business case of CE (i.e., optimization-centric mode) and stakeholder business case for CE (i.e., governance-centric mode) (inspired by Pies, 2022).

the incentives for optimization via institutional reform. This allows for higher levels of circularity while being incentive- and system-compatible with firms' profit-orientation, creating a virtuous cycle that incentivizes further innovation activities, eventually facilitating and scaling-up circular business activities.

By illustrating the *dynamic* relationship between profit and circularity over time, Figure 3 sets the stage for distinguishing between two logics: (1) Within a linear governance mode, the business case *of* CE logic is prevalent and leads to incremental circularity of businesses (like most firms' actual behavior in mass markets under competitive pressure); (2) Within a co-creative stakeholder CE governance mode, however, firms are able to *systemically* drive the integration of circularity into business strategies. This makes it much easier for them to develop viable CE solutions even in contestable markets (i.e., [mainstream] markets with high actual or potential competitive pressure) (see Baumol, 1984), co-creating a stakeholder business case *for* CE.

The viability of the stakeholder business case *for* CE depends fundamentally on establishing robust incentive mechanisms to address the challenges of multi-stakeholder engagement. This is why governance is so crucial. It has to address the fact that stakeholders often bring divergent—and sometimes conflicting—interests, values, and priorities to the table. Without an innovative and systemized (i.e., system-logic compatible) governance, these differences can lead to friction and disengagement, ultimately resulting in conflicts and frustration. Resolving these issues necessitates a governance mode that ensures fair representation of stakeholder interests, guarantees procedural fairness that enables all voices to be heard, and implements accountability mechanisms that uphold shared commitments. When governance meets these standards, it creates a "safe space" conducive to productive stakeholder engagement, where stakeholders can pursue mutual understanding and engage in discovery and collective learning processes. In such a secure environment, trust can be established (e.g., Schultz et al., 2024c), minimizing defensive or opportunistic behaviors that often arise when stakeholders feel vulnerable or excluded. Moreover, when conflicts arise from heterogeneity, they can be addressed constructively through stakeholder discourses within this safe space. Finally, governance fosters reciprocity, where stakeholders recognize, acknowledge, and reciprocate each other's contributions. This cycle of reciprocal engagement strengthens the stakeholder network, encouraging each party to further invest in shared goals. Thus, a co-evolutionary development between re-organization of ideas through constructive discourses and a systemized stakeholder governance can enable the stakeholder business case *for* CE to flourish, ensuring that discovery and learning processes are continuous rather than episodic.

While various real-world examples, such as Patagonia, Inc.'s CE approach, illustrate a systemic shift by integrating CE-driven innovation and stakeholder collaboration into successful business cases (e.g., Rattalino, 2018), we extend this discussion by applying our ordonomic reconceptualization to the European polyurethane (PUR) industry. Drawing on Schultz et al. (2024b),[1] who empirically examine the PUR industry's transition from linear to circular governance, Table 1 maps this transition onto the ordonomic three-level framework, demonstrating how CE principles become embedded in business strategy through stakeholder collaboration.

The PUR industry initially operated under linear governance, optimizing profits within existing institutional constraints (Figure 2, level 1). CE business cases emerged incrementally, benefiting select stakeholders while exacerbating tradeoffs. To address these conflicts, stakeholder governance became essential (Figure 2, level 2). A key example is the PDR system, where manufacturers and waste firms collaborated to recycle

TABLE 1 The ordonomic three-level scheme and the stakeholder business case for circular economy (CE).

