

**Corporate Environmental Responsibility and Change Readiness: The
Moderating Role of Perceived circular economy Drivers and mediating role of
Perceived circular economy Barriers: A conceptual framework**

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Abstract

As concerns about environmental sustainability continue to grow, many corporations are adopting Corporate Environmental Responsibility (CER) practices as a means of mitigating their environmental impact. However, the success of these efforts is often contingent on the organization's Change Readiness (CR), or its ability to adapt to environmental change. This paper proposes a conceptual framework that examines the moderating role of Perceived Circular Economy (CE) Drivers and the mediating role of Perceived CE Barriers in the relationship between CER and CR. The proposed framework suggests that Perceived CE Drivers (such as resource efficiency, closed-loop systems, and waste reduction) can enhance the positive relationship between CER and CR by strengthening the motivation and commitment of employees and stakeholders. At the same time, Perceived CE Barriers (such as lack of knowledge, resources, and infrastructure) can act as a barrier to the implementation of CER practices, ultimately hindering the organization's CR. The proposed framework also suggests that Perceived CE Barriers can mediate the relationship between CER and CR, as the barriers associated with CER can impact an organization's ability to adapt to environmental change. Overall, this conceptual framework highlights the importance of considering both Perceived CE Drivers and Perceived CE Barriers when examining the relationship between CER and CR. By doing so, organizations can better understand the potential barriers to successful implementation of CER practices and

work to mitigate them, ultimately enhancing their ability to adapt to environmental change and promote sustainability.

Keywords: Corporate Environmental Responsibility, Change Readiness, circular economy

Introduction

The circular economy (CE) is an economic model that was developed as an alternative to the linear economy and has significant ramifications in today's business. The linear model considers the production and usage of products and services while ignoring the environmental externalities (increased wastage output, pollution, and threatened bio-diversity) that result from the manipulation of natural resources. In linear models particularly, economic objectives typically take precedence over environmental concerns. The circular economy, on the other hand, is defined as the production and usage of products and services via closed-loop material flows whereby environmental externalities are taken into account from the initial product or service design stage. CE also takes into account both the social and economic worlds (Lazarevic, D., & Valve, 2017).

Economic activities conducted by companies worldwide is a major contributor to the linear model's negative externalities. Companies whose success is inextricably related to wasteful raw material usage would need to reassess their procedures, activities, and environmental relationships. Companies can obtain a competitive edge and meet the targets set by European legislation and plans in this way (Ciliberto et al., 2021). Increased circularity in organisations, on the other hand, necessitates adjustments in how businesses comprehend, develop value, and preserve competitive edge. As businesses are compelled to engage in a multi-actor environment, this transformation necessitates creativity in terms of rethinking old business models and collaborative strategies (Diepenmaat et al., 2020).

Whilst academics work to find and comprehend the connections between innovation and organizational transformation, practitioners are under pressure to modify their business models to incorporate circular thinking (Massaro et al., 2021). A circular business model was established to assist enterprises in adapting to the newest circular economy outlook (Das et al., 2022). Repair, remanufacturing, and monetizing the economic and environmental value entrenched in products are examples of circular business models that merge commercial value generation with resource efficiency measures. In contrast to linear business models, whereby products are typically outmoded following single usage while integral value declines, circular business models back product systems that integrate tactics for keeping the most optimum usage of their built-in value for a longer duration.

Until recently, CE has been focusing on the management of waste, reducing the demand for clean resources and environmental effects whilst managing business management and narrowing business gaps. Despite the fact that CE adoption is theoretically viable in a variety of situations and interest areas, obstacles like economic and market constraints sometimes arise during the implementation phase. As a result, the potential of companies to pave the path to CE could not be entirely realised without the systematic consideration of CE in organisational development initiatives.

