

UDC 330.34

JEL Classification: M14, O13

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THE ESSENCE AND FEATURES OF ENTERPRISE TRANSFORMATION FOR ENSURING SUSTAINABLE DEVELOPMENT

СУТНІСТЬ ТА ОСОБЛИВОСТІ ТРАНСФОРМАЦІЇ ПІДПРИЄМСТВ ДЛЯ ЗАБЕЗПЕЧЕННЯ СТАЛОГО РОЗВИТКУ

The purpose of the article is to determine the essence and features of enterprise transformation to ensure sustainable development. Approaches to the definition of the concept of "transformation" were analyzed, an own definition of the concept of "enterprise transformation" was proposed. The importance and role of transformation on the basis of sustainable development at the enterprise level were considered. A study of transformation values among leading and less successful companies was conducted. Indicators of maturity and ability to transform were analyzed. The key stages of the enterprise transformation process to ensure sustainable development have been determined. The issue of resistance to changes among the company's employees was investigated and ways to overcome transformational barriers were proposed.

Keywords: transformation, sustainable development, enterprise transformation, transformation process, resistance to changes.

Статтю присвячено дослідженню сутності та особливостей трансформації підприємств для забезпечення сталого розвитку. Було проаналізовано різноманітні підходи до визначення поняття «трансформація» та проведена їх систематизація з метою формулювання власного визначення поняття трансформації підприємства. Розглянуто значення та особливості трансформації для забезпечення сталого розвитку на рівні підприємства, а саме: адаптація до змін, збільшення конкурентоспроможності, оптимізація бізнес-процесів, покращення якості продукції, сприяння ефективному використанню ресурсів та екологічно чистому виробництву, соціальний розвиток, покращення якості життя працівників та задоволення потреб суспільства. Визначено три ключові напрями трансформації підприємства (екологічний, соціальний та економічний) на засадах сталого розвитку. Розглянуто питання подання підприємствами нефінансової звітності відповідно до стандартів GRI STANDARDS, вимог Глобального Договору ООН та на основі принципів ESG. Обґрунтовано перспективи застосування принципів ESG та участі у міжнародних ESG рейтингах для залучення іноземних інвесторів. Визначено цінності трансформації для провідних компаній, що надають перевагу можливості зростання та диверсифікації, та для менш успішних компаній, для яких пріоритетом є фінансова вигода та зменшенні витрат. Проаналізовано показники зрілості та здатності до трансформації та виявлено, що найбільш вагомими є фінансова стратегія, бізнес-аналітика та спільна розробка стратегії трансформації. Ідентифіковано вісім етапів процесу трансформації підприємства для забезпечення сталого розвитку, що за своєю суттю є циклічним. Досліджено опір змін серед працівників підприємств та запропоновано шляхи подолання трансформаційних бар'єрів. Результати дослідження є важливими для реалізації практичних заходів, спрямованих на підвищення ефективності процесу трансформації для забезпечення сталого розвитку.

Ключові слова: трансформація, сталий розвиток, трансформація підприємства, процес трансформації, опір змін.

Problem statement. The global ecosystem undergoes constant changes, making issues such as fair access to scarce resources, intergenerational equity, and quality growth increasingly relevant. The need to adapt and enhance strategic management approaches becomes more pressing amid heightened competitive pressures and economic instability. The path to achieving a sustainable future globally remains a challenge, but there is a growing trend among businesses to strive for sustainable development, achievable by transforming the social, technological, economic, and environmental aspects of their activities.

Therefore, it is necessary to carefully study the essence and peculiarities of enterprise transformation as a strategic tool for achieving sustainable development, as well as to identify factors that influence the effectiveness of such transformational processes.

Analysis of recent research and publications. Achieving sustainable development goals is a priority for society as a whole today. The global scientific and professional community is working on the search, adaptation, and implementation of methods, approaches, and tools to achieve these goals. The scientific literature

widely presents policies and practices for implementing this toolkit at both macro and micro levels. However, the rapid development of innovations and technologies constantly creates new opportunities on the one hand, and on the other hand, new challenges arise that also need to be addressed. Enterprise transformation for sustainable development can change not only their values and operating principles but also increase the resilience of enterprises to constant changes in the external environment, improve the quality and speed of response to them.

Among the foreign scholars who have studied the issue of enterprise transformation, it is worth mentioning Boffo R., Patalano R. [11], who examined the impact of ESG factors on the transformation process, and Marckstadt F., Dimke M., Obermann W., von Zittwitz B. [12], who analyzed various factors influencing enterprise transformation based on sustainable development principles. Additionally, Klein F., Grundmann G., Josten F. [13] considered the importance of forming a business transformation strategy based on sustainable development.

