

Leadership Agility for Circular Economy Transformation in SMEs: Strategic Pathways toward Sustainable Partnership Ecosystems

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Abstract

Purpose: This study aims to develop a conceptual framework explaining how leadership agility facilitates circular economy transformation through sustainable partnership ecosystems in small and medium-sized enterprises (SMEs)

Design/methodology/approach: This study employed a qualitative approach using a literature review method. Relevant theories and empirical findings were synthesized from reputable international journals indexed in Scopus and Web of Science, with emphasis on recent publications related to leadership agility, circular economy transformation, sustainable partnership ecosystems, and SMEs. The literature was analyzed through descriptive qualitative analysis and conceptual synthesis to identify the interrelationships among the key constructs

Findings: The synthesis indicates that leadership agility enhances organizational adaptability, innovation capability, and collaborative capability, enabling SMEs to respond effectively to dynamic business environments. Furthermore, sustainable partnership ecosystems strengthen circular economy transformation by fostering trust, long-term commitment, collaborative learning, and shared value creation among business partners. Based on these findings, this study proposes a conceptual framework integrating leadership agility, sustainable partnership ecosystems, and circular economy transformation

Practical implications: The proposed framework provides strategic insights for SME leaders to strengthen collaborative partnerships and accelerate the implementation of circular economy practices through agile leadership

Originality/value: This study offers a novel conceptual perspective by integrating leadership agility and sustainable partnership ecosystems as strategic pathways for circular economy transformation in SMEs

Paper type: Conceptual paper

Keywords: Leadership agility, circular economy transformation, sustainable partnership ecosystems, SMEs, sustainability.

1. Introduction

Circular economy transformation has become a global agenda, as the linear economic model, which relies on the take-make-dispose pattern, is increasingly viewed as vulnerable to resource crises, environmental pressures, and shifting market expectations regarding sustainability (Henry & Kirchherr, 2020). In recent developments, the circular economy is no longer sufficiently understood as merely recycling practices, but rather as a systemic shift that reconfigures product design, production processes, business models, material flows, and inter-actor relationships within value chains (Tan et al., 2022; Vogiantzi & Tserpes, 2023). This shift demands that firms not only become more efficient, but also develop new value through reuse, repair, redesign, material recovery, and cross-organisational collaboration (Blomsma et al., 2019). At this juncture, small and medium-sized enterprises (SMEs) occupy a somewhat paradoxical position: while they are close to local markets and flexible in operational decision-making, they are frequently constrained by limited capital, technology, knowledge, partner access, and managerial capacity to pursue circular transitions consistently (Dey et al., 2022). In such circumstances, leadership agility enables SME leaders to respond to market changes, optimise scarce resources, and drive green innovation towards the circular economy (Yusup et al., 2025).

Circular economy transformation in SMEs necessitates the interplay between organisational adaptive capacity, business model renewal, and the strengthening of sustainable partnership ecosystems (AlNuaimi et al., 2022; Bocken et al., 2022; Blomsma et al., 2022). In circular economy transformation, leadership agility becomes critical because circular decisions often do not follow a linear path from planning to implementation, but rather proceed through experimentation, the abandonment of long-held assumptions, negotiation with partners, and rapid adjustments to material and market opportunities

(Bocken et al., 2022). For SMEs, agile leadership is not merely a style of managing people, but rather functions as a moving compass that assists small organisations in navigating resource constraints towards circular strategies that are more open, adaptive, and well-connected with the partnership ecosystem (Dey et al., 2022; Blomsma et al., 2022).

A more specific issue arises when circular transformation in SMEs cannot be accomplished by a single firm independently, as material flows, technical knowledge, financing, product design, reverse logistics, and market access require connectivity with suppliers, customers, communities, government bodies, research institutions, and waste management actors (Blomsma et al., 2022; Kirchherr et al., 2023). Consequently, sustainable partnership ecosystems constitute a strategic arena in which SMEs can build circular capacity through collaboration, rather than solely through internal investment, which is often costly and difficult to access (Dey et al., 2022). This framework positions leadership agility as the bridge between sustainability intentions and collective action, since SME leaders must interpret external pressures, select relevant partners, transform business processes, and sustain collaborative commitments in often volatile circumstances (AlNuaimi et al., 2022; Bocken et al., 2022).

