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## Ecological and social aspects in modern business management

**Abstract:** The purpose of this work is to assess and analyze the impact of environmental and social factors on enterprise management in the context of the integration of environmental standards and social responsibility into business strategies to ensure sustainable development, as well as to increase competitiveness. In the research, monographic, abstract-logical methods, as well as systematization and generalization were applied. The article examines the impact of environmental and social factors on business management strategies, considering their importance in the need to ensure the sustainable development of business and corporate responsibility. The methods and tools of the integration of green technologies, sustainable production and corporate social responsibility into the practice of strategic management have been examined. The particularities of the implementation of these management strategies in various business sectors are considered based on their contribution to the formation of competitive advantage and the promotion of investment attraction. It has been shown that in economic systems in which consumers are increasingly aware of the importance of environmental and social issues, enterprises must actively adapt to these changes, using them as an opportunity for their own development and innovation. It has been demonstrated that the implementation of the environmental component is capable of reducing costs due to the reduction in payment for carbon emissions, the requirements for which will be strengthened in the coming years. At the same time, integration of the social component into business management contributes to the formation of the social capital of the enterprise and leads to an increase in the productivity and effectiveness of the work of the employees.

**Keywords:** business processes; competitiveness; green technologies; management strategies; social responsibility of business; socio-ecological and economic systems

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## INTRODUCTION

Modern business management constantly faces several complex challenges associated with the growing relevance of environmental and social aspects. This is due to the general increase in society's orientation towards the need to ensure the environmental

friendliness of products and the growth of expectations regarding social responsibility. The consequence of this is a need to review traditional approaches to enterprise management and this creates a need to improve existing business processes based on socio-ecological and economic management principles. At the same time, the main issue is the need to reduce the negative impact of business on the environment. After all, as studies show, the increase in production and consumption of natural resources leads to the depletion of natural ecosystems and pollution of the atmosphere and water bodies, which threatens the planet's ecological sustainability (Oves et al., 2018). It can be argued that the existing business management models, focused mainly on profit maximisation without considering environmental consequences, are no longer acceptable in the face of new global challenges.

The growing relevance of ensuring social responsibility in business is also worth noting. This aspect is determined by the fact that modern society has increasing requirements for providing proper working conditions, social protection of employees, and interaction with local communities, and this forces companies to pay more attention to the social aspects of their activities. This means that the business must provide stable working conditions for its employees and actively contribute to the social development and support of the communities within which it operates, quite a difficult task for many companies. At the same time, the need to ensure such interaction also creates a need for sustainable development. Again, traditional approaches to management, based on guaranteeing short-term commercial success and profit, still need to meet modern requirements. Accordingly, the ability of a business to operate effectively is currently related to its ability to adapt to functional changes, implement sustainable development strategies, and consider environmental and social factors as much as possible.

Thus, we can see that solving these problems has become especially relevant in the systemic complications of business processes and requires introducing new strategies and approaches to management. These approaches would be based on taking into account socio-ecological and economic aspects while contributing to the sustainable development of enterprises.

## LITERATURE REVIEW

Practice shows that modern business management requires constant improvement and adaptation to social and environmental change. At the same time, an adequate understanding of ecological and social aspects has become critical to achieving business success and sustainability. Accordingly, many academic studies and publications are devoted to analysing this issue and developing strategies that allow businesses to consider these aspects. Let us consider research results which allow us to provide the most relevant understanding of the key concepts of this issue, and allow businesses to effectively take them into account in their activities.

In particular, it is worth noting the research of Porter and Linde who formulated a multifunctional concept of "green" competitive advantages under which enterprises, integrating ecological approaches into their development strategies, can secure significant competitive advantages in the market. The authors note that this opens up new opportunities to tackle environmental problems while maintaining an appropriate level of profitability (Porter, Linde, 1995).

It is also appropriate to note the work of Bansal and Roth which examines the motivations that stimulate companies to implement green strategies in their activities. The authors highlight various factors including legal requirements, reputational risk and consumer demand, that significantly influence environmental responsibility in decisions (Bansal, Roth, 2000).

