



# Circular Economy Business Models, Value Creation and Humane Entrepreneurship: A Micro-Sized and Social Enterprise Perspective

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## Abstract

The circular economy is currently championed across different quarters as a potential solution to contemporary and multiple sustainability challenges. Academically, the concept has witnessed a substantial increase in scholars' interest. Yet the locus of current literature is mainly conceptual, and there is a dearth of contributions from business and management studies. Drawing on the circular business models and the nascent humane entrepreneurship literature, and an exemplary, micro-sized social enterprise, we find that circular business models generate multiple forms of social value beyond the creation of job opportunities only, and that they are characterised by a humane entrepreneurship orientation. As a result, we contribute to the limited literature on circular economy implementation and to the emerging literature at the intersection between entrepreneurship and the circular economy.

**Keywords** Circular Economy · Business Model · Social Enterprise · Humane Entrepreneurship · Social Value

## Introduction

The circular economy (CE) – an economy that is “restorative and regenerative by intention and design” [1, p. 7] – is so popular and influential as few other sustainability concepts before [2]. Based on the principles of *Eliminate*, *Circulate* and *Regenerate*, it is seen as a potential solution to address current societal grand challenges including climate change, excess waste and biodiversity loss and enhance the resilience of production and consump-

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tion systems, and thereby embraced by supranational, national and local policies as well as industry players [3, 4]. Furthermore, circularity is considered one of the key values that “could potentially underpin a new economic or orthodoxy that support all of life, not just financial wealth maximisation” [5, p.275]. Academically, the CE is referred to as “the most vibrant sustainability research community these days” [6, p. 1], and this is not surprising considering that the literature on the subject has grown substantially over the past few years.

Mirroring the parent CE literature, the circular business models (CBMs) literature has also been growing, and this certainly reflects the importance of CBMs, considered as one of the enablers of the transition towards the CE [7]. Yet, several limitations exist in current CE and CBMs literature. To begin with, the overall contribution of business and management studies to the field is still limited [8]. Secondly, the literature at the intersection between management and the CE is mainly conceptual [9]. Thirdly, understanding of the CE from an entrepreneurship perspective is limited, and little is known from the social entrepreneurship (SE) angle [10], even though SE is an interesting frame through which exploring organisational forms leading to the implementation of the CE [11]. Fourthly, the literature combining CE thinking with humane entrepreneurship (HumEnt) [12, 13] – an emergent framework to analyse 21st century entrepreneurship – is just nascent [14, 15]. Fifthly, while it is argued that the CE leads to the creation of multiple forms of value [16], with few exceptions [17], the social value creation dimension has been little explored [18].

Hence, drawing on the CBMs and HumEnt literature, and an exemplary social enterprise, this article asks: *how can social value creation be qualified in CBMs? How can the relationship between humane entrepreneurship and CBMs be understood?* By shedding light on these relevant yet overlooked research areas, we aim to contribute to the literature at the intersection between the CE, management studies and entrepreneurship.

The remainder of this article is structured as it follows. Section Two is a snapshot concerning CBMs and HumEnt research. Next, Section Three illustrates the research method. Subsequently, Section Four details the multiple value creation and the relationship between CBMs and HumEnt in the case under investigation. Finally, Section Five summarises the research contributions and highlights paths for future research.

## Circular Business Models and Humane Entrepreneurship

As new business models are one of the key building blocks in the transitions towards the CE [7], studies exploring innovative business models based on CE principles have proliferated recently. Several conceptualisations and reviews on CBMs have been produced to date [e.g., 19, 20] but a lack of agreement on how to conceptualise CBMs persists in the academic literature [21]. Also, several attempts have been made to categorise and classify CBMs, as detailed by Hopkinson et al. (2020) [22], though most of these constructs have yet to be practically validated [23]. Whilst there is divergence in terms of constructs and definitions used to qualify the concept of the CBM, scholars agree on the fact that CBMs produce multiple forms of value [24]. Yet, how the CE contributes to social value creation is still a contested issue with some authors finding an inherent social dimension within CE thinking [17], and some others arguing, instead, that it omits social dimensions [25]. With this research, we aim to shed light on this contested aspect pertaining to the CE, and we respond to the call for more empirical studies about CE implementation [26].