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Dey et al. (2022) provide an important contribution by explaining the adoption of circular economy practices among SMEs in Europe and demonstrating that implementation success is influenced by a combination of internal and external firm factors (Dey et al., 2022). However, the focus of their study is more strongly oriented towards the adoption of circular practices and does not specifically dissect leadership agility as a managerial mechanism that links SME constraints with opportunities for circular collaboration (Dey et al., 2022). This gap indicates that research on SMEs and the circular economy still needs to examine how leaders make rapid decisions, interpret risk, and build partnership networks when organisational resources are not yet fully prepared (Dey et al., 2022; AlNuaimi et al., 2022).

Blomsma et al. (2019) developed a circular strategy framework for manufacturing companies and emphasise that circular economy innovation requires clear strategic choices at the product, process, and value system levels ((Blomsma et al., 2019). Although this framework is useful for mapping the variety of circular strategies, its discussion does not yet deeply position SMEs as actors that are highly dependent on leaders' ability to orchestrate external partners (Blomsma et al., 2019; Dey et al., 2022). The distinction of the present research lies in its effort to shift attention from a catalogue of circular strategies towards the leadership processes that enable such strategies to be executed within concrete and sustainable partnership ecosystems (AlNuaimi et al., 2022; Blomsma et al., 2019).

Bocken et al. (2020) highlight the importance of circular business model experimentation and explain that firms must test assumptions, study market responses, and adjust their business models before circular transformation can be implemented more fully ((Bocken & Short, 2020). Nevertheless, their study places greater emphasis on business model experimentation, whilst the aspects of leadership agility in managing uncertainty, internal resistance, and negotiations with partners have not yet become the central focus of analysis (Blomsma et al., 2019). The proposed research differs in that it views circular experimentation in SMEs as a social and strategic process that is heavily influenced by leaders' ability to connect internal learning with external ecosystem support (Bocken et al., 2022; Dey et al., 2022).

AlNuaimi et al. (2022) demonstrate that leadership, agility, and digital strategy play a significant role in the successful transformation of organisations within rapidly changing business environments

(AlNuaimi et al., 2022). However, their study is situated within the context of digital transformation and has not specifically linked leadership agility to the circular economy agenda, particularly in the case of SMEs, which require cross-actor partnerships to close value cycles (AlNuaimi et al., 2022; Kirchherr et al., 2023). This gap is significant because agility in digital transformation does not automatically address the issues of materials, waste, product redesign, and regenerative collaboration that lie at the core of the circular economy (AlNuaimi et al., 2022; Blomsma et al., 2019).

Kirchherr et al. (2023) refine the conceptualisation of the circular economy by demonstrating that this concept is increasingly evolving as a systemic agenda encompassing environmental, economic, and social dimensions (Kirchherr et al., 2023). Although this conceptual contribution is highly robust, their study has not yet provided an operational explanation of how SMEs can translate the circular economy concept into leadership- and partnership-based strategic pathways (Dey et al., 2022; Kirchherr et al., 2023). Consequently, this research occupies a relatively underexplored space, namely the relationship between leadership agility, circular economy transformation in SMEs, and the development of sustainable partnership ecosystems as a single, interlocking strategic framework (AlNuaimi et al., 2022; Blomsma et al., 2022; Kirchherr et al., 2023).

Based on the five aforementioned studies, the research gap can be identified in that the recent literature has extensively discussed circular economy adoption, circular strategies, business model experimentation, and organisational agility, but remains limited in explaining how leadership agility functions as a directing capability for SMEs to build sustainable partnership ecosystems within circular economy transformation (Dey et al., 2022; AlNuaimi et al., 2022; Bocken et al., 2022). This gap is further reinforced because some studies position the circular economy as a technical and business-model issue, whereas the dimension of agile leadership in orchestrating partners, managing learning, and sustaining collaboration has not yet been articulated as a coherent strategic pathway (Blomsma et al., 2022; Kirchherr et al., 2023). Therefore, this research offers a contribution by developing a conceptual understanding of the strategic pathways that connect leadership agility, circular economy transformation, and sustainable partnership ecosystems in the SME context (Dey et al., 2022; AlNuaimi et al., 2022; Blomsma et al., 2022).