The issue of corporate social responsibility is considered in the work of Barauskaite in which it is stated that companies should not only achieve their main goal, to maximize profits, but also contribute to the welfare of society through voluntary efforts. Therefore, it becomes mandatory for companies to participate in socially responsible activities to support the growth of their business. It is argued that companies implementing CSR initiatives can gain a competitive advantage through building a good public image or reputation and generate higher profits and return on investment (Barauskaite, Stremikiene, 2020).

The combination of critical areas of social and environmental inclusion is reflected in the research of the famous business philosopher, Freeman, who introduced the concept of strategic management focused on various stakeholders' interests, including environmental and social aspects (Freeman, 2010). This approach contributes to forming more stable and long-term relations between the enterprise, its employees, consumers and the business environment.

It is also worth noting the research of Barbosa, who believes that the importance of sustainable development for the development of society requires from companies a comprehensive effort that will allow them to continue the endless struggle to maintain or create competitiveness and, at the same time, a responsible role in improving social and environmental impacts. The authors argue that for small companies, planning and implementing the work necessary to transform them into sustainable organizations is an even greater challenge, which is complemented by the lack of sustainable management models (Barbosa et al., 2020).

Ahmad believes that the implementation of environmental, social and managerial policies improves innovation potential, innovation activity, value creation and financial efficiency. At the same time, the authors note that social and environmental indicators have demonstrated a significantly positive relationship with business sustainability, indicating that business economics and the creation of value for society are interdependent (Ahmad et al., 2024).

In addition, it should be noted that recently topics devoted to the role of digital and information technologies in tackling environmental and social business problems have gained considerable relevance. In particular, the works of Shmatkovska et al. (2022) and Dziamulych et al. (2022) consider the possibilities of using modern innovative technologies and software solutions as a practical tool for forming sustainable business strategies. This allows companies to create long-term development programs more reliably based on socio-ecological and economic efficiency.

In general, there is a considerable variety of approaches and concepts related to modern business management's environmental and social aspects, therefore research is needed on the principles of integrating these aspects into strategic management to ensure efficiency in the modern business environment.

## SETTING OBJECTIVES

The purpose of the study is to assess and analyze the impact of environmental and social factors on enterprise management in the context of the integration of environmental standards and social responsibility into business strategies to ensure sustainable development, as well as to increase competitiveness.

## RESEARCH METHODS

In the process of conducting research, monographic, abstract-logical and graphic methods were used, as well as systematization and generalization.

The abstract-logical method has made it possible, based on abstraction from specific details and examples, to formulate general principles of environmental and social responsibility in business, based on which conclusions were drawn regarding the complexity of the functional interaction between business and socio-ecological-economic systems.

On the basis of the monographic method, the interrelationships between environmental and social indicators, and the effectiveness of management decisions aimed at increasing business sustainability were determined, which has made it possible to formulate proposals for the application of the principles of environmental sustainability and social responsibility. The methods of systematization and generalization were used to formulate general conclusions and recommendations which made it possible to highlight the main trends and regularities in the interactions of business with ecological and social environments.

The methodological approach, which combines systematization and generalization, provided a comprehensive overview of the investigated issues and allowed the social and environmental components to be the basis for reducing the costs of the enterprise while also allowing directions for improving management to be outlined.

This contributed to a deeper understanding of the complex interrelationships between business, society and the environment, and also allowed the research results, in the form of clear and logically justified proposals, to be presented that may be useful for the further development of the theory and practice of managing these aspects in modern business.