Ordonomic level	Role of optimization and governance	Implications for stakeholder business case for CE	Practical examples of stakeholder collaborations in CE	Mechanisms for stakeholder business case for CE
1. Business conduct (optimization)	Arena of day-to-day, profit-driven actions where individual stakeholders seek immediate gains through optimizing behaviors, typically for shareholder benefit.	The stakeholder business case for CE operates within this level only when it is supported by governance structures established at the 2nd and 3rd levels. Optimizing behaviors play a critical role here, but must align with broader governance goals to prevent conflict and frustration.	Company-centric collaboration: Firms within the European polyurethane industry collaborate with immediate suppliers and customers to optimize recycling processes, such as chemical recycling of polyols, driven by profitability and regulatory compliance. These bilateral relationships are profit-motivated and focused on operational efficiency.	Transparent operations: Based on clear contracts and standards (moving beyond single industries).
2. Stakeholder governance	Level focused on rule-setting negotiation to enable achieving mutual stakeholder interests and reduce conflicts. Stakeholders engage in establishing and modifying institutionalized incentives to align with shared goals.	At this level, governance activities facilitate the emergence of the stakeholder business case for CE by harmonizing stakeholder interests and creating mutual benefits.	Industry-oriented governance in polyurethane recycling: Stakeholders from the industry—including manufacturers, waste management firms, and policymakers—collaborated to create the PDR system in Germany. This initiative formalized the collection and recycling of polyurethane foam cans, aligning stakeholder incentives with industrial sustainability goals.	Procedural fairness: Multi-stakeholder decision-oriented processes. Shared accountability: Clear metrics and shared reporting obligations. Shared incentives: e.g., shared savings from reduce, reuse, recycle to align stakeholder gains.
3. Stakeholder discourse	A discursive level for co-creating values, norms, and ethical principles that shape systemized governance. Stakeholders engage in deliberation to align their perceived goals with societal values.	At this level, the stakeholder business case for CE is reinforced through collaborative sense-making and sense-giving activities, which align stakeholder goals with societal expectations, enhancing the legitimacy and resilience of CE initiatives.	Cross-industry discourse for circular plastics: Cross-sector initiatives and platforms, such as those involving PUR manufacturers, NGOs, and adjacent industries (e.g., PET, PE, and PP sectors) work to establish a joint understanding as the basis for standardization norms to narrow, slow, and close loops. Collaborative discussion aims to harmonize conflicting interests and to facilitate systemic innovation for creating long-term circularity.	Semantic alignment: Dialogues to co-create shared values. Trust-building: Platforms and forums for open, transparent, and reciprocal stakeholder dialogues.

Abbreviation: PUR, polyurethane.

PUR foam cans, institutionalizing collective action and reducing free-rider problems. However, effective circular governance requires reflective stakeholder deliberation (Figure 2, level 3) that involves co-creating norms, fostering shared ethical foundations of circularity (e.g., environmental stewardship), and expanding stakeholder participation across industries and sectors to generate systemic benefits beyond individual firm-level.

5 | DISCUSSION AND CONCLUDING REMARKS

The stakeholder business case *for* CE, conceptualized through the lens of the ordonomic approach, offers several contributions to both CE scholarship and the broader discourse on the business cases *for* sustainability. First, our ordonomic perspective enriches the CE literature by discovering the nature of governance structures necessary for realizing the stakeholder business case for CE. Critical perspectives on the business case logic emphasize its focus on optimization, where firms adopt circular practices primarily driven by short-term economic returns and regulatory compliance. We contribute to bridge ideational stalemates in the contemporary CE discourse leading to radical standpoints, exemplified by Siderius and Zink (2023, p. 1588) who argue that "a functional circular economy [is] achievable only through non-market, socially planned, collectivist [...] means [...] moving away from a market-based value system." Instead, an ordonomic perspective underscores the shared commitment of scholars, policymakers, and practitioners to a sustainable and inclusive future for current and future generations, grounded in shared normative principles. However, ordonomics advocates distinct pathways to these shared goals, emphasizing the importance of system-compatible, multi-stakeholder governance. Such governance prioritizes the alignment of diverse interests and fosters ongoing collaboration and innovation, driving systemic, long-term, and incentive-compatible transformation processes. Moreover, the ordonomic approach positions stakeholder collaboration enabled by shared governance as a foundational element of circularity, rather than a peripheral concern, stressing its critical role in building mutual understanding and advancing conceptual clarity. To be clear, without properly discussed conceptual foundations for stakeholder governance, the vision of a fully fledged CE risks remaining an unfulfilled aspiration.

Our reconceptualization demonstrates that transitioning from linear to circular governance requires active stakeholder engagement across multiple levels, including rule-setting negotiation as well as rule-finding discussions for co-creating a joint understanding of societal norms and ethical principles. While large parts of the contemporary CE stakeholder literature focus on products (e.g., Pinheiro et al., 2018) or on the firm-level (e.g., e.g., Castro-Lopez et al., 2023), our perspective provides a *systemic* approach to the debate bridging individual profit motives and the collective, societal nature of a CE, as recently requested by, for example, Tapaninaho and Heikkinen (2022). While Becchetti et al. (2025, p. 2) emphasize a so-called "paradox of market failure induced by competition" as elementary burden to a systemic CE transition, our study highlights that negative externalities should not be perceived as "market failures" allegedly induced by competition but as "missing markets" or "missing exchanges" between stakeholders. Instead of regarding CE as an institutional option for the internalization of negative externalities, it should better be perceived as a systemic institutional device for the spreading and accumulation of positive externalities that result from innovation as the source for value creation.

