# 1C. INTERNAL MEMORANDUM OF UNDERSTANDING (MOU)

The Internal MOU helps you to get commitment for the project from senior management at the start by clearly defining the project's scope, intended outcomes of the project and the financial and human resources needed to deliver it.

**Estimated time:** 60 min
**People:** Project lead
**Prerequisites:** Tools 1A-1B.

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## To use this tool

- Click on File > Download > Microsoft Word (.docx) to download a local copy.
- Or click on File > Make a copy (you will need a gmail/Google account for this to work).

# Step-by Step Guidance

## BEFORE

- Set up a meeting with senior management and prepare a presentation to inform them about (1) the project and (2) why this is relevant and important for your company. Read through the Internal MOU template on page 4 of this document and browse the Circular Toolbox for more information about the process and project (scope, outcomes, timeline, resource requirements). Check out tools **1A. Understanding the Urgency** and **1B. Circular Business Model Archetypes** to gather information about the urgency, importance and opportunity of circular business models. You can use screenshots of these tools to create your own presentation.

## DURING

- Present to senior management. Bear in mind that multiple presentations may be needed, before you get the go-ahead.  When you receive the GO to take the next step, identify who from senior management is willing to be on the core team and/or take on the project sponsor role. This person will be the one to sign the internal MOU and by doing this, 'sign off' on the project.

- Adjust the Internal MOU for your context:
    - Add a project title and fill out/adjust highlighted areas. Consult the barriers/drivers framework linked in the recommended reading section of this step to help identify the most relevant drivers and barriers in scope for your company.
    - Adjust resource requirements based on your expected (or confirmed) team.
    - Fill out the name and title of the senior management representative to sign the document.
    - Add company branding to document
- Present the Internal MOU to senior management. Tackle any questions they might have and make needed adjustments to the MOU. It might be that you will need to

first complete step **1D. Selecting and getting to know your team** and **1E.Establishing your goals and success criteria** and include the outcomes from these tools in the MOU before it can be finalised and signed.

- Have the document signed by the senior management representative.

### AFTER

- File the signed MOU as part of your Project documentation.

## Tips & Tricks

- **Learn from the ones who've gone before!** Listen to the Switching Gear podcast bonus episode 6. In this episode, four apparel brands reflect on the Circular Innovation process they went through and what the added value of this step-by-step approach was for them. Hearing from other brands that successfully launched a circular business model with this approach might bring you valuable information that can help convince senior management that this project is worth the company's time and resources. For example, all four brands report on the fact that a great added benefit of the project is an increase in knowledge, skills and innovation capacity related to circular business models.

- **Check the basics!** While we encourage you to make this process your own, we do believe that certain prerequisites should be met to ensure that the project is a success.The four Switching Gear brands were also required to meet these basic requirements and we strongly advise that you do it as well. The 3 core requirements (further specified in the MOU) which are essential to get signed off before project start are:
    - A core team of minimum 3 people from different departments to work on this project.
    - Senior management support, by signing an MOU confirming commitment to the project and to the launch of a circular business model pilot.

- Commitment to human and financial resources needed to launch the circular business model pilot.

- **Is this legal?** The MOU is not intended to be a legally binding document. It is more akin to a formalised 'gentleman's agreement' and the intent is twofold. First, the MOU document helps to get clarity and commitment from the start with regards to the resources required to successfully execute this project. Second, the MOU document requires you to get senior management sponsorship, which will ensure the support and success of the project from start to end.

- **Do you need support?** To make a good estimate of your budget requirement for the project, it might be good to reflect on whether you will need external support to successfully execute this project. The Circle Economy team is available to help you through the circular innovation process in different levels of intensity, depending on your need. Learn more and contact us through the Circular Toolbox website.

CIRCLE ECONOMY

# [PROJECT TITLE] Memorandum of understanding (MOU)

This Memorandum of Understanding outlines the [project title], ("the Project") scope and commitments for [company name].

1. **The Project scope**
    **1.1.** Project Outcome/Deliverable: Launch of an innovative **resale** or **rental** business model that has an attractive value proposition for our customers, drives value for our company and has a net-positive impact on people and planet.
    1.2. Project purpose: .....
    **1.3.** Business Objectives:
    - ...
    - ...
    - ...

    1.4. Project drivers:
    - ...
    - ..

    1.5. Project Barriers:
    - ...
    - ...

    **1.6.** Project duration & timeline:
    - Duration: ±10 months/ 42 weeks.
    - Timeline: Project start [...] - Project end [...]

    **1.7.** Project resources
    - Estimated time investment ± x days (assuming core team of x people and extended team for execution & preparation)
    - Estimated financial investment: [€/$/£......]

**1.8.** In scope: Exploration, design and launch of a resale or rental business model pilot for apparel by following Circle Economy's step-by-step circular innovation process, which consists of 5 modules and associated tools (https://thecirculartoolbox.com). See section 3 in this MOU for a full overview of the topics and outcomes per module.

