Linnæus University

Scaling Circular SMEs:

How Ecosystem Support, Institutional Barriers, and Local Governance Shape Circular Entrepreneurship in Växjö.

Master's Programme in Entrepreneurship, Sustainability, and Social Change

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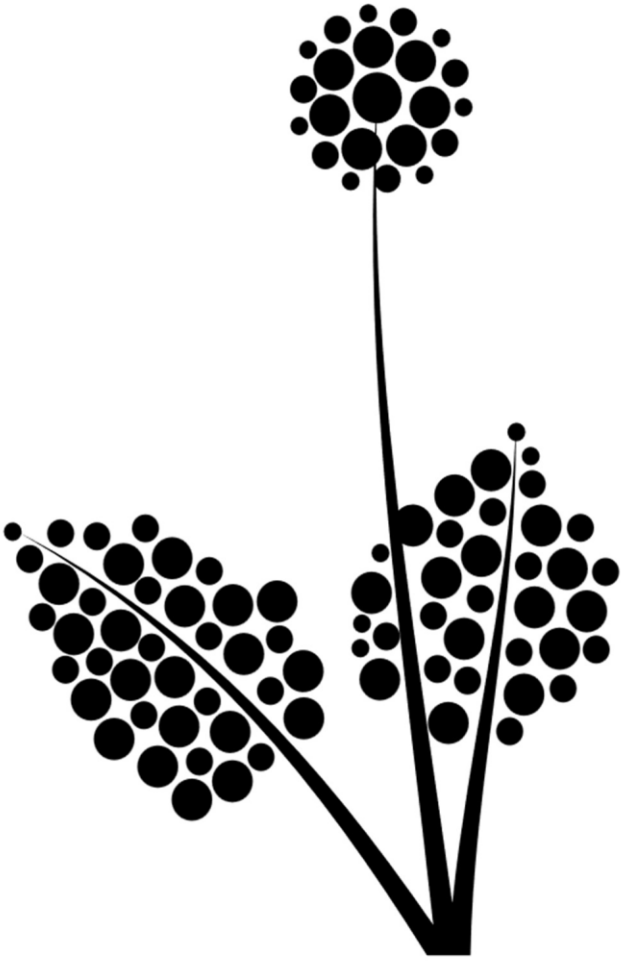

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Abstract

Circular small and medium-sized enterprises (SMEs) are widely presented as central to the sustainability transition, yet many struggle to develop even in cities that publicly commit themselves to circularity. This study examines how circular SMEs experience and navigate ecosystem support structures, institutional barriers, and local governance frameworks, and how these conditions shape their viability, development, and scaling. The study is set in the Swedish municipality of Växjö, which is known for its sustainability profile. It is grounded in an interpretivist position and follows an abductive logic, moving between the empirical material and three theoretical lenses: entrepreneurial ecosystem theory, institutional theory, and resource dependence theory. The empirical material consists of five sources: semi-structured interviews with two SMEs and two ecosystem actors, and written answers from a volunteer civil-society initiative. Three themes are developed. First, participants framed circularity in different ways, and recognition and support appeared to depend on translating circular value into categories that funders, customers, and public actors already use. Second, ecosystem support was present and, for the two SMEs, valued, but it was reached through intermediaries, did not reach a grassroots initiative, and operated within unchanged bank and tax rules. Third, participants described dependence on investors and on the municipality, whose support appeared real but conditional, as well as a missing waste service for businesses. Participants mostly responded by aligning with expectations and working around gaps, while more active advocacy was carried out by an intermediary organisation. The study suggests distinguishing ecosystem accessibility from ecosystem reachability, describes a condition of institutional illegibility that is addressed through translation, points to a form of dependency by absence, and suggests seeing municipal support as conditional. Given the small number of sources, these are offered as exploratory interpretations rather than general findings.

Keywords: circular economy; circular SMEs; entrepreneurial ecosystem; institutional theory; resource dependence theory; local governance; intermediaries; sustainability transition; Växjö; interpretivist research; abductive analysis; scaling.

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AI and Software Tools Usage Statement

It should be noted that several software tools and artificial intelligence were used in the preparation of this thesis as auxiliary tools, not as a substitute for the original analysis and writing. Claude artificial intelligence was used as support in structuring the thematic analysis and checking consistency. Other artificial intelligence tools such as Grammarly were used to check and correct the English grammar text. While searching and finding articles related to the research topic was also done through Google Scholar. The interviews were transcribed within the research group, and Microsoft Word was used for writing and formatting.

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1. Introduction

This chapter introduces the study. It explains the wider debate about the circular economy, the position of small and medium-sized enterprises within that debate, and the specific problem that motivates the research. It then states the purpose and the research question, and it sets out the boundaries of the study.

1.1 Background

Over the past decade, both research and policy discussion have treated the circular economy (CE) as one of the more influential ideas in sustainability thinking. The reason is straightforward. The circular economy offers an alternative to the environmental failures of the linear production model that have shaped economic activity for a very long time. In that linear model, value is created through a continuous sequence of extraction, production, and disposal, and this pattern produces environmental degradation, resource depletion, and a steadily rising volume of waste (Bocken et al., 2016; Geissdoerfer et al., 2017). By contrast, the circular economy is usually presented as a regenerative alternative that tries to separate economic activity from resource consumption by keeping materials and products in use for as long as possible, through practices such as reuse, repair, refurbishing, remanufacturing, and recycling, so that waste is reduced and product lifecycles are extended (Geissdoerfer et al., 2017; Kirchherr et al., 2017). This promise is attractive, but it should not be treated as something that happens automatically. Critical scholars remind us that structural, material, and economic conditions actively shape whether circular principles can be put into practice, and that circular implementation cannot be guaranteed simply because it is desirable (Kirchherr et al., 2023; Raworth, 2017).

This tension between sustainability ambition and the limitation to real-world transformation is the focus of this present study. Empirical analyses and policy assessments have consistently shown that regulatory environments, existing institutional frameworks, and prevailing economic systems continue to undermine circularity, despite its adoption in the areas where the circular economy is formally implemented as a policy (EEA, 2023; OECD, 2024). In other words, although the circular economy is frequently promoted as a sustainability ideal, the economic and institutional framework that will enable the circular economy in practice remains under-developed and not well coordinated. This inconsistency has produced a growing debate about whether circular initiatives represent a genuinely transformative change, or whether they mainly work as reformist strategies for improving efficiency inside an economic system that is

still organized around growth. Critical scholars argue that sustainability transitions remain constrained by growth-oriented systems that reward profit, consumption, and competitiveness, and that these conditions limit how far the circular economy can actually transform anything (Harvey, 2014; Malm, 2021; Raworth, 2017). However, these critiques or challenges to the transformative capacity of a circular business model hardly negate its value and legitimacy. What they do is sharpen the question worth asking, which is under what conditions circular practices remain viable, and how entrepreneurs manage to navigate the structural environments that shape those conditions. In this sense, circular business models cannot be understood only as the result of firm-level innovation or from the entrepreneurial activity of the company. They are practices embedded within wider ecosystems, institutional, and governance arrangements that can either promote them or constrain them.

Within this broader transition, small and medium-sized enterprises (SMEs) occupy a position that is important but also contested. They are often recognized as key actors, due to their geographical embeddedness, adaptability, and willingness to experiment with novel resource configurations and readiness to try out new methods to generate value (Garcés-Ayerbe et al., 2019). SMEs make up the largest share of firms in most economies, which is why they are treated as significant, although structurally constrained, actors in circular experimentation (OECD, 2024; Reim et al., 2025). Their circular contributions include recycling systems, reuse platforms, repair services, and product-service models. All these services contribute to broader material loops and minimize waste generation (Reim et al., 2025). It is important to note that their contribution should not be overstated. The evidence shows repeatedly that SMEs face serious structural challenges, including limited access to finance, a shortage of technical know-how, and weak bargaining power in value chains, and these challenges make their circular strategies dependent on external conditions rather than on entrepreneurial commitment alone (Rizos et al., 2016; Hina et al., 2022). What this indicates is that the viability and development of circular SMEs depend not only on their internal capabilities, but also on the broader institutional and ecological contexts within which they operate.

The challenge facing circular SMEs, however, goes beyond the question of growth. Although scaling receives increasing attention in entrepreneurship and sustainability research, many circular SMEs struggle not only to grow but simply to remain legitimate and financially viable inside an environment that is mostly organized around linear economic logic. For these firms, keeping a circular business alive requires constant adaptation to infrastructure limits, regulatory frameworks, and market conditions that were never designed with circular principles in mind.

To understand the conditions that influence circular SME development, attention has

increasingly turned towards entrepreneurial ecosystems, institutional conditions, and local governance frameworks. Entrepreneurial ecosystem thinking emphasizes that firms are embedded in systems of interconnected actors and resources, including support institutions, financial actors, infrastructures, and networks, and that these work together to shape entrepreneurial activity (Isenberg, 2011; Stam, 2015). More recent work extends this perspective by stressing the importance of resource mobilization, coordination, and collaboration for circular business model development (Reim et al., 2025; Ferasso et al., 2023). For circular SMEs, external support matters so much, because their business models depend on collaboration with many stakeholders such as public organizations, customers, suppliers, and partners across the value chain, and because they depend on specialized knowledge related to their activities. Yet the existing ecosystem research often assumes that support exists and is generally available, and in doing so it overlooks situations where support is fragmented, not coordinated, not aligned or not matched to what circular ventures are actually looking for (Ferreira et al., 2024; Reim et al., 2025).

Alongside ecosystem support, institutional structures determine how these resources can be accessed and used. According to institutional theory, formal rules ('rules of the game') such as regulations, laws, funding arrangements and procurement systems together with informal rules ('norms') such as market legitimacy and consumption patterns, all influence what is considered acceptable, viable and desirable (Scott, 2014; Khanna & Palepu, 2010). Although institutions play this crucial role, the support they provide is not always realized, because consumption patterns, market norms, and policy regulations are often based on linear economic models that run contrary to circular business models. As a result, circular SMEs can find it difficult to develop activities such as repair, reuse, service provision, or resource circulation when regulations, financing arrangements, and procurement systems do not fit their specific needs. This can hinder the growth of circular companies, even in places where sustainability is being actively promoted and encouraged.

While institutions set the broader rules of the game, local governance shapes how ecosystem support and institutional conditions are actually translated into practice at the municipal level. Municipalities and regional actors contribute to the circular transition through public procurement, policy implementation, business support programmes, the provision of infrastructure, and the coordination of ecosystem actors (ICLEI, 2025; Prendeville et al., 2018). Cities that publicly present themselves as sustainability leaders may create favourable conditions for circular entrepreneurship. Even so, the evidence consistently points to a gap between governance ambition and practical implementation, which means that policy

ambitions do not always turn into effective support, particularly where governance is poorly coordinated and fragmented (OECD, 2020). Put more simply, there is often a difference between what governments say and what they do. A local government may publicly promote circular SMEs while, in its actual purchasing, buys the cheapest new products, and this reduces the practical value of the support it claims to provide.

Despite the growing recognition that ecosystems, institutions, and governance all matter for sustainability transitions, there is still limited empirical understanding of how these dimensions interact to shape the experiences and development of circular SMEs within specific local settings. Existing studies tend to focus either on high-level policy ambition or on firm-level innovation and pay less attention to how entrepreneurs themselves experience and navigate the overlapping structures that shape circular activity in practice. It is this gap that motivates the present study.

1.2 Problem Discussion

The circular economy is increasingly offered as a route towards more sustainable production and consumption. Yet the conditions which circular businesses need to develop, thrive and become successful in the real world are still not well understood. Although circularity is often described as a transformative departure from the traditional economic system, the evidence shows that circular initiatives continue to operate inside economic and institutional environments that are still built around growth-oriented and linear logic, and this tends to keep them at the level of partial improvement rather than structural change (EEA, 2023; OECD, 2024). This contradiction raises both theoretical and empirical concerns. At the conceptual level, circular entrepreneurship is often portrayed as an innovative and scalable solution that can contribute to a wider sustainability transformation. In practice, research repeatedly shows that circular SMEs run into structural barriers that limit both their long-term viability and their development (Reim et al., 2025; Garcés-Ayerbe et al., 2019). The literature identifies obstacles such as infrastructural limitations, restricted access to finance, weak supply chains, regulatory complexity, and limited market support (Rizos et al., 2016; Garcés-Ayerbe et al., 2019; Kirchherr et al., 2023). Taken together, these barriers suggest that circular entrepreneurship cannot be explained by entrepreneurial agency or innovation alone. Instead, the development of circular SMEs is shaped by the wider institutional, ecosystem, and governance environments in which firms are embedded, including whether resources are available and whether support structures are aligned with what circular firms normally do.

A key weakness in existing research is that it often looks at support systems, institutional

barriers, and government rules as separate analytical categories, even though their influence on circular SME development is interdependent. Entrepreneurial ecosystem research highlights the role of supporting institutions, networks, finance, and intermediaries in shaping entrepreneurial outcomes (Isenberg, 2011; Stam, 2015; Ferreira et al., 2024). In this view, circular SMEs sit within communities of interconnected actors and resources that affect their infrastructure, legitimacy, markets, and knowledge. However, ecosystem research often assumes that support structures are well organized, uniformly available, and easy to access, and it pays less attention to the possibility that ecosystem support is fragmented, selective, and poorly matched to the needs of circular business models.

Institutional theory adds a further perspective by showing how rules, norms, and governance arrangements shape the legitimacy and feasibility of economic activity (Scott, 2014). Circular SMEs often work within institutional contexts where procurement processes, regulatory requirements, market mechanisms, and consumption habits are not yet oriented towards circularity. This means that circular entrepreneurs can face institutional situations that promote sustainability in words while limiting sustainability in operation.

Local governance introduces another layer of complexity. Municipalities play an important role in helping businesses move towards a circular economy by building infrastructure, setting funding priorities, implementing policy, running procurement, and bringing local businesses and organizations together (ICLEI, 2025; Prendeville et al., 2018). Yet earlier studies also point to difficulties in putting plans into action, poor coordination of local efforts, and conflicts between support and policy goals (OECD, 2020, 2024). This raises questions about how circular entrepreneurs actually experience local governance, and about whether sustainability ambitions are translated into meaningful support in everyday practice.

These three dimensions are closely related. The literature suggests that ecosystem support, institutional conditions, and governance arrangements often overlap in the experience of circular SMEs, and that a change in one may be felt in the others, creating enabling or constraining conditions. Although each dimension has received considerable attention, they are usually examined separately. As a result, there is still limited empirically grounded understanding of how their combined and interactive effects shape the opportunities, constraints, and development of circular SMEs in specific local contexts (Ferreira et al., 2024; Reim et al., 2025). Looking at these dimensions together may help in understanding how circular SMEs experience survival and development, even in places that seem supportive.

1.3 Purpose and Research Question

The purpose of this study is to develop an empirically grounded understanding of how ecosystem support structures, institutional conditions, and local governance frameworks interact to shape the viability, development, and scaling of circular SMEs. Previous research has acknowledged the importance of each of these dimensions on its own, but there is limited understanding of how they operate together to influence circular entrepreneurship in practice. The study therefore aims to contribute to a more integrated understanding of the external conditions that enable or constrain the development of circular business models. The study does not attempt to treat each of these dimensions exhaustively; its focus is the interaction between them as circular entrepreneurs experience it across the viability, development, and scaling phases, and it is this interaction, rather than any single dimension in isolation, that the analysis keeps in view.

A serious attention is given to the experiences of circular entrepreneurs, and to the ways in which they perceive, interpret, and navigate the opportunities and constraints that arise from their surrounding environment. By placing entrepreneurial experience at the centre, the study moves beyond explanations that focus only on firm-level capabilities or policy ambition and instead explores how entrepreneurial outcomes are shaped through the interaction of ecosystem support, institutional conditions, and governance arrangements.

To achieve this purpose, the study addresses the following research question:

> *How do circular SMEs experience and navigate ecosystem support structures, institutional barriers, and local governance frameworks, and how do these conditions shape their viability, development, and scaling?*

Given the empirical material, the final part of the question, concerning viability, development, and scaling, is addressed more tentatively than the first parts, through participants' accounts of their current situation (see Sections 5.6 and 7.5). The term "institutional barriers" in the question is read broadly, as the institutional conditions that participants experience as constraining or enabling. "Local governance frameworks" refers to the ways in which the municipality and other public actors support, buy from, and set conditions for local businesses.

To answer this question, the study uses a qualitative design built around semi-structured interviews with founders, managers, and other relevant actors involved in circular entrepreneurship. Semi-structured interviews are chosen because they make it possible to explore meaning, experience, and interpretation in depth and in an open-ended way, which is exactly what the research question demands, and which neither structured surveys nor documentary analysis on their own could provide (Bryman, 2016). Unlike focus groups, which

can suppress individual or minority views, one-to-one interviews allow for detailed and context-sensitive accounts of how individual entrepreneurs perceive and manage their institutional and governance environments.

Background information on the Växjö context is drawn from the literature and policy reports cited in Chapters 1 and 2. No systematic analysis of policy documents was carried out, and the empirical analysis rests on the interview material.

The study is guided by an interpretivist epistemological position, which understands social reality as constructed through meanings, experiences, and interactions, rather than as an objective phenomenon that can be measured independently of the people experiencing it (Bryman, 2016; Creswell & Poth, 2018). This position fits the study's focus on how entrepreneurs make sense of and navigate the opportunities and constraints of circular entrepreneurship.

The study also follows an abductive analytical approach. Rather than testing hypotheses drawn from existing theory or building new theory purely from data without any prior theoretical grounding, abductive reasoning involves an iterative movement between empirical observation and theoretical concepts (Alvesson & Sköldberg, 2009; Bryman, 2016). In practice, this means that the patterns and themes emerging from the interviews are interpreted in dialogue with the theoretical perspectives drawn from entrepreneurial ecosystem theory, institutional theory, and resource dependence theory, in order to arrive at plausible, theoretically informed interpretations of participants' accounts. The themes are therefore neither purely discovered from the data nor simply applied from existing frameworks. They emerge from a continuous dialogue between empirical findings and theoretical concepts throughout the analysis. This strategy is particularly well suited to exploratory research in areas that are not yet well theorized, such as the combined study of ecosystem, institutional, and governance conditions for circular SMEs, where the aim is to develop interpretive depth and conceptual insight rather than to test formal propositions.

Finally, the study takes seriously the ethical considerations that are central to qualitative research. Participation is voluntary and based on informed consent. Participants were told about the purpose of the study at the start of each interview, agreed to take part, and could decline to answer any question. Identifying information is anonymized in all reported findings. Throughout the analysis, reflexive attention is given to the researcher's own position, that is, to the ways in which the researcher's interpretive frameworks, disciplinary background, and institutional position may influence the questions asked, the interpretations offered, and the conclusions drawn.