Ukrainian researchers dedicated their work to studying transformation through various approaches, namely: as a process – Ivchenko Ye. A. [1], Yerko I. V. [2]; as a conversion – Markovych I.B. [4], Tkachuk H. O. [3]; as a system – Baranovskyi O. I. [5]; as a social process – Dolzhenkov O. O. [6], Urakov D. V. [7]. Baskov O. [10] studied trends in sustainable reporting in Ukraine. Laduba T. and Chala N. [8] explored and analyzed the transformation process from the perspective of managers and their teams, communication during transformations. However, the process of transformation of enterprises to ensure sustainable development is not so widely disclosed in the scientific literature. Given the relevance of the concept of sustainable development, the issue of enterprise transformation in accordance with its principles requires further development.

Formulating the purposes of the article. The purpose of the article is to determine the essence, content, and peculiarities of implementing the process of enterprise transformation to ensure sustainable development.

Methodology. To achieve the research objectives, general scientific methods of analysis and synthesis were used to reveal the content and structure of enterprise transformation, identify the peculiarities of enterprise transformation for sustainable development, and search for effective solutions to the problems associated with its implementation; statistical and graphical methods were used to conduct an objective analysis of available data and visually represent it.

Presentation of the main research material. Transformation refers to strategic changes, modifications, and reorganization aimed at achieving new goals, improving operational efficiency. Transformation is a complex and multifaceted concept, which is justified by a wide range of approaches to its definition (Table 1).

Summarizing the approaches to defining the concept of "transformation," it is worth noting that this process can be considered at various levels. Transformation at the micro-level is extremely important for enterprises seeking to adapt to a changing environment, implement innovations, and ensure their own resilience and ability to future development. *Enterprise transformation* is the process of qualitative and quantitative transformation of the enterprise's business system under the influence of internal and external environments, aiming to change the goals and values of enterprise functioning and transition to a new level of development.

Enterprises, adapting to changes in internal and external environments, initiate a process of transformation, which includes several aspects. The following are mostly subjects to change [8]:

Table 1

Definition of the concept of "transformation" according to different approaches

№	Approach	Author	Definition
1	Process	Ivchenko, Ye. A. [1]	"...qualitative transformations or the establishment of an economic system of various scales, allowing for the transition to a new level of functioning and development of the system, which is carried out consistently and continuously at all levels of the economic system"
2		Yerko, I. V. [2]	"...a staged process of qualitative and quantitative characteristics alteration of a phenomenon or a system as a whole, which allows for the construction of a new innovative development model taking into account certain influencing factors"
3	Conversion	Tkachuk, H. O. [3]	"...significant, large-scale, and profound changes occurring in the transformational environment of an enterprise as a result of endogenous and exogenous factors lead to substantial transformations in the nature, form, content, functions, and corporate policies regarding the objects of the enterprise's economic system"
4		Markovych I. B. [4]	"...a moment of radical transformation, during which the structure, characteristics, and system of relationships undergo complete change", "...it is a phenomenon of continuous change in form"
5	System	Baranovskyi O. I. [5]	"...multidimensional and multi-level transition of the economic system from one qualitative state to another; evolutionary transformation, prolonged and purposeful quantitative and qualitative changes in the system of economic relations; property institutions and organizational-legal forms and principles of economic agents' functioning"
6	Social process	Dolzhenkov O. O. [6]	"...one of the forms of social processes, which can be directed or undirected; exogenous or endogenous; spontaneous or planned"
7		Uraikov, D. V. [7]	"...emerges and is carried out by communities of people who consciously coordinate their actions to achieve certain goals"

Source: formed by the authors based on [1–7]

- *business processes*, especially in the context of automation and optimization of repetitive processes, allowing enterprises to work more efficiently;
- *organizational structure of the enterprise* – reviewing team structures and updating work processes;
- *technologies* – implementing digital transformation, which involves new technologies that enhance productivity and product quality;
- *management*, which plays a key role in implementing changes, as it is necessary to review the organizational hierarchy, development strategy for more effective management;
- *corporate culture* is transformed by introducing new values to the team, employee behavior, their way of thinking, which contributes to creating a favorable environment for innovation and development. Continuous learning contributes to adapting to changes in the constantly evolving work ecosystem;
- *business model*, which involves replacing more traditional components of the model with progressive and innovative ones.