The literature combining CE thinking with HumEnt [12, 13] – an emergent framework to analyse 21st century entrepreneurship – is just nascent [14, 15]. HumEnt [12, 13, 27, 28] is a recent theoretical framework that outlines an extended structure of entrepreneurial strategic posture [29, 30]. HumEnt aims to investigate all organisations that, on their own or reacting to the multiple calls for new forms of entrepreneurship emerged in last decades [31, 32], have tried to align their entrepreneurial strategic behaviour to environmental, social or human resources issues. In fact, the framework expands the entrepreneurial orientation theory [29, 30, 33] encapsulating the environmental, social, and human-resource strategic decisions taken by the entrepreneur. Parente et al. (2021) [13] identify Humane Entrepreneurial Orientation (HEO) as the focal dimension of HumEnt theory, depicting it as an entrepreneurial strategic posture, and thereby postulating its incorporation into an organisation's strategy and business model. Although HumEnt is still in its infancy, it has been adopted to look at different features of the entrepreneurial phenomenon, gaining attention among scholars. For example, it has been judged as a model of corporate entrepreneurship [34], as a framework useful in the analysis of entrepreneurial ecosystems centred on people and sustainability [35] and to boost CE and sustainable corporate performances [15]. As a recent and underexplored theory, empirical studies demonstrating HumEnt value in depicting new entrepreneurial strategic postures in the entrepreneurship domain, are highly welcome [15].

## Methods

A qualitative case study is employed as a research approach since the nature of this research is exploratory and contemporary and the purpose is to obtain a rich and contextual understanding of the CBMs investigated [36]. The research approach used in this article is consistent with the methods employed by other qualitative studies about CBMs [37, 38].

The company's name and the key informant's name have been anonymised in accordance with the ethical protocol followed in this research. Case A is a British social enterprise operating under the legal form of a Community Interest Company (CIC) in the library of things sector. According to Saebi et al. (2019) [39] a social enterprise is referred to as a hybrid organisation with an explicit social objective, which seeks to create social value while being profitable in an entrepreneurial, innovative way. Furthermore, they counsel that the simultaneous pursuit of social and economic value creation is an essential criterion to distinguish social enterprises from other related phenomena.

Purposive sampling [36, 40] has been adopted to select the organisation investigated, which means that it has been chosen because it offers rich insights about the phenomenon under investigation. CE principles and strategies for implementing CBMs as embodied in the *ReSOLVE* framework [41], have been used to guide the selection of the case investigated. This framework has already been used in CE research [42, 43]. *ReSOLVE* includes six measures for innovating business models in the light of CE principles; measures are known as *Regenerate*, *Share*, *Optimise*, *Loop*, *Virtualise* and *Exchange* [41]. *Regenerate* is about using renewable materials and energies; *Share* involves not just sharing as the measure itself suggests but also other strategies keeping resources in use for longer (e.g., design for durability; reuse); *Optimise* requires enhancing products and processes performance/efficiency; *Loop* is about circulating products, materials and components in technical and biological cycles; *Virtualise* means delivering value by digital means, and finally *Exchange*

is about replacing old and non-renewable materials with advanced materials as well as making use of innovative technologies supporting the transition towards a CE [41].

Data collection relied on secondary data (publicly available documents; presentations and websites) and primary data (semi-structured interviews). Elite informants, i.e., people in charge of key decisions and very knowledgeable about their organisations [44], were interviewed. For the selected organisation, elite informants coincided with the director and co-founder. In total, two interviews were conducted on-line between October 2022 and February 2023. Interviews lasted 58 min in total, they were digitally recorded and professionally transcribed. Questions sought to understand the characteristics of the company's business model and its HEO, and they were derived from the CE, CBMs and HumEnt literature. The interview protocol is included in Appendix 1. We took saturation into account in deciding how many interviews to conduct. Saturation occurs when no new information emerges from the field under investigation [45]. Table 1 highlights key information about the company investigated and data collection.