1.4 Delimitations of the Study

Several delimitations define the scope and focus of this study. First, the study is limited to small and medium-sized enterprises engaged in circular economy activities. Larger corporations and multinational firms are excluded, because they operate under very different organizational, financial, and institutional conditions, including greater access to capital, wider market reach, and stronger bargaining power. Focusing on SMEs makes it possible to examine more closely how resource-constrained organizations experience and navigate the opportunities and constraints of circular entrepreneurship. SMEs are understood here in line with the EU definition, as enterprises with fewer than 250 employees, and a circular SME is understood as one whose business model involves keeping products or materials in use, whether as its core focus or as a partial one. The participants' connection to circularity is described in Section 4.4.

Second, the analysis is limited to three interrelated dimensions that the literature identifies as particularly important for circular SME development: ecosystem support structures, institutional conditions, and local governance frameworks. Other factors, such as technological capabilities, firm performance, business strategy, and individual entrepreneurial characteristics, may also influence outcomes, but they are considered only where they relate directly to the external conditions shaping viability, development, and scaling.

Third, the study adopts a qualitative, interpretivist design centred on semi-structured interviews. The aim is not to generate statistically generalizable findings but to develop an in-depth and context-sensitive understanding of how circular entrepreneurs perceive, interpret, and navigate their operating environment. The findings should therefore be understood as analytically transferable to comparable contexts on the basis of conceptual similarity, rather than as statistically representative.

Fourth, the empirical investigation is geographically limited to circular SMEs operating within a single municipal context. This boundary allows for a detailed exploration of how ecosystem support, institutional conditions, and governance arrangements interact within one local setting. Focusing on a single municipality involves a deliberate trade-off: breadth and cross-context comparison are given up in favour of contextual depth and analytical richness. This reflects the study's aim of developing a nuanced understanding of how external conditions are experienced and negotiated within a bounded setting, rather than producing context-independent generalizations. The insights generated may still be relevant to comparable municipal contexts that share ambitions for circular and sustainable development.

Finally, the study is cross-sectional rather than longitudinal. It examines participants' experiences and perceptions at a particular point in time, and does not attempt to capture how

entrepreneurial experiences, support structures, or institutional conditions change over long periods. Longitudinal dynamics, although important for understanding the development trajectories of circular SMEs, fall outside the scope of this study.

2 Literature Review

This chapter builds the theoretical and empirical foundation for the study's investigation of how circular SMEs experience and navigate the conditions that shape their viability, development, and scaling. Rather than reviewing each body of literature separately, the chapter develops a cumulative argument. Each section examines a distinct but connected dimension of the structural environment in which circular SMEs operate, and, taken together, the sections reveal a gap that the existing scholarship cannot close when it is read one strand at a time. The review is organized as follows. It first sets out the conceptual foundations by examining the circular economy and its application to SMEs and circular business models. It then turns to the scaling dynamics that are specific to circular business models, before synthesizing the empirical literature on the barriers facing circular SMEs. The review next considers entrepreneurial ecosystem theory and what it implies for circular SME support and then draws on institutional theory and governance scholarship to explain why support is so often structurally unavailable. A concluding synthesis derives the research gap and states the contribution of this study.

2.1 Circular Economy, Circular Business Models, and SMEs

The circular economy has become one of the most influential and, at the same time, most contested concepts in sustainability research. At its core, it challenges the linear take-make-dispose logic that has organized industrial production since the nineteenth century, and it proposes instead that materials, components, and products should be kept within closed-loop systems through reuse, repair, remanufacturing, and recycling (Geissdoerfer et al., 2017; Stahel, 2016). The ambition is systemic. It is to separate economic activity from resource depletion and environmental damage, so that prosperity becomes possible without a proportional ecological cost (Ellen MacArthur Foundation, 2013). Yet the apparent coherence of this ambition hides a good deal of definitional instability. In their well-known analysis of 114 definitions, Kirchherr et al. (2017) show that the circular economy is understood at once as an environmental management strategy, a business model paradigm, a design principle for economic systems, and a framework for societal transformation. This multiplicity reflects the many disciplinary communities that have taken up the term. Murray et al. (2017) note that this flexibility can help different people work together, but it can also hide important questions,

especially the assumptions about what kind of economic future circularity is meant to deliver, and who will benefit from it.

This definitional ambiguity becomes analytically useful when it is examined through the lens of critical political economy. The dominant framing of the circular economy, advanced most influentially by the Ellen MacArthur Foundation (2013) and widely reproduced afterwards, presents circularity as a win-win in which environmental sustainability and economic growth reinforce one another. It is precisely this growth-compatibility claim that critical scholars contest most forcefully. Harvey (2014) argues that sustainability transitions are never implemented in a vacuum, but within capital-accumulation systems that generate specific incentives, distributional logics, and growth imperatives which resist the systemic disruption that circular economy advocates envisage. Malm (2021) extends the critique by arguing that the fossil-fuel and material dependencies of contemporary production cannot be resolved by technical circular fixes alone, while Raworth (2017) questions the underlying assumption that unlimited economic growth can be reconciled with genuine sustainability. These critiques do not make the circular economy a less worthwhile object of study. What they do is sharpen the questions worth asking about it. If circularity is enacted inside structural conditions organized around growth imperatives, institutional conventions, and culturally embedded consumption norms, then the relevant question is not whether the circular economy is desirable, but under what conditions circular enterprises can survive and develop within those structures.

At the level of the firm, circular economy principles are most often expressed through circular business models (CBMs). In a comprehensive review, Geissdoerfer et al. (2020) identify a range of CBM types that differ in how they create and capture value, including product-life-extension models, resource-recovery models, sharing platforms, and performance-based contracts. Lüdeke-Freund et al. (2019) extend this typological work with a pattern-based framework, showing that CBMs are not a single archetype but a diverse family of value configurations, each with its own dependencies on external conditions. Bocken et al. (2016) stress that circular value creation requires not only internal business model innovation but an active redesign of supply chains and material flows, which has serious implications for SMEs, whose influence over supply chain architecture is limited by their size. Antikainen and Valkokari (2017) underline the same tension. Their framework for CBM innovation in SMEs shows that value captured under circular logic usually requires ecosystem-level coordination that individual firms, and especially small ones, cannot organize on their own. Taken together, these contributions suggest that circular business models are structurally more demanding to run than their linear counterparts, not because they are inherently inefficient, but because they

depend on conditions that the wider economic environment does not reliably provide.

Small and medium-sized enterprises occupy a paradoxical position in this landscape. They make up the overwhelming majority of businesses in most economies, and their combined environmental footprint is substantial (OECD, 2024; Rizos et al., 2016). Because they are embedded in local communities, supply chains, and material flows, they are, in principle, well placed to drive circular transitions from the ground up. Yet their structural characteristics, including limited financial reserves, narrow knowledge bases, and constrained access to networks and markets, mean that the conditions required to implement and scale a CBM are exactly the ones that resource-constrained organizations are least able to create by themselves (Garcés-Ayerbe et al., 2019; Rizos et al., 2016). De Jesus and Mendonça (2018) situate CE adoption by SMEs within the broader dynamics of sustainable transition and argue that SMEs occupy a structurally ambiguous position: they often do not have enough money, staff, or time to cover the costs of circular transformation, yet they often adapt more quickly due to their local embeddedness and stronger connections with local customers than larger firms in exploiting circular opportunities. Reim et al. (2025) argue that the success of circular SMEs depends fundamentally on the quality and coherence of external conditions rather than on internal capability alone. This finding shifts the analytical focus away from entrepreneurial deficit and towards structural constraint, and it is the premise from which the present study proceeds.

2.2 Scaling Circular Business Models

Scaling is one of the least examined dimensions of circular entrepreneurship. A great deal of scholarly attention has gone into the initiation and design of circular business models, but the conditions under which circular ventures successfully develop, grow, and achieve systemic impact remain comparatively under-theorized. In a systematic review of the CBM scaling literature, Reim et al. (2025) identify this as an important gap in research. Most existing research focuses on the early-stage design of circular value propositions and neglects the distinct challenges that appear when firms try to expand beyond a small local market or specialized customer group. This matters, because the conditions that allow a circular SME to survive its founding phase can be quite different from the support it needs to scale or grow, a distinction that the present study addresses directly through its focus on viability, development, and scaling as three related but separable outcomes.

Most research describes scaling as a business growing in size, reaching more customers, or entering new markets. The OECD (2024) reflects this position when it frames scaling as a

critical mechanism through which circular SMEs can contribute to broader sustainability transitions. However, some researchers question whether this traditional idea of growth fits circular businesses. Bauwens et al. (2022) argue that definitions of scaling borrowed from conventional business growth literature fail to capture what is distinctive about circular entrepreneurship. Unlike conventional firms, many circular businesses rely on local resource loops, place-based networks, and context-specific relationships that cannot easily be replicated elsewhere. Building on this critique, Bauwens et al. (2022) propose a more multidimensional understanding of scaling, distinguishing scaling up (increasing organizational size), scaling out (replicating practices across contexts), and scaling deep (transforming social norms and institutional arrangements). This challenges the assumption that growth by itself amounts to successful scaling, and it is important for the present study, because scaling deep is precisely the form of scaling that depends most on ecosystem and institutional conditions beyond the firm's control.

A further scaling challenge documented in the literature concerns the business model tensions that emerge as circular ventures grow. Bocken and Short (2016) show that many circular business models are designed around relational, service-oriented, or community-embedded value propositions that resist conventional scaling logic based on standardization, volume, and market expansion. Scaling such models can undermine the very features, such as localized knowledge, relational trust, and material specificity, that make them circular in the first place. The literature increasingly suggests that scaling a circular business model requires the simultaneous adaptation of the model itself and of the ecosystem and institutional conditions in which it operates (Reim et al., 2025; Ferasso et al., 2023). Lüdeke-Freund et al. (2019) extend this to sustainable business models more generally, finding that the scaling of circular and sustainability-oriented ventures consistently requires forms of institutional support, including regulatory adaptation, public procurement, and legitimation by authorities, that are frequently absent or misaligned.

The empirical evidence on circular scaling outcomes is sobering. The European Environment Agency (2023) reports that the majority of European circular business initiatives remain confined to a pilot or niche phase and rarely reach the scale at which their environmental impact becomes systemic. Ferasso et al. (2023) trace CBM development pathways in detail and find that transitions from emergence to scaling were consistently interrupted, not by internal strategy failures but by the absence of the ecosystem coordination and institutional legitimacy that scaling requires. These findings suggest that circular businesses often remain small because of wider structural problems around them, rather than because of individual

weaknesses. The next section examines the specific barriers that create these problems.

2.3 Barriers to Circular SMEs

The empirical literature on the barriers facing circular SMEs is large, methodologically varied, and remarkably consistent in its headline findings, even as it reveals important contradictions and silences. Across Europe and beyond, the same major issues keep appearing. They include funding, market demand for circular products and services, misaligned regulation, supply chain breaks, and gaps in knowledge and circular economy expertise (Rizos et al., 2016; Kirchherr et al., 2023; Hina et al., 2022; OECD, 2024). Together, these studies establish that circular SMEs are not resource-constrained in a generic sense. They face a specific configuration of barriers shaped by the distinctive requirements of circular business models.

Financial barriers deserve particular attention, because they are not simply a matter of credit availability but reflect a deeper misfit between circular business model logic and conventional financing instruments. In a systematic review of the drivers and barriers of circular economy adoption, Hina et al. (2022) show that circular business models typically require higher upfront investment, for product redesign, take-back infrastructure, or material processing capacity, while producing longer payback periods and value streams that conventional debt and equity instruments were not designed to accommodate. The OECD (2020) confirms this at the macro level, identifying the absence of circular-aligned financial ecosystems as one of the most significant systemic gaps in European CE transitions. Rizos et al. (2016) find that this structural misfit means the financial barrier is not solved simply by increasing the supply of finance; it requires the development of circular-specific financial instruments and risk frameworks.

A particularly significant tension in the barriers literature concerns the relationship between regulatory frameworks and circular practice. Drawing on expert interviews across European contexts, Kirchherr et al. (2023) document what they call the regulatory paradox: formal institutional environments simultaneously incentivize circularity through legislation, such as extended producer responsibility directives, and obstruct it through waste classification rules, contamination standards, and procurement criteria that were designed for linear activity. Garcés-Ayerbe et al. (2019) demonstrate this dynamic specifically for SMEs, finding that the administrative and compliance burden of navigating contradictory regulatory requirements falls disproportionately on smaller firms. Alhola et al. (2019) show that public procurement systems systematically favour lowest-cost new products over circular alternatives, not because decision-makers oppose sustainability but because procurement rules were written within a linear paradigm.

A critical limitation of much of the barriers literature must nonetheless be acknowledged. The dominant research designs, namely quantitative surveys and systematic literature reviews, document the frequency and distribution of barriers across samples of firms, but they generate limited insight into how circular entrepreneurs actually experience and respond to those barriers in practice. The experiential, interpretive, and navigational dimensions of barrier management remain largely invisible in this literature. This is not a trivial gap. Understanding how circular SMEs navigate barriers is not only a matter of knowing which barriers exist, but of understanding how entrepreneurs make sense of contradictory conditions, develop workarounds, build relationships with supportive actors, and construct viable practices inside constraining environments. Explaining why those barriers persist, rather than merely cataloguing them, requires attention to the ecosystem and institutional conditions that fail to relieve them, and it is those conditions that the two sections that follow address.

2.4 Entrepreneurial Ecosystems and Circular SME Support

Entrepreneurial ecosystem theory offers a powerful way of explaining why individual firm characteristics cannot, on their own, account for entrepreneurial outcomes. The foundational insight, developed by Isenberg (2011) and systematized by Stam (2015), is that entrepreneurial activity is shaped by the configuration of actors, resources, and institutions that surround ventures, their ecosystem, rather than by the attributes of entrepreneurs themselves. Stam's (2015) systemic model identifies a set of framework conditions, including formal institutions, infrastructure, and market demand, alongside ecosystem elements such as networks, finance, talent, knowledge, and support organizations, whose combined quality determines how fertile the entrepreneurial environment is. Spigel (2017) adds a relational and cultural dimension, showing that ecosystems are not simply aggregations of resources but are constituted through practices of trust, mentorship, and knowledge-sharing that are place-specific and accumulate over time.

More recent scholarship has begun to apply ecosystem thinking to sustainable and circular entrepreneurship, and in doing so it both extends and complicates the foundational framework. Ferasso et al. (2023) examine how collaborative ecosystem dynamics enable circular business model development, showing that circular ventures are particularly dependent on ecosystem actors, including waste processors, material brokers, repair knowledge networks, and sustainability-oriented investors, that are absent or underdeveloped in most conventional entrepreneurial ecosystems. In a systematic review of circular entrepreneurial ecosystem research, Ferreira et al. (2024) find that the three most consequential ecosystem elements for

circular venture development are access to circular-specific finance, the density of inter-organizational relationships oriented towards resource circulation, and the presence of institutional actors capable of legitimizing circular practices.

A fundamental limitation of entrepreneurial ecosystem theory must nonetheless be confronted directly. In much of its canonical formulation, the framework quietly assumes that ecosystem components are reasonably well organized and consistently accessible to the actors within the system. The evidence on circular entrepreneurship systematically contradicts this assumption. Reim et al. (2025) show that ecosystem fragmentation, the absence of a coherent system of intermediaries, financiers, regulatory frameworks, and market actors oriented towards circular activity, is a primary obstacle preventing circular ventures from reaching scale. Averina et al. (2023) provide one of the clearest critiques of the enabling-ecosystem narrative, showing that circular business models frequently become dependent on external actors whose priorities, capabilities, and interests may not align with those of the focal SME; collaboration can generate opportunities, but it can also create vulnerabilities. Wurth et al. (2022), in a critical review of the ecosystem research programme, identify unresolved conceptual tensions, particularly around the assumption of ecosystem coherence and the under-theorization of access inequalities, that directly limit the framework's explanatory power in non-mainstream entrepreneurial contexts.

A further limitation of ecosystem theory deserves acknowledgement. The framework tends to treat ecosystem deficiencies as problems of design or coordination, rather than as expressions of deeper structural and institutional conditions. Ecosystem fragmentation is not simply a failure of stakeholder alignment. It reflects the fact that the institutional environment rewards and resources linear ventures differently from circular ones, so that ecosystem actors responding to institutional incentives will naturally orient themselves towards linear support. This observation connects the ecosystem dimension directly to the institutional and governance dimension examined next.

2.5 Institutional Barriers and Local Governance

The persistence of ecosystem fragmentation and circular SME barriers raises a question that the preceding sections cannot answer on their own: why do these constraints continue despite growing policy commitments to circularity? Institutional scholarship locates the answer in the formal rules, normative expectations, and taken-for-granted assumptions that structure economic activity. Scott's (2014) three-pillar framework provides a powerful instrument for this purpose, distinguishing regulative, normative, and cultural-cognitive dimensions. While

Scott's framework is analytically rich, DiMaggio and Powell (1983) offer a more dynamic account through their concept of institutional isomorphism, the tendency of organizations in the same field to converge on structurally similar forms, so that circular ventures face isomorphic pressure towards linear norms. Thornton et al.'s (2012) institutional logics perspective adds further precision, identifying multiple and potentially competing institutional orders, including the market, the state, the profession, and the corporation, each operating according to its own principles of action and legitimacy. Circular SMEs routinely navigate competing logics: sustainability-oriented normative commitments collide with market logics that reward the lowest cost, while state commitments to circular economy policy compete with procurement logics that favour established linear suppliers.

The regulative pillar encompasses formal rules, laws, regulatory classifications, procurement standards, and enforcement mechanisms. For circular SMEs, regulatory conditions are frequently characterized by misfit rather than alignment. Frameworks governing waste classification, material safety, and product liability were designed with linear production in mind (Ghisellini et al., 2016; Tukker, 2015). Public procurement systems remain overwhelmingly oriented towards lowest-cost linear products, and they effectively exclude circular alternatives even in municipalities that formally espouse circular ambitions (EEA, 2023). Bocken et al. (2019) show that regulatory frameworks oriented towards extended producer responsibility have generated compliance architectures that place a disproportionate administrative burden on smaller circular operators relative to larger incumbents.

The normative pillar encompasses social obligations, professional standards, market conventions, and expectations of appropriate behaviour that exert moral pressure on actors even where formal sanctions are absent. Camacho-Otero et al. (2018) document a persistent gap between expressed consumer preferences for sustainability and actual purchasing behaviour, a gap that reflects the normative authority of established market conventions in which price, convenience, and brand familiarity operate as dominant decision criteria. Stål and Corvellec (2018) extend this analysis to the business-to-business context, showing that circular value propositions meet normative resistance from procurement professionals working within established institutional expectations. Kirchherr et al. (2023) identify cultural resistance as one of the most intractable barriers to circular economy adoption.

