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Entrepreneurial Orientation and Circular Business Practices: A Conceptual Framework

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ABSTRACT

The idea of a circular economy is becoming more popular in academia, business, and public policy. A circular economy is an alternative economic model that reduces waste, pollution, and the lack of resources. On the other hand, numerous studies have been studied under Entrepreneurial Orientation (EO). The dimensions of EO, such as risk-taking, innovativeness and proactivity, are studied to draw a relationship with Circular Practices. The literature study examined the theories' ideas and ways of thinking about them. It also gave a framework that pointed out the problems and the research gaps. The research design comprises of developing a hypothetical model with Entrepreneurial Orientation as the exogenous variable to test the endogenous variable of Firms Performance. In addition, Circular Practice targets Performance as a mediating variable. The methodology used in this study is quantitative that contains a random sample of Entrepreneurs in Tamil Nadu, India. The questionnaire is suggested for collecting and

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analysing data with SPSS version 18.0 and Partial Least Squares Structural Equation Modelling (PLS-SEM) 3.0.

Keywords: Circular Practices, Entrepreneurial Orientation, Resource-based view, Sustainability, Circular Economy

INTRODUCTION

Entrepreneurship is identifying and exploiting business possibilities at the individual opportunity nexus. (Shane S & Venkataraman S, 2000). The GEM 2022 report defines entrepreneurship as starting and operating a company. When entrepreneurs start new businesses, they create jobs, income, and value-added, the three pillars of economic growth. They often introduce new goods, technologies, or processes (GEM 2022). Economics, psychology, and sociology were the most significant influences on the study of entrepreneurship. Schumpeter (1934) and McClelland (1967), considered to be the founders of the field of entrepreneurship studies, looked at the topic from a psychological point of view. They focused on people as the main subjects of their studies. Between 1980 and 2005, mainstream entrepreneurship studies shifted in this regard. (Kirchhoff 1991) This method used economic and strategic theories to understand entrepreneurship during this period (Frese & Gielnik, 2014). Choosing to go into business for yourself opens various doors. It brings in more money from economic and industrial activity, investment returns, job opportunities, foreign direct investment (FDI), and increases in national income.

In addition to their regular company activities, many smaller companies have started to use environmentally friendly practices, environmental legislation, environmentally friendly talents, and innovative ways to get resources to help the environment (Rizos, 2016). The rise of the collaborative economy led to technological advances that gave people more freedom and made connecting with others easier. Platforms for working together can make it harder for their businesses to stay in business (Fang & Li, 2022). Many entrepreneurs and business owners are very optimistic and consider social and environmental issues when making decisions. These worries may go away as incomes rise, however. Since many of these economies have already felt

the effects of change on society and the environment, it may not be surprising that less wealthy countries take these issues seriously (GEM, 2022). As a result, practitioners, and researchers of entrepreneurial orientation (EO) want to focus more on environmental problems and ideas like the circular economy (CE) (Cullen and De Angelis, 2021).

The concept of a circular economy (CE) can be summed up in the expression "reduce, reuse, and recycle," which aims to strike a balance between promoting economic development and preserving the natural environment. It attempts to circumvent the inherent flaws of a straight business model, defined as "take, make, use, and dispose of" (EC, 2015). We need to move toward a new "circular" paradigm based on reducing, reusing, and recycling resources. This approach facilitates the closure of the loop in economic systems, thereby generating environmental and economic advantages across various levels of analysis, as stated by EC (2015) (EEA, 2016). At the organizational level, the implementation of Circular practices (CP) is facilitated by various behaviors, such as the prioritization of regenerative resources, the conversion and elimination of waste, the design of durable and reassembled products, and the integration of products and services in 'product-service-systems' (PSS). These practices offer significant opportunities for cost savings and revenue generation (Stahel, 2013). To use the CE framework, businesses need to make significant changes to their strategies and develop entrepreneurial skills in crucial areas (Tura et al., 2019). This article employs the resource-based view (RBV) theory of the firm.

According to Wiklund and Shepherd's (2005) assertion, there needs to be more examination regarding the correlation between a company's resources (VRI) and its organization (O) in elucidating its performance within the context of the VRIO terminology. They propose that more research should be done on the correlation because there are signs that managerial decisions can affect how the firm's resources are used in response to changes in the environment and new opportunities. Entrepreneurial Orientation (EO) is an essential metric for organizations because it can increase the firm's resources by focusing the attention of top-level managers on the best way to use resources to find and take advantage of opportunities.

This research seeks to cover this void by establishing an EO model that influences the objective performance of Circular Practice by minimizing its challenges to improve the performance of firms. Specifically, this study will focus on improving the performance of firms. This study aims to respond to the following research question: Which EO structures influence the achievement of cyclical practices by target performance to enhance firm performance?