The philosophical tradition of hermeneutics – according to which knowledge is interpretive in nature [46] – guided our data analysis. Hermeneutics has been already applied in business and management studies [e.g., 47, 48, 49]. We espouse the view that “interpretation is never a neutral act—either on the part of the researcher or on the part of those whom we study” [50, p. 240]. This hermeneutical approach is better suited to deal with the interpretation of social phenomena [50] as “the hermeneutic tradition challenges the researcher to question the clues from the field, rather than take them at face value” (ibid., p. 240). To reach plausible theoretical conclusion, the researcher questions constantly theory and data and his own and the informant's understanding, thereby relying on abductive reasoning [51]: “a theoretical explanation is only plausible when no such evidence or no better alternative explanation to explain the available evidence can be found” [52, p. 414].

Data were analysed using narrative analysis [53], which enables a rich understanding and interpretation of data [54]. Analysis of the text – in line with a narrative approach to textual analysis – preserved data integrity rather than fragmenting them [53], which means that we did not pursue a data reduction approach enabled by coding [55]. Analysis of data started from secondary data. Subsequently, the contact summary sheets were considered. Contact summary sheets recorded key points and observations from the interviews, and they were compiled at the end of each interview. This step was followed by a careful and close reading of the interview transcripts with parts and whole text examined more than once.

Triangulation, the existence of cases databases and of an interview protocol as well as rich cases descriptions and discussion of the findings within the research team, ensured validity and reliability [36, 56]. Our findings come from our own data analysis and interpretation. This means that they do not represent the position of our empirical case and fall exclusively under our responsibility.

## Results

In this section, we illustrate the multiple value creation resulting from the implementation of circular principles in the organisation investigated, and we highlight features of HumEnt.

**Table 1** Case a overview

Case	Relation with the CE	Time of study	Research topic	Industry	Country	Number of employees	Source of Information	Interviewee position	Type, number and length of interview
Case A (Library of Things)	<i>Circulate Share</i>	October 2022-February 2023	Value creation in CBMs and HumEnt	Library of Things	UK	7	Company Strategy 22/23; network report on borrowing; website; live company presentation and interviews.	Director and co-founder	On-line (Zoom); 2 interviews: 58 min in total.

## Case A (Library of Things): Circular Activities and Multiple Value Creation

Case A is a Library of Things (LoTs) and was born in 2017. In 2020, Case A set up as a community interest company (CIC) with the mission to support and develop accessible and inclusive LoTs tailored to the needs of the local community and be an integral part of the wider repair and reuse movement. The network of LoTs comprises 24 organisations and all of them are run independently. LoTs allow people in the local communities to borrow everyday as well as specialist items, including camping equipment, gardening and DIY tools. In terms of achievements, 13,000 borrows have been recorded, £300k of money and 160,000 kg of carbon have been saved, with carpet cleaners, pressure washers and gazebos as the most popular items borrowed. As LoTs enable items to be kept in use for as long as possible reducing the need for purchasing new items, why they can be seen as an example of CBMs comes as a no surprise. Particularly, if CE principles are considered, they fit with *Circulate*, and with the *Share* measure in the ReSOLVE framework [41].

Whilst it is often argued that there is a missing social dimension in much of the CE discourse and practice [18, 57], Case A's business model is delivering multiple forms of social value. How to define and measure the social dimension of sustainability is still a contested issue [58]. Nonetheless, we espouse the simple yet effective definition of social sustainability proposed by the United Nation Global Compact, the world largest corporate sustainability initiative: "social sustainability is about identifying and managing business impacts, both positive and negative, on people" [59].