The aim of this research is to analyse the role of leadership agility in driving circular economy transformation in SMEs through leaders' ability to read changes, mobilise business model experimentation, reconfigure resources, and build collaborative relationships with external actors (AlNuaimi et al., 2022; Bocken et al., 2022). This research also aims to identify strategic pathways that SMEs can utilise to develop sustainable partnership ecosystems, particularly through relationships with suppliers, customers, supporting institutions, local communities, and resource management actors relevant to circular practices (Dey et al., 2022; Blomsma et al., 2022). With this formulation, the research seeks not only to explain that SMEs need to change, but also how such change can be led, nurtured, and disseminated through more vibrant partnership networks.

Another aim of this research is to formulate a conceptual framework that can assist academics and practitioners in understanding the relationship between leadership agility, circular innovation, and the development of collaborative ecosystems in SMEs (Bocken et al., 2022; Blomsma et al., 2022). The framework is expected to elucidate that circular economy transformation is not merely an operational agenda, but rather a strategic process that requires leaders capable of learning rapidly, negotiating interests, and transforming business relationships into sustainable partnerships (AlNuaimi et al., 2022; Dey et al., 2022). Accordingly, this research is directed towards generating a conceptual contribution that is relevant to the development of the circular economy, leadership, and SME management literature (Kirchherr et al., 2023; Dey et al., 2022).

The benefit of this research lies in its capacity to provide an academic and practical foundation for SMEs in addressing increasingly complex sustainability pressures, particularly when market demands, regulatory requirements, resource efficiency, and environmental responsibilities can no longer be managed through conventional business practices (Kirchherr et al., 2023; Dey et al., 2022). Academically, this research enriches the discourse on the circular economy by incorporating leadership agility as a strategic factor that bridges internal change and external collaboration (AlNuaimi et al., 2022; Bocken et al., 2022). Practically, this research can serve as a reference for SME owners and managers in formulating more realistic, phased, and partnership-based transformation steps, so that the circular economy does not remain merely an attractive green slogan in proposals, but rather evolves into implementable business practices (Dey et al., 2022; Blomsma et al., 2022). The urgency of this

research is further reinforced because the success of the circular economy in SMEs depends heavily on the ability to transform limitations into collaboration, and it is precisely at this point that leadership agility functions like a small hinge, determining whether the door of transformation opens fully, or merely swings briefly before coming to a halt (AlNuaimi et al., 2022; Kirchherr et al., 2023).

2. Literature Review

Leadership Agility

In this context, leadership agility can be understood as the leader's ability to recognise change and respond to uncertainty adaptively, whilst simultaneously fostering organisational learning and innovation (Muafi & Uyun, 2019; Kaya, 2023). Leadership agility is viewed as the leader's capacity to anticipate change, respond adaptively to environmental dynamics (Arifin & Purwanti, 2023), and steer the organisation to maintain performance in complex and highly uncertain situations (Tandon, L., Bhatnagar, T. & Sharma, 2024). Prior findings indicate that leadership agility enhances the organisation's ability to navigate dynamics and uncertainty through adaptive leadership, thereby supporting and accelerating organisational transformation (AlNuaimi et al., 2022; Tandon, L., Bhatnagar, T. & Sharma, 2024; Yusup et al., 2025).

Leadership agility enables leaders to build an adaptive organisational environment through enhanced flexibility, organisational learning (Arifin & Purwanti, 2023), collaboration, and the capacity to respond to change, thereby supporting innovation and organisational transformation (AlNuaimi et al., 2022; Tandon et al., 2024; Yusup et al., 2025). Leadership agility is characterised by the following: rapid response to change (responsiveness); the ability to adapt to new conditions (adaptability); the ability to articulate a clear vision and direction (articulation); proactive and collaborative leadership (collaboration); and the ability to build strong networks with stakeholders (Arifin & Purwanti, 2023).

Circular Economy transformation

Circular economy transformation constitutes a strategic process of change from the linear economic model towards a system that preserves the value of products, materials, and resources through reuse, repair, remanufacturing, and recycling in a sustainable manner (Kirchherr et al., 2023). This transformation is not solely focused on resource management, but also encompasses systemic changes in product design, operational processes, business models, organisational governance, and value chain collaboration (Blomsma et al., 2022; Kirchherr et al., 2023). The success of circular economy transformation depends on the organisation's ability to integrate circular strategies comprehensively, as well as to develop business models through experimentation, continuous learning, and adaptive innovation responsive to changes in the business environment (Blomsma et al., 2022; Bocken et al., 2022).