Conceptual Framework

Corporate Environmental Responsibility (CER) and Change Readiness

As the ecological part of corporate social responsibility, CER describes firms that readily choose to move on to improved societies and a more sustainable environment, in addition to complying with national legislation (Situ et al., 2021). CER means that businesses are treating the

environment as the key stakeholder that influences the outcomes of their decisions as well as be influenced by them (Tevapitak, & Helmsing, 2016; Lüdeke-Freund, 2020; Dmytiryev et al., 2021; Xiang et al., 2020). Moreover, the incorporation of CER into corporate management is a manifestation of stakeholder demand for green products. As a result, environmental degradation has encouraged customers, governments, and the general public to pay more attention to environmental protection and to purchase products from firms that have similar objectives and interests (Tevapitak, & Helmsing, 2016; Lüdeke-Freund, 2020). Tevapitak, and Helmsing, (2016) and Lüdeke-Freund, (2020) stated that at the organizational level, the term "change readiness" entails the common vision among organizational members in implementing a specific change as well as their common perception of the group's ability to do so. Change readiness in an organization varies based on the degree to which individuals in the organisation value the change and how positively they evaluate the task demands, resource accessibility, and relevant circumstances. Individual behaviours and work are used to convey change in an organisation, taking into consideration elements like communication, training, leadership, and organisational culture. To handle and manage change, a variety of tactics, tools, and procedures have been developed. Three primary concepts were illustrated by directed change i.e. motivated by the top management as driven by authority and obedience, planned change i.e. driven at any organizational level with a focus on establishing engagement and commitment, and guided change i.e. driven by individual contribution and commitment to organizational goals. Two elements influence all of these changes: socio-technical ambiguity and business intricacy. Transitioning to a circular business model necessitates a well-planned change in order to adhere to national legislations, as well as engagement and commitment to the cause.

Past empirical research had illustrated the effect of CSR on organizational change (Chege, & Wang, 2020), organizational commitment (Cantele, & Zardini, 2020) and organizational effectiveness (Yang et al., 2019). Unfortunately, there is no research on the link between CER and the readiness to move to a circular business model. This study contends that the adoption of CER in an organisation generates a climate conducive to the formation of change readiness. Environmental preservation principles are viewed as strategically placed prospects for organisational growth and drive the systematic gathering of information to predict changes in the environment whilst implementing a circular business model.

The Moderating Role of Perceived CE Drivers

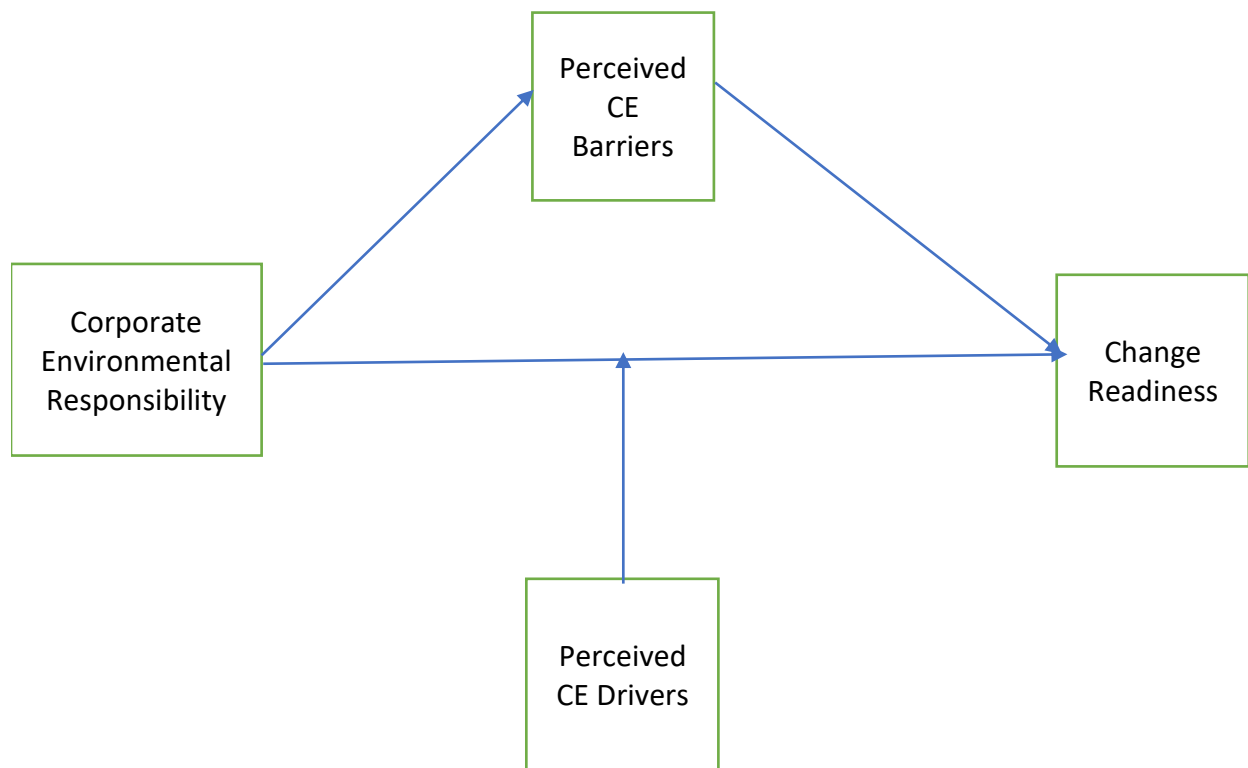
With the prevalence of new environmental and sustainability-related challenges, firms must now depend on internal and external forces to drive innovation and the creation of circular business models and indirectly "greener" businesses (Jabbour et al., 2020). Nonetheless, a successful shift is ensured by a combination of facilitating variables derived from specific local conditions, rather than by a single major driver (Vaio et al., 2020). As CE drivers are typically deemed as a driving force in the implementation of an organization's circular economy (Shewmake et al., 2020), they are therefore integrated into our predictive model of change readiness as a uniting component connecting both corporate environmental responsibility and change readiness. Nonetheless, certain scholars contend that it is difficult to fully comprehend the overall CE drivers because of the fragmented field (Popescu et al., 2022). They categorized CE drivers into: i) policy and economy i.e. laws related to the return of goods and economic development, ii) environmental protection i.e. actions for addressing climate change, agricultural sustainability, and diminution of renewable resources, iii) society i.e. burden of population growth especially in urban areas, prospects of jobs

