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RESEARCH ARTICLE

Circular Business Models in Contrasting Institutional Contexts: Value Creation, Value Delivery, and Legitimacy in Two Circular Enterprises

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Abstract

Research on circular business models (CBMs) has grown quickly, but we still know too little about how they are enacted under different institutional conditions and what, more precisely, context changes at firm level. This article compares two circular enterprises, an established Swedish energy utility and an emerging Bangladeshi textile firm, to examine how institutional alignment shapes circular value creation, value delivery, and legitimacy work. Drawing on CBM theory and institutional theory, it uses a theory-informed comparative case design based on nine semi-structured interviews conducted in two modes and triangulated with secondary documents. The findings show that institutional alignment does not simply enable or constrain circularity; it redistributes the organisational work required to make it viable. In Sweden, circularity is enacted through infrastructure-supported optimisation, stable coordination, and legitimacy maintenance. In Bangladesh, it depends on adaptive material recovery, brokerage, market formation, and active credibility building. The article's contribution is therefore not the generic claim that CBMs are context-dependent, but a more specific account of how differing degrees of alignment shift the locus of organisational work across value creation, value delivery, and legitimacy.

Keywords Circular Business Models · Institutional Theory · Institutional Alignment · Legitimacy · Comparative Case Study · Bangladesh · Sweden

1. Introduction

A circular business model is easy to announce and hard to enact. Materials become usable secondary resources only when collection systems, quality standards, infrastructure, regulation, and market expectations align sufficiently to make recovery workable and credible. The urgency is rising. In its Global Resources Outlook 2024, the United Nations Environment Programme (UNEP) warns that, without urgent action, global resource extraction could be 60% higher in 2060 than in 2020. Circularity is meanwhile hardening into regulation, particularly in Europe through the Ecodesign for Sustainable Products Regulation and the revised Waste Framework Directive.

The issue is not confined to Europe. In Bangladesh, Alam et al. (2025) identify informality in textile waste management, technological limits in textile recycling, and insufficient investment in sustainable practices as systemic obstacles to circularity, even as circularity is framed as important for competitiveness and resilience. That diagnosis aligns with Rizos et al. (2016) and Ndoka et al. (2025), who show that circular business models are harder to stabilise where reverse logistics, standards, finance, and market demand remain weak or uneven. Firms are thus being asked to become circular from sharply unequal institutional starting points.

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Circular business models matter here because, as Boons and Lüdeke-Freund (2013) argue, they concern how firms organise value creation, value delivery, and value capture. Existing CBM research shows that this value architecture must be redesigned so that products, components, and materials stay in use longer and at higher value. But the literature has expanded faster than its contextual precision. Ferasso et al. (2020) identify contextual considerations as an emerging but comparatively underdeveloped stream in CBM research, and more recent reviews show that regulatory, financial, technological, organisational, and cultural conditions strongly shape what CBMs can become in practice.

Institutional research sharpens the point. Institutions shape circular ventures through regulation, markets, collaboration routines, and field-level expectations, and circular firms may also work on those environments. What remains less clear is not whether context matters in a generic sense, but how differing degrees of alignment change the firm-level organisation of circular value creation, value delivery, and legitimacy. That distinction matters because managers cannot safely import circular practices from more aligned settings into fragmented ones, and policymakers cannot assume that firm-level innovation will compensate for misaligned infrastructures, rules, and expectations.

Against this background, the article examines institutional alignment for circularity, understood as the degree to which regulations, infrastructures, norms, and market expectations align in support of circular activity. It does so through a comparative qualitative case study of two circular enterprises: an established energy utility in Sweden and an emerging textile enterprise in Bangladesh. The cases are treated as contrasting context-industry configurations rather than as a simple country comparison. The research question is therefore: How are differences in institutional alignment associated with circular value creation, value delivery, and legitimacy strategies in two circular enterprises? The contribution lies in specifying how alignment redistributes the organisational work of circularity across these three dimensions.

2. Theoretical framing

2.1. Circular business model theory

Circular business model theory provides the starting point for analysing how firms organise circularity in practice. Boons and Lüdeke-Freund (2013) define the broader business-model problem in terms of value creation, delivery, and capture. CBM theory extends it by asking how those activities can be redesigned so that products, components, and materials remain in use at their highest possible value for longer rather than moving through a linear sequence of production, consumption, and disposal. Lewandowski (2016) reworks the business model canvas for circularity, Antikainen and Valkokari (2016) emphasise ecosystem collaboration and experimentation, Nußholz (2017) and Linder and Williander (2017) highlight value retention and uncertainty around prolonged product use, Lüdeke-Freund et al. (2019) identify recurring design patterns, and Santa-Maria et al. (2021) show the diversity of circular business model innovation in practice. Circularity is therefore not an add-on to the business model but a reworking of its value architecture.

A widely cited synthesis in this literature is Bocken et al.'s (2014) formulation that circular value is generated by slowing, closing, and narrowing resource loops, a formulation that consolidates a broader line of thought on resource productivity, reuse, and loop closure. Stahel (2016) likewise stresses longer product use and retained performance, while Geissdoerfer et al. (2018) show that circular value creation is inseparable from supply-chain design and inter-organisational coordination. Circularity is therefore not merely technical. CBMs depend on how firms secure inputs, coordinate partners, move materials, communicate value, and mobilise customers and other stakeholders.