## RESULT AND DISCUSSION

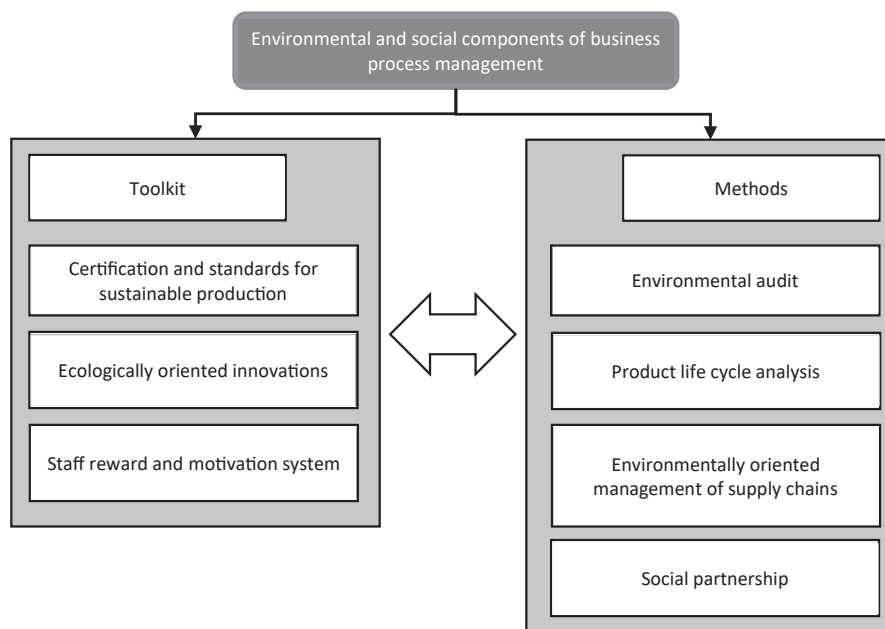
Dynamic changes in the global business environment have led to an increase in the relevance of environmental and social factors in the formation of management strategies. It is worth noting that such trends are more characteristic of the developed democratic countries of Europe and North America, as consumers and investors are aware of the importance of sustainable development and social responsibility. However, globalisation also dictates the conditions for Asian companies which have focused on exporting their products to developed markets. At the same time, as practice shows, companies that integrate these aspects into their strategies become more competitive and achieve long-term success in international markets.

The formation of the concept of the regulation of the environmental component of modern products through the carbon tax, stimulates businesses all over the world to focus on environmentally responsible strategies related to the use of renewable energy

sources and the reduction of harmful emissions into the atmosphere. At the same time, socially responsible strategies that provide for the creation of safe and fair working conditions, as well as support for local communities, give positive relations with staff and consumers and are the basis for the formation of the social capital of enterprises. Equally, as experts note, companies that demonstrate a high level of corporate responsibility can attract more investment and stakeholder support (Berry, Junkus, 2013). Thus, we conclude that in modern conditions, the integration of environmental and social principles in the management strategies of enterprises helps them achieve sustainable development, which is the basis for efficiency in the modern business environment.

Integrating green technologies, sustainable production and corporate social responsibility into strategic management requires the implementation of a comprehensive approach. At the same time, the successful integration of green technologies requires a deep understanding of the relationship between profit maximisation and ensuring business sustainability. The practical implementation of the environmental component is through specific methods and tools of strategic management (Fig. 1).

Figure 1. Tools and methods for strategic environmental and social business management



Source: developed by the author

As can be seen, the basis of strategic management is ensuring the functional use of existing tools in forming development strategies, according to a defined methodology, while considering that the proposed toolkit is familiar to modern companies. Still, it only needs to be adapted to the operating conditions and resource limitations of a specific enterprise determined by the methodology. Therefore, it is necessary to consider environmental and social management methods more broadly, in particular, ecological

auditing can be integrated into strategic management by systematically reviewing and assessing the impact of business processes on the environment (Carter, 2005). This includes an analysis of compliance with legislative requirements in the fields of ecology, identification of potential risks and opportunities for environmental improvement, and identification of critical areas in which changes can be implemented to reduce the negative impact on the environment. Accordingly, the ecological audit results will provide enterprises with the reliable information necessary for making strategic decisions regarding planning their activities, defining goals and preparing development strategies that consider ecological aspects. Thus, the integration of environmental audits into the process of strategic management makes it possible to achieve greater efficiency in business.

Life cycle analysis can be integrated into enterprises' strategic management by assessing a product's impact on the environment at all stages its life cycle, from the initial stage of development to disposal. Such an analysis allows for identifying critical aspects of business in which it is possible to reduce the negative impact on the environment and ensure an improvement in a product's sustainability. The results of such an analysis can be used to make strategic decisions regarding the product's production, marketing and development, considering environmental aspects. Accordingly, integrating life cycle analysis into strategic management helps increase an enterprise's competitiveness.