The circular economy concept emphasises the implementation of various circular strategies aimed at enhancing resource efficiency and productivity, such as reducing material usage (*reduce*), reusing (*reuse*), repairing (*repair*), recycling (*recycle*), recovering (*recover*), and cascading resource utilisation (*cascade*), thereby generating economic value whilst simultaneously minimising environmental impact (Oluwatayo & Ojo, 2024; Ospina-Mateus et al., 2023; Pomponi & Moncaster, 2017; Rahim Munir & Rafika Fausiah, 2025; Toponar et al., 2024). Circular economy transformation in small and medium-sized enterprises (SMEs) continues to face various challenges, particularly related to resource constraints, innovation, governance, and collaborative networks, resulting in suboptimal implementation processes (Dey et al., 2022).

Various studies indicate that the success of such transformation is determined not only by an organisation's internal readiness, but also by the ability to establish effective governance, strengthen innovation, and forge strategic relationships with diverse stakeholders to accelerate circular economy adoption (Gennari, 2023; Bocken et al., 2022). Further research demonstrates that the success of this transformation depends not merely on internal organisational preparedness, but also on the capacity to integrate organisational capabilities with cross-stakeholder collaboration to accelerate knowledge exchange, innovation, and shared value creation (Castillo-Ospina et al., 2025; Kanda et al., 2025). Other findings further illustrate that the circular economy can only be realised through organisational transformation encompassing business model renewal, governance, technology, and multi-stakeholder collaboration to generate sustained economic, social, and environmental value (Bocken & Short, 2020; D'amato, 2021; Roleders, 2023; Trushkina & Prokopyshyn, 2021). Such transformation represents a

strategic change that integrates innovation and organisational capabilities to build a more adaptive, efficient, and sustainable system.

Sustainable Partnership Ecosystems

From the perspective of organisational behaviour and human resource management, the success of partnerships is determined not only by organisational structure, but also by the quality of relationships, communication, commitment, and collaboration that can strengthen the effectiveness of inter-partner cooperation (Gehrisch & Süß, 2023). In line with this, modern organisations are beginning to shift from transactional business relationships towards strategic partnerships that emphasise co-creation, shared learning, mutual interdependence, and the collective achievement of sustainability goals (Snell et al., 2023; Yang et al., 2022). This shift indicates that sustainable partnerships are built through long-term relationships underpinned by trust, shared objectives, and a commitment to creating shared value for all parties involved (Castellani et al., 2024; Zhang et al., 2024).

In this research, sustainable partnership ecosystems are conceptualised as business partnership networks built through interdependent relationships, trust, knowledge exchange, shared learning, and sustainable value creation (Yue et al., 2022; Zhang et al., 2024). Strong partnership relationships enable organisations to expand access to resources, enhance adaptive capacity, and develop innovation through sustainability-oriented collaboration (Castellani et al., 2024; Trunk & Birkel, 2022). Therefore, sustainable partnership ecosystems are viewed as a strategic mechanism that strengthens inter-partner relationships to sustain long-term collaboration whilst simultaneously supporting the successful transformation towards a circular economy.

Research Questions

Based on the synthesis of the literature outlined above, this study articulates the following research questions:

RQ1. How does leadership agility facilitate circular economy transformation in small and medium-sized enterprises (SMEs)?

RQ2. How do sustainable partnership ecosystems serve as strategic pathways for accelerating circular economy transformation in SMEs?

3. Research Method

This research employs a qualitative approach utilising the literature review method to construct a conceptual framework regarding the role of leadership agility in driving circular economy transformation through sustainable partnership ecosystems in small and medium-sized enterprises (SMEs). This approach was selected as it enables the researcher to synthesise various theories and findings from previous studies in order to obtain a comprehensive understanding of the interrelationships among the constructs under investigation.