This article therefore foregrounds value creation and value delivery as the CBM dimensions through which circularity becomes most visible in practice. Lewandowski (2016), Nußholz (2017), and Pieroni et al. (2019) all underscore that circular business model innovation requires changes not only in offerings but also in partner structures, revenue logic, and organisational routines. Value creation refers here to activities through which firms recover, preserve, or enhance resource value. Value delivery refers to the arrangements through which that value is made to flow, including partnerships, coordination mechanisms, communication, and stakeholder engagement. Value capture remains important, but it is not the main analytical focus. The interest lies less in how circularity is monetised than in how it is made operational and legitimate under contrasting institutional conditions.

2.2. Institutional pressures and legitimacy

CBM theory clarifies what circular firms attempt to organise, but says less about why some arrangements become viable and credible while others remain fragile or hard to scale. The study therefore draws on institutional theory. Since DiMaggio and Powell (1983) and Scott (2014), institutional theory has shown how organisational behaviour is shaped not only by efficiency considerations but also by formal rules, social norms, and taken-for-granted models of appropriate action. The perspective is especially useful in circular settings, where categories such as waste, secondary materials, quality, responsibility, and sustainability are often unsettled or contested.

A central mechanism in institutional theory is institutional isomorphism, through which organisations become similar under coercive, normative, and mimetic pressures (DiMaggio and Powell, 1983). Recent circular economy studies, including Henttonen (2025), Bocken and Shirahada (2025), and Huis et al. (2026), show how these pressures shape not only whether firms pursue circularity, but also what forms of circularity become imaginable, feasible, and defensible. Coercive pressures arise from regulation, public policy, permitting systems, reporting requirements, and demands imposed by powerful actors such as municipalities, lead firms, or major buyers. Normative pressures stem from professional norms, standards, certification schemes, and broader sustainability discourses regarding what responsible business conduct ought to look like. Mimetic pressures arise under uncertainty, when firms look to peers, role models, or widely recognised templates for guidance.

Institutional theory also makes legitimacy central. Following Suchman (1995), legitimacy can be understood as the generalised perception that an organisation's actions are desirable, proper, and appropriate within a socially constructed system of norms, values, and beliefs. For circular firms, legitimacy is not a secondary matter. It shapes access to permits, finance, partnerships, customers, and room for experimentation. A technically promising solution may fail if relevant audiences do not recognise it as credible, safe, compliant, or worthwhile. Circular enterprises must therefore do more than organise material flows; they must justify those flows. Recent work further suggests that circular ventures may actively work institutional structures rather than merely adapt to them (Henttonen, 2025). The present study focuses less on institutional entrepreneurship as such than on how institutional pressures shape firm-level configurations of circularity and the legitimacy work through which firms respond.

2.3. Integrating the perspectives: Institutional alignment as a sensitising concept

Neither CBM theory nor institutional theory is sufficient on its own for the purposes of this article. CBM theory explains the internal logic of circular organising, but can understate the extent to which circularity depends on external alignment. Institutional theory clarifies how action is shaped by rules, norms, and models, but does not specify how circular value is created and delivered at firm level. Combining the two perspectives makes it possible to examine CBMs not as portable templates, but as context-sensitive configurations co-produced with their institutional environments. This also addresses a gap identified by Ferasso et al. (2020), who note that contextual considerations are visible in CBM research but remain comparatively weakly integrated conceptually.

To make that integration analytically useful, the article employs institutional alignment as a comparative sensitising concept. Institutional alignment refers here to the degree to which regulations, infrastructures, norms, and market expectations are aligned in support of circular activity within a specific context-industry configuration. The concept is not offered as a new category of institutional pressure, a national ranking, or an independently measured causal variable. Its value lies instead in connecting several external conditions that are often treated separately in barrier/enabler lists and asking how their joint configuration alters the firm-level work of making circularity operational and credible. Some settings provide relatively stable waste access, technical standards, collaboration routines, and audiences already familiar with circular claims; others remain fragmented, informal, contradictory, or weakly coordinated. Used in this way, institutional alignment helps compare the organisational implications of context without turning the cases into a hierarchy of national advancement.

This framing leads to three analytical expectations. These are heuristic expectations rather than predictive hypotheses. First, differences in institutional alignment should be associated with different forms of circular value creation. In more aligned settings, firms are likelier to enact circularity through system-level

optimisation, long-horizon investment, and relatively stable resource loops; in less aligned settings, circular value creation is likelier to depend on adaptive experimentation, selective recovery, and workarounds around infrastructural or regulatory gaps, as suggested by Frishammar and Parida (2019), Rizos et al. (2016), Lit et al. (2024), and Ndoka et al. (2025). Second, stronger alignment should support more formalised value delivery, whereas weaker alignment should increase dependence on brokerage, trust-building, and efforts to make circular value intelligible to external stakeholders. Third, legitimacy should differ accordingly: in more aligned settings it is more likely to rest on transparent performance and compliance; in less aligned settings it may need to be built through certification, signalling, visibility work, and market education.

On this basis, the study examines four interrelated dimensions: value creation, value delivery, institutional pressures, and legitimacy strategies. Innovation is treated throughout as an embedded mechanism within value creation and value delivery rather than as a separate analytical dimension.

