



**Examination of Challenges and Opportunities Presented by a
Circular Economy: Case of Ziloo Production**

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**Examination of Challenges and Opportunities Presented by a Circular Economy:
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ABSTRACT

We have to identify and specifically study all aspects of national economy, if we dream about having a healthy and dynamic economy or paving the way for economic prosperity aiming at dealing with economic deprivation. High capacity of handicraft industry, e.g. Ziloo (a type of Iranian rug) making, to produce new job opportunities, especially work-at-home jobs, and its high potential to create economic growth in unhealthy economy of deprived areas reveals its high capability in wide variety of economic, social, and cultural spheres of rural areas. Carpet industries present ample opportunities on the way to sustainable development, namely practicality and high added value, provision of raw material from local resources, need for small investment, simple work tools, simple marketplace, and the complementary role it plays in industries like tourism. The objective to conduct the present study is to examine challenges and opportunities presented by a circular economy for Ziloo making. The results show effective factors contributing to an unfortunately unprosperous Ziloo market as well as ever increasing price of Ziloo as insufficient representation and incomplete production cycle of this industry and its marketing-related difficulties. Surviving the ancient craft of Ziloo making requires support from civil authorities to save this ancient work of art, tied to Iranian history and identity, from obsolescence and disappearance.

Keywords: Ziloo making industry, strengths and challenges, human force, competitiveness.



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1. INTRODUCTION

Every society includes three major pillars, namely culture, politics and economy. These main three consolidate each other, among which the culture consumes more crucial role (Our Nation Newspaper, 2012: 3). Excluding faith, economy is the most important component of political independence of a nation (JavadiAmoli, 2012). The notion of economic crusade and the crusade in particular, is a figurative phrase having specific meanings and implications. Crusade is a word to refer to a kind of holy endeavor; it finds its meaning in the context of Islamic discourse and has always carried a sense of sanctity. The first point to consider is here where the issues of material world join Islamic sacred aspects and that is why working on issues concerning economy, development, and prosperity of a nation can lead to economic independence and political triumph, if it combines with a holy cause called crusade (Peyqami, 2011).

Iran has succeeded to overcome many serious challenges and to make conspiracies ineffective. In such situation, given its abundant capacities, Iran is undoubtedly able to solve a wide array of socio-economic challenges, barriers and deprivation within a few years by employing a sound style of management. The objectives set in the fifth development and prospect plan of IRI clearly defines the economic and scientific status of Iran in the future (Resalat Newspaper, 2012: 17). Indeed, the improvement of business environment will result in the improvement and promotion of production environment which, in turn, serve as the bedrock and incentive for economic development and depoveritization. The improvement and adjustment of business environment lay the foundation for involvement of private sector in economy to enhance employment and production and engage the people. In 1980s, many economists called for the necessity to reduce government's authorization in economic activities to prepare the way for more active engagement of the private sector and what they dubbed as privatization and since the late 1990s the enhancement of business environment has been placed at the core of economic policy-making, which if implemented, it will be a proper solution for depoveritization (Zareinejad et al., 2014). The general policies designed in the fifth development plan also considers the improvement of business environment by emphasizing a stable macroeconomic environment, provision of required



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communication, information, science, technology, and legal infrastructures, mitigation of macroeconomic risks, continuous sharing of statistics and information with the society clearly and regularly (Ashrafi and Fahifi-Fard, 2012: 8).

The economic crusade roots in Qur'an and Islamic customs. Religious teachings include many verses and anecdotes that consider altruistic attempts as a crusade on the way towards God when it combines with godly goals so that it leads to economic independence and helps to eliminate the reliance on foreigners. Consequently, it could bring about an economic triumph which, in turn, results in a political triumph. To arrive at a better understanding, it would suffice to only illustrate a subtle point in Surah Al-Mazzammil[20]. In this verse God regards "endeavor for making a living equal to crusade in the cause of Allah, which shows how important this issue is in the view of Islam." Prophet Mohammad (Pbuh) made a reference to this verse as well: "There is no trader who could bring foods from faraway lands to one of Muslim cities and sell them there at average selling price, unless he has risen to the degree of martyrdom before God."