To begin with, Case A's business model is geared towards guaranteeing access to borrowing by means of affordability and alternative forms of payment. Driven by the commitment to make sure that borrowing is as much accessible as possible to everyone, most LoTs work on a free membership base; some may charge a small membership fee to join and some others offer the option to pay in volunteer time. Fees are often lower than what is normally expected to pay for second-hand items. As put by the interviewee: "*our model is not designed to generate money from that end user*" (Interview 1 extract, p. 2). Such a value capture process enables Case A to tackle poverty and inequality, thereby contributing to alleviate the pressure determined by the cost-of-living crisis that has exploded in the UK and across other countries worldwide in 2022 [60]. Secondly, Case A contributes to social value creation because it aims to support behavioural change for the transition towards the CE (encouraging people to borrow rather than purchasing items). In fact, the company views itself as an important component in the transition towards the CE: "libraries of Things are an integral part of making the circular economy a reality [here] and delivering behaviour change towards more sustainable ways of living" (LoTs Network Report on Borrowing, Accessed December 2022, p. 14). This is further emphasised by the interviewee who argue "*we want to really normalize borrowing rather than buying for communities around [here]*" (Interview 1 extract, p. 1). Thirdly, as a LoTs, Case A creates spaces for people to meet with each other, support each other to live in a more environmentally responsible manner whilst also contributing to town centre regeneration. As put by the interviewee: "*some of the projects we're working on are looking at ways that circular economy and community use can repopulate that city centre or town centre*" (Interview 2 extract, p. 3). "*Town centres across the world (...) are facing issues as a result of the increased popularity of online purchasing (...). Town centres provide a lot of value for communities (...) high street space is really important for social connection, and so it's important not to give up on the concept*

of a high street for the social and economic value that it brings to a community, but (...) maybe, instead of trying to compete with online giants (...), there's just a different way that high streets can be modelled that makes their value slightly more social, I suppose, in order to support the economic activity as well. We think that Libraries of Things have a role to play there, in the sense that they provide people with an opportunity to access the things they need, but without the purchasing element" (Interview 1 extract, p. 7). Table 2 summarises the key findings emerging from the analysis of social value creation for Case A.

Whilst the emphasis has been placed on social value creation in the previous paragraphs, the way in which Case A's CBM contributes to multiple value creation is synthesised by the interviewee: "There are three ways Libraries of Things, particularly in our network, benefit their communities. It's in helping people to reduce their carbon footprints, so helping to save the environment, essentially, saving space in their homes so they don't have to own one of everything, they can borrow what they need when they need it, and also saving money, giving people low cost access to items that enable them to have a better quality of life, whether that's DIY equipment, camping equipment, gardening equipment, giving them access to those things when they need them without having to spend a lot of money" (Interview 1 extract, p. 2).

We now turn to highlight the HEO for Case A.

### Case A (Library of Things): Humane Entrepreneurship

HEO is an entrepreneurial strategic posture defined as "the extent to which entrepreneurs and top managers are inclined to take care of a firm's competitiveness, to take care of their human resources and to take care of relevant social values and concerns, including those regarding environmental sustainability" [13, p. 512]. To cover the HEO, three dimensions have been considered [13, 28]: entrepreneurial orientation (EO) [30], sustainability orientation (SO), and human resource orientation (HRO).

An organisation's entrepreneurial orientation is measured on three dimensions: risk-taking, innovativeness and proactiveness [61, 62]. For human resources orientation, a validated measurement scale highlighting its components, is still missing [28]. Nonetheless, according to Kim et al. (2018) [27], there are four dimensions that qualify human resources orientation and particularly, *empathy*, *equity*, *enablement* and *empowerment*, which are defined by the authors as it follows. Empathy is "the extent to which a company shares emotions and information with its employees"; equity is "the extent to which a company treats individuals in a fair and equal manner"; enablement is "the extent to which a company provides the environment where each individual employee is able to develop skills and knowledge, con-

**Table 2** Case A CBM and social value creation

Social value creation in Case A's CBM	<p>Affordable borrowing and alternative ways of paying for borrowing (e.g., paying in time), contribute to tackling poverty and inequality.</p> <p>Affordable borrowing mitigates the cost-of-living crisis.</p> <p>Availability and affordability of items to borrow contribute to better quality of life.</p> <p>Borrowing instead of purchasing supports behavioural change for a transition towards the CE.</p> <p>Contribution to town centre regeneration.</p> <p>LoTs offer a space for social interaction and for people to support each other to live in a more environmentally responsible way.</p>
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sisting of both skill and infrastructure”; and (4) empowerment is “the delegation of power and responsibility from higher levels of the organizational hierarchy to lower levels, especially in regard to an employee’s ability to make decisions” [27, p. 21). Whilst the sustainability orientation of our case has been already evidenced, in the next few paragraphs, we highlight features of EO and HRO.