3. Methods

Following Yin (2018) and Eisenhardt and Graebner (2007), the article uses a qualitative, theory-informed multiple-case design with a logic of theoretical replication rather than statistical sampling. Rather than isolating country effects, the aim is to examine how the same theoretical dimensions take different shapes across contrasting context-industry configurations, consistent with Tsang and Colpan's (2025) defence of contextualised qualitative comparison.

This matters because the two cases differ simultaneously in institutional setting, industry, and organisational development stage. They are therefore not treated as a clean country comparison, but as analytically contrasting bundles of institutional conditions. The design thus sacrifices factor isolation for analytic contrast. Any observed differences are interpreted as patterned contrasts rather than as the isolated effect of a single contextual factor.

3.1. Case selection and data collection

As Patton (2015) and Yin (2018) recommend, the cases were selected purposively for theoretical relevance rather than representativeness. Both organisations operate with circular or sustainability-oriented business models, but under markedly different institutional conditions: an established energy utility in Sweden and an emerging textile enterprise in Bangladesh. The unit of analysis is the firm-level enactment of circularity. Respondents were selected for direct involvement in operations, business development, sustainability-related work, partnerships, and customer-facing activities. Within each case, recruitment stopped when additional interviews no longer added substantively new insights within the theory-informed analytical categories.

Primary data consist of nine semi-structured interviews across the two organisations. Four Swedish interviews were conducted asynchronously in writing and five Bangladeshi interviews synchronously via Zoom. The written mode in Sweden reflected access conditions and allowed respondents in operational roles to answer at a workable pace while still responding to the same semi-structured guide. The Zoom interviews in Bangladesh allowed follow-up probing in real time. Because mixed modes can affect pacing, spontaneity, and depth, the comparison does not assume identical interview conditions across cases. Instead, the analysis relies on patterned convergence across roles and on triangulation with documents, while treating interview mode as a boundary condition of comparability (Meho, 2006; Roberts et al., 2025). Table 1 provides an overview.

Secondary material was used for triangulation and contextualisation. This included anonymised company website material and public company documents, as well as selected country-, sector-, and policy-level sources relevant to each case. Table 2 provides illustrative examples, including Swedish waste-management and climate-policy reports and Bangladeshi textile-sector and circular-transition reports. These documents were used primarily to contextualise institutional conditions and to corroborate case-level claims rather than to generate the core firm-level findings (Yin, 2018).

Table 1. Overview of respondents and interviews

Context	Code	Role / responsibility	Mode	Timing
Sweden	SE1	Lead fitter; technical operations and maintenance	Written async	26 Nov 2025
Sweden	SE2	Operations manager; operational and practical maintenance	Written async	27 Nov 2025
Sweden	SE3	HR partner; internal coordination of goals and plans	Written async	27 Nov 2025
Sweden	SE4	Business developer; new circular business models	Written async	27 Nov 2025
Bangladesh	BD1	Co-founder; strategy, business development, and regulatory compliance	Zoom	43 min; 12 Nov 2025
Bangladesh	BD2	Operations head; resource efficiency and waste minimisation	Zoom	43 min; 12 Nov 2025
Bangladesh	BD3	Founder; supply-chain coordination and partner collaboration	Zoom	59 min; 16 Nov 2025
Bangladesh	BD4	Production and marketing head; customer engagement and production oversight	Zoom	37 min; 22 Nov 2025
Bangladesh	BD5	Sales executive; customer engagement	Zoom	37 min; 22 Nov 2025

Note: Swedish participants responded in writing to the same asynchronous semi-structured interview guide used across cases, so interview duration is not directly comparable across modes.

Table 2. Overview of secondary sources used for triangulation

Case/context	Illustrative secondary sources used	Main use in analysis
Sweden	Public company website and sustainability/operational material	Case background, public circular claims, and description of waste-to-energy, heat-recovery, and carbon-removal activities
Sweden	Avfall Sverige (2024); European Environment Agency (2022); Circular Sweden (2021)	Contextualisation of Swedish waste-management infrastructure and broader circular-economy conditions
Sweden	Swedish Climate Policy Council (2024)	Contextualisation of climate-policy direction and transition expectations relevant to long-term circular investment
Bangladesh	Public company website and product/brand material	Case background, public circular claims, and market-facing communication
Bangladesh	Alam et al. (2025); United Nations Environment Programme (2023); Bangladesh Garment Manufacturers and Exporters Association (n.d.)	Contextualisation of textile-waste governance, sector conditions, and export orientation
Bangladesh	LightCastle Analytics Wing (2024a, 2024b)	Triangulation of market-development narratives, implementation bottlenecks, and circular-transition opportunities in the textile sector

Note: Company-specific public documents remain reported at category level to preserve case anonymity; country- and sector-level sources are specified more explicitly.

Together, the respondent set spans operational, commercial, and strategic roles in both firms and provides the multi-perspectival basis for the within-case analysis that follows.

