

# Research and Analysis of Enterprise Economic Management Strategy Based on the Perspective of Circular Economy

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**Keywords:** Circular economy; Enterprise management; Environmental costs

**Abstract:** With the rapid growth of economy, the global ecosystem is deteriorating, and the research on enterprise environmental cost control has become a research hotspot in recent years. At present, the policy of promoting enterprises to develop circular economy in China is not strong enough, and the assessment of environmental cost index is rarely considered in the performance evaluation index system of state-owned enterprises, which leads many enterprises to ignore the ecosystemal cost and pursue their short-term interests at the expense of the environment. In order to truly implement circular economy, enterprises must carry out green changes in management strategy, management technology, business objectives and other aspects. Through economic management, the economic management of this unit is ensured to operate effectively under the new accounting system, which has laid a good foundation for the healthy and stable growth of the company. This paper studies the contents and objectives of enterprise environmental cost control under the circular economy mode, aiming at helping enterprises achieve better economic management.

## 1. Introduction

Due to the depletion of natural resources and the increasingly serious environmental pollution, people have doubts about the traditional economic growth mode and promoted the formation of sustainable development strategy [1]. At present, in the whole economic environment, the operation mode of circular economy has long occupied the primary position. To a great extent, this means that enterprises need to incorporate environmental issues into the strategic deployment of enterprises in the process of development and operation, and fully consider the impact of environmental factors on enterprise production, and environmental cost control is a very prominent one among many problems [2]. Capital under the circular economy mode is no longer a simple material capital, but extends to the category of social capital and ecological capital. Under the current development situation, enterprise economic management will also face the reform to adapt to the circular economy model. The technical characteristics of environmental economy are reduction, reuse and regeneration of resources, and its core is to improve the utilization efficiency of ecosystem [3]. In modern enterprise management, we should integrate the idea of circular economy and implement ecological green management under the guidance of this idea. The green management of enterprises is a new management mode, which embodies the brand-new concept of development and efficiency of enterprises. It involves all levels, fields and aspects of enterprise management and runs through the whole process of enterprise operation [4].

The theoretical basis of traditional capital connotation to create enterprise value has undergone or will undergo major changes, which has revolutionized the basis and driving factors of enterprise value creation, and the change of value creation mode has posed great challenges to enterprise economic management [5]. In today's resource-based production and competition environment, the key resources needed for enterprise value creation have changed from tangible assets and intangible assets dominated by material assets and financial assets to recyclable ecological assets [6]. Circular economy includes the reuse of material resources and the effective protection of ecosystem. Developing circular economy will promote the internalization of environmental costs and improve the efficiency of resource utilization, which is an ideal way for enterprises to control environmental

costs [7]. Developing circular economy, improving the reuse rate of resources, reducing resource consumption and waste emission, and realizing the transformation of production mode from high energy consumption, high emission and high pollution to low energy consumption, low emission and low pollution, thus alleviating the double constraints of resources and environment that China is currently facing, is an effective way to promote the sustainable growth of China's economy [8]. Value creation is the fundamental reason for the existence and growth of enterprises. The change of value driving factors and their relationship has prompted a fundamental change in the nature of enterprises. Modern enterprises are a diversified capital structure system formed by the organic combination of financial capital, recyclable resource capital, original resource capital and ecological resource quality capital [9]. This paper studies the contents and objectives of enterprise economic management under the circular economy mode, aiming at helping enterprises achieve better economic management.

## 2. Theoretical basis of circular economy for enterprise environmental cost control

### 2.1. The connotation of circular economy and environmental cost

The essence of circular economy is environmental protection, which can reduce resource consumption and environmental pollution, and finally realize the sustainable growth of economy and environment. Therefore, in a nutshell, circular economy refers to the efficient utilization and recycling of resources as the core, following ecological laws and the principles of reduction, reuse and recycling. In the whole process of resource input, product production, product consumption and waste recovery, we will continuously improve the efficiency of resource utilization, and achieve the maximum economic and ecological benefits with as little resource consumption and environmental costs as possible. Since 1990s, the contradiction between the rapid growth of global economy and resources and environment has become more and more prominent. At the same time, with the continuous progress of ecological science, the trend of global economy is developing towards circular economy [10]. Environmental economy and environmental cost control both consider the rational utilization of natural resources from the perspective of value and the harmonious development between man and nature from the perspective of sustainable development. Circular economy abandons the original development mode from resources to products and then to waste, and starts a new recycling mode from resources to products and then to waste, which can effectively protect the environment and make full use of resources, obtain maximum benefits with minimum resource consumption, and realize the harmonious and sustainable growth of economy and nature. This is a new economic development mode completely different from the traditional mode, and this transformation from extensive production mode to intensive production mode will inevitably bring about green changes in enterprise management. The relationship between circular economy and environmental cost is shown in Figure 1.