This is also the case in economic attempts of individuals and families. As mentioned by Imam Musa al-Kadhim (Pbuh): the one seeking Halal (legal) money to support his family is like a crusader on the way of God."

The economic crusade will remain only a motto until the people in society have neither belief nor faith in this concept (Cateb, 2010: 17). The economic crusade requires recognition of resources, whether of material or human type, and exploitation of them to the full. Ignoring the natural resources, mismanagement, and failure to attend to depoveritization are examples of disparaging the God's gifts that act as hindrance to realization of economic crusade, which, in turn, make the political triumph fairly unlikely (Isma'ili, 2010).

In practice, economic decline goes against concepts such as economic advancement, progression, and development (Bayatt et al, 2010). Contemporary upheavals in various fields at global, national, regional, and local scales have caused profound changes in social and economic structures of human settlements as well as the villages (Geist, 2005). The current situation, marked by the dominance of capitalism, would risk the existence of those economic activities, and traditional economy in particular, that are unable to maintain their



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competitiveness against other economic sectors and to fulfill the people's demands (Andrews, 2009). By studying and analyzing the effect of oil and gas production-reliant economy of the Middle East on achievements of material culture, McLachlan and Tapper (2003) conclude that the unstable economy caused by relying on oil and gas imports brings about a rapid growth in one modern economic section against the traditional one. Modern bureaucracy in the modern section of the society creates a situation wherein level of income and salary is a way higher than that of the traditional section of society. It diminishes the people's interest in engaging in economic activities in the traditional section and causes a migration from villages, which add to the population density in cities – the population searching employment in public sector and organizations or enjoyment from urban labor market relying on the circulation of capital gained through oil revenues. In such situation, modernization and development of local economic activities runs into problem in various sections like agriculture, animal husbandry, handicraft, and traditional industries, leading to gradual decrease in employment and investment in these fields (McLachlan and Tapper, 2003).

2. PROBLEM STATEMENT

Given the high cost of employment in other economic sections, development of and investment in handicraft industries, including Ziloo making, has been proven to be an affordable way to create new jobs. Paying attention to the importance of this matter, to create jobs and cut down unemployment, it should be searched for in provincial, urban, and rural regions while taking relative advantages and local culture into account. Ziloo making can play a significant role in combating unemployment and become the major source of employment for villagers and women in particular, considering its unique features including use of domestic and affordable raw materials, simple technology, need for small investment, and ability to develop in rural areas and especially in villagers' dwelling places (Alipour and Majnoun, 2011: 131).

Ziloo making industry, among the other non-oil products, has high potentials for foreign exchange earnings. Moreover, given that this industry has engaged many people, it could be a decisive factor in generating permanent and seasonal employment for the community.



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Indeed, from the very beginning phases of production to shipping to the customer, the Iranian Ziloo making industry provides several job opportunities in its cycle. High percentage of villagers' vast population is involved in Ziloo making industry on either a permanent or seasonal basis. Moreover, the urban weavers sometimes make a living in this way too. Although the Iranian Ziloo industry has lost its competitiveness during the past few decades, the executives, experts and practitioners in this field all acknowledge that Ziloo making, this valuable old craft of Iran, could find its ideal place in international carpet market if we are going to develop and implement an all-round strategy (Foroughi and Esfahani, 2012 and Brunner and Ganga-Contreras, 2017). Given the high cost of production process, the cooperatives is less able to work independently and produce without the help of public sector. Non-expert decisions made in policy making and stages of production are regarded as the most important deterrent and erosive factors frequently observed in this cycle. Considering the economic developments and difficulties in the context of Ziloo production over the past decades, this paper conducts a root cause analysis to examine the opportunities and weaknesses. To this end we take the viewpoints of professional and local people into consideration. Accordingly, the main question of the research is as follows: What are the most important factors affecting the opportunities and challenges in Ziloo making industry?