3.2. Data analysis

The empirical material was analysed using a hybrid inductive-deductive thematic approach. Following Braun and Clarke (2006), the analysis began with repeated reading of interview transcripts, written responses, and documents to build familiarity with each case. Open coding then drew on Charmaz's (2014) constructivist grounded-theory sensibility and Saldaña's (2021) coding guidance to identify practices, challenges, meanings, and institutional conditions in participants' own terms. Examples of first-order codes included long-term waste agreements, lower-temperature heat recovery, sorting waste by product line, certification requirements, brand-awareness work, and policy ambiguity around waste management.

In the next step, the themes were organised deductively around the study's theoretical dimensions: circular value creation, value delivery, coercive pressures, normative pressures, mimetic pressures, and legitimacy. Innovation was treated as an embedded enabling mechanism within value creation and value delivery rather than as a stand-alone category. This sequencing allowed the analysis to remain open to case-specific meanings while maintaining consistency with the conceptual framing.

Each case was analysed first on its own terms before cross-case comparison was undertaken. This within-case-first strategy reduced the risk of imposing premature symmetry on two dissimilar settings. A structured comparison was then used to examine how differences in institutional alignment were associated with differences in circular value creation, value delivery, and legitimacy strategies. The aim was not variable isolation, but explanation through patterned contrast across cases. Interpretations reported below were retained only when supported by repeated interview signals within a case and/or convergence between interview and documentary material; quotations are therefore used as representative anchors rather than standalone proof.

3.3. Quality, ethics, and limitations

Research quality was addressed through credibility, transferability, dependability, and confirmability, following Lincoln and Guba (1985) and Tracy (2010). Credibility was strengthened through triangulation across interviews and documents, a transparent coding process, and an explicit link between empirical material and analytical claims. Because the empirical base is modest, credibility depends less on volume than on internal consistency, triangulation, and transparent limits of inference. Dependability was supported by the structured within-case-first procedure and by documenting the progression from initial codes to higher-order themes. Confirmability was strengthened by checking emerging interpretations against both interview and documentary material. Transferability was supported by providing sufficient contextual detail for readers to judge relevance to other settings.

Participants were informed about the purpose of the study, the voluntary nature of participation, and how the material would be used. Informed consent was obtained prior to data collection, and organisations and respondents were anonymised in the reporting of findings. The study involved adult participants in non-invasive semi-structured interviews, conducted either synchronously via Zoom or asynchronously in writing, and was conducted in accordance with applicable institutional guidelines for non-invasive social-science interview research.

The design has clear boundary conditions. The empirical base is modest and the two cases vary simultaneously by institutional context, industry, and organisational development stage, so the study cannot isolate a single causal factor. The respondent base is intentionally firm-centred rather than multi-actor, and the different interview modes may have influenced depth, pace, and spontaneity. These constraints do not invalidate the study, but they delimit what can responsibly be claimed. In Yin's (2018) terms, and consistent with Tsang and Colpan (2025), the contribution is analytic rather than statistical: a context-sensitive explanation of how differing degrees of institutional alignment are associated with distinct firm-level pathways of circular enactment.

4. Results

This section traces patterned differences in how circular business models are enacted across the two cases. The contrast is not merely one of degree. As institutional alignment changes, the organisational work of circularity shifts: value creation moves from system optimisation to adaptive recovery, value delivery from stable coordination to brokerage and market formation, and legitimacy from maintenance to active construction. The quotations reported below were selected because they exemplify broader patterns that recurred across respondents and were checked against documentary material. Table 3 summarises the cross-case comparison.

Table 3. Cross-case comparison of firm-level circular business model enactment

Analytical dimension	Sweden: Established energy utility	Bangladesh: Emerging textile enterprise	Comparative implication
Circular value creation	Infrastructure-integrated waste-to-energy, system optimisation, and system-level technical upgrading	Material recovery, reuse, upcycling, zero-waste design, and design-based problem-solving under constraints	Institutional alignment shapes both the form of value creation and its innovation mode
Value delivery	Formalised coordination with municipalities, industrial actors, and technology partners	Partnerships used for access, credibility, coordination, and market formation	Value delivery shifts from stable coordination to brokerage
Coercive pressures	Clearer and more institutionalised regulation embedded in operations	Weaker, more fragmented, or less consistently enabling regulation	Coercive pressures are more stabilising in more aligned settings
Normative pressures	Sustainability expectations are widely institutionalised	Circular norms are emerging but less settled	Normative alignment affects how readily circularity is recognised
Mimetic pressures	Orientation towards established peers and sectoral models	Greater reliance on international exemplars and emergent local references	Mimetic pressures differ in density and direction
Legitimacy strategies	Legitimacy maintained through transparency, performance, and compliance	Legitimacy built through certification, signalling, visibility, and trust-building	Legitimacy shifts from maintenance to active construction
Overall circular pathway	System-level, infrastructure-supported, relatively stabilised circularity	Fragile, adaptive, and partnership-dependent circularity	CBMs are context-sensitive configurations

The table is best read as a synthesis rather than a scorecard: the patterned contrasts it condenses are unpacked in the analytical subsections that follow.

