

ABSTRACT

Small and Medium Enterprises (SMEs) play a pivotal role in the transition toward a circular economy (CE), yet they often face significant barriers in adopting circular practices. This study explores the key drivers and barriers influencing CE adoption among SMEs participating in the TWO4C project, a Dutch-German cross-border initiative aimed at accelerating circular transformation. Drawing on survey data from SMEs across diverse sectors such as construction, electronics, plastics, metal constructions, and wood this research employs a descriptive quantitative approach to identify patterns, challenges, and enabling factors.

Anchored in four theoretical frameworks Institutional Theory, Resource-Based View (RBV), Transition Management (TM), and Organizational Learning (OL) the study finds that internal innovation culture, employee empowerment, and leadership support are prominent drivers. Conversely, traditional mindsets, lack of knowledge, and operational inertia emerge as persistent barriers. The findings suggest that while many SMEs are not yet fully transformed, they are actively questioning linear practices and moving toward circularity, particularly when supported by cross-border collaboration and peer learning.

This research contributes to the growing body of literature on CE adoption by SMEs and offers practical insights for policymakers, support organizations, and SMEs themselves. It highlights the need for targeted interventions that address both internal capabilities and external pressures, fostering a supportive ecosystem for sustainable and inclusive circular transitions.

Keywords : Circular Economy, SMEs, TWO4C Project, Drivers and Barriers, Resource-Based View, Institutional Theory, Transition Management, Organizational Learn