The cultural-cognitive pillar is the deepest and most resilient dimension, encompassing shared assumptions and taken-for-granted beliefs. Corvellec et al. (2022) show that the classification of materials as either resources or waste is not a technical matter but a cultural-cognitive construction that varies across social contexts, regulatory regimes, and historical periods.

Gregson et al. (2015) reveal through fieldwork that reuse and repair are saturated with cultural meanings, concerning cleanliness, status, modernity, and economic identity, that cannot be overridden by rational sustainability arguments alone. Suchman's (1995) legitimacy theory provides the vocabulary for understanding this tension. Circular entrepreneurs must engage in active legitimation work, narrative, relational, and performative, to establish that their practices are desirable, proper, and appropriate within a culture that has not yet normalized circular economic activity.

Local governance adds a fourth analytical layer by addressing how public authorities at the municipal and regional level mediate between macro-level institutional conditions and the micro-level experiences of circular SMEs. Drawing on the multi-level perspective developed by Geels (2002) and elaborated by Markard et al. (2012), sustainability transitions scholarship conceptualizes change as occurring across three levels: the macro socio-technical landscape, the meso regime of dominant actors and rules, and the micro niche where innovations emerge. Local governance actors occupy a structurally critical position in this framework. In a comparative study of six cities, Prendeville et al. (2018) document the significant variation that exists between municipalities in translating circular ambitions into operational governance practice. Turcu and Gillie (2020) show that the gap between formal commitment and practical governance is substantial: planning systems, procurement procedures, and municipal risk cultures consistently reproduce linear outcomes even in municipalities with formal circular economy strategies. Dagilienė et al. (2021) examine this ambition-implementation gap from the perspective of local government actors themselves, and find that political fragmentation, short electoral cycles, and the absence of circular expertise within municipal institutions were the primary explanatory factors.

Perhaps the most consistent empirical finding in the governance literature is the implementation gap, the persistent divergence between the ambitions local authorities express about circular transitions and the degree to which governance practice actually translates those ambitions into conditions that support circular SMEs. The OECD (2020, 2024) consistently identifies this gap as one of the most significant structural obstacles to local circular transitions, attributing it to fragmented governance structures, short political planning cycles, and insufficient technical capacity within public authorities. Velter et al. (2020) attribute governance fragmentation specifically to the multi-stakeholder complexity of circular transitions. The critical insight is that institutional barriers and governance gaps are not independent constraints; they are mutually reinforcing. Municipalities operating within institutional environments dominated by linear logic will reproduce that logic in their

governance decisions, regardless of the sustainability commitments they formally adopt.

2.6 Research Gap

The review establishes substantial foundations for each of the three analytical dimensions this study examines: the entrepreneurial ecosystem conditions that shape circular SME support, the institutional barriers that explain why those conditions are so often inadequate, and the governance arrangements that either bridge or widen the gap between institutional context and entrepreneurial practice. Yet the review also reveals, with increasing clarity across each section, a limitation that runs through this body of scholarship as a whole: the three dimensions are examined predominantly in isolation, as if ecosystem conditions, institutional arrangements, and governance frameworks were separate factors rather than related dimensions of the environment in which circular SMEs operate.

This separation leaves questions that a single lens may find difficult to address. Ecosystem theory identifies what kinds of support matter for circular SME development, but it cannot explain why such support is structurally unavailable or inconsistently provided. Institutional theory explains the rules, norms, and assumptions that generate barriers, but it does not account for how governance actors try, and frequently fail, to modify those conditions in practice. Governance theory addresses how local authorities shape transition conditions, but it does not sufficiently examine how their actions are themselves constrained by the institutional and ecosystem environments in which they operate. The result is a literature that has generated substantial insight into each dimension while leaving the interaction of all three, and the cumulative effect of that interaction on circular SME experiences, analytically underexplored.

The studies that come closest to the intersection of these dimensions are instructive precisely in where they stop short. Ferreira et al. (2024) provide the most systematic treatment of ecosystem fragmentation for circular ventures to date, but they do not integrate the institutional or governance dimensions into the analytical framework. Reim et al. (2025) generate valuable insights into circular SME ecosystem interdependencies, but they examine these mainly at a general level, without empirically connecting ecosystem conditions to the institutional logics that shape what ecosystem actors are incentivized to support. Maaßen and Urbano (2024) offer the most directly relevant contribution. Their examination of institutional environments for circular start-ups in a European regional context is a significant advance, but it focuses on a single institutional dimension and does not examine how circular entrepreneurs experience and navigate the intersection of ecosystem fragmentation and governance misalignment as an integrated challenge.

What remains empirically unexamined can be stated plainly. How do circular SME entrepreneurs actually experience and navigate ecosystem, institutional, and governance conditions together within a specific local context, and how does this navigation shape the viability, development, and scaling of their business models? This is not simply an additive gap, as if the literature needed only more studies examining each dimension separately. It is a structural gap in the way knowledge has been produced: the field has generated substantial understanding of each dimension in isolation, but it has not produced empirically grounded, interpretivist accounts of how entrepreneurs understand and respond to these dimensions as a related set of conditions. It is precisely this gap, theoretical in its demand for an integrated framework, methodological in its demand for an interpretivist and experience-centred approach, and contextual in its demand for situated local analysis, that the present study is designed to address, and to which the research question posed in Chapter 1 is directed.

3 Theoretical Framework

This chapter builds the analytical framework through which the study examines how circular SMEs experience and navigate the conditions that shape their viability, development, and scaling. Three theoretical perspectives are used in combination: entrepreneurial ecosystem theory, institutional theory, and resource dependence theory. Each one draws attention to a distinct but related dimension of the structural environment in which circular SMEs operate. Entrepreneurial ecosystem theory identifies what conditions of support and coordination matter for circular entrepreneurial activity. Institutional theory offers ways of understanding why those conditions may take the form they do, for example why support may be uneven, why legitimacy may be contested, and why governance commitments may diverge from practice. Resource dependence theory addresses how circular SME entrepreneurs respond strategically to the resource dependencies and institutional pressures they encounter. Together, these three perspectives offer complementary ways of reading the same empirical material.

Consistent with an interpretivist position, the three frameworks are not tested against the data, but rather serve as sensitizing lenses to help direct analytical attention to the data (Blumer, 1954; Schwandt, 2015). They do not generate falsifiable predictions about circular SME behaviour. Instead, they provide conceptual vocabulary through which the meanings, interpretations, and navigational strategies of circular entrepreneurs can be made analytically visible. Theories are not hypotheses that are tested against the data, but are used as analytical tools alongside the data, and are sharpened and refined in an iterative process of moving between empirical material and theoretical categories as described in the methodology chapter.

3.1 Entrepreneurial Ecosystem Theory

Entrepreneurial ecosystem theory rests on a claim that is both simple and consequential: the outcomes of entrepreneurial activity cannot be adequately explained by the attributes of individual entrepreneurs or their firms, but are shaped by the systemic properties of the environment in which those actors are embedded (Spigel & Harrison, 2018). This is a direct challenge to the older individualist tradition in entrepreneurship research, which located the sources of success in personality traits, cognitive styles, and managerial competence. Ecosystem theory argues instead that entrepreneurship is a collective and relational phenomenon, produced through the interaction of many actors, resources, and institutions whose configuration, not merely their presence, determines how fertile an environment is for new ventures.

The most rigorous formulation of this claim is Spigel's (2017) relational model, which disaggregates the ecosystem concept into three categories of attribute. Cultural attributes include local narratives of entrepreneurial success, tolerance for failure, and social norms of risk-taking that shape which kinds of entrepreneurial activity are seen as legitimate and worth aspiring to. Social attributes encompass the networks, relationships, mentorship ties, and forms of trust through which actors gain access to knowledge, capital, and legitimacy, and they emphasize that access to ecosystem resources is relational rather than transactional. Material attributes include the tangible resources of the ecosystem: investment capital, physical infrastructure, university research institutions, support organizations, and labour markets with relevant skills. These three categories are not independent. They interact, so that material resources without supporting cultural or social attributes are unlikely to generate productive entrepreneurial activity, while strong social networks cannot compensate for the absence of fundamental material conditions.

The foundational ecosystem models of Isenberg (2011) and Stam (2015) provided important conceptual scaffolding, but they tended to treat ecosystem components as relatively static aggregates whose presence or absence predicted outcomes. Significant development has occurred since. Stam and Van de Ven (2021) introduced a systems-theoretic revision that distinguishes between ecosystem outputs, the entrepreneurial activity an ecosystem produces, and the underlying systemic conditions of interdependence, feedback, and co-evolution that generate those outputs. This distinction is important, because it shifts attention from cataloguing what ecosystems contain towards understanding how ecosystem dynamics produce and reproduce enabling or constraining conditions over time. Brown and Mason (2017) further developed the concept by examining the role of anchor firms and intermediary organizations

in shaping ecosystem connectivity, showing that ecosystems are structured through power relations and differential access, and not simply through the density of resources.

A significant limitation of entrepreneurial ecosystem theory must be acknowledged here. The framework tends to conceptualize ecosystem deficiencies as problems of coordination, design, or resource scarcity, and therefore as problems that could, in principle, be solved through better policy or better institutional architecture. This framing is useful, but it under-theorizes the degree to which ecosystem configurations are produced by, and embedded within, broader institutional environments that reward certain kinds of economic activity and marginalize others. As Autio and Thomas (2014) demonstrate in their examination of multi-sided platform ecosystems, the architecture of ecosystem value is not neutral but reflects the interests and logics of the dominant actors who shape institutional rules. For circular SMEs specifically, ecosystem fragmentation may be understood not only as a design failure but also as an institutional outcome, which is why institutional theory is used alongside the ecosystem framework in this study.

The analytical use of entrepreneurial ecosystem theory in this study is as follows. Spigel's (2017) three attribute categories serve as the primary coding framework for interview material about ecosystem experience. Participants' accounts are read against these three dimensions: what cultural narratives and norms they encounter, what social relationships and networks shape their access to support, and what material conditions they find available, absent, or inaccessible. Stam and Van de Ven's (2021) distinction between outputs and systemic conditions is used to examine whether participants describe ecosystem conditions as static deficits or as dynamic, feedback-driven configurations. Together, these categories allow the study to move beyond listing what ecosystems support circular SMEs lack, towards understanding how they experience and make sense of ecosystem conditions as a relational and systemic environment.

3.2 Institutional Theory

Entrepreneurial ecosystem theory identifies what conditions of support matter for circular SMEs. It says less, however, about why the institutional environment may produce support that is uneven or misaligned with circular activity. Institutional theory helps to address this question. Its foundational claim is that economic behaviour is governed not primarily by rational calculation and market mechanisms but by the rules, norms, and taken-for-granted assumptions that constitute and regulate social life, conditions that enable some activities, constrain others, and render still others almost unthinkable (Scott, 2014). This reorients

analytical attention from the decisions of individual actors towards the structured environments within which decisions are made and to which they must respond.

Scott's (2014) framework identifies three pillars of institutional environments, each operating through a distinct mechanism and generating a distinct form of compliance pressure. The regulative pillar operates through coercion: formal rules, laws, regulatory classifications, licensing requirements, and procurement standards backed by enforcement that make compliance obligatory and non-compliance punishable. Its mechanism is legal constraint; actors comply because non-compliance produces penalties, exclusion, or loss of operating legitimacy. The normative pillar operates through social obligation: professional standards, market conventions, role expectations, and shared understandings of appropriate behaviour that generate moral pressure independent of formal sanction. Actors comply because deviation produces disapproval, reputational damage, or loss of standing. The cultural-cognitive pillar operates through taken-for-granted assumptions: the shared categories, schemas, and frames through which actors perceive reality and make sense of their situation. Compliance here is not a conscious choice but an unreflective conformity to what appears natural, self-evident, or simply the way things are. Scott (2014) further identifies four carriers through which each pillar is transmitted and reproduced: symbolic systems (rules, categories, typification), relational systems (governance structures and authority relations), routines (standard operating procedures and habitual practices), and artefacts (objects, technologies, and physical structures). This carrier concept is analytically crucial, because it specifies the concrete mechanisms through which institutional pressures reach entrepreneurs in daily practice, not as abstract forces but as specific rules, relationships, habits, and material conditions.

Scott's three pillars specify how institutional pressure operates, but they do not account for the possibility that an actor may face several incompatible institutional demands at once. The institutional logics perspective, developed by Thornton, Ocasio, and Lounsbury (2012) on the foundational work of Friedland and Alford (1991), addresses precisely this condition. A logic is a socially constructed set of material practices, assumptions, values, and beliefs through which actors within a given institutional order interpret reality, define what is valuable, and decide what counts as appropriate action. Society, on this account, is composed of multiple institutional orders, among them the market, the state, the profession, the corporation, the family, and the community, each carrying its own logic, its own criteria of legitimacy, and its own conception of what a problem is and what would count as a solution. Because logics are plural and potentially contradictory, actors positioned at the intersection of several orders must navigate competing demands that cannot all be satisfied at once. This condition of institutional

complexity (Greenwood et al., 2011) is central to the present study. Circular SMEs operate at exactly such an intersection. They are subject to a market logic that evaluates them on cost, efficiency, and growth; a state and policy logic that evaluates them on their contribution to sustainability objectives; and a professional and community logic that shapes what counts as credible circular practice. The institutional logics perspective therefore provides a vocabulary for examining not only whether circular entrepreneurs face institutional pressure, but whether the pressures they describe pull in different directions, for example between a public commitment to sustainability and purchasing or financing practices that follow other criteria. Where Scott's pillars describe how institutional pressure operates, the logics perspective draws attention to its plurality. As Section 4.7 explains, this perspective was not part of the first coding pass but became relevant during the analysis, and it is used in Theme 1 (Section 5.2.3).

A related concept deserves brief acknowledgement, because it bears on how institutional disadvantage is theorized. The literature on institutional voids (Khanna & Palepu, 2010) describes contexts in which the institutions that ordinarily support market activity, such as information intermediaries, contract-enforcement mechanisms, and regulatory clarity, are absent or underdeveloped, so that firms must build substitutes for infrastructure they would elsewhere take for granted. The concept is useful here as a point of contrast rather than as a primary lens. The circular SMEs examined in this study do not operate within an institutional void in Khanna and Palepu's sense. Sweden's institutional environment is generally regarded as well developed. The difficulty these ventures may face is therefore of a different kind: institutions exist and operate, but they may be calibrated to conventional business models and so find it hard to recognize circular activity as a distinct form of economic organization. Distinguishing absence from misrecognition is analytically consequential, and the distinction is developed further in the discussion of the findings.

DiMaggio and Powell's (1983) account of institutional isomorphism provides a dynamic complement to Scott's structural analysis by explaining how institutional fields produce convergence towards dominant forms over time. Three mechanisms are distinguished. Coercive isomorphism arises from formal pressures exerted by regulatory authorities, powerful trading partners, and resource-controlling organizations that require or strongly incentivize conformity to specific practices. Mimetic isomorphism arises from uncertainty: when the appropriate course of action is unclear, organizations model themselves on successful peers, reproducing dominant practices not because they are optimal but because they are institutionally validated. Normative isomorphism arises from professionalization, the shared cognitive frameworks, educational backgrounds, and professional standards that lead

managers, procurement officers, and policy makers trained within the same field to make similar decisions. For circular SMEs, all three mechanisms may operate at once: regulatory frameworks coercively align procurement with linear norms, market uncertainty leads buyers to copy established purchasing conventions, and professionals trained within linear economic frameworks reproduce linear assumptions in their assessments of circular value. Understanding which form of isomorphism is operating in a given encounter is important, because each implies different possibilities for disruption and change. As Section 5.1 explains, the types of isomorphism found little material in this study and are not used in the themes.

A further extension of institutional theory that is directly relevant to the interpretivist orientation of this study is the concept of institutional work, developed by Lawrence and Suddaby (2006). Institutional work refers to the purposive actions of actors aimed at creating, maintaining, or disrupting institutions, that is, the deliberate effort to shape the institutional environment rather than merely respond to it. Lawrence and Suddaby distinguish three forms. Creating institutional work involves advocacy, theorization, and the construction of normative networks that establish new rules, norms, or beliefs. Maintaining institutional work involves the reproduction and policing of existing arrangements. Disrupting institutional work involves delegitimizing existing practices and disconnecting sanctions from practices that were previously enforced. For circular entrepreneurs, the literature suggests that institutional work may be needed as well as chosen. Operating within institutional environments largely structured around linear logic, circular SMEs may have to engage in legitimation, advocacy, and boundary work to establish that their practices are viable, appropriate, and deserving of support. Whether, and by whom, such work is carried out is an empirical question to which Section 5.5 returns. This concept bridges the gap between the structural emphasis of Scott's pillars and the agency-centred orientation of an interpretivist inquiry.

A limitation of institutional theory that merits acknowledgement is that, in its classical formulations, particularly Scott (2014) and DiMaggio and Powell (1983), the framework is more powerful at explaining institutional stability and reproduction than at explaining how actors successfully disrupt or transform institutional conditions from positions of limited power. Greenwood et al. (2011) address this through their account of institutional complexity, the condition of being simultaneously subject to multiple conflicting logics, showing that such complexity creates spaces of ambiguity within which actors can manoeuvre, selectively comply, and pursue institutional change incrementally. Pache and Santos (2013) extend this through the concept of selective coupling: rather than simply complying with or resisting conflicting demands, organizations selectively enact elements of multiple logics at once,

assembling hybrid practices that satisfy the minimum requirements of each institutional audience. This concept is particularly relevant to circular entrepreneurs, who must satisfy sustainability-oriented normative expectations and market-oriented economic demands simultaneously, a condition that neither full compliance nor outright resistance can resolve.

The analytical use of institutional theory in this study is structured around three coding dimensions drawn from Scott's framework and its extensions. First, participants' accounts are coded against the three pillar types, identifying which pressures they describe as regulatory and coercive, normative and social, or cultural-cognitive, with particular attention to the carriers through which they experience each form of pressure. Second, DiMaggio and Powell's isomorphism types are used to analyze the specific mechanisms through which linear institutional norms are reproduced in the environments participants navigate, identifying whether the pressures they encounter operate through coercive rule enforcement, mimetic copying, or normative professional convention. Third, Lawrence and Suddaby's institutional work typology is used to code the strategies through which participants attempt to create, maintain, or disrupt institutional conditions, capturing the agency dimension of institutional experience that Scott's structural framework alone cannot illuminate.

3.3 Resource Dependence Theory

Entrepreneurial ecosystem theory identifies the structural conditions of support that shape circular entrepreneurship. Institutional theory explains why those conditions are so consistently organized around linear economic logic. Neither framework, however, adequately theorizes the power dimension of resource access: the fact that circular SMEs are not simply embedded in resource environments but are strategically dependent on specific external actors who control critical resources, and that this dependency produces a power asymmetry that shapes organizational behaviour, strategic choice, and long-term viability. Resource dependence theory (RDT) addresses precisely this dimension, providing the bridge between the structural conditions identified by ecosystem and institutional theory and the strategic responses of the entrepreneurs who navigate those conditions.