4.1. Circular value creation: System optimisation versus adaptive material recovery

Both firms create circular value by treating waste as a productive input, but they do so through markedly different organisational logics. In the Swedish case, circular value creation is embedded in a system-level model centred on large-scale infrastructure, waste-to-energy integration, and the optimisation of resource and energy flows. One respondent explained that the firm's 'product' is 'heat, cooling and electricity, not an item that can be recycled', so circularity lies in 'the fuels and the energy flows' and in 'how we make use of things that would otherwise be lost' (SE2). The same respondent added that new equipment is dimensioned 'for low temperatures so that we can recover low-temperature waste heat that previously could not be used' (SE2). Across the Swedish interviews, circularity was therefore described less as product redesign than as feedstock choice, system integration, and operational tuning.

In the Bangladeshi case, circular value creation follows a more adaptive recovery pathway. Respondents described sorting different waste streams for different product lines, combining pre-consumer and selected post-consumer inputs, and using upcycling and zero-waste design to preserve value in small batches. One founder explained: 'We began sorting different waste types for different products' and aimed to create 'separate product lines for each type of waste so we can use everything and leave nothing behind' (BD3). The same interview also stressed that post-consumer sourcing remained difficult: collection campaigns could 'encourage people to return usable waste', but such efforts were 'obviously not scalable' (BD3). Another respondent noted that the key innovation was not breakthrough machinery but 'how creatively we are utilising the wastage materials', especially because integrating textile waste into footwear is 'tricky and complex' (BD1).

These accounts ground the comparison more clearly. In the Swedish case, circular value creation rests on infrastructure-supported optimisation of comparatively stable flows. In the Bangladeshi case, it rests on continuous sorting, design adaptation, and problem-solving around usable inputs, quality, and scale.

4.2. Value delivery: Stable coordination versus partnership-dependent market formation

The contrast is equally clear in value delivery. In the Swedish case, value delivery relies on formalised and relatively stable coordination with municipalities, industrial actors, and technology partners. Respondents repeatedly emphasised that the organisation is 'completely dependent on cooperation' (SE2). Long-term agreements secure incoming waste, and Open District Heating distributes roles and investments across partners: 'we invest in pipes and connections, while the customers invest in heat exchangers. They are paid for the waste heat, we get a more circular system' (SE2). Communication mainly supports implementation and transparency. One business developer noted that customers respond when circularity is translated into 'avoided CO2, phased-out coal, how much waste we actually use and our roadmap towards net-zero and negative emissions' (SE4).

In the Bangladeshi case, value delivery is more contingent and more strongly partnership-dependent. Partnerships provide not only material access but also knowledge, visibility, and external credibility. As one respondent put it, the firm's partnerships fall into two categories: knowledge-sharing and funding partnerships, and supply-chain partnerships for waste collection (BD1). Communication serves a similarly developmental role. Rather than reinforcing an already institutionalised circular market, it is used to educate customers and make the offering intelligible. A marketing respondent explained that 'our branding and marketing are built around storytelling' and try to show 'the full lifecycle, from where the raw materials come from to how we turn waste into something usable' (BD4). A founder similarly stressed that the firm 'first tries to build awareness of the brand' (BD1), while another noted that most revenue still comes from exports because 'the upcycling market in Bangladesh is still developing' (BD3).

Value delivery is therefore organised differently across the two contexts. In the Swedish case, it is stabilised through formal coordination inside a relatively mature circular system. In the Bangladeshi case, it depends more heavily on brokerage, relationship-building, and the gradual formation of market understanding.

4.3. Institutional pressures: Aligned reinforcement versus fragmented guidance

These differences in value creation and value delivery are closely tied to how institutional pressures operate in each setting. In the Swedish case, coercive, normative, and mimetic pressures appear relatively strong, dense, and mutually reinforcing. One respondent described how 'Swedish and EU climate and waste regulation strongly shape our choices' through climate law, landfill bans, taxes, and environmental permits, even if some rules also create lock-ins (SE4). A similarly strong normative expectation was visible in the claim that 'our owners, the City, customers and industry networks expect us to be a frontrunner, not just compliant' (SE4). Respondents also referred to an industry norm 'to avoid landfill and instead recover both materials and energy' (SE2). Taken together, these accounts indicate a field in which circularity is already institutionally legible and strongly reinforced.

In the Bangladeshi case, institutional pressures were described as weaker, more fragmented, and less mutually aligned. One co-founder stated bluntly that 'there is no established policy in Bangladesh regarding circularity or textile waste management' (BD1), and added that the firm could not even list 'waste management' as its business category when applying for a trade licence (BD1). Other respondents emphasised that compliance pressures often remained partial or buyer-driven: 'factories follow eco-friendly practices only if it is required by the buyer' (BD3), while 'there are policies on paper, but the infrastructure to actually implement them is missing' (BD5). Respondents also pointed to storage and logistics bottlenecks around textile waste. The overall picture is therefore not one of absent pressure, but of uneven and weakly coordinated pressure that only partially guides circular action.

4.4. Legitimacy strategies: Institutionalised maintenance versus active construction

Legitimacy in the Swedish case rests less on gaining initial acceptance than on maintaining a credible position within an already legitimised circular system. Respondents therefore tied legitimacy closely to evidence, openness, and measurable performance. One business developer remarked that 'the real legitimacy test is to

show that circular and carbon removal initiatives are actual transformations with measurable impact over time, not just green rebranding' (SE4). An operations manager described the practical expression of that logic as being 'transparent with data', letting 'researchers, authorities and the media into our plants', and being explicit about both the strengths and limitations of the technology (SE2).

