


# Chapter 10

## Sustainability and Justness for Transforming the Water Utility Companies' Business Models in the Circular Economy

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### **ABSTRACT**

*The purpose of this chapter is to explore some of the problems of the transformation necessary to the business model of water and wastewater utility companies into a circular economy. This goal is accomplished by extending the understanding of the business model beyond the conventional understanding “within the framework of the corporation.” This expansion of the scope of the water and wastewater utility companies’ business model is justified by the fact that water, the source of their business, is a vital natural capital, and along with its economic value, water is a recognized human right. The study elaborates on the part of the business model related to the issues of fair treatment of society in its relations with business. The authors also explore the issue of value creation for stakeholders not only within a business but also through cooperation between water businesses and stakeholders.*

### **BACKGROUND**

The circular business model of water companies has not yet been fully developed as an archetype and in its specific application forms. Most of the known facts and results of creating circular business models for water companies are in practice and are strictly specific for company, region and business culture. (OECD, 2016; The International Water Association, 2018).

The issue justness as an element of the circular economy, which is a tool for sustainability, has also not been developed with regard to water companies. It is important to create an appropriate basic environment for a circular economy in the water sector.

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However, there are general theoretical and even concrete practical examples from other sectors that have taken the path of transformation to circularity, taking into account in business models a set of characteristics that incorporate different perceptions of equity in sustainable and circular business models.

In this chapter, we examine justness as arising from property rights and the distribution of value created through the transformation of property rights over water. We accept the hypothesis that well-defined treatment of water rights is the basis for sustainability in the water companies' circular business model.

It is our understanding that developing an archetype of a circular business model must be based on the particularities of each sector. The water sector is specific and important for the functioning of all other economic and social sectors, as well as for the life of the planet in general, since water is present in all production and life forms.

The subject of analysis in this chapter is water purification and its supply for the domestic, industrial and agricultural sectors, and does not cover other water industries.

Due to the influence of traditional historical and theoretical reasons, no clear property rights have been established in relation to water. The water companies, nor the society or the state neither owns water. The hypothesis of this study is that tradition can be reconsidered and such property rights established in relation to the needs of the circular economy in the WUC sector.

This will create the right business environment for a fair distribution of the value created by the circular water business.

The study addresses several issues that need to be investigated connectivity:

- The general layout of the business model;
- Circular economy itself and the business model of water companies in circular economy;
- Water in the circular economy as a human right and an economic resource;
- Questions on value and its distribution.

In order to propose a change in the structure of the business model of Water and Wastewater (sewer) Utility Companies, from linear to one compliant with the circular economy, the author puts forward the following issues:

1. The new elements that break the traditional business model, related to a new kind of close cooperation of companies with consumers, as stakeholders;
2. The problem of ownership of water resources in the circular economy in terms of property rights and the benefits of ownership. This is done from the standpoint of the neo-institutional paradigm and the concept of "property as a network of interests";
3. Redefining the assets of water companies;
4. The age-old problem of non-community involvement in operational and strategic water management, in conjunction with WSC, local and state government;
5. A fair distribution of all types of responsibilities but also of all types of benefits among all stakeholders in the management and use of water profits and risk. The symmetric responsibility of water companies and local communities for the pollution, recycling, conservation and adaptive use of water in the circular economy through fair cooperation in the context of property rights redefinition.

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