1. Getting started
2. Understanding the customer and the market
3. Prototyping your concept
4. Fine-tuning your business model
5.Piloting your business model

**1.9.** Out of scope: Scaling phase of resale of rental business model pilot.

**Circular Innovation Process Timeline**


**Note:** The tool time refers to the time needed to complete the specific tools in the Circular Toolbox, and does not include time needed to execute tool outcomes (eg. run a prototype, roll out marketing campaigns) and prepare for pilot launch.

## 2. The Project Commitments

**2.1.** A cross-departmental core team of minimum 3, maximum 6 people from the company to be assigned to the Project.

**2.2.** Demonstrable project support and ownership at Senior Management level by including a representative of senior management in the core team or by assigning a representative of senior management the role of 'Project Sponsor'. Senior management representative responsibilities include:

- Making sure the business case for the resale or rental business model is valid and in step with the business proposition.
- Aligning the Project with business strategy, goals and objectives.
- Staying informed of the Project events to keep the Project viable.
- Defining the criteria for project success and how it fits with the overall business.

**2.3.** Resources required to successfully achieve the Project deliverable.

- Estimated time investment ± x days (assuming core team of x people and extended team for execution & preparation). See 4 for a breakdown of time / human resource investment.
- Estimated financial investment: [€/$/£......]

## 3. Project overview (5 modules)

*3.1. Module 1: Getting started*

- Topics covered:
  - Understanding the urgency
  - Understanding circular business models
  - Selecting and getting to know your team
  - Getting sign-off from the top
  - Establishing your goals
- Key Outcomes: After completing Module 1, you will have a common, foundational knowledge of the circular economy and a thorough understanding of circular business models; their archetypes, impact potential and best practices. From this, you will build alignment on what a successful rental or resale model looks like for your brand. Module 1 will also equip you with a clear understanding of the journey ahead, and the resources and buy-in needed to get started.

3.2. *Module 2: Understanding the customer and the market*

- Topics covered:
  - Identifying and understanding your target customer and market
  - Generating customer insights
  - Generating market insights
  - From customer and market insights to concept
- Key outcomes: After completing Module 2, you will have a thorough understanding of the rental and resale market, as well as your customer's pains and gains and jobs to be done. Module 2 will help you to translate these key customer and market insights into an initial value proposition statement and to generate multiple creative solutions, which will be further refined into a final circular business model concept.

3.3. *Module 3: Prototyping your concept*

- Topics covered:
  - Designing and testing a prototype
- Key outcomes: After completing Module 3, you will understand the steps a user takes when interacting with and using your resale or rental service. Module 3 will also help you to design an early, inexpensive, and scaled down version of your service, that you can test and validate with users.

3.4. *Module 4: Fine-tuning your business model*

- Topics covered:
  - Creating a business model blueprint
  - Identifying and selecting partners
  - Prioritising consumer convenience
  - Building a business case
  - Safeguarding impact
- Key Outcomes: After completing Module 4, you will have a detailed blueprint of your resale or rental model that will help you to identify what partnerships, decisions and steps you still have to make and

take to be ready for pilot launch. Module 4 will also help you to check whether your model is financially viable, convenient for the customer, and has a positive impact on people and the planet.

3.5. *Module 5: Piloting your business model*

- Topics covered:
    - Building a pilot plan
    - How to tell the story and create momentum
    - Scaling beyond the pilot
- Key outcomes: After completing Module 5, you will have identified a core messaging hook and translated it into a compelling initiative name, tagline and campaign concept. Module 5 will also help you to set ambitions, targets and time horizons for the pilot launch and eventual scaling.

**4. Time/human resource investment breakdown**

4.1. Project duration: ± 10 months / 42 weeks to complete (±2 months per module)

4.2. Total time investment ± [..] days (assuming core team of X people and extended team for execution & preparation)

- Core Team
    - Project lead: 0.1 FTE (21 days over 42 weeks)
        - The project lead will be responsible for managing the process, reporting, preparation of sessions and follow up and therefore more time will be required in this role. We recommend a minimum resource investment of 0.1 FTE for the project lead.
    - Additional team members: 50 hrs * (X-1) = [..] hrs
        - It takes 50 hrs to complete all the tools outlined in modules 1-5. This is the minimum time investment required per additional team members.
- Execution & preparation time by extended team: Additional time needed to execute on tool outcomes and prepare for pilot launch (eg.

run the prototype, execute marketing campaign). This time is additional to the time it takes to complete the tools of the innovation process. Estimation: ± [..] days

*4.3. Example:*

- *Total time investment ± 80 days (assuming core team of 4 people and extended team for execution & preparation)*
    - *Core Team*
        - *Project lead: 0.1 FTE (21 days over 42 weeks)*
        - *Additional team members (3): 50 hrs x 3 = 150 hrs (±19 days over 42 weeks)*
    - *Execution & preparation time by extended team: Estimation: ±40 days.*

By signing this Memorandum of Understanding, I, as representative of [company name], agree to the Project scope and commitments as outlined in this Memorandum of Understanding.

Date:

……………………………….

[company name]

By: [Signee name]

Title: [Signee title]