3. RESEARCH OBJECTIVES

Examination of strengths and challenges (weaknesses) in Ziloo making industry

Research objectives

- Define the role of human resource in Ziloo making industry development
- Define the role of competitiveness in Ziloo making industry development

Results of analyzing the strengths of Ziloo industry in eliminating the economic deprivation of Iran (IFAS)

To categorize strengths and weaknesses confronting the system, each one of strengths and weaknesses are calculated, through using rating factors and considering their importance and their impact level on functions of Iranian economy. The strengths is depicted in the table (1) as follow:



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Table 1 Results of domestic factors analysis (strengths)

| Strengths | Weight | Rating | Weighted Score |
|---|---------------|---------------|-----------------------|
| Increase of sanctions against Iran that serves as a stimulus to increase resourcefulness, and attempts to distribute job opportunities across the country proportionately | 0.05 | 1 | 0.21 |
| Presence of apt human resources in neighboring cities | 0.14 | 3 | 0.64 |
| Development of proper potentials and capacities in many cities | 0.16 | 4 | 0.75 |
| Creation of a positive attitude in people and local administration to support the national production and depoveritization in the country | 0.15 | 4 | 0.64 |
| Increase in Iran's competitiveness in International economic trades | 0.08 | 3 | 0.32 |
| Development of culture of hard-working and consuming resources efficiently | 0.14 | 3 | 0.55 |
| Rise of massive economic challenges in many countries. | 0.07 | 1 | 0.28 |
| Use of helpful and successful experiences of other countries in economy and depoveritization | 0.10 | 3 | 0.34 |
| Increase in essential awareness in the field of Ziloo making | 0.11 | 3 | 0.38 |
| Total | 1 | | 3.92 |



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From the viewpoint of those who came under question in our study, the most important strengths of Iranian economy that are effective on the way towards depoveritization are “development of proper potentials and capacities in many cities” (with the weighted score of 0.16) and “creation of a positive attitude in people and local administration to support the national production and depoveritization in the country” (with the highest weighted score that is 0.75) respectively. Meanwhile the least weighted score belongs to “increase of sanctions against Iran that serves as a stimulus to increase resourcefulness and attempts to distribute job opportunities across the country proportionately”. It points to the self-reliance and growth of economic infrastructures that have not been influenced drastically by the sanctions (Mafi et al., 2012, 2014). According to the research participants, the weights and weighted scores of the weaknesses are depicted in the table (2).

Table 2 Results of domestic factors analysis (challenges and weaknesses)

| Weaknesses | Weight | rating | Weighted Score |
|---|--------|--------|----------------|
| Oil-dependent economy and unfair distribution of wealth among people especially the disadvantaged communities | 0.12 | 4 | 0.52 |
| Lack of a competency-based selection for managers at executive and legislative levels in the country | 0.07 | 4 | 0.29 |
| Serious institutional problems | 0.10 | 4 | 0.42 |
| Monetary and financial policies | 0.04 | 2 | 0.18 |
| Failure to identify and count existing capacities of the country's economy, especially in deprived areas | 0.10 | 4 | 0.42 |
| Absence of skilled and committed professionals in decision-making processes | 0.05 | 3 | 0.23 |
| The influence of politics on the economy | 0.04 | 3 | 0.18 |



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| | | | |
|--|----------|---|-------------|
| Lack of a specific economic diplomacy | 0.3 | 3 | 0.15 |
| Various economic rents | 0.05 | 3 | 0.23 |
| Lack of economic stability | 0.05 | 3 | 0.23 |
| Lack of hard-working culture in families | 0.7 | 4 | 0.29 |
| Presence of unproductive liquidity | 0.03 | 2 | 0.15 |
| High consumption-to-production ratio and low efficiency | 0.7 | 4 | 0.29 |
| Dominance of short-term perspectives among the people | 0.03 | 2 | 0.15 |
| Non-people-based economy and unfair and unbeneficial distribution of income opportunities in deprived areas of the country | 0.02 | 2 | 0.12 |
| Migration of large group of professionals and elites | 0.04 | 3 | 0.18 |
| Import of many goods, which are also manufactured locally, will cause deprivation and prevent wealth production in the society | 0.03 | 2 | 0.15 |
| Oil-dependent economy and unfair distribution of wealth among people especially the disadvantaged communities | 0.06 | 3 | 0.26 |
| Total | 1 | | 4.44 |