Environmentally oriented management of supply chains can be integrated into the strategic management system of enterprises by taking such aspects into account during interaction with suppliers and commercial partners. This implies the need to harmonise requirements for compliance with ecological responsibility standards throughout the supply chain, from raw material suppliers to end manufacturers. According to experts, companies can establish ecological criteria when choosing suppliers and evaluate their activities from the point of view of environmental impact (Handfield et al., 2005). In addition, they can work with suppliers to reduce waste, optimise transport routes and use renewable resources. Integrating environmentally-oriented supply chain management into strategic management helps ensure the sustainability and efficiency of production processes, reduce environmental risks and increase customer satisfaction.

In the context of the social orientation of enterprises, it is worth noting the implementation of the principles of social partnership in their activities. This should include the company's participation in joint projects with local communities, comprehensive support for social programs and initiatives concerning these communities as well as its own personnel, and provide for developing partnership relations with non-profit organisations. In this aspect, enterprises should form social responsibility programs to improve working conditions, develop education and support local communities (Park, 2018). Therefore, integrating social partnerships into strategic management ensures a favourable social environment for companies and this is expected to increase the efficiency of business.

It should be noted that the predominance of the ecological component in the system of environmental and social aspects of business management is determined not only by the need to ensure environmental protection and the introduction of green technologies into production, but also by objective factors related to the costs of enterprises. In particular, the European emissions trading system (EU ETS) determines the need to purchase permits for carbon emissions (EU Emissions Trading System, 2024) and the planned 43% reduction in emissions by 2030, has already caused an increase in the cost of such permits (Figure 2).

Figure 2. Changes to EU Carbon Permits for 2023–2024 (EUR)



Source: EU Carbon Permits, 2024

As can be seen, after the start of the fourth stage of the EU ETS in 2021, there was an increase in the cost of emissions, which in February 2023 reached a peak value of 105.14 euros per tonne of carbon emissions. Accordingly, this led to business reaction by introducing ecological principles into their long-term development strategies although, as of March 2024, the cost of emissions is fluctuating around 65 euros per tonne, European companies must implement green technologies in their activities or transfer “dirty” production to Asian countries with less strict requirements for environmental friendliness.

Thus, ensuring the principles of environmental sustainability in the development of modern companies is not only a response to today’s global challenges associated with climate change but also the growing awareness of consumers regarding the environmental sustainability of the final product. The existing emissions trading system with the planned gradual reduction directly impacts production costs, affecting the final product’s price and the profits of enterprises. That is why implementing the principles of environmental sustainability in long-term strategies helps to increase competitiveness and ensures profit growth in the future. Accordingly, we see that the environmental friendliness of modern business is economically determined allowing it to be regulated on a level with other production factors.

The social component of the European management of modern business is based on the social principles defined by the European Commission (European Pillar of Social Rights in 20 Principles, 2024). The basis of such management is the desire to ensure fair and inclusive opportunities for employees. This strategy provides for the selection of three components that ensure effective interaction of the enterprise with its staff and local communities in the area where the business is conducted, namely:

- equal opportunities and access to the labour market,
- fair working conditions,
- social protection and integration.

In general, the components of this strategy are not new; they are based on the critical EU requirements regarding the protection of workers' rights, and the main goal is to create working conditions that would ensure the inclusive development of both the enterprise and its employees. However, it is worth noting that in the practical aspect of creating conditions for the development of internal communication, supporting the inclusive growth of personnel, and implementing social responsibility programs, they contribute to the formation of trust, cohesion and mutual understanding within the enterprise. On the other hand, initiatives to increase employee satisfaction, the implementation of education development programs and support of local communities, increase the market reputation of the enterprise, thereby contributing to the attraction of newly qualified employees and ensuring improved relations with customers.

