

Who thinks managing the circular economy is difficult?

A comparative analysis of different managerial perspectives in circular startups and incumbents

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Extended abstract

In recent years scholars put great effort in understanding barriers and enablers for circular business model innovation (Antikainen and Valkokari, 2016; Geissdoerfer et al., 2023; Linder and Williander, 2017), acceptance (Charnley et al., 2022; Elzinga et al., 2020; Planing, 2015), and implementation (Rizos et al., 2016; Salvador et al., 2020). Nevertheless, managing circular business models requires many day-to-day operations, encompassing managerial aspects that received far less scholarly attention, varying from product development, procurement, and production to marketing, sales, and HR management. Furthermore, managing the circular economy requires specific and heterogeneous skills (Burger et al., 2019; Straub et al., 2023), that may differ between entrepreneurial owners, board members, CEO's, and staff members. Perspectives on challenges within these management domains may as well differ between these role positions.

Likewise, perspectives on these managerial aspects may differ between startups and incumbents. Circular startups, defined as new, independent and active companies pursuing a circular business model (Henry et al., 2020), are often assumed to be inclined to embrace disruptive, sustainability-related innovation practices, and to be more innovative, flexible, and creative (Tuladhar et al., 2024). Conversely, incumbents are often referred to as more constrained by organizational inertia, while having deeper pockets, economies of scale, and larger networks. Startups are claimed to have structural advantages over incumbents in implementing radical business models that support the disruptive, systemic shift that a circular economy requires, while having the advantage of being independent and able to implement circular practices from scratch (Bidmon and Knab, 2018; Henry et al., 2023)

In spite of the proliferation of conceptual studies and literature reviews on circular business models, there is a need for more empirical data to understand drivers and barriers from managerial perspectives (Geissdoerfer et al., 2023). Empirical work on circular startups recently received a boost in scholarly attention, including case-study based typologies (Henry et al., 2020) as well as interview-based studies on scaling strategies (Han et al., 2023), motivations (Henry et al., 2023), and internal company dynamics (von Kolpinski et al., 2023). Survey-based studies on circular startups assessed barriers and enablers (Van Opstal and Borms, 2023a) and required skills sets (Borms et al., 2023). An interesting strand of literature investigates the collaborating potential between circular startups and incumbents, with preliminary but promising insights from case study research (Ciccullo et al., 2023; Greer et al., 2020; Tuladhar et al., 2024). Another study that combines survey data from startups with interview data from incumbents is, however, limited to collaboration opportunities with work integration social enterprises (Van Opstal and Borms, 2023b).

In this study, we assess differences in barriers, enablers and support needs reported by survey respondents from 117 businesses in Flanders (Belgium) that can be considered as frontrunners and early adopters of circular economy strategies. Specifically, we ask respondents which managerial aspects they consider easier, similar, or more difficult in a circular economy compared to a linear business. These managerial aspects include core operations, such as product development, procurement, production, and logistics, as well as supporting operations, such as finance, marketing and sales, corporate governance, and HR management. Within our sample, we compare differential perspectives of startup companies (existing for less than 5 years), and incumbents (existing for more than 10 years). Likewise, we compare perspectives of owners, board members, CEO's, management professionals, and staff members. Covariates include personal characteristics (age, gender, migrant background, risk preference), company characteristics (turnover, staff size, sector, market segments served), and circular economy strategies applied by the firm.

Preliminary results show that, in general, HR-management and corporate governance are mostly considered similar or easier in a circular business model. Conversely, all other managerial aspects are considered more or much more difficult. A notable exception is

marketing and sales, where 26% of all respondents consider circular business models easier and 38% consider marketing and sales in a circular business model more difficult.

Startups report difficulties in logistics more frequently but consider the development of new circular product and HR management easier in a circular business model. They report a lack of customer interest and technological barriers more often than their incumbent counterparts. Preliminary results stemming from bivariate analyses likewise show significant differences regarding the perceived enablers and support needs of startups and incumbents. Startups prefer more often support in circular procurement, support in writing subsidy projects, and assistance in finding financing. Incumbents are less inclined to ask for support in finding subsidies, financing or public procurement, or the development of tailored banking and insurance products for circular business models. They rather mention a need for support in research and development and seek support in finding the right experts.

Concerning managerial roles, preliminary bivariate results show that owners deem marketing and sales less difficult in a circular business model, while the staff they hire consider this more difficult than in a linear model. Conversely, staff members are more positive about the ease of logistics in a circular economy. Owners prefer support by learning about best practices and getting support in innovation and procurement. Respondents in the position of a CEO are less inclined to see financial barriers and require less financial support. Finally, board members see regulatory barriers more often, but are less concerned about high initial investment costs.

“A circular economy lacking a business model” has been compared earlier as “a vehicle with no driver at the steering wheel” (Kirchherr et al., 2017). In this study, we contribute to the literature investigating how different drivers at this steering wheel perceive managerial aspects of operating a circular business. We connect these empirical insights with the body of knowledge on managerial aspects of circular business models in general, and existing literature on circular startups and incumbents in particular. This study is relevant for entrepreneurs, investors, board members, and management professionals who try to understand why they face certain barriers and challenges compared to their counterparts in other role positions or company types that aim for similar circular economy strategies. It also informs policymakers, and professionals and coaches in incubators and accelerators that aim to support businesses in their transition into circularity. Finally, our work may likewise contribute to understand perceived cultural differences between startups and incumbents when they aim to collaborate.

Keywords

Governance, managerial capabilities, circular business models, startups, incumbents

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