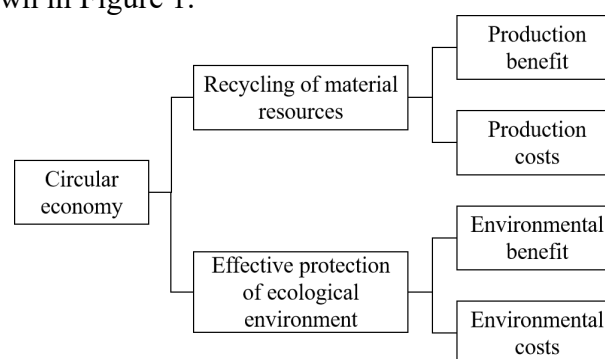


Figure 1 Relationship between circular economy and environmental cost

The main stakeholders of circular economy are society, the public and enterprises. Social benefits, that is to say, through circular economy, maximize the utility of social resources and minimize the pollution to the natural environment. Public interest means that if an enterprise does not adopt the method of circular economy and directly discharges waste, then the public's personal

and property rights and interests will be damaged to some extent. Circular economy mainly refers to the process of the growth of human and natural resources, the growth of science and technology, the production of enterprises, the input of resources and the consumption of products, and the transformation of the original economic growth mode that mainly relies on resource consumption into relying on scientific and technological progress and the improvement of personnel quality [11]. According to circular economy, in the process of production, consumption and waste treatment, we should completely follow the requirements of ecological laws, so its essence is ecological economy. Enterprises should carry out the growth of circular economy, so should the government, and the whole society should abide by the development requirements of circular economy. Only when enterprises, the government and every citizen participate can the growth of circular economy really become an idea and practical action.

## **2.2. Theoretical basis of environmental cost control**

Compared with the traditional economic growth model, circular economy is a new economic development model. The design concept of circular economy is to adapt to nature, make use of nature, realize the sustainable development process from resources to products to renewable resources and products, and control the whole production process to control environmental pollution. Circular economy and environmental cost control both consider the rational utilization of natural resources from the perspective of value and the harmonious development between man and nature from the perspective of sustainable development. Circular economy considers the reuse and sustainable growth of resources from the perspective of value, and environmental cost control analyzes the sustainable utilization of ecosystem from the perspective of value, and ecosystem is an important aspect of resources, so environmental cost control is an important content of developing circular economy. To truly achieve circular economy and make it develop healthily and continuously, it is necessary to connect and coordinate the relations among various interests, so that the role of circular economy can be truly reflected. If the interests of all parties in the growth of circular economy are ignored, circular economy will lose its development significance.

A technically feasible "cycle" may not necessarily become an "economic" behavior in practice. To promote the sustainable growth of circular economy, we must regard interests as an important link connecting all parties, coordinate the interests of all parties in circular economy, make recycling resources and protecting the ecosystem profitable, internalize the external benefits of enterprises and individuals to environmental resources, make polluters bear the cost of governance, and compensate victims. Developing circular economy is an effective way for the sustainable growth of China's economy. Reuse of material resources and effective protection of ecosystem are the main contents of circular economy. Developing circular economy can not only promote the internalization of environmental costs, but also improve the utilization efficiency of resources, which is an ideal way for enterprises to control environmental costs. From the aspect of production, the traditional economic production mode has no resource limitation, and its goal is only to pursue profits to the maximum extent, without considering the waste of resources caused by overproduction, and without paying attention to the damage to the environment caused by discarded products after consumption. The circular economy model is completely opposite to it, which requires rational use of natural resources, strengthening environmental protection, and pursuing profits on the basis of environmental protection, so as to achieve sustainable development.

## **3. Measures to control the environmental cost of enterprises based on circular economy**

### **3.1. Promote the recycling of resources**

The traditional business strategy of an enterprise usually aims to win the market and obtain the maximum economic benefits, and it simply ignores the close relationship between enterprise development and ecosystem and ignores the consideration of external economy of the enterprise. However, the new circular economy emphasizes the growth of environmental system and social system in the process of economic development, and pays attention to the coordination among them.