### Entrepreneurial Orientation

Case A can be considered a pertinent example of embodying EO. As put by the interviewee: *“I think we’ve been really innovative because as far as we can see and we have looked, there isn’t another country in the world that is creating a national network of borrowing, libraries of things (...). We seem to be the only country that is doing it as a network from the outset”* (Interview 2 extract, p. 1). And also: *“in terms of being forward looking, the main reason for us existing is looking at the impact of climate change and climate emergency, and so for that reason, we’re trying to build what we’re doing as quickly as possible and mindful of opportunities that come up through that”* (Interview 2 extract, p. 1). Risk taking, as defined by Dess & Lumpkin (2005) [63], “making decisions and taking action without certain knowledge of probable outcomes” (p. 148), is also self-evident in this case as the founders have started the first network of LoTs in the country. It is worth noting that both for innovativeness and risk taking, the interviewee goes beyond the classical conceptualization proposed by Covin and Slevin (1989) [30] that interpret the first prevailing in terms of new product generation and the latter from a predominant financial point of view.

### Human Resources Orientation

Case A also exhibits the qualifying dimensions of HRO as proposed by Kim et al. (2018) [27]. For example, in terms of *enablement*, employees are encouraged and supported to develop skills and knowledge within the organisation. As put by the interviewee:

*“Our team’s relatively new (...) but I do feel quite confident that we are creating an environment where if somebody said they wanted training on something or they wanted to do something but they didn’t know how... Actually, that has come up before where we’ve had team members offering to do media interviews and we’ve said, Yep, absolutely. Go ahead and do it* (Interview 1 extract, p. 5).

Furthermore, *empathy*, *equity* and *empowerment* are also at play. In terms of *empathy*, the company’s culture enables information sharing within its network. An ‘open feedback loop’ is at play as defined by the interviewee: *“If they’re different Libraries of Things operating within the network that are struggling with particular issues, say, volunteer retention, they have a way of checking in with each other about how they’re managing that and getting that shared learning rather than having to come to us and us do some work and then put it back to them: a way for that information to be constantly be shared around the network”* (Interview 1 extract, p. 7). *“It’s making sure that the shared learning is very much a 360 exercise, not just us delivering training: that we’re all learning together”* (Interview 1 extract, p. 1). *“Our model is very adaptable and in terms of our toolkit, we’ve got lots and lots of documents and templates in there, and we’re always adding to it. If one of our network members*



*asks for something, then that becomes a template that goes into the toolkit so that others can use it as well*" (Interview 1 extract, p. 2). "Having a nationally co-ordinated approach to sharing knowledge in this way has meant that communities joining the (...) network have been able to access support and guidance to get up and running as quickly as possible" (Network Report on Borrowing, p. 3, Accessed December 2022).

Turning to *empowerment*, there is evidence of delegation of power and responsibility within the organisation. As put by the interviewee: "*In terms of delegating, (...) there are certain things, governance or privacy related stuff where it has to sit with a director, but beyond that, if there's a network meeting and the ops manager wants to chair it, which she often does, that's fine and it's not even something that she has to ask me about, we'll just say, "Who's going to chair this?" and she'll say, "I want to," and if it was the administrator who said they wanted to chair it, that would be fine as well and I think we create a culture where that is understood implicitly and not really even needed to be made explicit*" (Interview 1 extract, p. 5). This is further evidenced in another interview passage which also links with the aspect of *equity*, and so with the organisational approach in treating individuals in a fair and equal manner. As put by the interviewee: "*we're trying really hard to create a culture that's very supportive and open and empowering for everybody within the organisation to do the role that they've been employed to do in a way that suits them best, so practical things like flexible working, also a very open culture of people being able to speak up and say they don't understand something or something's not working for them and that that's always responded to in a supportive way. There's no sort of shame in asking questions. That's something we very much emphasise*" (...) *Everyone in the team works from a home, we don't have an office, so we're having quarterly in-person meetings. Most of the team are around Southeast [area], but there's one in North [area], so we're making sure that at least once a year we all go up north so that the person in North isn't having to travel down, making sure there's equality at play there as well*" (Interview 1 extract, p. 5). The findings reported here are of great value because they support the theoretical conceptualization proposed by Kim et al (2018) [27], expanding the body of knowledge on HRO from an empirical perspective, and they highlight that HRO has different levels of interiorization as well as different understanding at least for some subdimensions (e.g. empathy and equity).