In the Bangladeshi case, legitimacy is not granted by default but must be actively constructed. Respondents repeatedly linked credibility to certification, partner endorsement, and visible proof of responsible practice. One co-founder explained that partners such as H&M, Oporajita, Startup Bangladesh, Build Bangladesh, and BGMEA 'enhance our credibility' and require the firm to maintain specific standards and certifications (BD1). The same respondent noted that the firm shares certification records with partners and invites them to visit the production facility for verification (BD1). Another founder stressed that, because the market is still new, 'building trust with foreign clients is a challenge' (BD3). In this case, legitimacy work is therefore woven directly into market access and value delivery rather than added after the fact.

4.5. Synthesis

Taken together, the findings suggest that circular business models are not transferable templates that travel unchanged across contexts. The Swedish case is characterised by system-level circularity, stable coordination, and performance-based legitimacy; the Bangladeshi case by adaptive material recovery, brokerage-dependent delivery, and more actively constructed legitimacy. Institutional alignment thus shapes not only whether circularity is enabled, but how its organisational work is distributed across value creation, value delivery, and legitimacy.

5. Discussion

The discussion follows the analytical architecture of the findings. It first interprets the patterned differences in value creation and value delivery, then considers the institutional pressures associated with those differences, and finally examines the legitimacy strategies through which circularity becomes credible. The contribution is therefore not the generic claim that circular business models are context-dependent, which prior research already suggests, but a more specific account of what changes at firm level when institutional alignment differs. Read this way, the study makes three bounded contributions to circular business model research: it specifies how circular organising changes across contexts, develops institutional alignment as a sensitising concept for comparing those differences, and shows that legitimacy is constitutive rather than peripheral to circularity.

5.1. Value creation and value delivery as context-sensitive configurations

The first contribution concerns value creation and value delivery. A persistent tendency in the CBM literature is to treat context as a surrounding set of barriers and enablers to an otherwise transferable design. Antikainen and Valkokari (2016), Nußholz (2017), Lüdeke-Freund et al. (2019), Pieroni et al. (2019), and Santa-Maria et al. (2021) already showed that the field was conceptually expanding faster than it was stabilising; Islam et al. (2025) and Ndoka et al. (2025) reinforce that diagnosis. Ferasso et al. (2020) likewise identify contextual considerations as an emerging but still weakly consolidated research stream. The present study suggests instead that context enters earlier and more deeply by shaping how circular value is created and how it is delivered in the first place.

What differs across the two cases is not only the ease with which circularity can be implemented, but the work through which it is made possible. In the more aligned setting, value creation takes the form of system optimisation and value delivery takes the form of stable coordination. In the less aligned setting, value creation becomes selective and adaptive, while value delivery depends more heavily on brokerage, trust-building, and market formation. This sharpens van Erkelens et al.'s (2025) embeddedness paradox and complements Rizos et al. (2016) and Lit et al. (2024) by showing more precisely how fragmented environments redistribute implementation, credibility, and market-making work inside the firm. The point is not simply that fragmented environments make circularity harder, but that they shift where the organisational burden falls.

The findings also resonate with comparative and ecosystem-oriented work showing that circular business model emergence depends on interdependencies among regulation, markets, technology, and collaboration.

Bocken and Shirahada (2025), Santa-Maria et al. (2021), and Huis et al. (2026) make that point from different directions. The present study pushes it further by tracing those interdependencies down to the firm level through the coupled organisation of value creation and value delivery. Circular business models are therefore better understood as organisational configurations co-produced with institutional environments than as standardisable blueprints that travel unchanged across settings.

5.2. Institutional pressures and institutional alignment

The second contribution concerns institutional pressures. By combining circular business model theory with institutional theory, the article develops institutional alignment as a sensitising concept for comparing patterned differences in circular organising across settings. The term does not denote a fixed national ranking or a simple distinction between advanced and lagging economies. Nor does it replace existing notions of coercive, normative, and mimetic pressure. It refers instead to the degree to which regulations, infrastructures, norms, and market expectations are sufficiently aligned to support circular activity within a specific context-industry configuration. Used this way, the concept directs attention not simply to the presence of pressures, but to their joint configuration and to the organisational work required to make circularity operational and credible. Its added value is therefore relational and operational rather than taxonomic.

This framing helps interpret why coercive, normative, and mimetic pressures appeared differently across the two cases. In Scott's (2014) terms and DiMaggio and Powell's (1983) more specific account of isomorphic pressures, the Swedish case displayed denser and more mutually reinforcing regulative, normative, and mimetic cues. Regulation was clearer, circularity was more socially expected, and firms could orient themselves towards established peer practices. Such alignment supported long-term investment and more stable resource loops, but it also raised the threshold of expected performance. In the Bangladeshi case, by contrast, pressures were weaker, more fragmented, and less consistently aligned, increasing uncertainty while leaving more room for adaptive experimentation.

The argument extends recent institutional work on circular business model development. Huis et al. (2026) show that coercive, normative, and mimetic pressures shape what value is created, offered, and captured in CBM development. Henttonen (2025) likewise shows that circular ventures may engage in purposeful institutional work, while Bocken and Shirahada (2025) show how institutional conditions frame business model transformation. The present study complements these insights by showing how the density and alignment of those pressures are associated with the organisational pathways through which circular value is created, delivered, and justified. The added value is not to invent another pressure category, but to show how their configuration translates into different firm-level pathways. In more aligned settings, firms work within an already legible circular field; in more fragmented settings, they may have to help make that field legible in the first place.