Its requirement is to establish intensive production mode and consumption mode beneficial to environmental protection, and enterprises should fully consider the impact on the environment in the process of formulating business strategies. Under the background of the rapid growth of international economy and basic environment, it is necessary to improve the management system of enterprises and take scientific guidance as the basis to regulate the environmental cost of enterprises in China. Therefore, people need to use the vision and thinking of development to establish the awareness of circular economy. In the face of the deterioration of the ecosystem, we should strengthen the good control of the environmental costs of our enterprises, ease the pressure on ecology, and then create higher economic benefits for enterprises.

Under the development mode of circular economy, enterprises should set their business strategy as a sustainable development strategy, based on a good ecosystem and sustainable utilization of resources, and on the premise of realizing the sustainable growth of society and enterprises, so as to transform the traditional extensive production mode that relies exclusively on resource consumption into intensive production mode. Eliminate pollutants that damage the environment in the production process, avoid discharging them into the environment, minimize the discharge of wastes that damage the environment, and try to make the best use of them. In the process of developing circular economy, the management idea of enterprises should be transformed into saving more resources and paying attention to the environment, and environmental resources should be included in the production accounting system as the basis for enterprise decision-making and enterprise benefit.

### 3.2. Improve the cost management system

It is essential for enterprises to better control environmental costs and improve the cost management system. Therefore, enterprise managers should establish a cost control system for their products and related departments in time. In the process of production, enterprises should make a reasonable budget for the expenditure of products, whether it has happened or the related expenses that will happen soon, they should all be included in the cost of products. In the process of economic growth, we should constantly improve the contribution rate of scientific and technological progress, change the situation of relying mainly on manpower and material resources in the past, and fully consider the recycling of materials and the rational utilization of resources when designing products, so as to ensure that economic growth is mainly achieved by reducing consumption and saving resources. The process of enterprise green supply chain management is shown in Figure 2.

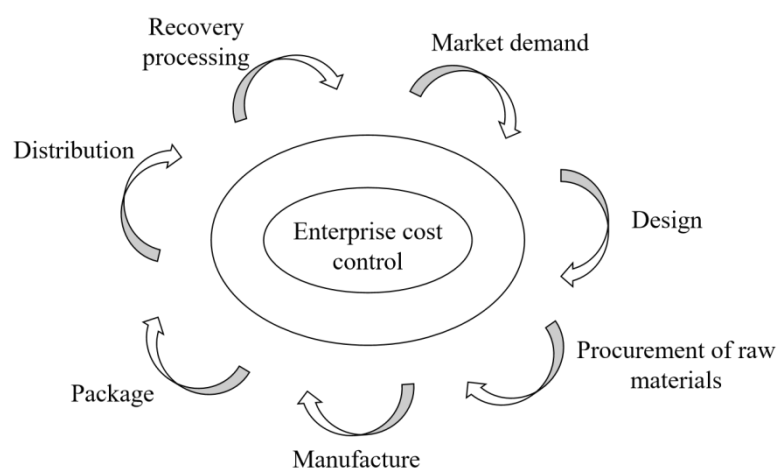


Figure 2 Enterprise green supply chain management process

Enterprises should control the life cycle of products, and each product has its own life cycle, that is, from collecting raw materials to preparing, manufacturing, processing, then transporting, using, recycling and invalidating. Enterprises can choose some advanced technologies when controlling environmental costs, so that products can have high recycling value at the end of their life cycle. In many areas that seriously damage the environment, the decline rate of environmental benefits far exceeds the increase rate of economic benefits of enterprises, which leads to the decrease of overall

social benefits. Therefore, enterprises should fully consider the value of resources and environment in production accounting, and comprehensively consider economic benefits and environmental benefits in daily business process to realize the organic combination and coordinated growth of the two.

#### 4. Conclusions

With the growth of economy and social progress, people's awareness of environmental protection has been continuously enhanced, and enterprises must choose the development strategy of circular economy if they want to achieve long-term development. Circular economy model plays a vital role in the process of realizing sustainable development in China, and it is the guarantee for building a resource-saving and environment-friendly society. In the era of circular economy, it is an inevitable choice for enterprises to implement circular economy strategy, and the implementation of circular economy must realize the reform of green management of enterprises. In the long run, enterprises should organically combine pre-control, in-process monitoring and post-control, and truly control the cost through the overall control method in the whole process of the internal and external environment of enterprises and the life cycle of enterprise products or services. Only when enterprises effectively control environmental costs can they maximize the benefits of economy and ecosystem, realize the reuse of resources, realize a virtuous circle of social and economic development and achieve the purpose of protecting the environment.

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