The foundational claim of RDT, developed by Pfeffer and Salancik (1978) in their landmark organizational analysis, is that organizations are not self-sufficient but are embedded in networks of resource interdependence with external actors, and that survival requires the successful management of these dependencies. Three structural properties determine the severity of a dependency: criticality, the degree to which the resource is essential to the organization’s core activities and value proposition; scarcity, the availability of the resource

and the number of potential alternative suppliers; and concentration, the degree to which control over the resource is held by a small number of external actors with few substitutes. When a resource is at once critical, scarce, and concentrated in the hands of one or a few controllers, the dependent organization faces acute dependency that directly constrains its strategic autonomy and its survival prospects. For circular SMEs, this dependency structure is particularly consequential: recovered materials, circular-specific finance, public procurement contracts, and municipal policy support are each critical to circular business models, scarce in most institutional environments, and concentrated in the hands of actors, such as waste processors, specialized investors, municipal procurement officers, and policy makers, whose priorities and interests do not automatically align with those of the circular entrepreneurs who depend on them.

The theoretical development of RDT beyond Pfeffer and Salancik's formulation has proceeded along two important lines. In a comprehensive review, Hillman, Withers, and Collins (2009) identify the theory's extension into board composition, inter-organizational relations, and political strategy as its most significant advances, showing that organizations manage dependencies not only through direct resource acquisition but through the construction of relational buffers: board appointments that co-opt resource controllers, alliances that spread dependency risk, and political engagement that shapes the rules governing resource allocation. This is relevant to circular SMEs, because it suggests that strategies such as forming coalitions, seeking seats on municipal sustainability boards, and cultivating relationships with institutional gatekeepers, are not merely opportunistic networking but rational responses to dependency that have a coherent theoretical logic. Casciaro and Piskorski (2005) refine the framework further by distinguishing power imbalance, the condition in which one actor is more dependent on another than the reverse, from mutual dependence, the condition in which both parties depend on one another to roughly equal degrees. This distinction is analytically important, because it reveals that what appears in the CE literature as a partnership or a collaborative ecosystem relationship may in practice be a power-imbalanced dependency in which the circular SME is the weaker party. The language of partnership tends to obscure these asymmetries; RDT makes them visible.

The most directly applicable extension of RDT for an interpretivist inquiry is Oliver's (1991) strategic responses framework, which bridges RDT and institutional theory by theorizing the range of responses available to organizations facing resource dependencies and institutional pressures. Oliver identifies five response types arranged along a continuum from passive compliance to active resistance. Acquiescence involves conforming to institutional and

dependency pressures, whether habitually, imitatively, or compliantly. Compromise involves balancing competing demands through negotiation, pacification of stakeholders, or bargaining to achieve partial satisfaction. Avoidance involves concealing non-conformity, buffering core activities from scrutiny, or escaping constraining institutional domains. Defiance involves dismissing institutional expectations, challenging norms, or attacking institutional authorities directly. Manipulation involves co-opting institutional actors, influencing the criteria through which institutions evaluate organizations, or reshaping the institutional field itself. This taxonomy is not a prediction of which response an organization will choose. It is a theoretically grounded vocabulary for categorizing the strategic choices that emerge from interview material, allowing the study to describe and analyze navigational strategies with conceptual precision rather than only descriptive richness.

A limitation of RDT that requires acknowledgement is its tendency towards a rather rationalist account of strategy: the framework assumes that organizations can identify their dependencies, assess their severity, and select responses on the basis of strategic calculation. In practice, and particularly in interpretivist research, the experience of dependency is frequently ambiguous, emotionally charged, and shaped by interpretive frames that are themselves institutionally produced. Circular entrepreneurs may not experience their dependencies as such; they may interpret them as relationship failures, market deficiencies, or personal inadequacies rather than as structural resource constraints. An interpretivist deployment of RDT must therefore treat the framework as a sensitizing lens for understanding what entrepreneurs are navigating, not as a predictive model of what they will choose. The theory makes visible the structural power dynamics that shape the situation; the interview material reveals how those dynamics are experienced, interpreted, and acted upon.

The analytical use of resource dependence theory in this study is organized around three coding dimensions. First, Oliver's (1991) five response types, acquiesce, compromise, avoid, defy, and manipulate, are used as the primary vocabulary for coding how participants describe their navigational strategies. Second, Pfeffer and Salancik's (1978) dependency conditions, criticality, scarcity, and concentration, are used to analyse how participants characterize the dependencies they face, with attention to how the severity of dependency shapes the strategic options they perceive as available. Third, Casciaro and Piskorski's (2005) distinction between power imbalance and mutual dependence is used to examine how participants describe their relationships with ecosystem actors and governance authorities, distinguishing genuinely collaborative relationships from dependency relationships whose power asymmetry shapes entrepreneurial agency in ways that the language of partnership may otherwise obscure.

3.4 Synthesis: An Integrated Analytical Framework

The three frameworks deployed in this chapter are complementary rather than competing, and reading them together can draw attention to aspects of circular SME experience that one lens alone might leave in the background. The integration rests on a simple logical chain. Entrepreneurial ecosystem theory identifies what conditions of support, coordination, and resource availability may matter for circular viability and scaling. Institutional theory offers ways of understanding why those conditions may take the form they do, for example why support may be uneven, why legitimacy may be contested, and why governance commitments may diverge from practice. Resource dependence theory draws attention to how circular entrepreneurs respond strategically to the dependencies and institutional pressures that ecosystem and institutional conditions produce. These three registers, what, why, and how, correspond to the three registers of the research question: the conditions circular SMEs experience, the structural logics that may shape those conditions, and the navigational strategies through which entrepreneurs engage with them.

Each framework also has blind spots that the others can partly address. Ecosystem theory tends to treat problems of support as problems of design or coordination (Section 3.1); institutional theory is stronger on explaining stability than on showing how actors respond (Section 3.2); and resource dependence theory tends to assume a calculating actor (Section 3.3). Using the three together is not a contribution in itself, since no single theory can account for the whole of a social setting. It is a way of keeping these blind spots in view when reading the empirical material, and Section 6.6.5 returns to what this combined reading helped the analysis to see.

The integrated framework generates four sets of coding categories carried forward into the analysis. First, drawing on Spigel's (2017) relational model, participants' accounts are analyzed across three ecosystem attribute dimensions: cultural attributes (narratives, norms, legitimacy perceptions), social attributes (networks, relationships, mentorship, access mechanisms), and material attributes (finance, infrastructure, support organizations). Second, drawing on Scott's (2014) three-pillar framework and its carrier concept, institutional experience is coded across regulative, normative, and cultural-cognitive dimensions, with attention to the specific carriers through which each form of pressure is transmitted. Third, drawing on Lawrence and Suddaby (2006), participants' accounts of active engagement with their institutional environment are coded for forms of institutional work: creating, maintaining, or disrupting. Fourth, drawing on Oliver's (1991) strategic responses framework, navigational strategies are coded across the five response types, with Casciaro and Piskorski's (2005) power asymmetry concept used to contextualize which responses are structurally available in each dependency configuration. The

institutional logics perspective (Section 3.2) is not among these first-pass categories; it became relevant during the analysis (Section 4.7).

Consistent with the interpretivist position of the study, these coding categories function as analytical sensitizers rather than as predetermined variables. They are brought to the data as a set of theoretically informed questions, what forms of ecosystem support participants describe, what institutional pillars they encounter, what forms of institutional work they engage in, and what strategic responses they deploy, rather than as fixed containers into which data will be sorted. The abductive analytical process allows these categories to be refined, extended, and, where necessary, challenged by the empirical material itself, producing insights grounded in both the frameworks and the particularity of circular entrepreneurial experience in the specific municipal context this study examines.

Local governance, the third dimension named in the research question, is not treated as a separate theory in this study. The municipality is approached through the three lenses: as part of the ecosystem, where it can be a source of support and a customer; as a carrier of state and policy logics, in institutional terms; and as a holder of resources on which firms may depend, in the terms of resource dependence theory. The governance literature reviewed in Section 2.5, in particular the gap between municipal ambition and implementation (OECD, 2020; Turcu & Gillie, 2020), is used to position the findings on the municipality in Chapter 6.

4 Methodology

This chapter presents and justifies the methodological decisions behind the study, from its philosophical commitments through to the specific procedures of data collection, analysis, and quality assurance. These decisions do not form a sequence of independent choices but a coherent and internally consistent chain. The interpretivist position adopted in Section 4.1 calls for a qualitative approach (Section 4.2). The qualitative approach, together with the three-theory framework established in Chapter 3, calls in turn for abductive analytical logic (Section 4.3). The abductive logic shapes the research design and the sampling strategy (Section 4.4), and the interpretivist position informs the data collection method (Section 4.5), the scope of the empirical material (Section 4.6), the analysis procedure (Section 4.7), and the quality criteria applied to evaluate the study's rigour (Section 4.8). The social and ethical dimensions of researching circular entrepreneurs within a specific municipal context are addressed in Section 4.9. Throughout, each section answers not only what was done but why, grounding every choice in the epistemological position and in the specific demands of the research

question, rather than in convenience or convention.

4.1 Research Philosophy

The study is grounded in an interpretivist epistemological position. Interpretivism holds that knowledge of the social world is produced not through the detached observation and measurement of objective variables but through the researcher's sustained, reflexive engagement with the meanings, interpretations, and experiences of the people being studied (Schwandt, 2015; Denzin & Lincoln, 2018). The social world, including the ecosystem conditions, institutional arrangements, and governance frameworks within which circular entrepreneurs operate, does not possess fixed, context-independent properties that exist apart from how actors make sense of them. What it means to experience institutional resistance, to navigate an ecosystem, or to respond to a governance framework is constituted through the interpretive practices of the entrepreneurs involved. It is those interpretive practices, the meanings actors attach to their conditions and the sense they make of their navigational choices, that this study seeks to understand.

The interpretivist position is not a methodological preference, but an epistemological necessity given the nature of the research question, which asks how circular SMEs experience and navigate ecosystem support structures, institutional barriers, and local governance frameworks, and how these conditions shape their viability, development, and scaling. This language is explicitly experiential and meaning-centred. It seeks understanding of subjective processes, how conditions are perceived, interpreted, and responded to, rather than causal explanation of measurable outcomes. An approach that sought to measure the relationship between institutional variables and firm performance indicators would be misaligned with a question oriented towards experience and interpretation. Interpretivism is the appropriate framework precisely because the object of inquiry is meaning-making in practice, and not the prediction of outcomes from antecedent conditions (Creswell & Poth, 2018; Bryman, 2016).

This epistemological position also shapes how the three theoretical frameworks from Chapter 3 are used. Entrepreneurial ecosystem theory, institutional theory, and resource dependence theory are not treated as predictive models whose propositions are tested against the data. They function instead as sensitizing frameworks, conceptual lenses that orient analytical attention towards particular dimensions of entrepreneurial experience without predetermining what will be found (Blumer, 1954). This is consistent with the interpretivist position: theories serve as resources for making sense of participants' meanings and navigational practices, not as templates into which empirical data is sorted.

4.2 Research Approach

Consistent with the interpretivist position established in Section 4.1, this study adopts a qualitative approach. Qualitative inquiry is appropriate for questions concerning experience, meaning, and interpretation, because it is oriented towards the richness, complexity, and contextual specificity of human practice rather than towards the statistical distribution of measurable attributes across large populations (Mason, 2018; Flick, 2018). Where a quantitative approach would reduce entrepreneurial experience to numerical scores on predefined scales, imposing the researcher's categorical framework on participants' realities before any encounter with the field, a qualitative approach preserves the capacity to attend to how circular entrepreneurs themselves make sense of the conditions they inhabit and the strategies they develop in response. This participant-centred orientation towards meaning-making is precisely what the research question requires.

The study is situated within a single, bounded municipal context, the city of Växjö, Sweden. This situatedness is analytically motivated rather than merely convenient. Växjö has a widely recognized reputation for its sustainability profile and its long-standing climate commitments. The literature reviewed in Chapter 2 suggests that such commitments do not always translate into practical support for circular businesses (OECD, 2020; Prendeville et al., 2018). This makes Växjö an interesting setting for examining how circular entrepreneurs experience the conditions around them in a municipality that presents itself as committed to sustainability. Situating the inquiry within a single municipal boundary also allows a depth of contextual understanding that broader comparative studies are less able to offer. The conditions that participants navigate have developed within this particular setting, which makes it possible to examine how they appear together in participants' accounts rather than averaging across different contexts.

The trade-off inherent in this bounded, in-depth design is acknowledged explicitly. Depth is gained at the expense of breadth. The study neither seeks nor claims statistical representativeness of circular SMEs across Sweden or Europe. The insights it offers may be transferable, in the sense that its interpretations may be relevant to comparable municipal contexts, rather than statistically generalizable to a defined population (Lincoln & Guba, 1985; Denzin & Lincoln, 2018). This is a deliberate choice, and its consequences for the breadth of the findings are discussed in Section 7.5.

4.3 Research Design and Analytical Approach

The analytical logic guiding this study is abductive. To appreciate why abduction is the

appropriate approach, it must be distinguished clearly from the two more familiar modes of reasoning with which it is usually contrasted. Deductive reasoning proceeds from established theory to data: theoretical propositions are formulated in advance of fieldwork, and the empirical material is examined to determine whether it confirms or disconfirms them. Inductive reasoning proceeds in the opposite direction: the researcher approaches the data without theoretical preconceptions and allows analytical categories and patterns to emerge from sustained engagement with the material alone. Neither logic is appropriate for the present study. Deduction would impose the coding categories of the theoretical framework as fixed hypotheses to be tested, treating the frameworks developed in Chapter 3 as predictive models, which is inconsistent with the interpretivist position and with the sensitizing-lens use of theory described in Section 4.1. Induction would require the researcher to bracket the theoretical framework before entering the field, an untenable requirement, since no researcher approaches data without prior understanding, and the three-theory framework is a deliberate and constitutive part of this study's analytical architecture (Alvesson & Sköldberg, 2009; Reichertz, 2019).

Abductive reasoning, developed from Peirce's (1934/1965) original formulation and elaborated by Dubois and Gadde (2002) for qualitative business research, moves between these two poles through iteration. The researcher begins with the theoretical coding categories as initial analytical orientations, and not as hypotheses, and reads the empirical material through them, attending at the same time to where the data confirms, complicates, or resists the framework. Segments that resist categorization are treated as analytically significant prompts, signaling that the framework requires refinement, extension, or supplementation. The researcher then returns to the theoretical literature in light of these prompts, refines the categories, and re-engages the data with a sharpened framework. This iterative movement between theory and empirical material, each informing and transforming the other, is the defining characteristic of abductive reasoning (Timmermans & Tavory, 2012).

Themes in this study are generated through precisely this abductive process. They are neither imposed deductively from the theoretical framework before fieldwork, nor discovered inductively without theoretical grounding, but developed iteratively as the framework and the empirical material inform and refine one another. The theoretical coding categories from Chapter 3 (Section 3.4), ecosystem attributes (cultural, social, and material, from Spigel's relational model), institutional pillars and institutional work (Scott's three-pillar framework combined with Lawrence and Suddaby's institutional work typology), and strategic response types (Oliver's five-category taxonomy), serve as the initial analytical orientation. They are

brought to the data as questions rather than answers, and the abductive process allows them to be refined and extended as the empirical material demands.

The practical operation of this logic can be illustrated with an account from the material. SME2 recounted how a sustainability officer at a housing company had found that circular materials were not accepted as a sustainability argument, but were accepted once they were presented as a way of meeting new carbon emission limits for buildings. At first sight, this could be read through the normative pillar, as resistance to circular value. Abductive analysis does not ask whether the account confirms that reading. It asks what the account actually reveals. Read more closely, it says less about resistance than about the terms in which value can be recognised, and this is where the institutional logics perspective became useful (Section 5.2.3). In this way, the iterative process allows more than one lens to be brought to the same account where the material invites it, without assuming in advance that all of them will apply.

4.4 Participant Selection and Sampling Strategy

Purposive sampling was adopted as the sampling strategy. Purposive sampling is appropriate for interpretivist inquiry, because it selects participants not for their statistical representativeness of a defined population but for their relevance to the research question, that is, their capacity to provide experientially grounded accounts of the phenomena under investigation (Patton, 2015; Gentles et al., 2015).

The empirical material was collected within a three-person student research group, in which the author worked together with two fellow students. The group approached circular SMEs and actors in the surrounding ecosystem in and around Växjö. Two groups of participants were sought: founders or managers of SMEs whose business is connected to circular practices, and actors who support, finance, or organise circular activity in the local ecosystem.

The material on which this thesis is based consists of five sources: four semi-structured interviews and one set of written answers. Two sources come from SMEs. SME1 is a small company, started by international students, that furnishes accommodation for arriving international students by renting out furniture and household items, partly recovered from students who leave the country. SME2 is a small software company that calculates carbon emissions from organisations' business data. Its connection to circularity lies in its own careful use of resources and in its work to make the emission effects of reuse visible to customers. It is therefore a sustainability-oriented SME with a partial rather than a core circular focus, and it is treated as such in the analysis. Three sources come from ecosystem actors: a business development advisor at a regional association that supports social and cooperative enterprises

(ECO1), the CEO of a local investment company that invests in start-ups, real estate, and retail (ECO2), and a member of a volunteer student organisation that runs a donation store, clothing swaps, and repair workshops (ECO3). ECO3 answered the interview questions in writing by email rather than in a spoken interview.

No municipal officials are among the participants. The municipality therefore appears in this study through the accounts of the entrepreneurs and ecosystem actors who deal with it, and not through the voice of municipal actors themselves. Further interviews were planned or conducted within the group project, but their records could not be recovered, and they are therefore not used in this thesis. Only material for which a transcript or a written record exists has been analysed.

Given the small number of sources, the study does not claim saturation. Following Malterud et al.'s (2016) notion of information power, the material is treated as sufficient for an exploratory and interpretive account, because several participants hold specific and directly relevant experience. The narrow base of two SMEs and three ecosystem actors is nevertheless a clear limit on the breadth of the findings, and this is discussed in Section 7.5. Participants are referred to by code only (SME1, SME2, and ECO1 to ECO3). Table 4.1 summarises the participants and the form of the material.