5.3. Legitimacy strategies as a constitutive part of circularity

The third contribution concerns legitimacy strategies. In much circular economy research, legitimacy is present implicitly but not fully theorised; it is treated as background condition or post hoc outcome. In the two cases analysed here, however, legitimacy is constitutive: it helps determine whether circular value can be delivered at all. Suchman (1995) remains foundational, but Rizos et al. (2016), Frishammar and Parida (2019), and Lit et al. (2024) suggest more specifically that acceptance, credibility, and market education are part of implementation rather than aftermath.

The contrast between the cases is instructive. In the Swedish case, the dominant legitimacy strategy is one of institutionalised maintenance. Circularity is already institutionally intelligible, and the organisation's main task is to demonstrate continued performance, transparency, and alignment with established expectations. In the Bangladeshi case, legitimacy strategy is closer to active construction. Credibility has to be built through certification, trust-building, visibility work, and market education. In other words, legitimacy is not simply attached to the business model after the fact; it is actively produced as part of making circular value deliverable at all.

This distinction extends Suchman's (1995) classic view of legitimacy as a generalised perception of appropriateness by showing that circular firms face different legitimacy tasks, and therefore different legitimacy strategies, under different degrees of institutional alignment. It also adds nuance to emerging work

on circular entrepreneurship and ecosystem formation by Henttonen (2025), Lit et al. (2024), and van Erkelens et al. (2025). In fragmented settings, legitimacy work is not only reputational; it helps stabilise exchange relations, reassure buyers, make quality claims credible, and reduce uncertainty where circularity is not yet fully institutionalised.

5.4. Practical value, boundary conditions, and future research

The study's practical value lies in showing, on the basis of two contrasting cases, that circular business models do not succeed or fail only because firms choose better or worse designs; they become viable when value creation, value delivery, institutional pressures, and legitimacy demands are sufficiently aligned. This moves beyond the more generic barrier-and-enabler framing in Rizos et al. (2016) and Ndoka et al. (2025) by showing where the organisational burden actually falls under different institutional conditions. It also complements Frishammar and Parida's (2019) roadmap for incumbent transformation and Lit et al.'s (2024) work on emerging circular ventures by making context analytically prior to replication. For managers, the implication is therefore not simply to adopt a circular archetype, but to diagnose whether the surrounding configuration supports optimisation, institution-building, or a combination of both. For policymakers and ecosystem actors, the value is equally clear: the findings show why regulation, infrastructure, standards, and market expectations are not peripheral supports but part of the operating logic of circularity itself.

These claims should nevertheless be read with the study's boundary conditions in view. The empirical base is deliberately modest: nine interviews, a firm-centred respondent set, mixed interview modes, and cases that vary simultaneously by country, industry, and organisational development stage. The comparison is analytically strong because it uses a common framework across two sharply contrasting settings and thereby reveals patterned differences that echo recent institutional and ecosystem-oriented work on circularity by Bocken and Shirahada (2025), Huis et al. (2026), and van Erkelens et al. (2025). At the same time, the article does not claim a clean net effect of institutional alignment in a causal, variable-isolating sense. Its contribution is explanatory and theory-building: it specifies how differing degrees of alignment are associated with different pathways for making circular value workable, deliverable, and credible. That is a meaningful contribution because the literature still needs studies that connect pressures, organisational responses, and legitimacy work more tightly than broad barrier lists usually allow.

This opens a productive research agenda. Within-industry comparisons across institutional settings could test whether the pattern identified here holds when technology and market category are kept more constant, extending the comparative agenda suggested by Santa-Maria et al. (2021), Bocken and Shirahada (2025), and Huis et al. (2026). Multi-actor studies including regulators, intermediaries, waste actors, certifiers, and customers could clarify how alignment is assembled collectively rather than assumed, which would also speak to Henttonen's (2025) emphasis on institutional work and to Lit et al.'s (2024) concern with ecosystem formation around circular ventures. Longitudinal research could then trace how configurations of value creation, value delivery, institutional pressure, and legitimacy stabilise, scale, or unravel over time. This is worth pursuing not only because it would refine theory, but because it could generate more realistic transition strategies for firms and policymakers operating under very different institutional conditions.

6. Recommendations

For managers, the central recommendation is to replace template-driven replication with an alignment diagnosis. The findings show why: in the Swedish case, circular value creation could be intensified through system optimisation because material access, partner coordination, and legitimacy were already comparatively stabilised, whereas in the Bangladeshi case progress depended more heavily on brokerage, certification, trust-building, and market education before similar scaling logics became feasible. That pattern is consistent with Frishammar and Parida's (2019) argument that transformation requires organisational redesign rather than isolated pilot projects, and with Lit et al.'s (2024) demonstration that emerging circular ventures must often build the very conditions under which their models can function. Before scaling a circular model, firms should therefore ask four questions: how will circular value be created, through what delivery architecture will it reach the market, which institutional pressures are enabling or constraining the model, and what legitimacy work is required for buyers, partners, investors, and regulators to regard the offering as credible? In more aligned

settings, the priority is to deepen performance through system integration, transparent data, quality assurance, and durable coordination across partners. In less aligned settings, managers should sequence investments more cautiously: first secure material access and storage arrangements, then build basic quality assurance and certification, then traceability, buyer trust, and market education, and only then pursue rapid scaling.