## Conclusion

This study was conceived to contribute to the literature on CE implementation and at the intersection between the CE and entrepreneurship. To accomplish our aim, we drew on an exemplary, micro-sized social enterprise from the British context, which offered unique and rich insights into the phenomenon under investigation. Case A has been working to set up a national network of LoTs from the outset, an approach that it is unique to the case.

There are several contributions that this study brings to the CE literature. Most of the studies concerning CBMs are conceptual in nature [64]. Therefore, with our empirical findings we enrich understanding of CE implementation, particularly from a small business perspective. This is a significant contribution given that how CBMs are implemented within the context of SMEs has not been studied extensively so far [65]. Furthermore, by focussing on a micro-sized social enterprise, we respond to Suchek et al.'s (2022) [10] call for exploring value creation stemming from CE implementation in the social entrepreneurship domain.

Moreover, since this study highlights different ways through which a CBM contributes to social value creation from tackling poverty to town regeneration, we respond to Valencia et al.'s (2023) [18] call for investigating the forms of social value creation in CE implementation more holistically beyond job creation opportunities only. As a result, our findings are consistent with a recent conceptualisation of the CE according to which an “equitable circular economy [is] a CE that maintains environmental protection as its core mission but is purposefully socially inclusive, just and fair and brings to the fore the interdependencies between human and ecological dimensions of sustainable development” [66, p. 315].

From a HumEnt perspective, our case shows high degrees of risk taking, innovativeness and proactiveness demonstrating at the same time an expanded interpretation of the innovation process and risk-taking attitude. In terms of approaches to human resources, our case is characterised by *empathy, empowerment, equity and enablement*. In fact, our case enables employees to take on training opportunities even beyond standard training, delegates power within the organisation, embraces a culture that support the sharing of information (an ‘open feedback loop’ is at play as defined by the interviewee), and supports employees to perform their task in a way that best suits them. Our findings align with the nascent literature at the intersection between the CE and HumEnt domains, which highlights that circular enterprises exhibit features of HumEnt [14]. This study also answers Le's (2022) [15] call for expanding HumEnt and HEO body of knowledge in different contexts, offering empirical findings that describe HumEnt characterisation in the setting of social enterprises, where HumEnt research is totally lacking. In addition, this study answers Parente *et al.*'s (2021) [13] call for assessing HumEnt dimensions.

This article has also some limitations and most notably, it is based on a single case, which prevents statistical generalisation [36]. However, we espouse the view that one of the main strengths of case studies is to allow for contextualised explanation [67]. Future research could further examine CE implementation and the forms of value that emerge from CBMs implementation, particularly within the context of SMEs, and the role of social enterprises in promoting the transition towards the CE. From a HumEnt perspective, a clear research trajectory is to explore further EO assessment as suggested by Covin and Wales (2019) [68]. In addition, indicators of HRO could be identified and possibly investigated from a HumEnt perspective. Finally, as our analysis has not covered the role of entrepreneurs' personal values in supporting HumEnt approach, this could be a fruitful research avenue to pursue within SE too.

## Appendix I

### Interview Protocol

- Why did you enter this industry?
- Could you tell me under which company structure is your organisation operating, please?
- Could you tell me what size is your business, and at which stage is your business,

please?

- Could you tell me how many people does your organisation employ, please?
- Could you tell me what is your role within this organisation, please?
- Could you tell me what is your business model value proposition, please?
- Could you describe your business model value creation and delivery systems, please?
- Could you tell me who are the partners you are working with to implement your circular business model, please?
- Could you tell me which forms of value stem from the implementation of this circular business model?
- Could you describe your organisation's entrepreneurial orientation in terms of innovativeness, risk-taking and proactiveness, please?
- Could you describe your company orientation towards human resources, please?
- Would you like to add anything else before finishing off?

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## Declarations

**Conflict of Interest** On behalf of all authors, the corresponding author states that there is no conflict of interest.

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