

A Systemic Circular Economy Transition in Germany

The Role and Impact of Circular Social Businesses

Executive Summary

The Global Footprint Network calculates Earth Overshoot Day annually. In 2025, Germany is projected to exhaust its yearly resources by May 3rd—earlier than ever. If all economies consumed like Germany, we would need three Earths (Earth Overshoot Day 2025). To ensure humanity's survival, we must radically change resource use. **The Circular Economy (CE) offers a solution, aiming to create value while staying within ecological limits by decoupling growth from resource depletion.**

Germany is making significant strides in the CE field – in policy, civil society, industry and the startup world

A multistakeholder process led to the National Circular Economy Strategy (NKWS), adopted in December 2024. Industrial companies are innovating to unlock circular value. Economic and ecosystem organisations are enhancing awareness of and collaboration on the topic. And specifically, startups, with agile and creative approaches, are gaining attention and support to drive CE forward. These efforts aim to foster environmental sustainability and economic growth at the same time.

The social impact component has received minor attention in the CE debate so far

Besides economic growth and environmental impact creation – which are two out of three components of

holistic sustainability – **business activities within the CE hold further potential: Contributing to a Circular Social Economy where social and environmental concerns are being put at the heart of business models** alongside economic objectives (OECD 2022), and hence creating long-lasting systemic impact. Circular Social Businesses are the enabler for a Circular Social Economy.

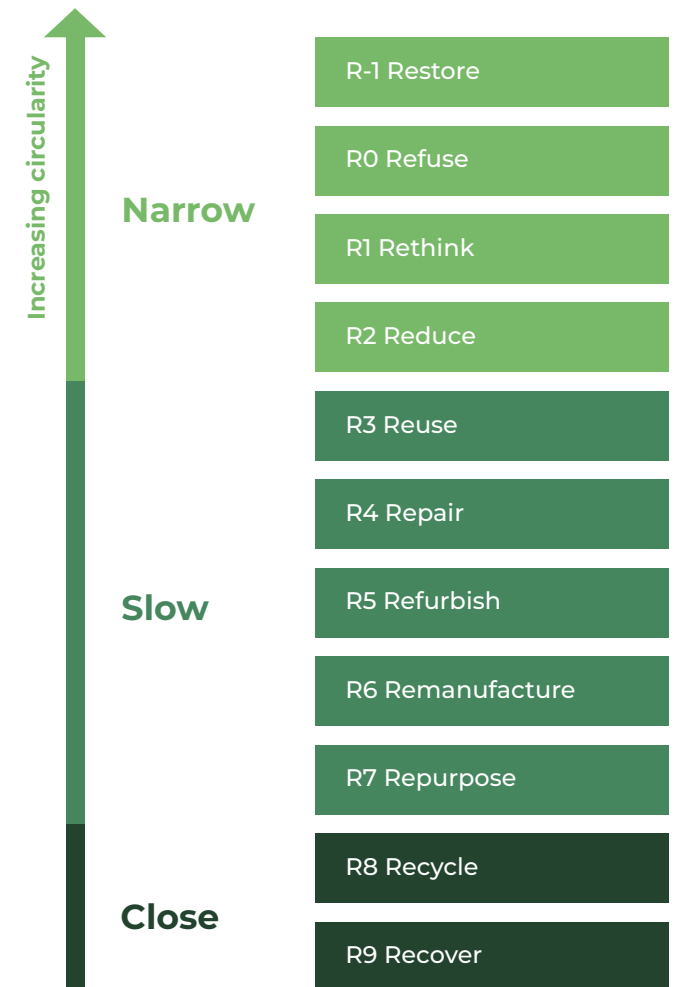
Analysis of data from impact-oriented businesses shows the social impact potential within the CE

To identify Circular Social Businesses in Germany and analyse their characteristics, we set up a proprietary database of 274 circular businesses across various sectors. We mapped and assessed the businesses by various business, CE and impact attributes.

What is a Circular Social Business?

A Circular Social Business applies at least one circular R-strategy and has a common-good-oriented approach as the core of its business. It creates impact in the environmental field and creates social impact directly through its revenue generating activities or along its value chain.