Table 4.1. Participants and empirical material

Code	Participant type	Role	Organisation and connection to circularity	Form of material
SME1	SME	Founder	Rental of furniture and household items to international students, reusing items left behind by departing students	Interview in English (transcript)
SME2	SME (partial circular focus)	CEO	Software for automated carbon-emission calculation; resource-careful operations and work on making reuse visible in customer data	Interview in English (transcript)
ECO1	Ecosystem support actor	Business development advisor	Regional association supporting social and cooperative enterprises, including circular ventures	Interview in English (transcript)
ECO2	Ecosystem finance actor	CEO	Local investment company (start-ups, real estate, retail)	Interview in English (transcript)
ECO3	Civil-society actor	Member	Volunteer student organisation running a donation store, clothing swaps, and repair workshops	Written answers by email (used as received)

Note. Names of participants, companies, and intermediary organisations are withheld. Where an organisation is named in a quotation, the name is replaced by a description in square brackets.

4.5 Data Collection: Semi-Structured Interviews

Semi-structured interviews were used as the main form of data collection, because they give access to participants' experiences and interpretations while leaving room to follow what participants themselves regard as important (Kvale & Brinkmann, 2015; King & Horrocks, 2010). This openness suits an abductive inquiry, in which the parts of an account that do not fit the initial categories are often the most useful for the analysis.

A core set of open questions was sent to participants in advance. It asked participants to describe their organisation and their role, what circular economy means for them and how they work with it, how their work is organised and how their team is composed, how local conditions in Växjö, such as municipal strategies, regulations, and collaborations, affect them, and what barriers and enablers they experience and how they see the future. The questions were adapted to each participant. Interviews with SMEs covered, for example, scaling, ecosystem support, institutional barriers, finance, and the role of the municipality, while interviews with ecosystem actors covered their organisation's role, the challenges they see among circular and social enterprises, regulations, the local ecosystem, and needed changes. The thematic guides from which these questions were drawn are reproduced in Appendices A and B. Not every question in the guides was asked in every interview.

The interviews differed considerably in length and depth. Two of them (SME2 and ECO2) were short, and one participant (ECO3) replied in writing. The four spoken interviews were conducted in English, some in person in Växjö and some online, and some of them by one member of the research group alone. They were transcribed within the group. The transcripts vary in format: SME1's is written as a continuous conversation, while the others record answers in a more condensed form, with some answers set out as lists. The coding and the quotations follow the wording of the transcripts as they were produced by the research group. ECO3's written answers are used as they were received, without editing. The quotations in Chapter 5 reproduce the wording of the transcripts and the written answers exactly.

4.6 Scope of the Empirical Material

The interviews and the written answers are the only empirical material analysed in this study. Background information about Växjö's sustainability profile is drawn from the literature and policy reports cited in Chapters 1 and 2 (for example OECD, 2020; ICLEI, 2025) and is used only to describe the context. No systematic analysis of municipal or regional documents was carried out. Statements about the municipality in Chapter 5 therefore rest on participants' accounts, not on documentary evidence.

4.7 Data Analysis: Reflexive Thematic Analysis and Abductive Coding

The analysis of interview data was conducted using reflexive thematic analysis (RTA) as developed and theorized by Braun and Clarke (2019, 2022). RTA must be distinguished explicitly from the generic thematic analysis that has proliferated since Braun and Clarke's (2006) foundational paper. Generic thematic analysis has been applied across epistemologically divergent traditions, from approaches in which themes are treated as pre-existing patterns discovered through systematic coding, to fully interpretivist approaches in which themes are understood as analytical constructions produced through the researcher's reflexive engagement with the data. This multiplicity, while it reflects the adaptability of thematic analysis, undermines the coherence of any application that does not declare and justify its philosophical underpinnings. Braun and Clarke (2019, 2022) reframed their approach as reflexive thematic analysis specifically to situate it within an interpretivist tradition, in which themes are not discovered as latent patterns in the data but are actively constructed through the researcher's reflexive, theoretically informed interpretive practice. This is directly consistent with the position declared in Section 4.1 and makes RTA the appropriate method for the present study. RTA must further be distinguished from codebook and template approaches to thematic analysis, which treat themes as pre-existing categories to be applied consistently across coders within a broadly realist frame. RTA rejects this model: the researcher's reflexive engagement is not a source of bias to be minimized but the very means through which analytically meaningful themes are constructed (Braun & Clarke, 2022).

The analysis proceeded in six stages, adapted from Braun and Clarke (2022) and informed by Saldaña's (2021) coding principles. In the first stage, the five sources were read several times in full to build familiarity with the material as a whole. Initial coding of the transcripts was discussed within the research group. The coding and theme development reported in this thesis, including the second pass and all later revisions, were carried out by the author. All quotations and codes were checked against the transcripts, and the interpretations are the author's responsibility.

In the second stage, coding was carried out in two passes. The first pass used the theoretically sensitised categories from Chapter 3 as a point of entry: ecosystem attributes (cultural, social, and material), institutional pillars and institutional work (regulative, normative, and cultural-cognitive, combined with the creating, maintaining, and disrupting typology), and strategic response types (acquiesce, compromise, avoid, defy, and manipulate). The second pass went back through all coded and uncoded material and labelled segments as closely as possible in participants' own words, paying particular attention to passages that did not fit the first-pass

categories (Tavory & Timmermans, 2014). Using theoretical categories in a first pass is compatible with reflexive thematic analysis, which allows coding to be informed by theory as long as the categories remain open to revision rather than being applied as a fixed codebook (Braun & Clarke, 2022).

In the third stage, segments that did not fit the first-pass categories were treated as prompts to revise the categories. One example concerns the way participants spoke about the meaning of circular economy. The first pass coded these passages as cultural ecosystem attributes. On a second reading, the investor (ECO2) described retail stores and jobs as forms of sustainability, while the support organisation (ECO1) insisted that the sustainability focus must be "core to the business model". These passages did not describe the local culture so much as different criteria for what counts as circular or sustainable. They were therefore recoded as framings of circularity and read through the institutional-logics perspective, and this revision became the basis of Theme 1. The institutional logics perspective had not been part of the first-pass categories; it was brought in at this stage.

In the fourth stage, the revised codes were applied across all five sources. In the fifth stage, codes were grouped into candidate themes and checked against the full material, including accounts that went against the emerging pattern. Two such accounts, in which participants described the local ecosystem and the municipality as supportive, are presented as negative cases in Chapter 5, because they limit and qualify the themes. In the sixth stage, the themes were named and written up. The coding trail, from verbatim excerpts to first-order codes, categories, and themes, is set out in Appendix D (Table D1, with numbered rows that are referred to in Chapter 5), together with a summary of which participants contributed to each theme (Table D2), so that the path from data to theme can be followed.

4.8 Quality Criteria: Trustworthiness and Rigour

The quality of interpretivist qualitative research cannot appropriately be assessed through the criteria of validity and reliability associated with objectivist, measurement-based inquiry. Those criteria presuppose an objective reality against which knowledge claims can be verified, and a measurement procedure whose consistency can be assessed across repeated applications, presuppositions that are incompatible with the interpretivist position adopted in Section 4.1 (Lincoln & Guba, 1985; Guba & Lincoln, 1994). Instead, the study applies Lincoln and Guba's (1985) four criteria of trustworthiness as the appropriate quality framework for interpretivist research: credibility, transferability, dependability, and confirmability. Table 4.2 presents each criterion, its definition, and the specific measures through which it is addressed.

Table 4.2. Trustworthiness criteria and their application (Lincoln & Guba, 1985)

Criterion	Definition	How it was addressed in this study
Credibility	Confidence that the findings represent participants' accounts	Quotations reproduced exactly from the transcripts; negative cases presented alongside the main pattern; claims limited to what the five sources support
Transferability	Degree to which findings may apply to other contexts	Description of the Växjö context and of each participant (Table 4.1), allowing readers to judge relevance to comparable settings
Dependability	Consistency and traceability of the analytical process	Coding trail from excerpt to theme documented in Appendix D; transcripts retained; interview questions reproduced in Appendices A and B
Confirmability	Degree to which findings reflect participants rather than researcher bias	Reflexivity statement (this section); presentation of accounts that contradict the main pattern; theoretical preconceptions acknowledged rather than bracketed

Note. Quality criteria are drawn from Lincoln and Guba (1985) and applied consistently with the interpretivist position declared in Section 4.1. Validity and reliability are not applied, since they presuppose epistemological commitments that are inconsistent with the interpretivist foundation of this study.

A reflexivity statement is part of the confirmability criterion. The researcher approached the material with established theoretical preconceptions, and the three-theory framework from Chapter 3 inevitably shaped how the data were read. Within an interpretivist study this is not a deficiency to be removed through bracketing, but a condition to be acknowledged and managed (Finlay, 2002; Alvesson & Sköldberg, 2009). The abductive logic described in Section 4.3 manages this influence by treating the theoretical categories as initial orientations rather than fixed templates, and by paying attention to material that resists them. A further reflexive point concerns the research group itself. The researchers were international students, and this shared position may have made it easier for SME1, a company started by international students, to speak openly, while it may also have drawn the interviews towards questions of integration and embeddedness. The researcher's familiarity with circular economy and entrepreneurship discourse carried advantages as well as risks: it helped in recognising sector-specific terms, but it may also have made some interpretations seem more obvious than they are (Berger, 2015).

4.9 Ethical Considerations

The study involves entrepreneurs and ecosystem actors discussing their organisational experiences, and ethical considerations were therefore treated as part of responsible research practice rather than as a formality (Israel & Hay, 2006).

At the start of each interview, participants were told about the purpose of the study and that it formed part of a master's thesis, and they agreed to take part. ECO3 received the questions by email and took part by replying with written answers. Participation was voluntary, and

participants could decline to answer any question. The information and consent form prepared for the group project is reproduced in Appendix C; as the note there explains, some of its details describe the project as planned rather than the material used in this thesis.

Participants are referred to by code only. The names of participants, companies, and intermediary organisations have been removed from the thesis, and where such names appear in a quotation, they are replaced by a description in square brackets. This matters in a municipality of Växjö's size, where a critical account of local actors could otherwise be traced back to its source.

A further, context-specific consideration is that small firms may depend on continued relationships with local actors, such as the municipality, incubators, and funders. Participants may therefore have been reluctant to criticise these actors. This possibility should be kept in mind when reading the largely positive accounts of the municipality and the local ecosystem given by SME1 and SME2 in Chapter 5.

The transcripts are kept within the research group and are used only for academic purposes.

5 Analysis and Findings

This chapter presents the analysis of five sources: interviews with two SMEs (SME1 and SME2), interviews with two ecosystem actors (ECO1 and ECO2), and written answers from a civil-society initiative (ECO3), all connected to Växjö. The participants are described in Table 4.1. The analysis addresses the research question: how do circular SMEs experience and navigate ecosystem support structures, institutional barriers, and local governance frameworks, and how do these conditions shape their viability, development, and scaling? Because only two sources come from SMEs, the accounts of the ecosystem actors are used to add perspective on the conditions that SMEs face, while the SME accounts remain the closest material on experience and navigation.

Three themes are developed. Theme 1 examines how participants framed circularity in different ways, and how being recognised appears to depend on fitting established categories. Theme 2 examines ecosystem support that is present but reached through intermediaries and bounded by traditional market rules. Theme 3 examines resource dependencies and the conditional character of municipal support. Section 5.5 then brings together how participants navigate these conditions, and Section 5.6 considers, tentatively, what the accounts suggest about viability, development, and scaling.

5.1 On Theme Generation: An Abductive Account

Consistent with Chapter 4, the themes were generated abductively. In the first coding pass, the five sources were coded against the categories from Chapter 3: ecosystem attributes (Spigel, 2017), institutional pillars and institutional work (Scott, 2014; Lawrence & Suddaby, 2006), and strategic response types (Oliver, 1991). In the second pass, the material was read again in participants' own terms, looking for patterns, tensions, and passages that did not fit the first-pass categories. Some first-pass categories from Chapter 3, such as the types of isomorphism, the institutional carriers, and the distinction between ecosystem outputs and systemic conditions, found little material in the five sources, and they are therefore not used in the themes. Table 5.1 shows, for each theme, where the analysis started, what did not fit, and how the theme was revised. The coding trail is documented in Appendix D. In Table D1, rows 1 to 9 relate to Theme 1, rows 10 to 19 to Theme 2, rows 20 to 27 to Theme 3, rows 28 to 35 to navigation (Section 5.5), and row 36 to Section 5.6.

Table 5.1. Abductive generation of analytical themes

Theme	Theoretical entry point (Ch. 3)	Abductive generation trace
T1: Different framings of circularity and the work of being recognised	Cultural attributes (Spigel); cultural-cognitive pillar (Scott)	Entry: passages on the meaning of circularity coded as cultural ecosystem attributes. What did not fit: participants used different criteria for what counts as circular or sustainable (social problem-solving, resource care, jobs and city life, a 'core' purpose). Revision: recoded as framings and read through institutional logics (Thornton et al., 2012); recognition appears to depend on fitting established categories.
T2: Support that is present, but reached through intermediaries and bounded by market rules	Social and material attributes (Spigel); regulative pillar (Scott)	Entry: support elements coded as ecosystem attributes. What did not fit: the same ecosystem was described as strong by some and as deprioritising by another; access ran through intermediaries; support operated under unchanged bank and tax rules. Revision: refined towards the difference between available and reachable support.
T3: Resource dependencies and the conditional character of municipal support	Dependency conditions (Pfeffer & Salancik); power imbalance (Casciaro & Piskorski)	Entry: finance and municipal relations coded as dependencies. What did not fit: the municipality was described as helpful, yet its support seemed conditional on alignment; one constraint concerned a service that does not exist. Revision: dependency read as including conditional support and absent resources.

Theme	Theoretical entry point (Ch. 3)	Abductive generation trace
Navigation (Section 5.5)	Strategic responses (Oliver); institutional work (Lawrence & Suddaby)	Entry: responses coded against Oliver's five types. What did not fit: most responses were forms of aligning and working around; active advocacy was carried out by an intermediary, not by the SMEs; persistence did not fit any type. Revision: responses presented with an explicit judgement of fit.

Note. Each theme is traced through its theoretical entry point, the material that did not fit, and the resulting revision. This operationalises the abductive logic described in Section 4.3.

Two of the revisions in Table 5.1 involved returning to the literature. For Theme 2, the contrast between the SMEs' positive accounts of the ecosystem and ECO3's account of being deprioritised was read against Wurth et al.'s (2022) critique that ecosystem research pays too little attention to who gets access, and this led to the distinction between available and reachable support. For Theme 3, ECO2's account of a service that does not exist did not fit Pfeffer and Salancik's (1978) focus on powerful resource holders, and this is where the idea of dependency by absence came from. Some codes also sit in a theme other than the one their theoretical label might suggest. SME1 raised the language barrier as the reason the intermediary mattered, and ECO1 raised bank and tax rules as the limits of what support can change, so both were placed under Theme 2, which concerns how support is reached and what bounds it.

Throughout the chapter, the aim is to stay close to what participants said. Where the material is thin, or where participants disagree, this is stated.

5.2 Theme 1: Different Framings of Circularity and the Work of Being Recognised

5.2.1 Circularity as a response to practical and social problems

For the two SMEs, circularity was not described as the application of a sustainability framework but as part of solving a concrete problem. SME1 described a business that grew out of the difficulties international students face when they arrive in Sweden, and presented reuse as a way of reducing both waste and cost:

> *"The problem we are trying to solve is the problem of integration and soft landing for international students. What we do is furnish accommodations by recycling some of the items that students leave behind when they leave the country." (SME1)*
>
> *"When students arrive, they struggle to get goods to furnish their apartments. Money may be limited, and they spend a lot. Then, when they leave the country, they struggle to sell those things, and some even throw*

them away. We are trying to reduce waste and reduce their cost." (SME1)

In SME1's account, the social purpose was as important as the circular one:

> *"So, [the company] came from a personal problem and the problems faced by international students. We are not only looking at the monetary aspect; we are looking at giving people better integration, a better life, and a good soft landing." (SME1)*

SME2's connection to circularity is more modest. Its core service is carbon accounting, and circularity appears in its own use of resources and in its work to make reuse visible in customers' data:

> *"In our daily operations we try to be careful with resources. For example, we do not buy new computers unless necessary. This is both an economic and environmental decision." (SME2)*
>
> *"However, we do not yet clearly mark reused items. We currently have a student working with us to explore how we could visualize and market this better." (SME2)*

In both accounts, circularity is bound up with other aims: integration and affordability for SME1, and economy and emission measurement for SME2. Neither founder presented circularity as a stand-alone strategy.

5.2.2 Broader and stricter framings among ecosystem actors

The ecosystem actors framed circularity and sustainability in ways that were both broader and stricter than the SMEs. The investor (ECO2) used a broad understanding of sustainability that included retail, jobs, and the life of the city:

> *"But we also invest in retail stores. At first glance that might seem unsustainable, but for a city like Växjö it is important to create a lively city environment where people want to live and move to. [...] So sustainability can be looked at in different ways." (ECO2)*
>
> *"Entrepreneurs create opportunities for others. A few years later their companies may employ many people, and that creates a sustainable chain of development in Växjö." (ECO2)*

The support organisation (ECO1), by contrast, applied a strict criterion for which businesses count as circular, and therefore which businesses it supports:

> *"However, for us the sustainability focus must be core to the business model. It cannot be only a small part of the business. For example, if a clothing company only creates one recycled clothing line, that alone would not qualify as a circular business idea." (ECO1)*

The volunteer organisation (ECO3) framed its circular activity through shared values rather than business, and stressed that it is not a business at all:

> *"We are not a business so we are a flat hierarchy based org, based on a pure volunteers basis. We are doing all as a none profit." (ECO3)*

5.2.3 Why framing matters: recognition through established categories

These differences are not only a matter of vocabulary. Across the accounts, whether circular activity was recognised and supported appeared to depend on whether it could be expressed in categories that funders, customers, and public actors already use. SME1 described access to funding in these terms:

> *"I can say yes and no. It depends on how strong your business is and how relevant it is to Swedish economic missions. If your business proposal or business development is in line with what Swedish organizations stand for, there are many outlets where businesses can access funding." (SME1)*
> *"But if your business is not in line with what they know, or if it is very new and different, it can create issues. That also affects customers, because you may struggle for embeddedness and acceptance." (SME1)*

SME2 recounted a conversation with a sustainability officer at a housing company, which suggests the same pattern from the side of a customer organisation. The example is second-hand, since it reports what the officer told SME2. An argument for circular materials was not accepted as a sustainability argument, but it was accepted once it was expressed as a way of meeting a regulatory requirement:

> *"I recently spoke with a sustainability officer from a housing company. He said that arguing for circular materials did not work when framed as sustainability. But when he explained that reusing materials helps meet the new carbon emission limits for buildings, the argument became convincing." (SME2)*

ECO1 made a similar point about banks and other decision-makers, who, in this participant's experience, find it hard to see the value of social and circular enterprises:

> *"Currently it is difficult to measure and communicate the societal benefits of these businesses with hard data. [...] Many decision-makers still evaluate businesses only through traditional profit-oriented frameworks, which makes it difficult for circular entrepreneurs to receive support." (ECO1)*

Why does this pattern appear? The institutional-logics perspective (Thornton et al., 2012) offers one way to read it. Participants move between a market logic, in which value is judged in terms of profit and cost, a state or policy logic, in which value is judged in terms of national

missions and regulatory targets, and a social or community logic, in which value is judged in terms of integration, care for resources, or shared values. The accounts suggest that circular value is most easily recognised when it is expressed in the terms of the market or state logic, as in the housing company example, and less easily when it rests on social or community value, as in the case of ECO3. Read through Scott's (2014) cultural-cognitive pillar, the categories through which funders and customers judge a business seem to work as a filter: activity that fits them is legible, while activity that is "very new and different", in SME1's words, may struggle for acceptance.