As it can be observed in the table (2), “oil-dependent economy and unfair distribution of wealth among people especially the disadvantaged communities” (with the weighted score of 0.52) tops the list of weaknesses. Unfortunately, the Iranian economy is heavily dependent on oil revenues, which has become the primary focus of Iran’s foes. This dependence is viewed as a fundamental weakness that should be minimized by other sources of incomes. Additionally, many problems of the current Iranian society is due to the large concentration on wealth in small percentage of society, which should flows into the lower



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classes, and disadvantaged communities in particular, in a continuous and efficient fashion. “Serious institutional problems” and “Failure to identify and count existing capacities of the country’s economy, especially in deprived areas” lie second (with weighted score of 0.42) in the list. In fact, a proper competency-based selection system is yet to be established in the country and the seasoned experts are not employed in the economic affairs.

“Non-people-based economy and unfair and unbeneficial distribution of income opportunities in deprived areas of the country” sits at the bottom (with weighted score of 0.12), which indicates that the officials mainly focus on domestic self-reliant, economic independence, and use of local capacities and potentials.

4. TESTING RESEARCH HYPOTHESES

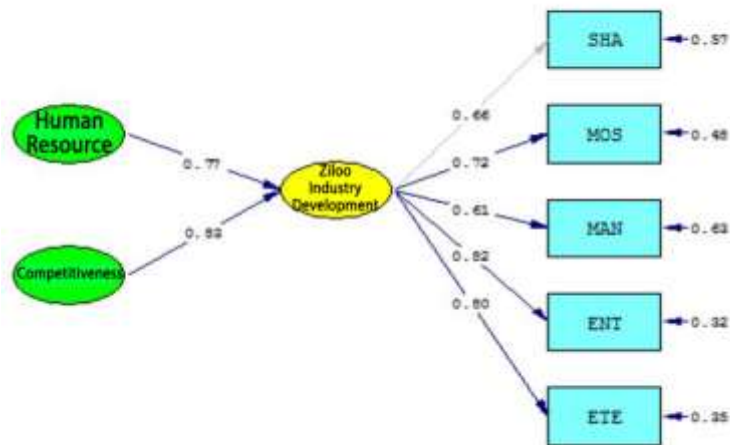


Fig. 1 Research assessment model by factorial analysis in standard estimation mode



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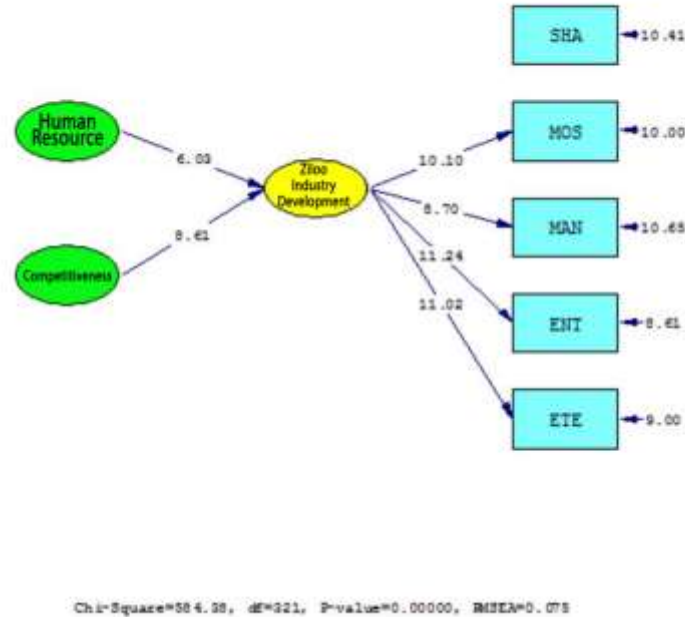