The research data sources consist of scholarly articles published in reputable international journals indexed in Scopus and Web of Science, with priority given to publications from the last five years (2020–2025), supplemented by relevant books and academic conference proceedings. The literature was analysed using descriptive qualitative analysis through a process of critical review, comparative analysis, and conceptual synthesis to identify the interrelationships among variables and to develop a conceptual framework that elucidates the role of leadership agility and sustainable partnership ecosystems in supporting circular economy transformation in SMEs

4. Result and Discussion

4.1. Result

To address the research questions of this study, a synthesis was conducted of various empirical studies examining the role of leadership agility in supporting organisational transformation and the implementation of sustainable business practices across different organisational contexts, including small and medium-sized enterprises (SMEs). This synthesis reveals a consistent pattern of findings regarding the key mechanisms that explain how leadership agility facilitates circular economy transformation. A summary of the synthesised findings from the empirical research is presented in Tables 1, 2, and Figure 1.

Table 1. Empirical Evidence of Leadership Agility

Authors	Research Context	Empirical Findings	Implications for Circular Economy Transformation
AlNuaimi et al. (2022)	Organizational leadership	Leadership agility enhances organizational adaptability, enabling organizations to respond more effectively to environmental uncertainty and organizational change.	Strengthens organizational readiness for circular transformation through adaptive leadership.
Tandon et al. (2024)	Leadership and sustainability	Agile leaders foster an organizational climate that encourages innovation, collaboration, and calculated risk-taking to address organizational challenges.	Accelerates innovation and organizational change required for circular economy implementation.
Yusup et al. (2025)	SMEs	Leadership agility strengthens organizational learning, collaborative capability, and adaptive capacity.	Enhances SMEs' capability to implement sustainable and circular business practices.

Source: Synthesized by the authors from previous empirical studies.

Table 1 presents a synthesis of various empirical studies on the role of leadership agility in enhancing organisational capacity to face dynamic environmental changes. Although conducted in different research contexts, all the studies demonstrate consistent findings that leadership agility contributes to the enhancement of organisational adaptability, the strengthening of innovation, and the development of collaborative capabilities as prerequisites for organisational transformation (AlNuaimi et al., 2022; Tandon et al., 2024; Yusup et al., 2025). The consistency of these findings indicates that leadership agility constitutes a strategic capability that supports the implementation of sustainable change. Therefore, this empirical synthesis serves as the foundation for explaining how leadership agility facilitates circular economy transformation in SMEs.

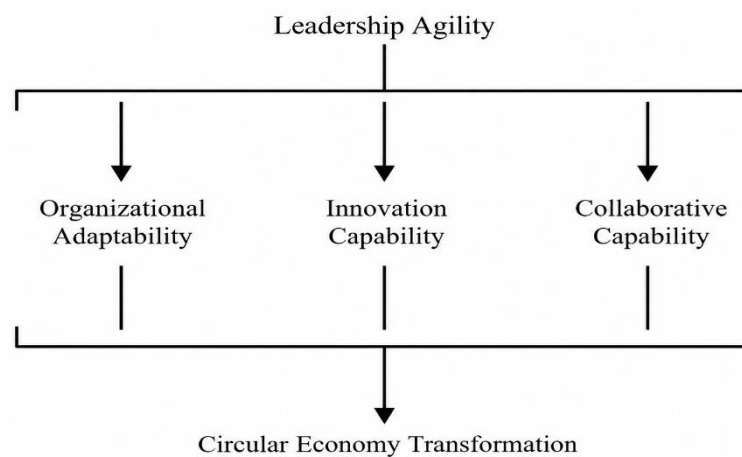


Figure 1. Leadership Agility Pathways to Circular Economy Transformation

Source: Synthesized by the authors based on AlNuaimi et al. (2022), Tandon et al. (2024), and Yusup et al. (2025).

Figure 1 illustrates the synthesised findings of empirical studies regarding the mechanisms through which leadership agility facilitates circular economy transformation. The synthesis demonstrates that leadership agility strengthens organisational adaptive capacity, drives innovation, and enhances collaborative capabilities, which collectively support the successful transformation towards circular economy practices. Consequently, leadership agility serves as a primary driver that enables organisations, particularly SMEs, to respond to environmental changes in an adaptive and sustainable manner.

Table 2. Empirical Findings on Sustainable Partnership Ecosystems

Authors	Research Context	Empirical Findings	Implications for Circular Economy Transformation
Yang et al. (2022)	Strategic business partnership	Strategic partnerships built on trust, long-term commitment, and shared goals enhance organizational collaboration and performance.	Strong partnerships facilitate coordinated implementation of circular economy initiatives.
Trunk & Birkel (2022)	SMEs	Collaborative partnerships improve organizational resilience and expand access to strategic resources during periods of uncertainty.	Sustainable partnerships strengthen SMEs' capacity to adapt to circular business transformation.
Castellani et al. (2024)	SMEs and sustainability	Partner selection based on shared sustainability values enhances innovation and long-term organizational performance.	Sustainability-oriented partnerships support collaborative value creation for circular economy transformation.