The material also qualifies this reading. SME1 did not describe this filter as unfair. The founder described it as the way things work, and as something the business could meet, because it addresses a problem that Swedish organisations recognise. The filter is therefore not experienced in the same way by everyone; its effect seems to depend on how well an activity can be expressed in the recognised terms. The coded excerpts for this theme are listed in Table D1, rows 1 to 9.

5.3 Theme 2: Ecosystem Support That Is Present, but Reached Through Intermediaries and Bounded by Market Rules

5.3.1 Support reached through intermediaries and embeddedness

Both SMEs described support that had been important to them, and in both cases it came through specific intermediary organisations. For SME1, a local intermediary organisation was the route into the ecosystem, and the founder linked this directly to being new to Sweden:

> *"Embeddedness is very important in Sweden. Coming from a different country and entering the market here is not easy. I think the way it works in Sweden is that you first need to be guided or tutored by a reputable organization." (SME1)*
>
> *"We work with [an intermediary organisation] here. They give us support, networks, and connections, and they help us understand how things should be done. They also help refine our idea with us. It is more or less like a partnership, and it has really helped us a lot." (SME1)*

SME1 named the language barrier and differences in organisational culture as the main institutional difficulty, and again the intermediary was presented as the way through it:

> *"One institutional barrier everyone knows about in Sweden is the language barrier. Organizations often work with their own culture, and coming from a different environment can make it difficult to integrate quickly." (SME1)*
>
> *"However, with the help of [the intermediary organisation], we have been*

> *guided. They help us understand what is obtainable here and how to go about things." (SME1)*

SME2 described long-term support from a start-up incubator:

> *"We participated in [name of incubator], which is a startup incubator, and they supported us for several years." (SME2)*

From the support side, ECO1 described a role that is largely about guiding entrepreneurs to the right place in a wider system of support organisations:

> *"If someone comes to us and their business idea fits better with another organization, we guide them to the appropriate support organization." (ECO1)*

Why does support take this form? Spigel's (2017) social attributes, the networks and relationships through which resources flow, help to make sense of it. For a founder arriving from outside Sweden, the intermediary appears to provide the trust, contacts, and cultural knowledge that an embedded founder might already have. In this reading, the resources of the ecosystem are reached through relationships rather than simply picked up.

5.3.2 Accounts that complicate the pattern: an ecosystem experienced as strong

The two SMEs did not describe the ecosystem as fragmented or hard to reach. Asked whether Växjö has a strong ecosystem for circular entrepreneurship, SME1 answered:

> *"Yes, honestly, 100%. Växjö is one of the fastest-growing startup cities. They are open to many opportunities." (SME1)*

SME2 described the municipality in similar terms:

> *"The municipality has actually been very helpful. [...] Overall, they have been very supportive." (SME2)*

These accounts are treated as negative cases. In these two firms' accounts, the ecosystem worked for them, and this cautions against reading Theme 2 as a story of failing support. What they add is that both firms had found a route in, one through an intermediary organisation and one through an incubator. The difficulty described elsewhere in this theme lies less in whether support exists than in who is able to reach it and on what terms. It should also be kept in mind that small firms that depend on local relationships may be cautious about criticising local actors (Section 4.9).

5.3.3 Support that does not reach: grassroots circularity

The clearest account of support that does not reach came from the volunteer student organisation (ECO3), which runs a donation store, clothing swaps, and repair workshops:

> *"This is being promoted through our donations store called [name of store]*

> *where people can donate and pick up items for free, we host cloth swapping days and offer workshops on how to fix your items." (ECO3)*
> *"The main barrier is the lack of support and being deprioritized compared to other areas. The future looks dim." (ECO3)*

This organisation works closely with the university and the student union, yet described itself as deprioritised. It is not a business, and the support described by the other participants, such as incubation, business development, and funding, is designed for businesses. In the terms of Theme 1, its framing of circularity through values and volunteering does not match the categories through which ecosystem support is organised. The account is brief and was given in writing, so it can indicate this pattern but not show it in depth.

5.3.4 Support bounded by traditional market rules

ECO1 described an ecosystem in which support is available but does not change the conditions under which businesses operate:

> *"However, if you had asked me ten years ago, I would have expected the circular economy to be more developed today. Currently it still represents a small part of the overall market. The support system exists, but businesses still have to operate under traditional market rules." (ECO1)*

Two concrete examples in ECO1's account are bank rules and taxation. Banks' requirements on ownership information can prevent social and cooperative enterprises from opening a bank account at all, and tax rules make no distinction for enterprises that reinvest their profits in society:

> *"Sometimes entrepreneurs start a business but cannot open a bank account, which becomes a serious problem. To address this, we often cooperate with Ekobanken, which is more supportive of social enterprises." (ECO1)*
> *"In Sweden, however, they must pay the same taxes as traditional businesses." (ECO1)*

SME1 gave a smaller example of the same limit. Support helped the firm to start, but not necessarily to grow:

> *"They gave us startup funding, although it may not be enough depending on the level of expansion we want. So, we will still need to seek more funding as we grow." (SME1)*

Why does this matter? Scott's (2014) regulative pillar helps to make sense of the pattern. Support programmes operate within banking, tax, and financing rules that are set for conventional firms. The ecosystem can offer advice, networks, and small grants, but, in ECO1's account, it does not alter the rules that circular and social enterprises then have to meet. This

suggests a difference between support that is available and conditions that are supportive. The coded excerpts for this theme are listed in Table D1, rows 10 to 19.

5.4 Theme 3: Resource Dependencies and the Conditional Character of Municipal Support

5.4.1 Dependence on investors and on funding cycles

Finance was the barrier that SME2 put first:

> *"The biggest barrier right now is investment. Many investors are currently focusing on war-related technologies or defense sectors, which makes it harder for impact-driven companies to attract funding. Even though we have more customers every year, investors are still hesitant." (SME2)*

SME2's account shows a dependency on investors whose priorities are shaped by events far outside Växjö. It also shows a more everyday form of dependence, since the composition of the company's board is decided by investors:

> *"Regarding the board, the members are determined by investors, so I do not have much control over that composition." (SME2)*

ECO1 described funding instability as a major challenge for the enterprises it supports, and its own organisation depends on project funding in a similar way:

> *"One major challenge is funding instability. Circular or social enterprises often need to collaborate with many actors in society. They cannot operate only through business-to-business models." (ECO1)*
>
> *"The basic funding supports around 1.5 employees, but currently we are eight employees because of additional project funding." (ECO1)*

Read through Pfeffer and Salancik's (1978) dependency conditions, capital in these accounts is critical, scarce, and controlled by a small number of actors. The accounts suggest that SME2's growing number of customers does not in itself reduce this dependency, because the resource holders' priorities have shifted elsewhere.

5.4.2 The municipality as customer and as judge of what is acceptable

For SME2, the municipality was a customer and a route to other municipalities:

> *"We also have a cooperation with Växjö municipality, where we analyze every invoice line from the municipality and calculate carbon emissions. Through this collaboration they invited us to a project where we can spread information about our service to other municipalities." (SME2)*

ECO1 described the other side of this relationship. Many social enterprises depend on municipal contracts, and this leaves them exposed when policy changes:

> *"Another challenge is dependence on a single large customer. Many social enterprises rely heavily on contracts with municipalities. If policies or regulations change, the entire business can collapse. For example, changes in employment programs for unemployed individuals have caused some social enterprises to shut down." (ECO1)*

SME1 described the municipality less as a customer than as an authority that decides what kind of business is acceptable:

> *"You cannot do business outside governance. Governance controls everything. [...] But if your business goes against what they stand for, you need to prove yourself. If you cannot prove yourself, then it becomes a problem." (SME1)*

Casciaro and Piskorski's (2005) distinction between mutual dependence and power imbalance is useful here. In SME1's and ECO1's accounts, the relationship with public actors is one in which the business depends far more on the municipality than the other way round. Support is real, as SME2's case shows, but it appears to be conditional: it is available to businesses whose activity fits what the municipality values, and it can be withdrawn when policy changes. This is a more cautious reading than a paradox in which the municipality obstructs what it promotes. The material does not show the municipality obstructing circular firms, but it does suggest that municipal support depends on alignment and on policy continuity.

5.4.3 A missing service: waste infrastructure for businesses

ECO2 described a practical gap in municipal infrastructure. Households have access to waste sorting, while businesses often do not:

> *"One challenge is actually waste sorting for companies. Private households have access to municipal waste sorting services. But for companies, that service is not always available in the same way." (ECO2)*
>
> *"The municipality already provides waste collection for thousands of homes, so technically it would be easy to extend the same service to companies. [...] That is something the municipality could easily improve." (ECO2)*

This is a dependency of an unusual kind. The company is not dependent on a powerful supplier; it is constrained by the absence of a service altogether. ECO2 is an investment company rather than a circular SME, so the account says more about the conditions any business faces when it tries to sort and recycle than about circular business models specifically. It does, however, suggest that the business-facing side of local circular infrastructure is less developed than the household side, at least in this participant's experience.

5.4.4 The limits of local action

Several of the conditions described in Themes 2 and 3 lie outside the municipality's control. The tax and bank rules that ECO1 described are national, and ECO1's response is directed at national as well as local politicians:

> *"[Our organisation] cannot directly change tax rules, but at a national level we engage in policy dialogue and lobbying. For example, we regularly meet local and national politicians to discuss challenges faced by social enterprises." (ECO1)*

The material suggests that the local governance framework is only one part of the institutional environment that circular SMEs meet. Some of the constraints participants described come from national rules that local actors can influence only indirectly. Because no municipal officials were interviewed, the study cannot say how municipal actors themselves see these limits. The interview guides also asked about public procurement and coordination between municipal departments (Appendices A and B), but the five sources contained little material on either, so they are not discussed as findings. The coded excerpts for this theme are listed in Table D1, rows 20 to 27.

5.5 How Participants Navigate These Conditions

The research question asks not only how circular SMEs experience their conditions but also how they navigate them. The first coding pass used Oliver's (1991) five strategic response types as a vocabulary for this. Table 5.2 summarises the responses found in the material, together with a judgement of how well each fits Oliver's categories. The distribution is uneven, and one type, defiance, does not appear at all.

Table 5.2. Strategic responses in the material

Participant	What the participant described doing	Excerpt	Oliver (1991) type and fit
SME1	Aligned the business with what municipalities and Swedish organisations value	"So, we try to align our business to support that."	Acquiescence or compromise (good fit)
SME1	Sought guidance from an intermediary organisation	"you first need to be guided or tutored by a reputable organization"	Compromise; building relational buffers (Hillman et al., 2009) (good fit)
SME1	Kept going through difficult phases	"consistency, persistence, and determination keep you moving forward"	Not captured by Oliver's types

Participant	What the participant described doing	Excerpt	Oliver (1991) type and fit
SME2	Began to explore how to make reuse visible in customers' emission data	"explore how we could visualize and market this better"	Mild manipulation, by shaping how value is evaluated (weak fit)
ECO2	Sorted waste itself or drove it to the recycling centre	"Sometimes we sort it ourselves. Other times everything ends up together."	Compromise or partial avoidance (moderate fit)
ECO1	Used an alternative bank for enterprises unable to open accounts	"we often cooperate with Ekobanken"	Avoidance through buffering (good fit)
ECO1	Lobbied local and national politicians	"we regularly meet local and national politicians"	Manipulation; creating institutional work (Lawrence & Suddaby, 2006) (good fit)
ECO3	Continued volunteer activity without formal support	"The future looks dim."	No clear strategic response

Note. The classification is interpretive. Defiance was not found in the material.

SME1's account is the richest on navigation. The founder described learning, through the intermediary, what the municipality values, and adjusting the business accordingly:

> *"So, businesses need to work in line with what municipalities value. We learned this through our collaboration with [the intermediary organisation]. They gave us a strong understanding of Sweden, including the culture, belief system, value system, ecosystem, circular system, governance, and banking. So, we try to align our business to support that." (SME1)*

In Oliver's terms, this lies between acquiescence and compromise. The founder did not resist the dominant expectations but worked to meet them, while keeping the core of the business. The same account describes persistence as a response in its own right:

> *"Sometimes you reach a point where you feel like giving up because things are not working the way you expected. But consistency, persistence, and determination keep you moving forward." (SME1)*

ECO2's company responded to the missing business waste service by working around it, sometimes sorting waste itself and sometimes not:

> *"Sometimes we sort it ourselves. Other times everything ends up together. If we want to recycle properly we have to drive to [the municipal recycling centre]. But doing that every day is not feasible." (ECO2)*

The most active responses in the material came from the intermediary rather than from the SMEs. ECO1 described using an alternative bank to get around bank rules, and lobbying politicians about tax rules (quoted in Sections 5.3.4 and 5.4.4). In Lawrence and Suddaby's

(2006) terms, this is creating institutional work, but in this material it is carried out by a support organisation on behalf of enterprises, not by the entrepreneurs themselves.

Why do the responses take this form? Pfeffer and Salancik's (1978) dependency conditions suggest one reading. Where a resource such as funding, legitimacy, or municipal goodwill is critical and controlled by a few actors, the dependent firm has little room for defiance, and aligning with expectations becomes the most available response. The absence of defiance in the material is consistent with this reading, although with two SMEs the material can only illustrate it, not show how common each response is. The coded excerpts are listed in Table D1, rows 28 to 35.

5.6 Viability, Development, and Scaling in Participants' Accounts

The research question also asks how these conditions shape the viability, development, and scaling of circular SMEs. The material on this is limited, and the design is cross-sectional, so this section offers a tentative reading rather than a finding. It re-reads, by stage, codes that are placed under Themes 2 and 3 in Table D1 (rows 19 and 20), together with row 36.

Some accounts point to constraints that differ by stage. At the start, support was available: SME1 received start-up funding, and SME2 was supported by an incubator for several years. When the firms sought to grow, both described financing as the main difficulty. SME1 noted that start-up funding "may not be enough depending on the level of expansion we want", and SME2 described more customers every year but hesitant investors. ECO1's account adds that dependence on municipal contracts can threaten the survival of an established enterprise when policy changes. SME1 described the process as uneven rather than linear:

> *"However, it is not something that starts and ends immediately. It goes through phases. Sometimes you may feel like you are revolving around the same spot." (SME1)*

Both SMEs were still pursuing growth. SME1 described plans to expand beyond the city, and SME2 described a move from public-sector customers towards the private sector:

> *"So, we are looking at scaling outside Växjö, outside Linnaeus, and trying to cover other institutions in Sweden." (SME1)*
>
> *"For several years our focus has been on the public sector, but now we are expanding towards the private sector." (SME2)*

In Bauwens et al.'s (2022) terms, SME1's plan to expand beyond Växjö is a form of scaling out, and SME2's move towards private customers is closer to scaling up through market expansion. Neither account speaks to scaling deep, that is, to changing the norms and institutions around the business.

Read together, these accounts suggest that the conditions described in Themes 1 to 3 may bear on firms differently at different stages, with finance becoming more pressing as firms seek to grow. The material does not show the constraints of one stage producing the difficulties of the next, and it does not allow a lifecycle model to be built.

5.7 Summary

This chapter has analysed five sources from Växjö. Theme 1 showed that participants framed circularity in different ways, and that recognition and support appeared to depend on fitting categories that funders, customers, and public actors already use, as when circular materials became convincing only when framed as a way of meeting carbon limits. Theme 2 showed that support was present and, for the two SMEs, valued, but that it was reached through intermediaries and relationships, did not reach a grassroots volunteer initiative, and operated within unchanged bank and tax rules. Theme 3 showed that the firms and enterprises in the accounts depend on investors and on the municipality, that municipal support appeared real but conditional, and that one needed service, waste collection for businesses, was missing. Section 5.5 showed that the responses in the material were mostly forms of aligning and working around, with active advocacy carried out by an intermediary. Section 5.6 suggested, tentatively, that financing becomes more pressing as firms seek to grow. Chapter 6 discusses these findings in relation to the theoretical framework and the literature.

6 Discussion

6.1 Introduction

This chapter discusses the findings from Chapter 5 in relation to the theoretical framework and the literature. It first gives a short answer to the research question, then discusses the findings through each of the three lenses (Sections 6.2 to 6.4), considers the question of venture stages (Section 6.5), and states the study's theoretical contributions (Section 6.6). The discussion rests on five sources, two of them from SMEs, and the claims are made with that limit in view.

In several of the accounts gathered here, ecosystem support, institutional conditions, and local governance were not described as separate matters. In SME1's account in particular, access to finance was described at once as a question of relationships, of rules, and of what the municipality values. Support was present and, for the two SMEs, valued, but it was reached through intermediaries, bounded by bank and tax rules, and conditional on fitting recognised categories. Participants mostly responded by aligning with expectations and working around gaps. This is an interpretation of a small set of accounts, not a general description of circular

SMEs.

6.2 Ecosystem Support: Available, but Unevenly Reachable

Entrepreneurial ecosystem theory (Spigel, 2017) distinguishes cultural, social, and material attributes. The findings speak most clearly to the social attributes. Both SMEs reached ecosystem resources through specific intermediaries, and SME1 linked the need for such guidance to being new to Sweden. ECO3, a volunteer initiative, described itself as deprioritised despite close ties with the university. Material resources, such as incubation, start-up funding, and advice, were present in the accounts, but reaching them appeared to depend on relationships and on being the kind of organisation that the support is designed for.

This is consistent with the literature that describes ecosystem support for circular ventures as fragmented or unevenly distributed (Ferreira et al., 2024; Reim et al., 2025), but the present material adds a qualification. The two SMEs did not describe the ecosystem as fragmented; they described it as supportive, once they had found a route in. The accounts therefore point less to missing support than to the conditions under which support is reached. This connects to Wurth et al.'s (2022) critique that ecosystem research has paid too little attention to who gets access. Drawing on this, the study suggests distinguishing ecosystem accessibility, what is formally available, from ecosystem reachability, what an actor can in practice reach from their position. In the accounts, reachability appeared to depend on relational guidance (SME1), on fitting the business categories around which support is organised (ECO3), and on rules outside the ecosystem itself, such as bank requirements (ECO1).