LITERATURE REVIEW

This research is built on the Resource-based view (RBV) theory. According to RBV, organizations' resources are essential in accelerating performance and ensuring competitive advantage (Hitt et al., 2011). This school of thought says that the diversity of a company's resources gives it its unique competence, which determines its level of ongoing success and helps it grow. (Barney, 1991). Researchers (Barney & Clarke, 2007; Newbert, 2007) say that a company's improved performance may be due to better use of the company's internal resources. The idea of a resource-based view (RBV), which focuses on companies' internal capabilities that function as building blocks to generate competitive advantage and enhance firms' performance (Shah et al., 2019; Barney, 1991), is highly significant from the standpoint of business performance. RBV looks at what a company can do on its own, which gives it a competitive edge and improves how well it does its job. The researcher came up with the idea that better and more long-term growth needs an accurate assessment of the resources available inside an organization. According to Morgan et al. (2009), appropriate articulation of an organization's internal resources and the methodical use of those resources are essential to achieving a competitive edge and maintaining the firm's development over time. As a result, this research aims to establish a conceptual framework that considers three significant aspects of Entrepreneurial orientation, Circular Practice target performance, and firm performance. The business will be more efficient if it makes suitable investments in its own resources, responds quickly to market changes, looks for opportunities, and is willing to take risks to put forward new ideas, especially if the circular practice is developed at the same time.

ENTREPRENEURIAL ORIENTATION

Entrepreneurial orientation (EO) is an essential aspect of entrepreneurship and strategy. It shows the management's vision and guides the organization's efforts to develop new ideas that help customers and the businesses that serve them. (Smith & Jambulingam, 2018). EO is an organizational trait that reflects how "being entrepreneurial" is realized in organizations or business units. The particular area of entrepreneurship is understood as indicated by risk-taking, innovativeness, and proactiveness. EO refers to how these characteristics are manifested in organizations or business units. (Covin & Slevin, 1989; Miller, 1983). To be more explicit, the term EO "refers to the processes, practices, and decision-making activities that lead to new entry," with the dimensions antecedent to new entry being risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness. (Lumpkin & Dess, 1996). According to the conception of Miller, Covin, and Slevin, EO is expressed in the standard variation of risk-taking, innovativeness, and proactiveness. To be more specific, EO can be seen in the typical differences in how these processes show up in behavior. Polites, Roberts, and Thatcher (2012) explain that EO is a "profile construct" based on how Lumpkin and Dess think about it. This means that EO is represented by how the dimensions of the construct are merged into an overall profile. Both ways of thinking about the situation may be defended. (Covin & Wales, 2019).

EO is the behavioral predisposition of an organization towards creativity, proactiveness, and risk-taking that contributes to organizational performance (Isichei et al., 2020; Dankiewicz et al., 2020; Kramoli & Dobe, 2020; Lumpkin & Dess, 1996). Risk-taking refers to the proclivity of an organization to undertake endeavors and engage in actions that entail an element of unpredictability in their outcomes. (Kallmuenzer & Peters, 2018). A risk-taking attitude measures a person's willingness to make choices regarding endeavors with a high likelihood of success (Anderson & Eshima, 2013).

The performance of the business is positively correlated with the risk-taking behavior of entrepreneurs, as perceived from the SMEs' standpoint. (Wiklund & Shepherd, 2005). According to Lumpkin and Dess (1996), there exists a variation in the propensity for risk-taking and its

outcomes at both the organizational and structural levels, which can be attributed to the goals and objectives of the organization. The willingness to take risks "represents the willingness to take advantage of opportunities that have arisen in the environment," even though the company and the entrepreneurs know "neither the likelihood of its success nor the consequences of its actions." Risk-taking "represents the willingness to take advantage of opportunities that have arisen in the environment" (Rodrigo-Alarcon, 2018). Thus, The literature presents various risk-taking strategies to address operational crises in firms operating in the Central European region. The availability of financial tools, financing solutions, and digital intelligence, including IoT and Big Data, is crucial for enhancing the performance of firms, as suggested by recent studies (Cantu et al., 2021; Gong et al., 2020).

H1: Risk-taking has a positive influence on achieving the target of Circular Practice target Performance of SMEs.

The concept of innovation pertains to the extent to which an organisation is inclined towards innovating its business operation processes. (Zufiqar et al., 2019; Bhatti, Rehman, & Rumman, 2020). Innovation enables the organisation to capitalise on novel prospects, meet customers' demands through novel products and services, and assume the role of a pioneer in the sector. (Isichei et al., 2020; Shah et al., 2019). Furthermore, individuals who exhibit a proclivity for innovation are likely to possess a greater capacity for identifying diverse channels of financial resources than those who exhibit a lower inclination towards innovation and access beyond the conventional methods of loans and shares (Christian Stone, 2016).