Source: Synthesized by the authors from previous empirical studies

Table 2 presents a synthesis of empirical research findings regarding the role of sustainable partnership ecosystems in supporting successful organisational transformation. Various studies demonstrate that partnerships built upon trust, long-term commitment, shared objectives, and strategic collaboration are capable of enhancing organisational resilience, expanding access to resources, and strengthening shared value creation (Castellani et al., 2024; Trunk & Birkel, 2022; Yang et al., 2022). These findings indicate that sustainable partnership ecosystems function not only as a collaborative mechanism, but also as strategic pathways that accelerate the implementation of circular economy transformation. Accordingly, this empirical synthesis provides the foundation for explaining the role of sustainable partnerships in supporting circular economy transformation in SMEs.

4.2. Discussion

Leadership Agility as a Driver of Circular Economy Transformation

The synthesis of various empirical studies demonstrates that leadership agility plays a significant role in accelerating organisational transformation through enhanced adaptive capacity, responsive decision-making, and the development of an innovation culture oriented towards sustainability (AlNuaimi et al., 2022; Tandon et al., 2024; Yusup et al., 2025). Organisations led by agile leaders tend to be more capable of responding to changes in the business environment, managing uncertainty, and directing resources effectively to support the implementation of adaptive strategies (AlNuaimi et al., 2022). In addition to enhancing organisational capacity to navigate environmental dynamics, leadership agility also fosters a work environment that supports innovation, collaboration, and calculated risk-taking, thereby accelerating the organisational transformation process (Tandon et al., 2024). The findings of Yusup et al. (2025) further reinforce that agile leadership contributes to the enhancement of organisational capabilities in building collaborative relationships, accelerating organisational learning, and strengthening readiness for sustained change.

In the context of circular economy transformation, these findings indicate that leadership agility functions not merely as the leader's ability to respond to change, but also as a strategic driver that steers the organisation towards integrating innovation, collaboration, and sustainability orientation into business processes. Accordingly, RQ1 can be addressed in that leadership agility facilitates circular economy transformation in SMEs through its capacity to build adaptive organisations, drive continuous innovation, and strengthen organisational capacity to respond to changes in the business environment towards circular economy practices.

The synthesis of various empirical studies demonstrates that sustainable partnership ecosystems constitute strategic pathways that accelerate circular economy transformation through the strengthening of partnership relationships founded on trust, long-term commitment, shared objectives, and sustainability-oriented collaboration (Yang et al., 2022; Trunk & Birkel, 2022; Castellani et al., 2024). Sustainable partnerships enable SMEs to expand access to resources, enhance adaptive capacity, and foster shared value creation that supports the implementation of circular economy practices. These

various findings indicate that the success of circular economy transformation depends not only on the organisation's internal capabilities, but also on the quality of partnership relationships that can strengthen shared learning, collaborative innovation, and organisational resilience. Consequently, **RQ2** can be addressed in that sustainable partnership ecosystems function as strategic pathways that reinforce inter-partner collaboration, thereby accelerating circular economy transformation in SMEs in a sustainable manner.

5. Conclusion

This study demonstrates that leadership agility constitutes a strategic capability that facilitates circular economy transformation in small and medium-sized enterprises (SMEs) through enhanced organisational adaptability, strengthened innovation, and the development of sustainability-oriented collaboration. Furthermore, sustainable partnership ecosystems function as strategic pathways that reinforce this transformation through partnership relationships founded on trust, long-term commitment, shared learning, and shared value creation. Based on a synthesis of various empirical studies, this research proposes a conceptual framework that integrates leadership agility, sustainable partnership ecosystems, and circular economy transformation as a novel perspective in understanding circular economy transformation in SMEs. Practically, this conceptual framework can serve as a reference for SME leaders in building sustainable partnerships to accelerate circular economy implementation, whilst future research is encouraged to empirically test this conceptual model across different industrial sectors and organisational contexts.

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