R-Strategies for Circular Economy



R-Strategies for Circular Economy, based on Morsetto (2020)

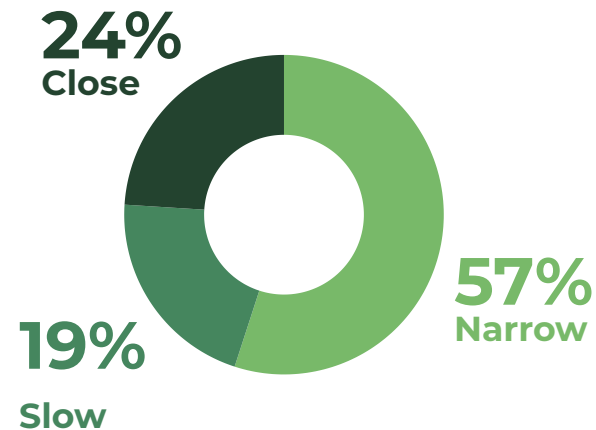
Qualitative takeaways include pathways for a systemic CE transformation

The data analysis enables statistical and qualitative conclusions on trends in geographic distribution, business stages, circular roles, and applied strategies, as well as comparisons between Circular Startups and Circular Social Businesses. Findings were complemented through a literature review as well as semi-structured interviews with circular businesses and experts from across the German CE landscape. **The research outcomes contribute to a deeper understanding of social impact pathways within circular business models and allow to derive principles for systemic impact creation in the CE.**

Circular Social Businesses focus on CE strategies with the highest potential for overall long-term sustainability

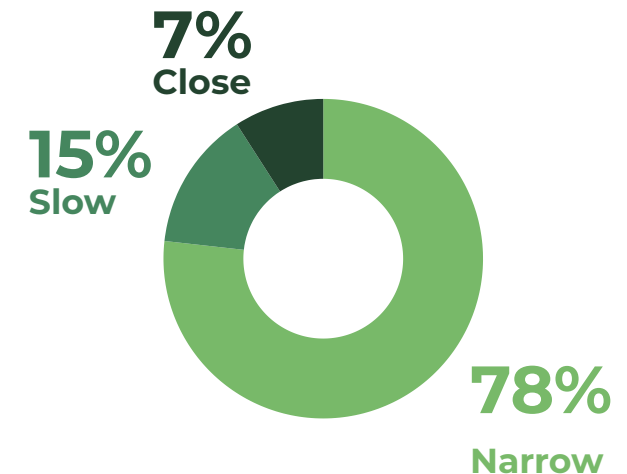
There is a clear distinction between the overall group of Circular Startups and the group of Circular Social Businesses we defined, especially when looking at how their business models are aligned with the R-strategies of the CE.

R-Strategies applied by Circular Startups (environmental impact creation)



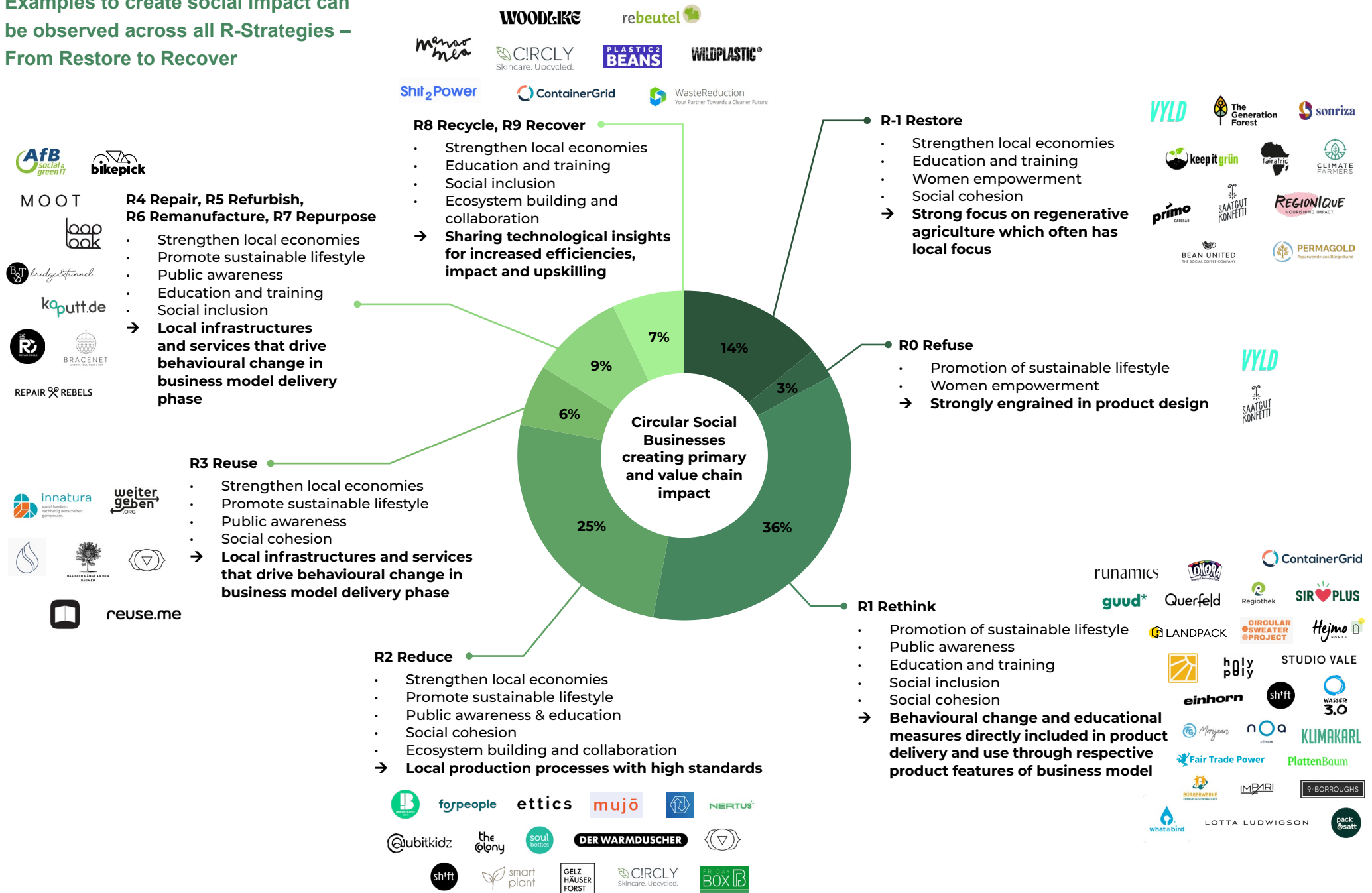
For Circular Startups on the one hand, it can be observed that a majority (57%) focus on narrowing the loop, mostly on reducing the use of virgin and toxic materials in products, as well as promoting the use of bio-based materials. 19% focus on improving existing products, i.e. slowing the loop by using products, components and materials longer. A quarter (24%) of the products and services offered by Circular Startups applies business models that close the loop and thus aim to bring post-consumer waste back into the economic cycle through recycling or recovering. **These solutions mostly require innovations in core technologies.**