For policymakers, the recommendation is to treat circular business model development as institutional capacity-building rather than as firm-level innovation support alone. The empirical contrast in this study makes that point directly: where pressures were denser and more mutually reinforcing, firms could orient towards optimisation and stable coordination; where standards, infrastructures, and market expectations were more fragmented, firms had to spend much more effort making circularity legible and workable in the first place. That reading is aligned with Rizos et al. (2016), Alam et al. (2025), and Ndoka et al. (2025), all of whom show in different ways that circular initiatives stall when governance, infrastructure, and market supports remain underdeveloped. Where alignment is weak, the highest-leverage interventions are therefore those that reduce uncertainty and make secondary-material markets more dependable: designated waste-storage and recycling hubs, testing and certification capacity, traceability systems, collaboration platforms, procurement signals, and financing for recovery infrastructure. In practical terms, the sequence is to stabilise material quality, lower transaction uncertainty, and only then expect firms to scale circular offerings. Where alignment is stronger, policy should focus on adaptive regulation, support for pilot projects, and contracting or standard-setting mechanisms for next-generation circular infrastructures such as cross-sector heat recovery or carbon removal. The broader lesson is constructive: when institutional supports become more coherent, firms do not merely adopt circularity more efficiently; they can pursue more ambitious and durable circular pathways.

7. Conclusion

This article addresses a specific gap in circular business model research. Although prior studies show that context matters, we still know too little about how differences in institutional alignment are associated with the firm-level enactment of circularity. Drawing on a comparative qualitative case study of two circular enterprises in Sweden and Bangladesh, the article examined how institutional conditions are associated with circular value creation, value delivery, and legitimacy strategies. Its contribution is not simply to restate that CBMs are context-sensitive, but to specify the form that this sensitivity takes at firm level.

The central finding is that institutional alignment redistributes the organisational work of circularity. In the Swedish case, circularity is enacted through system-level optimisation, stable coordination, and performance-based legitimacy maintenance. In the Bangladeshi case, it is enacted through adaptive material recovery, brokerage-dependent delivery, and actively constructed credibility. Circular business models therefore do not merely encounter different constraints across settings; they take different organisational forms. In that respect, the article extends Nußholz (2017), Frishammar and Parida (2019), Santa-Maria et al. (2021), and van Erkelens et al. (2025) by showing how institutional alignment shapes the kinds of circularity that become workable, credible, and scalable.

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Declarations

Competing Interests The authors declare no competing interests.

Ethics approval and consent Ethics approval was not required under the Swedish Ethical Review Act (2003:460), as the study was based on non-invasive semi-structured interviews with adult participants and did not collect sensitive personal data or personal data relating to criminal offences. Participation was voluntary, informed consent was obtained prior to data collection, and all respondents were anonymised in reporting.

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Appendix A. Semi-structured interview guide

A.1 Purpose and application. To explore how circular enterprises enact circular value creation and value delivery, and how institutional pressures relate to these practices and legitimacy work. The same guide was used across both cases; probes were adapted only for clarification and contextual relevance.

A.2 Opening script. *"Thank you for participating. We are interested in your experiences of how your organisation works with circularity in practice. There are no right or wrong answers. With your consent, we will use anonymised quotations in our analysis."*

A.3 Interview domains and prompts

Table A.1. Interview domains, core questions, and indicative probes.

Theme	Main interview question	Probe or follow-up
A. Circular business model enactment		
Circular value creation	How does your company design products or processes to support circularity (e.g., reuse, repair, recycling, resource efficiency)?	Can you give a concrete example of a decision or change this has led to?
Value delivery through partnerships	How do you collaborate with suppliers, partners, or customers to make circular value flow through your network?	What role do these partnerships play in achieving circular or sustainability goals?
Value delivery through communication and engagement	How do you communicate your circular or sustainable value to customers or stakeholders?	How do you encourage participation in reuse, repair, take-back, or recycling?
Innovation as an embedded mechanism	What kinds of innovation (technological, process, or business-model related) have been most important for your circular development?	How do you test, learn from, or adapt new ideas in daily operations?
B. Institutional pressures and legitimacy		
Coercive pressures (rules and policy)	How do government policies, laws, or regulations influence your circular activities?	What has been enabling, and what has been constraining?
Normative pressures (norms and expectations)	How do expectations from professional networks, industry associations, customers, or partners influence your work with circularity?	Which norms support or hinder circular practices?
Mimetic pressures (learning and imitation)	Have you been inspired by, or learned from, other companies or models in your field?	What motivates imitation, benchmarking, or differentiation?
Context and legitimacy	How would you describe the general conditions for circular business in your context?	What helps or hinders businesses like yours from being seen as legitimate or credible?
Closing question		
Final reflection	What do you see as the main opportunities and challenges for circular enterprises like yours in the coming years?	

Note: Probes were used flexibly to encourage elaboration and could be adapted to respondent role and contextual relevance.