The material also qualifies Spigel's treatment of cultural attributes. Växjö's sustainability profile did not feature strongly in the SMEs' accounts. What mattered more was whether a business could be expressed in terms that local and national organisations recognise, which leads to the institutional discussion.

6.3 Institutional Conditions: Recognition Through Translation

Institutional theory helps to account for why some circular activity is recognised and some is not. The findings suggest that participants move between several institutional logics (Thornton et al., 2012): a market logic that judges value in terms of profit and risk, a state logic that judges value in terms of national missions and regulatory targets, and a social or community logic that judges value in terms of integration, care for resources, or shared values. Circular activity appears to be recognised most easily when it can be expressed in the terms of the market or state logic.

The clearest example, although it is reported second-hand, is the housing company described

by SME2, where circular materials were not accepted as a sustainability argument but were accepted as a way of meeting carbon limits. SME1 described funding and customer acceptance in a similar way, as depending on alignment with "Swedish economic missions", and ECO1 described decision-makers who judge businesses "only through traditional profit-oriented frameworks". Read through Scott's (2014) cultural-cognitive pillar, the categories through which funders, customers, and authorities judge businesses seem to act as a filter.

This suggests that, in this setting, the institutional difficulty is not mainly that institutions are missing, the condition Khanna and Palepu (2010) describe as institutional voids. Sweden's institutional environment is generally regarded as well developed, and none of the participants described institutions as missing. The difficulty participants described is that circular value is hard to see within existing categories unless it is translated into them. The study refers to this as a condition of institutional illegibility, which is addressed through translation, that is, by presenting circular value in the terms of the dominant logic. This is close to what Pache and Santos (2013) describe as selective coupling, in which organisations combine elements of competing logics to satisfy different audiences.

Who carries out this translation? In the material, it was done partly by entrepreneurs, as in SME1's alignment and SME2's work on making reuse visible, and partly by intermediaries, as in ECO1's lobbying and its cooperation with an alternative bank. This extends Lawrence and Suddaby's (2006) concept of institutional work in a modest direction. The creating work needed to make circular activity legible appears to be shared between small firms and the intermediaries around them, while the actors who set the rules, such as banks, tax authorities, and funders, were not described as taking part in it. Where no one carries out this work, as in ECO3's case, the activity appears to remain outside the system of support.

6.4 Resource Dependencies and Strategic Responses

Resource dependence theory draws attention to the power relations behind resource access. The findings describe dependence on investors (SME2), on project and public funding (ECO1), and on municipal contracts and goodwill (SME1, SME2, ECO1). Read through Pfeffer and Salancik's (1978) terms, these resources appear in the accounts as critical and held by few actors. In Casciaro and Piskorski's (2005) terms, the relationships described by SME1 and ECO1 resemble power imbalance rather than mutual dependence: as SME1 and ECO1 describe it, the firm depends on the municipality far more than the municipality depends on any one firm, and, as ECO1 put it, "If policies or regulations change, the entire business can collapse". Two further observations follow. First, the priorities of resource holders can shift for reasons

far from the firm. SME2 described investors turning towards defence technology despite the company's growing number of customers. Second, some constraints arise not from a powerful controller but from the absence of any supplier. ECO2's account of the missing waste service for businesses is an example. Resource dependence theory is built to analyse relationships with existing resource controllers, and a constraint of this kind, which this study calls dependency by absence, does not seem open to bargaining or co-optation. In ECO2's account, the company worked around it.

Oliver's (1991) typology helps to describe the responses found. In the material, responses were concentrated at the passive end of the continuum: aligning with what the municipality values (SME1), seeking guidance (SME1), and working around a missing service (ECO2). The more active responses, avoidance through an alternative bank and manipulation through lobbying, were carried out by the intermediary (ECO1) rather than by the SMEs, and defiance was not found. This pattern is consistent with Oliver's (1991) argument that resistance is less likely where dependence is high, but with two SMEs it can only illustrate this expectation, not establish it. Persistence, which SME1 described as central, is not captured by Oliver's categories. This suggests that the typology may say less about how founders sustain their effort under constraint than about how organisations respond to specific pressures.

6.5 Viability, Development, and Scaling: A Tentative Reading

The research question asks how the conditions shape viability, development, and scaling. The material allows only a tentative answer. The accounts suggest that support was most available at the start, in the form of start-up funding and incubation, and that financing became more pressing as the firms sought to grow (SME1, SME2). ECO1's account adds that established enterprises can remain vulnerable when they depend on a single public customer. This is consistent with the attention the literature gives to the difficulty of scaling circular business models (Reim et al., 2025). However, the cross-sectional design and the small number of SMEs do not allow a model of how constraints develop over a venture's life. The material does not support a claim that constraints compound from one stage to the next, and this is instead left as a question for longitudinal research (Section 7.7).

6.6 Theoretical Contributions

This section states the study's contributions. They are modest, and they are offered as interpretations grounded in a small number of accounts in one municipal context.

6.6.1 Contribution to entrepreneurial ecosystem theory: accessibility and reachability

The first contribution is to suggest that ecosystem quality has two dimensions that are often

treated as one: accessibility, what is formally available, and reachability, what an actor can in practice reach from their position. In the accounts, the same ecosystem was described as strong or supportive by two SMEs that had found an intermediary or an incubator, and as deprioritising by a volunteer initiative that did not fit the business categories around which support is organised. This builds on Wurth et al.'s (2022) critique by giving an empirical illustration from circular activity, and it suggests that research on circular ecosystems should ask not only what support exists but through which relationships and categories it is reached. The idea is close to Brown and Mason's (2017) point that ecosystems are structured through differential access, not only through the density of resources. What the present accounts add is an indication of what access depended on in this setting: guidance from an intermediary, and fitting the business categories around which support is organised.

6.6.2 Contribution to institutional theory: illegibility and translation

The second contribution concerns institutional theory. The accounts suggest that circular activity in a well-functioning institutional environment may face a problem of illegibility rather than absence: institutions exist, but circular value is hard to see within their categories unless it is translated into the terms of the market or state logic. The housing company example, in which circular materials became convincing only as a means of meeting carbon limits, illustrates this. The study adds that the institutional work needed for this translation appears to be shared between small firms and intermediaries, and that where no one carries it out, as for the volunteer initiative, activity may remain outside the system of support.

6.6.3 Contribution to resource dependence theory: shifting priorities and dependency by absence

The third contribution concerns resource dependence theory. The accounts point to two conditions that the theory does not foreground: dependence on resource holders whose priorities change for reasons unrelated to the firm, as when investors turn towards defence, and dependency by absence, where no actor supplies a needed resource, as with waste collection for businesses. In both cases, the strategic responses in Oliver's (1991) typology seem to offer limited room for manoeuvre, and in the one account where dependency by absence appears (ECO2), the constraint was worked around rather than managed. Both observations rest on single accounts, and ECO2 is an investment company rather than a circular SME, so they are best read as prompts for further work on resource dependence in circular settings rather than as established extensions of the theory.

6.6.4 Contribution to the local-governance literature: conditional support

The fourth contribution concerns local governance. The accounts do not show the municipality obstructing circular firms; two participants described it as helpful. They do suggest, however, that municipal support is conditional. It appears to be available to businesses whose activity fits what the municipality values (SME1), and it can be withdrawn when policy changes (ECO1). Rather than placing the municipality on a single scale from supportive to obstructive, the study suggests seeing its support as dependent on alignment and on policy continuity. Because no municipal actors were interviewed, this contribution rests on how others experience the municipality.

In relation to the governance literature reviewed in Section 2.5, which mainly describes a gap between municipal ambitions and their implementation (OECD, 2020; Turcu & Gillie, 2020; Dagilienė et al., 2021), the accounts gathered here do not show such a gap directly. What they suggest is a different angle on the same question. From the side of the firm, the issue appeared less as whether the municipality implements its ambitions than as whose activity those ambitions are seen to include, and for how long. This adds the perspective of supported firms to a literature that has mostly examined municipalities from the inside.

6.6.5 What the combined reading adds

The three frameworks were used together, but the value of this does not lie in the act of combining them, since no single theory can account for the whole of a social setting. It lies in what their combined reading helped the analysis to see in the accounts. Read through ecosystem theory alone, SME1's experience would appear as a successful case of intermediary support. Read through institutional theory, the intermediary's role appeared to include teaching the founder what the municipality values, and resource dependence theory helped to make sense of why aligning with those values seemed, for SME1, the most available response. It was this reading of particular accounts through more than one lens, rather than the frameworks as such, that led to the themes of recognition through translation and conditional support.

In relation to the gap identified in Chapter 2, the study offers an empirically grounded, if small-scale, illustration of how ecosystem, institutional, and governance conditions appear together in the same accounts, whereas studies such as Ferreira et al. (2024) and Maaßen and Urbano (2024) examined these dimensions largely separately. Given the size of the material, this is best understood as a starting point for further research rather than a settled contribution.

7 Conclusion

7.1 Revisiting the Research Problem and Aim

This study began from the observation that circular SMEs are widely seen as central to the sustainability transition, yet often struggle to develop, even in cities that are committed to sustainability. Its purpose was to develop an empirically grounded understanding of how ecosystem support structures, institutional conditions, and local governance frameworks together shape the viability, development, and scaling of circular SMEs. The research question was: how do circular SMEs experience and navigate ecosystem support structures, institutional barriers, and local governance frameworks, and how do these conditions shape their viability, development, and scaling? The question was pursued through five sources from Växjö: two SMEs, two ecosystem actors, and one civil-society initiative.

This chapter answers the research question part by part, summarises the contributions, and reflects on implications, limitations, and future research. It does not introduce new empirical material.

7.2 Answering the Research Question

Before answering the question, it is worth restating the role of the empirical material. The empirical material did not only illustrate the theoretical lenses. It also brought up patterns the lenses did not anticipate, such as the importance of translating circular value into the terms of other logics, and accounts that went against the expected pattern, such as the SMEs' positive view of the local ecosystem. These accounts ground the answers below. The research question has several parts, and each is answered in turn. Where the material is thin, this is stated.

How circular SMEs experience ecosystem support structures. In the accounts gathered here, ecosystem support was present and, for the two SMEs, valued. SME1 described the ecosystem as strong, and SME2 described long-term support from an incubator. Both, however, reached support through specific intermediaries, and SME1 linked this to being new to Sweden. A volunteer initiative (ECO3) described itself as deprioritised. In relation to ecosystem theory, this suggests distinguishing accessibility from reachability (Section 6.6.1): support may be formally available but reached through relationships and categories that not every actor fits.

How circular SMEs experience institutional barriers. The SMEs, in particular, described institutional conditions less as explicit barriers than as categories that their activity had to fit. SME1 described funding and acceptance as depending on alignment with "Swedish economic missions"; SME2 reported, second-hand, that circular materials were accepted as a way of meeting carbon limits but not as a sustainability argument; and ECO1 described banks and

decision-makers as judging businesses through profit-oriented frameworks, and bank and tax rules as taking no account of social or circular purpose. In relation to institutional theory, this points to a condition of institutional illegibility that is addressed through translation (Section 6.6.2).

How circular SMEs experience local governance frameworks. The municipality was described as helpful by SME2 and as the authority that decides what is acceptable by SME1. ECO1 described enterprises that depend on municipal contracts and can collapse when policy changes, and ECO2 described a missing waste service for businesses. Several constraints, such as tax and bank rules, lie at national level. This suggests seeing municipal support as conditional on alignment and on policy continuity (Section 6.6.4). No municipal actors were interviewed, so this answer rests on how others experience the municipality.

How circular SMEs navigate these conditions. The responses in the material were mostly forms of aligning and working around. SME1 aligned the business with what municipalities value and sought guidance from an intermediary, and ECO2, an investment company rather than a circular SME, described its company working around the missing waste service. More active responses, using an alternative bank and lobbying, were carried out by an intermediary rather than by the SMEs, and defiance was not found. In relation to resource dependence theory, this is consistent with the expectation that dependent actors have little room for active resistance (Section 6.4), although two SMEs can only illustrate this expectation.

How these conditions shape viability, development, and scaling. The material allows only a tentative answer. In the two SMEs' accounts, support seemed most available at the start, while financing became more pressing as they sought to grow, and dependence on a single public customer could threaten established enterprises (ECO1). The study does not find evidence that constraints compound from one stage to the next, and it treats the relation between stages as a question for further research.

How the conditions relate to one another. The parts of the question have been answered separately, but in the accounts the conditions did not appear separately. In SME1's account, the intermediary, an ecosystem resource, was also where the founder learned what the municipality values, which is an institutional and governance matter, and aligning with those values was the response that seemed most available, which is a matter of dependence. This is the sense in which the study speaks of interaction: not as a measured effect, but as the way the same situation could be read through more than one lens.

7.3 Contributions of the Study

The study's contributions are developed in Section 6.6 and are summarised here. The study suggests distinguishing ecosystem accessibility from ecosystem reachability. It describes a condition of institutional illegibility, in which circular value may need to be translated into the terms of market or state logics to be recognised, and in which the work of translation is shared between firms and intermediaries. It points to dependency on resource holders with shifting priorities and to dependency by absence. It suggests seeing municipal support as conditional rather than simply supportive or obstructive. The value of using the three frameworks together lies in what their combined reading helped the analysis to see in the accounts, not in the act of combining them. These contributions are grounded in five sources from one municipality and should be read as interpretations to be examined in further research.

7.4 Practical and Policy Implications

If, as these accounts suggest, circular value is recognised mainly when it is translated into established categories, and support is reached mainly through intermediaries, some practical implications follow. They are offered cautiously, given the small number of sources.

First, for ecosystem actors, the accounts suggest that intermediaries that guide founders, especially founders who are new to Sweden, may matter as much as the programmes themselves. Support that also reaches non-business circular initiatives, such as volunteer organisations, could widen who benefits from the ecosystem.

Second, for finance actors and regional bodies, ECO1's account suggests that evaluation methods that take account of societal impact could reduce the need for each enterprise to translate its value on its own.

Third, for the municipality, ECO2's account points to a concrete and possibly simple measure: extending waste sorting and collection to businesses. ECO1's account suggests that enterprises that depend on municipal contracts may benefit from greater predictability when policies change.

Fourth, for national policymakers, ECO1's account of tax and bank rules suggests that some constraints on circular and social enterprises lie beyond local control and would need to be addressed nationally.

For entrepreneurs, the accounts suggest that early contact with intermediary organisations, and the ability to express circular value in terms that funders and customers already recognise, may help. These are ways of navigating the conditions, not of changing them.

7.5 Limitations and Reflexivity

The study's limitations are considerable and should be stated plainly. The empirical material consists of five sources: four interviews and one set of written answers. Only two sources come from SMEs, and one of them, SME2, has a partial rather than a core circular focus. No municipal officials were interviewed, so the governance dimension is examined only through others' accounts. The material was collected within a three-person group project. Further interviews were planned or conducted in that project, but their records could not be recovered, and they are not used here. The interviews varied in length, two were short, one source consists of brief written answers, and some transcripts record answers in a condensed form, which limits how far those accounts can be explored in depth and how much weight can be placed on exact phrasing.

Consistent with the interpretivist position set out in Chapter 4, the study does not claim statistical generalisability. Its findings may be transferable to comparable settings on the basis of conceptual similarity, but the narrow base of the material means that they are best read as exploratory interpretations that point to questions for further research, rather than as established patterns.

The study is also cross-sectional, so it cannot trace how constraints change over a venture's development. Finally, the researcher's theoretical framework shaped what was noticed in the data. This influence was managed abductively, by treating the framework as an orientation and by presenting accounts that went against the emerging pattern, but it was not eliminated. The shared position of the researchers as international students may also have shaped both the interviews and the attention given to questions of integration.

7.6 Social and Ethical Reflection

The findings carry some social implications. SME1's business grew out of the difficulties international students face in settling in Sweden, and its founder described language, organisational culture, and the need to be "guided or tutored by a reputable organization" as conditions for entering the market. If access to circular support depends on such guidance, founders without it may find the ecosystem harder to reach. ECO3's account suggests that circular activity based on volunteering and shared values may fall outside support that is designed for businesses.

This connects to the critical perspective that framed the research problem in Chapter 1. Raworth's (2017) argument that sustainability must be understood within its social foundations suggests that who is able to take part in the circular transition matters, as well as how much

circular activity takes place. The present material is too limited to show whether circular support in Växjö reproduces social inequalities, but it suggests that the question deserves attention.

7.7 Future Research

First, the most direct need is for a broader empirical base, including more circular SMEs across different business models and the municipal actors whose perspective is missing from this study. Second, the tentative reading of venture stages in Sections 5.6 and 6.5 calls for longitudinal research that follows circular SMEs over time, to examine whether and how constraints change as firms move from start-up towards growth. Third, the role of intermediaries in making circular value legible, and the experience of founders who are new to Sweden, deserve dedicated study. Fourth, comparative research across municipalities could examine whether municipal support is conditional in similar ways elsewhere. Finally, research on how banks, investors, and public buyers evaluate circular value could examine the process of translation from the side of those who judge it.

7.8 Concluding Remarks

This study set out to understand how circular SMEs experience and navigate ecosystem support, institutional conditions, and local governance, and how these conditions shape their viability, development, and scaling. In the accounts gathered in Växjö, support was present and, for the two SMEs, valued, but it was reached through intermediaries, bounded by rules designed for conventional firms, and conditional on fitting categories that funders, customers, and public actors already recognise. Participants mostly responded by aligning and working around, while the more active work of trying to change the rules was, in this material, carried out by an intermediary.

The study's main suggestion is correspondingly modest: circular value may need to be translated before it is recognised, and supporting circular entrepreneurship may therefore involve not only offering programmes but also helping more actors to reach them, and making institutions better able to see the value they are asked to support. Whether this holds beyond the five accounts examined here is a question for further research.

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Appendix

This appendix contains empirical instruments and analytical documentation underpinning the study. Appendix A and Appendix B present the two semi-structured interview guides used with, respectively, circular SME founders and managers, and ecosystem and governance actors. Appendix C reproduces the information and consent form prepared for the project. Appendix D sets out the coding procedure and the coding structure through which the three analytical themes were generated. The two interview guides constitute a single, shared empirical instrument. Both participant groups were engaged with the same underlying thematic architecture, so that their accounts could be read against one another during the abductive analysis.