Third, we contribute to enriching the business case debate in a CE context. Up to now, this debate has led to the acknowledgment of trade-offs between economic, ecological, and social goals (e.g., Hahn et al., 2010; Schaltegger et al., 2012, 2016, 2019). The ordonomic framework takes this a step further by addressing these tradeoffs in a dynamic and institutional context, where the roles of optimization within given rules, the governance of implementing new rules, and semantic discussions about desirable rules are interlinked in a co-evolutionary manner. In line with Schaltegger et al. (2019), who distinguish between the business case *of* sustainability (focused on optimizing shareholder returns) and the business case *for* sustainability (co-created through stakeholder engagement), we demonstrate that the ordonomic distinction takes the CS literature one step further toward overcoming the inherent tradeoffs between profit motives and sustainability goals. Our contribution lies in illustrating how incentive-compatible governance can align profit motives with societal and environmental goals, enabling firms and stakeholders to co-create sustainable value. This approach can bridge prevailing ideational divides in CS debates (cf. Pies et al., 2021), offering a normative yet pragmatic pathway toward inclusive and transformative sustainability practices. This shift is particularly critical in CE, where the economic value of circular practices is often questioned, and where systemized stakeholder governance can actively reframe these practices as both profitable and restorative. Schaltegger et al. (2019, p. 200) define the purpose of the stakeholder business case for sustainability as "creating value for a larger group of stakeholders by solving a sustainability problem" through "overcoming trade-offs to create synergies" (Schaltegger et al., 2019, p. 199). Adding to and expanding on this concept, we argue that CE necessitates a systemic innovation approach, which requires innovative stakeholder governance to re-align incentives and facilitate collaborative problem-solving. Thus, we propose defining the *Stakeholder Business Case for CE* as a "*a value creation concept that enables firms and stakeholders to jointly resolve perceived tradeoffs between profit motives and environmental or social objectives in a system-compatible manner. Through enlightened stakeholder discourse, it reforms incentive structures via innovative stakeholder governance, driving systemic CE innovation. This approach amplifies positive externalities, aligns profit motives with environmental and social goals, and facilitates the diffusion of CE innovations, ultimately fostering an intensive green growth trajectory.*"

The ordonomic approach thus provides a conceptual foundation for understanding how stakeholder collaboration can generate new opportunities for joint value creation, even in the face of competing interests. This process of collective discovery and institutional innovation highlights that stakeholders can reframe linear business cases through co-creating new pathways for developing profitable CE solutions and new sustainable markets. Hence, our conceptual article contributes to bridging the gap in the systemic understanding of stakeholder business cases for CE that has led to "generating unintentional tradeoffs between social and environmental objectives" as highlighted by Suarez-Visbal et al. (2024, p. 1).

The practical implications of the ordonomic stakeholder business case *for* CE, as conceptualized in this paper, are significant for both business managers and policymakers. For managers, companies must collaboratively co-create governance structures that embrace the interests of multiple stakeholders. The challenge lies not only in adopting circular practices but also in fostering the necessary joint understanding among stakeholders that enables these practices to be implemented effectively. Managers must therefore invest in ongoing stakeholder dialogue and collective learning to adapt to the evolving demands of circularity, thus ensuring that CE practices are not only economically viable but also socially equitable and environmentally beneficial. From a policy perspective, this article highlights how governments (public ordering) can design policies that encourage the co-creation of governance structures (private ordering) conducive to CE transitions. Policymakers can promote multi-stakeholder networks, offer incentives for collaboration, and design flexible regulations that encourage circular practices without limiting stakeholder initiative. This includes setting regulatory standards, providing financial incentives for firms adopting stakeholder governance, and supporting collaborative platforms. Integrating such mechanisms into policy frameworks can help resolve conflicts, enhance stakeholder alignment, and improve the effectiveness of CE initiatives.

Our reconceptualization faces limitations, as stakeholder misalignments may hinder collaboration. We propose three pathways for alignment—discourse, governance, and optimization—but without meaningful cooperation, CE viability is at risk. Nonetheless, our framework opens avenues for future CE research, including empirical validation across sectors, analysis of evolving governance mechanisms, and exploration of power dynamics and equitable participation. Interdisciplinary studies can further enrich understanding of how stakeholder governance addresses CE challenges. Hereby, we invite fellow researchers to constructively critique our proposed arguments and concepts and to collaborate with us in advancing the crucial field of CE, which we believe can drive essential progress in sustainable development.

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The authors declare no conflicts of interest.

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ENDNOTES

[1] See for further empirical studies, e.g., Schultz et al. (2021), Schultz (2021), Schultz and Reinhard (2022).

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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