and consumer awareness, and iv) product development i.e. improvement in resource and energy usage to boost product value.

The Mediating Role of Perceived CE Barriers

Many obstacles must be overcome in order to adopt the circular economy in businesses. A lot of research has been done on the challenges that businesses encounter when implementing the circular economy. Because circular business models entail a significant shift, organisational impediments are unavoidable. This new organisational mindset emphasises on waste reduction through "cradle-to-cradle" manufacturing models as well as resource efficiency in order to achieve a healthy societal, economic and environmental interactions (Sehnem et al., 2022).

As proposed by Govindan et al. (2022), such limitations be it internally or externally would nevertheless impede organisational development (Sehnem et al., 2022). External hurdles relate to firms' inability to implement CE due to a lack of economic incentives (Tevapitak, & Helmsing, 2016; Lüdeke-Freund, 2020), the dearth of a standardised system for measuring CE performance indicators or a lack of internalisation of external expenses due to the omission of environmental costs. Internal obstacles, meanwhile, entail things like the rising complexity of products, which makes recovering and reusing items and components a huge issue, significant upfront investments for implementing CE in the supply chain, or greater attention on other supply chain issues and requirements.



Conclusion

The readiness to move to a circular business model is positively associated to corporate environmental responsibility, according to this study. The moderated mediation model's validation

shows that in this relationship, supposed CE drivers operate as mediating variables. Meanwhile, supposed CE obstacles function as a buffer, reducing the favorable effect of the link between CER and change preparedness. As stakeholders worldwide seek demanding goals connected to climate change and the dissociation between human well-being and the illogical linear consumption model of finite resources, the debate on circular business models has now become more vital. CE is a solution that integrates economic growth and environmental sustainability by developing sustainable business models derived from product lifecycle extension and company amalgamation with external partners to enable the sharing of services, tangibility of products, synergy of urban industries, and so on. Yet, challenges and risks still exist with regards to the implementation of a circular economy model, linked to the CE model's framework, which is innately interrelated – material loops can be closed by engaging several business models that work together, rather than a sole model. As a result, to increase the force of drivers toward adopting circular economy principles and reduce the inhibiting influence of obstacles, corporate management must be ready for change. Corporate environmental responsibility has a favorable impact on firms' readiness for change, according to the research article under debate. As a result, incorporating CER into corporate management can strengthen a company's resilience in facing new problems and CE demands posed by national and European laws and regulations. The respondents' perceived CE drivers, on the other hand, has a positive moderating effect on the link between CER and change readiness. As a result, they can operate as bridges between CER and change readiness, thus facilitating the move to a circular economy.

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THE ASIAN BULLETIN OF GREEN MANAGEMENT AND CIRCULAR ECONOMIES
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