Fig. 2 Research assessment model by factorial analysis in coefficients of significance mode

Table 3 Results of objectives

| Objectives | Standard coefficient | T-Value | Result |
|--|----------------------|---------|----------|
| Define the role of human resource in Ziloo making industry development | 0.77 | 6.03 | Accepted |
| Define the role of human resource in Ziloo making industry development | 0.83 | 8.61 | Accepted |

5. CONCLUSION

Ziloo making industry has played a significant role in economic life of Iranian society, and rural areas in particular, from old times so that Iran has always been the pioneering country in the field of carpet making. The traditional structure of economy and subsistence of people



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in rural and even urban areas have experienced profound evolutions during the past decades owing to extensive socio-economic changes at macroscale level involving introduction of oil into national economic cycle and urban expansion. The situation brought about adverse consequences in vast majority of rural areas and a sound foundation for rebuilding the rural communities, especially with regard to their economic aspects, has yet to be created. The finding of present study reveals that major causes leading to decline and obsolescence of Ziloo making industry is the anonymity of this industry. Meanwhile, awareness and understanding of the craftsmen about the deficits and weaknesses currently exist concerning the marketing of Ziloo will enable them to assist in reaching at sustainable development of handicrafts and, finally, sustainable development of rural areas by overcoming these deficiencies. Ziloo is a product that use both as a floor covering and raw material for making handbags. This beautiful handmade artefact dating back to the pre-Islamic era is woven out of cotton fibers and cools the body in hot summer days. In addition to affecting the body health positively, use of Ziloo will also help to preserve the capital and art of the country. Given acrylic and polyester fibers are harmful for people infected with eczema, naturally made coverings such as Ziloo will be a perfect choice for those suffering from skin sensitization.

Because Ziloo is woven out of cellulose, herbal and natural materials, it can be recycled and return to the nature. Moreover, considering its complex textile, it is considered as the advanced version of Gilim and Jajim (other types of Persian rugs).

Ziloo weavers could expand the range of their products by learning about the demands of consumption market. Concerning the issue of pricing, the weavers try to cut down the price of their products by lowering the quality. However, they should take other factors like quality into account while making decisions about pricing of their artefacts. With regard to distribution methods, the weavers are better to use modern ways like online selling to make a direct contact with their customers as the presence of brokers in this process presents limitations like disconnection between producers and consumers. And finally relating to the promotional practices, as they are limitedly used, the producers are advised to take measures to improve customers' information.



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6. SUGGESTIONS

- Take advantage of domestic economic power along with local, skilled human resources and make the most out of the opportunities provided by sanctions to prosper domestic economy and bring economic independence and depoveritization.
- Use of domestic capacities to increase the rate of production and export and make the most out of the crises in other countries to eliminate deprivation in various parts of the country.
- Full exploitation of exceptionally suitable position of Iran in the region in terms of workforce, resources, and routes to boost the domestic production and export the capabilities to other countries both in the region and across the globe.
- Employ the domestic capacities to bypass sanctions, eliminate deprivations, and bring economic independence.
- Train sufficient and skilled human force to increase the quality of domestic products and fight back the negative global advertisement.
- Utilize all suitable capacities in terms of both Islamic and financial frugality to improve domestic product, eliminate economic deprivation, prevent the use of imported goods, and support the national production.
- Make the most out of the huge advantages of sanctions and opportunities to reduce dependence to oil products and generate additional incomes, especially for deprived communities.
- Employ expert and committed people in major economic infrastructures of the country and make use of the potentials of experienced forces.
- Invite various institutions engaged in the national economy to solve the institutional problems and economic rents, given the high capacity of the country in all fields.
- Make an attempt to increase the volume of domestic products, enhance their quality, address the serious issue of the country's heavy dependence on oil revenues, and fair distribution of national wealth.



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- Enhance quality of domestic products by using the high capacity of domestic resources to improve the image of Iran in field of domestically produced goods through increasing the products' quality as the most important brand advertising method across the globe.
- Hire professionals and devoted forces in economic institutions, solve their problems, and start an extensive fight against economic rents and corruption.

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