R-Strategies applied by Circular Social Businesses (environmental and social impact creation)



On the other hand, Circular Social Businesses show an even greater majority in narrowing the loop (78%) with a focus on the R-strategies with the highest level of circularity. These have the highest potential for overall long-term sustainability and include regeneration of nature by restoring natural ecosystems as well as rethinking consumption patterns and the true value of goods and services. Products and services that slow (15%) or close (7%) the loop are less represented. **Circular social solutions therefore focus on technological innovations to a lower extend, but rather on innovations in product and revenue model design.**

Examples to create social impact can be observed across all R-Strategies – From Restore to Recover



Systemic impact in the CE can be enabled by the following 5 principles

Combining the learnings from the environmental impact creation of Circular Startups and assessing the most impactful best practices of the identified Circular Social Businesses leads to 5 principles for creating systemic impact within the CE. These include guidance for product design, business model innovation, organisational processes and value chain considerations. They can be applied to expand current business strategies towards systemic impact creation, and can be used to set up Circular Social Businesses with the mission to maximise social, environmental and economic sustainability within the field of CE.



Tackling Root Causes

Focus efforts on the product/revenue model **(re-)design** and/or higher Circular Economy R-Strategies (Restore, Refuse, Rethink, Reduce) that can help to **regenerate nature**.



Behavioural Change

Integrate **scalable Rethink R-Strategy as primary business activity**. Support primary business activity with **education or advocacy**. Encourage **change of consumption patterns** already in the product and business model design phase.



Accessibility

Enable **access instead of ownership** and **design inclusive products**, e.g. through sharing economy practices or product-as-a service business model.



Collaborative Approach

Foster **civic participation and social cohesion**, e.g. through cooperative models. Build business activities on **ecosystem collaboration** such as cross-industry collaboration and industrial symbiosis.



Transparency

Ensure transparency **along the value chain**, regarding business operations and impact.

Register to receive the full report once published including:

- Taxonomy on environmental and social impact in the context of CE
- Further insights into the Circular Social Business landscape in Germany, such as characteristics of Circular Social Businesses, geographic distribution and challenges and opportunities, as well as comparisons to the German Circular Startup landscape
- Recommendations to different stakeholder groups within the German CE landscape, from social businesses and startups, via investors, funders, and startup and social business clients, through to policymakers

Sign up for the online launch event of the full report on **6 May 2025** along other players of the German Circular Economy and Social Business scene.



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This report is the outcome of a collaboration between Yunus Environment Hub and Bertelsmann Stiftung

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Note: All figures and tables are own creations by the authors based on the findings of the data analysis.



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