H2: Innovativeness has a positive influence on achieving the target of Circular Practice target Performance of SMEs.

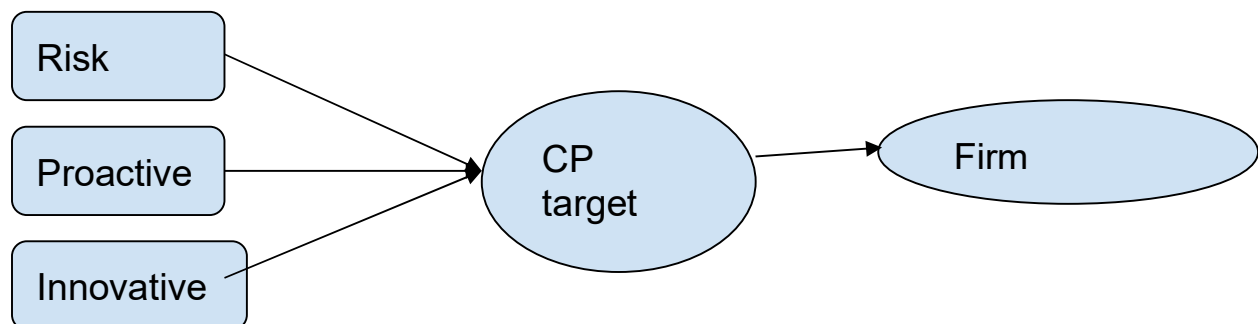
The notion of proactiveness pertains to the capacity of an organisation to anticipate and take proactive measures in response to the demands of consumers by providing novel products and services that have yet to become familiar to any other entity in the industry (Kallmuenzer &

Pefactor, 2018). The internal factor that plays a crucial role in the success of an organisation is proactiveness. This factor allows organisations to capitalise on first movers in the industry, indicating a high level of entrepreneurial activity (Isichei et al., 2020; Lumpkin & Dess, 1996). The capacity of an organisation to anticipate the future demands of consumers and effectively meet those demands is a crucial driver of business performance. The market analysis allows the organisation to assess present market demand and anticipate future expectations, potentially resulting in business expansion and enhanced performance (George & Marino, 2011). Hence, proactiveness encompasses not only current business operations but also those of the future. The attribute of proactiveness enables enterprises to forecast emerging concepts and recognise prospects within the market. (Lumpkin & Dess, 1996).

H3: Proactiveness has a positive influence on achieving the target of Circular Practice target Performance of SMEs.

CONCEPTUAL DEVELOPMENT TO THE HYPOTHETICAL MODEL

A theoretical framework was created to evaluate the model for the research objectives after an in-depth assessment of the relevant literature, taking the research challenge, and performing an extensive examination of the relevant theories and models. The framework was used to build hypotheses using the following constructs. The exogenous variable was considered as variables of EO, including risk-taking, Proactiveness and Innovativeness of an Entrepreneur. The endogenous variable is the Firms Performance, and the mediating variable is Circular Practice Target Performance.



Model Figure: 1

METHODOLOGY

The research is centered on investigating theoretical constructs or latent variables that are not directly observable, commonly referred to as latent variables. This study focuses on the latent variable of Entrepreneurial Orientation among Entrepreneurs and Managerial individuals in Tamil Nadu, India.

As latent variables are not subject to direct observation, they cannot be measured directly. This study considers Risk-taking as an exogenous variable. In contrast, the observed variables are Proactiveness and Innovativeness—the above components are indicators of the fundamental constructs they embody. The additional mediating variables comprise Circular Practices' target Performance as indicators. Upon implementation of PLS-SEM, an evaluation is conducted to determine how each indicator variable contributes to representing its corresponding construct. Additionally, an assessment is made to determine the effectiveness of the collective set of indicator variables in representing the construct, focusing on reliability and validity. The present evaluation pertains to assessing the measurement model utilising the partial least squares-structural equation modelling (PLS-SEM) approach. Partial Least Squares Structural Equation Modeling (PLS-SEM) facilitates the evaluation of theoretical constructs and their interrelationships with measured variables and latent constructs. The PLS-SEM method also enables the assessment of the degree of fit between the theoretical model and the empirical data. (Hair et al., 2014).

PRELIMINARY CONCLUSION AND FINDINGS

The present study has analyzed the impact of Entrepreneurial Orientation on the performance of firms, with Entrepreneurial Orientation considered the exogenous variable and firm performance as the endogenous variable. The mediating factors are directed towards the Circular practice target Performance variable. Numerous studies on entrepreneurship provide evidence of the significance of skills, sustainability and green Orientation. This paper tries to draw a relationship between the Entrepreneurial Orientation towards circular practices and its impact

on firms' performance. Subsequent research endeavours may empirically examine the hypothetical framework designed to evaluate Entrepreneurial Orientation and Circular Practice.

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