A vivid example of implementing the social component in enterprise management is the planning strategy used by the Swedish company SKF. In particular to replace the KPI indicators used to evaluate the performance of the personnel, SKF introduced a system of annual goals set by the employees. At the same time, the intermediate criteria for achieving these goals are specific measures to develop the employee's value. In turn, this achievement affects the development of competencies. Thus, the socially oriented component in SKF's development strategy allows the company to increase labour productivity.

The consequence of such measures is forming the enterprise's social capital which becomes an additional resource for supporting sustainable development and achieving its business goals. At the same time, it is worth noting that social capital expands the concept of human capital by considering interaction, relationships and trust between people, contributing to solving everyday tasks and achieving collective goals (Lin, Erickson, 2008). Accordingly, we conclude that the social orientation of management strategies in modern conditions is not only a requirement of the legislation to ensure the rights of employees but acts as a new, specific component that increases the company's efficiency due to increased interaction with personnel. The advantage of this approach is that the company can improve labour productivity at the expense of internal reserves without attracting additional investments in the market, and this determines the economic efficiency of such strategies.

Therefore, it can be confidently asserted that implementing environmental and social strategies for managing business should be based on fundamental principles to form a harmonious relationship between the enterprise's environmental, social and economic aspects. Firstly, this is the principle of ecological sustainability which involves implementing business processes with minimal negative impact on the environment and ensuring the preservation of natural resources. This principle guides the business to use environmentally friendly technologies, reduce emissions and optimise available resources.

The second important principle is social responsibility which includes forming favourable working conditions, supporting personnel development and cooperating with local communities to create the enterprise's social capital. This principle is designed to ensure social justice, improve employees' quality of life, and ensure the company makes a positive contribution to society's development. The third fundamental principle



is overall economic efficiency, which means achieving business profitability with the efficient use of resources and cost optimisation.

Accordingly, implementing environmental and social strategies will contribute to the balanced development of the enterprise and the formation of a sustainable business, and this will contribute to both economic growth and the social and environmental well-being of the area where the company is conducted. At the same time, the integration of environmental and social aspects into strategic business management is a critical factor for commercial efficiency and sustainability in the modern business environment, as it allows enterprises to create a significant competitive advantage, meet the expectations of society, and ensure sustainable economic growth in the conditions of the growing environmental and social awareness of consumers. Therefore, only an integrated approach to management, which combines both environmental and social components, allows strategies to be valued as stable conditions for long-term business development.

## CONCLUSIONS

Thus, we conclude that in the business environment, where environmental issues and social responsibility are becoming increasingly relevant, integrating these aspects into strategic business management is critically important for its effective development. Therefore, applying socio-ecological strategies not only contributes to the formation of competitive advantages but also ensures the sustainable development of an enterprise in the long term. It is essential to understand that environmental and social responsibility are not just elements of business strategies but also define the mission and values of the company.

At the same time, implementing the environmental component in the enterprise's management system can provide it with a reduction in costs due to the decrease in payment for carbon emissions, the requirements for which will be strengthened in the coming years. At the same time, the social component, integrated into the management of the company's business, contributes to the formation of the social capital of the enterprise and leads to an increase in the productivity and effectiveness of the work of personnel in the long term. In general, this approach helps build an ethical and stable business based on preserving natural resources and promoting social development. All this determines the necessity of introducing ecological and social aspects into the system of strategic planning and management of enterprise activities for their successful functioning in the modern business environment.

Thus, the application of the principles of environmental sustainability and social responsibility in the activities of enterprises contributes to increasing the overall efficiency of their management and in their sustainable development. The application of these principles in the strategies for the development of the enterprise allows more sustainable and competitive business models to be created. Accordingly, business entities that integrate them into their business activities are better able to adapt to changes in the market, reduce costs and increase their productivity.

One of the key limitations of the study is the lack of empirical data, as this would deepen the identified theoretical propositions and cases. For a broader generalization of the results, this is necessary. At the same time, further research can focus on the study of specific tools and methods of effective integration of environmental and social aspects in various business sectors. It is also important to investigate the impact of environmental

and social initiatives on the financial results of enterprises to improve the understanding of their economic efficiency. In practical terms, this requires the development of innovative business models based on the integration of environmental and social responsibility.

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