Note on the interview guides. The guides in Appendices A and B set out the themes and questions from which the interviewers drew. Not every question was asked in every interview, and the interviews varied in length. The core questions sent to participants in advance were: (1) Can you briefly describe your company, your main products or services, and your own role in the business? (2) What does "circular economy" mean for your company, and how do you work with circular practices in your daily operations? (3) How would you describe your business model and the way work is organised in your company? (4) How would you describe your workforce or team, and do you have any particular approaches or goals related to diversity and inclusion when recruiting and developing staff? (5) How do local conditions in Växjö, such as municipal strategies, regulations, and collaborations with other local actors, influence your circular business? (6) What are the main barriers and enablers you experience in developing your circular business, and how do you see the future of your company and circular economy in Växjö? One participant (ECO3) answered these questions in writing. The closing remarks of the guides refer to a signed confidentiality agreement; in the final study, participants agreed to take part at the start of the interview, or, in the case of ECO3, by replying by email (Section 4.9).

Appendix A. Interview Guide: Circular SME Founders and Managers

The guide is organized into six thematic sections. Questions are open-ended and designed to draw out concrete experiences and specific examples. Probes are optional follow-ups used only where an initial response needs deepening. The order of sections and questions may be adapted flexibly in response to how the conversation develops.

Section 1: Background and Business Overview

1. Could you briefly describe your company, your main products or services, and your own

role in the business?

2. How long have you been operating, and what stage would you say the business is at?
3. How many people are involved, whether employees, collaborators, or partners?
4. What does "circular economy" mean for your company, and how do you work with circular practices in your daily operations? (Was circularity part of the original idea, or did it develop over time? Would you describe your model as fully circular, or more of a hybrid?)
5. How would you describe your business model, for example, how value is created, how revenue is generated, and how key activities are organized? (Where do your input materials come from, and how reliable are those supply relationships? Who are your main customers or clients?)

Section 2: Local Conditions and Ecosystem

6. How do local conditions in Växjö, such as the municipality's sustainability profile, regulations, and the presence of organizations like Linnaeus University, influence your circular business? (Has the city's "green city" identity been helpful, and if so, in what concrete ways? Are there local conditions that make operating here easier or harder than you might expect elsewhere?)
7. What kinds of support have you accessed or tried to access since starting the business, for example, funding, mentoring, networks, incubators, or municipal programmes? (What has actually helped, and what has not been useful or accessible? Were there organizations or people that were particularly important in getting the business going? Have there been support opportunities that you tried to access but could not, and if so, why?)
8. How easy or difficult has it been to navigate the support system, that is, to find the right organizations, understand what is available, and access what you need? (Has navigating the system taken up significant time or energy? How did you find out about the support that has helped you most?)

Section 3: Institutional Barriers

9. What are the main institutional barriers you face, for example, related to regulations, waste classification, procurement rules, taxation, or financial systems? (Can you give a specific example of a rule that has created a concrete problem? Have you ever been unable to do something you wanted to do because of how rules are designed?)
10. How has it been to access finance, whether grants, loans, investments, or other forms of funding? (Which types of funding have been accessible, and which have been difficult to access? Have investors or lenders understood your business model, and if not, what seems

to be the misunderstanding? Is there a stage in your development where funding has been particularly scarce?)

11. Have you experienced situations where the way support programmes, procurement processes, or financial instruments are designed does not fit how your business works? (Can you describe what happened and what the consequence was for your business?)

Section 4: Material Flows and Operational Challenges

12. How reliable are the material or resource flows your business depends on, and what happens when they are disrupted? (Are there infrastructure gaps, for example, waste sorting systems, material recovery, or logistics, that affect your operations? How do you currently manage uncertainty in your supply of inputs?)
13. What does scaling or growing the business look like for you, and what are the biggest obstacles to getting there? (Is the main obstacle internal, such as capacity, skills, or model, or external, such as infrastructure, market, regulation, or funding? Are there things that would need to change in the system around you before growth becomes realistic?)

Section 5: Governance and the Municipality

14. What role does the municipality of Växjö play in your business, as a supporter, as a client, as a regulator, or in some other way? (Has the municipality been helpful in concrete ways, or has it been more of an abstract enabler? Have you had frustrating or confusing experiences with the municipality, and if so, can you describe what happened?)
15. Do you feel that municipal departments, for example, environment, procurement, business support, and planning, work in a coordinated way for circular businesses, or have you experienced inconsistencies? (Has dealing with different parts of the municipal system produced different or contradictory experiences?)

Section 6: Reflection and Closing

16. What are the biggest factors that have shaped the development of your business so far, either positively or negatively?
17. If you could change one thing about the system around your business, what would it be?
18. What advice would you give to someone starting a circular business in Växjö today?
19. Is there anything important about your experience that we have not asked about, or anything you would like to add?

Closing: Thank you for your time. We will follow up with a summary of findings once the thesis is complete, and all data will be handled in line with the confidentiality agreement you have signed.

Appendix B. Interview Guide: Ecosystem and Governance Actors

The guide was prepared for ecosystem and governance actors; no governance actors took part in the final material (Section 4.4). The guide is organized into seven thematic sections. Questions are open-ended and designed to draw out concrete institutional knowledge and professional experience. Probes are optional follow-ups. The guide may be adapted flexibly in response to the participant's role and the direction of the conversation.

Section 1: Role, Organization, and Mission

1. Could you briefly describe your role, your organization's mission, and how your work relates to the circular economy or sustainability?
2. How long have you been in this role, and how has your engagement with the circular economy evolved over time?
3. Does your organization have a specific mandate or programme focused on circular entrepreneurship, or is this part of a broader sustainability remit?

Section 2: View of Circular Entrepreneurship Locally

4. When you hear the term "circular SME," what comes to mind, and how important do you think such firms are for Växjö's local economy and sustainability goals? (Do you see a distinct category of circular SME in Växjö, or is circularity more of a spectrum across different types of businesses? Are there particular sectors or types of circular business that you see as most significant or most underserved?)
5. How would you describe the current state of circular entrepreneurship in Växjö, whether growing, stagnating, or at an early stage? (What do you see as the most important recent developments? Are there examples of circular SMEs in the region that you would point to as particularly successful or instructive?)

Section 3: Current Support and Initiatives

6. What kinds of support or initiatives does your organization currently offer that are relevant for circular SMEs, and are these specifically tailored to circular ventures or more general? (Are there gaps between what your organization offers and what circular SMEs actually need? How do you reach circular SMEs, do they come to you, or do you actively seek them out?)
7. How does support for circular SMEs in Växjö compare to what you think is needed, and where are the most significant gaps? (Are there types of support that other cities or regions offer that you think are missing here? Is support for circular businesses coordinated between different organisations, or does it tend to be fragmented?)

Section 4: Perceived Needs and Challenges

8. Based on your experience, what are the biggest challenges circular SMEs face when trying to develop and remain viable, and how do these differ from more traditional SMEs? (Are these primarily internal challenges, such as capacity, skills, or model, or external ones, such as market, regulation, funding, or infrastructure? Are there challenges that are particularly acute for circular SMEs in the early stages of development?)
9. In your view, at what point in their development do circular SMEs tend to struggle most, and what does that struggle look like in practice? (Is there a "valley of death" or equivalent gap in the support landscape for circular businesses? What happens to circular SMEs that do not manage to get through that stage?)

Section 5: Institutions, Regulations, and Governance

10. Which rules, regulations, or administrative processes most affect circular SMEs, positively or negatively, in your experience? (Are there specific regulatory barriers that you encounter repeatedly in your work with circular businesses? Are there regulations that, in your view, were not designed with circular business models in mind and create unintended obstacles?)
11. How does the municipality or your region work across departments, for example, environment, procurement, business support, and planning, to support circular business models? (Is this coordination effective in practice, or are there silos that limit what is possible? Are there tensions between different departmental priorities that affect circular SMEs?)
12. How does public procurement function as a tool for supporting circular SMEs, is its potential being realised, and if not, what are the obstacles? (Are procurement processes designed in ways that circular suppliers can realistically access? What changes to procurement practice would make the biggest difference?)

Section 6: Ecosystem and Collaboration

13. How would you describe the current ecosystem for circular entrepreneurship in Växjö, its key actors, networks, and quality of collaboration, and what are its main strengths and weaknesses? (Which partnerships or collaborations do you see as most important for enabling circular SMEs? Are there important actors or types of support that are missing from the ecosystem?)
14. From your position, how accessible is the support ecosystem for circular SMEs, particularly those that are newer, smaller, or operating with unconventional models? (Are there types of entrepreneurs, for example, those from outside Sweden, or those in very

early stages, for whom the ecosystem is particularly difficult to navigate? What makes the difference between an SME that successfully accesses ecosystem support and one that does not?)

Section 7: Future Direction and Priorities

15. Looking ahead, what do you see as the most important changes needed in the next three to five years to better support circular SMEs in Växjö? (What are the two or three most concrete actions that would make the biggest difference? Are there changes that your organization is already planning or working towards?)
16. How could research like this study be most useful for your organization or for improving conditions for circular SMEs? (Is there a specific question you would most want this research to answer?)
17. Is there anything important about the ecosystem or the conditions for circular entrepreneurship in Växjö that we have not asked about, or that you think is essential to understand?

Closing: Thank you for your time and expertise. We will share a summary of the research findings once the thesis is complete. All data will be handled in accordance with the confidentiality agreement you have signed.

Appendix C. Informed Consent Form

Introduction and Purpose of the Study

Note. This is the information and consent form prepared for the group project. Some of its details describe the project as planned rather than the material used in this thesis: no governance actors (GOV) took part, not every interview lasted 45 to 60 minutes, one participant answered in writing, and participants are referred to by code only, without pseudonyms. In the final study, participants were informed about the purpose of the study at the start of each interview and agreed to take part, and ECO3 took part by replying to the questions by email (Section 4.9).

You are invited to participate in a research study conducted as part of a master's thesis in Business Administration with specialization Entrepreneurship at Linnaeus University, School of Business and Economics. The purpose of the study is to investigate how circular SMEs experience and navigate ecosystem support structures, institutional barriers, and local governance in Växjö, and how these conditions shape the viability, development, and scaling of circular businesses. The study draws on semi-structured interviews with circular SME founders and managers, and with ecosystem and governance actors.

Participation and the Interview Process

Your participation involves one semi-structured interview lasting approximately 45 to 60 minutes. The interview may be conducted in person or online, depending on your preference. It will cover your professional role and experience, your views on circular entrepreneurship in Växjö, and the conditions that enable or constrain circular businesses. There are no right or wrong answers; the interest of the study lies in your direct experience and professional perspective. With your explicit permission, the interview will be audio-recorded solely to allow accurate transcription.

Voluntary Participation

Your participation is entirely voluntary. You may decline to answer any question, pause the interview at any time, or withdraw from the study entirely, including after the interview, without providing a reason and without any negative consequences.

Confidentiality and Anonymity

All information shared during the interview will be kept strictly confidential. Your name, organization, and any identifying details will be anonymized in all written outputs. You will be referred to using a coded identifier together with a pseudonym (for example, SME1, ECO1, or GOV1) throughout the analysis, so that no participant can be identified from the account. Audio recordings will be made only with your explicit permission and used solely for transcription. Transcripts will be stored securely and will be accessible only to the research team. All data will be deleted after the thesis has been examined and approved.

Use of Data

The data collected will be used exclusively for academic purposes as part of this master's thesis. Quotations from your interview may be used in the thesis and in any academic presentations of the findings, but they will always be presented in anonymized form. No data will be shared with third parties or used for any commercial purpose.

Contact Information

If you have any questions about the study before, during, or after your participation, please contact the researcher or the supervisor:

Researcher: Nnalue Bernard Chiamogu, bn222is@student.lnu.se

Supervisor: Viktorija Kalonaityte, Linnaeus University, School of Business and Economics, Växjö.

Consent Statement

By signing below (or by confirming consent by email), you confirm that:

- You have read and understood the information above.

- You voluntarily agree to participate in this study.
- You consent to the audio recording of the interview (if applicable).
- You consent to the use of anonymized interview data for academic research purposes.

Participant name: _____

Signature: _____

Date: _____

Preferred anonymization code (optional): _____

Appendix D. Coding Structure

Coding followed the procedure set out in Section 4.7. Each of the five sources was read in full several times before coding began. The first coding pass used the categories from Chapter 3, and the second pass labelled segments as closely as possible in participants' own words (Gioia et al., 2013; Saldaña, 2021). Codes were then compared across the sources, grouped into categories, and refined into themes (Braun & Clarke, 2022). Table D1 shows the coding trail, from a verbatim excerpt to the first-order code, the category, and the theme. Table D2 summarises which participants contributed to each theme. The rows of Table D1 are numbered so that they can be referred to from Chapter 5. In the first pass, the excerpts from ECO2 and ECO1 on what counts as sustainable or circular were coded as cultural ecosystem attributes; in the second pass they were recoded as framings of circularity (see Section 4.7).

Table D1. Coding structure: from verbatim excerpts to themes

Verbatim excerpt (participant)	First-order code	Category	Theme
1. "We are trying to reduce waste and reduce their cost." (SME1)	Reuse as a way of reducing waste and cost for students	Circularity as practical and social problem-solving	T1
2. "we are looking at giving people better integration, a better life, and a good soft landing" (SME1)	Social purpose alongside circularity	Circularity as practical and social problem-solving	T1
3. "we do not buy new computers unless necessary. This is both an economic and environmental decision." (SME2)	Resource care as an economic and environmental choice	Circularity as practical and social problem-solving	T1
4. "So sustainability can be looked at in different ways." (ECO2)	Broad framing: retail, jobs, and city life	Divergent framings among ecosystem actors	T1
5. "the sustainability focus must be core to the business model" (ECO1)	Strict criterion for what counts as circular	Divergent framings among ecosystem actors	T1
6. "We are not a business so we are a flat hierarchy based org" (ECO3)	Values-based, non-business framing	Divergent framings among ecosystem actors	T1

Verbatim excerpt (participant)	First-order code	Category	Theme
7. "It depends on how strong your business is and how relevant it is to Swedish economic missions." (SME1)	Funding depends on alignment with national missions	Recognition through established categories	T1
8. "when he explained that reusing materials helps meet the new carbon emission limits for buildings, the argument became convincing" (SME2)	Circular value accepted when translated into regulatory terms	Recognition through established categories	T1
9. "Many decision-makers still evaluate businesses only through traditional profit-oriented frameworks" (ECO1)	Evaluation through profit-oriented frameworks	Recognition through established categories	T1
10. "you first need to be guided or tutored by a reputable organization" (SME1)	Intermediary as the route into the ecosystem	Support reached through intermediaries	T2
11. "One institutional barrier everyone knows about in Sweden is the language barrier." (SME1)	Language and organisational culture as a barrier	Support reached through intermediaries	T2
12. "they supported us for several years" (SME2)	Long-term incubator support	Support reached through intermediaries	T2
13. "we guide them to the appropriate support organization" (ECO1)	Intermediary as a guide within the support system	Support reached through intermediaries	T2
14. "Yes, honestly, 100%." (SME1)	Ecosystem experienced as strong (negative case)	Accounts that complicate the pattern	T2
15. "Overall, they have been very supportive." (SME2)	Municipality experienced as supportive (negative case)	Accounts that complicate the pattern	T2
16. "The main barrier is the lack of support and being deprioritized compared to other areas." (ECO3)	Grassroots initiative deprioritised	Support that does not reach	T2
17. "The support system exists, but businesses still have to operate under traditional market rules." (ECO1)	Support within unchanged market rules	Support bounded by market rules	T2
18. "Sometimes entrepreneurs start a business but cannot open a bank account" (ECO1)	Bank rules exclude some enterprises	Support bounded by market rules	T2
19. "it may not be enough depending on the level of expansion we want" (SME1)	Start-up funding insufficient for growth	Support bounded by market rules	T2
20. "Many investors are currently focusing on war-related technologies or defense sectors" (SME2)	Investor priorities shifting away	Dependence on investors and funding cycles	T3
21. "the members are determined by investors" (SME2)	Investor control over the board	Dependence on investors and funding cycles	T3
22. "One major challenge is funding instability." (ECO1)	Funding instability	Dependence on investors and funding cycles	T3

Verbatim excerpt (participant)	First-order code	Category	Theme
23. "We also have a cooperation with Växjö municipality" (SME2)	Municipality as customer	Municipality as customer and judge of acceptability	T3
24. "If policies or regulations change, the entire business can collapse." (ECO1)	Dependence on municipal contracts	Municipality as customer and judge of acceptability	T3
25. "If you cannot prove yourself, then it becomes a problem." (SME1)	Acceptance conditional on alignment	Municipality as customer and judge of acceptability	T3
26. "But for companies, that service is not always available in the same way." (ECO2)	Missing waste service for businesses	Missing infrastructure (dependency by absence)	T3
27. "at a national level we engage in policy dialogue and lobbying" (ECO1)	National rules beyond local control	Limits of local action	T3
28. "So, we try to align our business to support that." (SME1)	Aligning with municipal values	Strategic responses	Navigation (5.5)
29. "Sometimes we sort it ourselves. Other times everything ends up together." (ECO2)	Working around a missing service	Strategic responses	Navigation (5.5)
30. "we often cooperate with Ekobanken" (ECO1)	Alternative bank as a buffer	Strategic responses	Navigation (5.5)
31. "you first need to be guided or tutored by a reputable organization" (SME1)	Seeking guidance from an intermediary	Strategic responses	Navigation (5.5)
32. "consistency, persistence, and determination keep you moving forward" (SME1)	Persistence through difficult phases	Strategic responses	Navigation (5.5)
33. "explore how we could visualize and market this better" (SME2)	Making reuse visible to customers	Strategic responses	Navigation (5.5)
34. "we regularly meet local and national politicians" (ECO1)	Lobbying local and national politicians	Strategic responses	Navigation (5.5)
35. "The future looks dim." (ECO3)	Continuing without formal support	Strategic responses	Navigation (5.5)
36. "It goes through phases." (SME1)	Development experienced as uneven	Stage-related constraints (tentative)	Section 5.6

Note. Excerpts are reproduced exactly from the transcripts or the written answers. T1 = Theme 1 (Section 5.2); T2 = Theme 2 (Section 5.3); T3 = Theme 3 (Section 5.4).

Table D2. Summary of themes, categories, codes, and contributing participants

Theme	Categories	First-order codes (n)	Contributing participants
Theme 1: Framings of circularity and recognition	Circularity as practical and social problem-solving; Divergent framings among ecosystem actors; Recognition through established categories	9	ECO1, ECO2, ECO3, SME1, SME2
Theme 2: Support reached through intermediaries and bounded by market rules	Support reached through intermediaries; Accounts that complicate the pattern; Support that does not reach; Support bounded by market rules	10	ECO1, ECO3, SME1, SME2
Theme 3: Resource dependencies and conditional municipal support	Dependence on investors and funding cycles; Municipality as customer and judge of acceptability; Missing infrastructure (dependency by absence); Limits of local action	8	ECO1, ECO2, SME1, SME2
Navigation (Section 5.5)	Strategic responses	8	ECO1, ECO2, ECO3, SME1, SME2
Viability, development, and scaling (Section 5.6, tentative)	Stage-related constraints (tentative)	1	SME1