The necessity of adhering to the principles of sustainable development during transformative processes at the enterprise is justified by the importance of resource preservation, reducing emissions and environmental pollution, increasing social responsibility, ensuring resilience in changing economic and social environments, as well as creating long-term value. The pillars of enterprise transformation reflect the main aspects of the sustainable development concept, including environmental, social, and economic components (Figure 1).

Taking into account the environmental component of sustainable development principles at enterprises contributes to optimizing the use of material resources, energy, and water resources, leading to cost reduction, preservation of natural assets, and the creation of

environmentally friendly production. These factors are strategically significant for both the enterprise itself and its stakeholders. Furthermore, enterprises that undergo transformation based on the principles of sustainable development actively implement measures to minimize negative impacts on the environment, including reducing greenhouse gas emissions, toxic substances, and other pollutants.

Social pillar of enterprise transformation provides the development of corporate social responsibility programs aimed at supporting communities, participating in education and healthcare, as well as a range of other initiatives aimed at ensuring decent and equal working conditions for its employees, providing social protection, and promoting social development. Additionally, transformation is aimed at improving the quality of life and meeting the needs of society as a whole.

The economic pillar of transformation entails developing the enterprise's resilience to changes in the economic and social environment. By implementing the principles of sustainable development, enterprises are better able to adapt to new regulatory requirements, market changes, and the needs and expectations of stakeholders such as shareholders, employees, consumers, government authorities, and local communities. Taking into account the interests of stakeholders contributes to improving relationships with them, strengthening the company's reputation, and ensuring long-term stability and success in the business sphere.

According to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated July 16, 1999, No. 996-XIV [9], large enterprises have been obliged to submit a Management Report since 2018. This report should partially contain information about compliance with the principles and achievements of sustainable development. The number of companies participating in

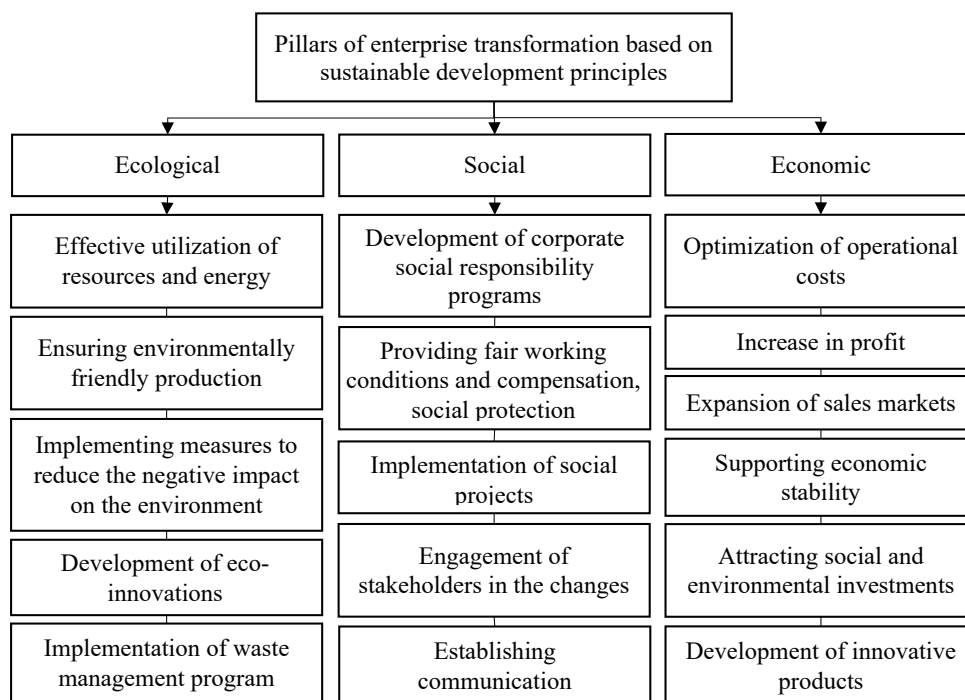


Figure 1. Pillars of enterprise transformation based on sustainable development principles

Source: developed by the authors

the submission of non-financial reporting, including data on sustainable development, increases annually.

In recent years, there has been a noticeable increase in interest among large companies in preparing and disclosing non-financial annual reports in accordance with GRI STANDARDS or the requirements of the UN Global Compact. In Ukraine, approximately 20 companies and organizations already adhere to these standards. Some companies have participated in international ESG systems, ratings, and indices. ESG (Environmental, Social, and Corporate Governance) focuses on specific aspects of sustainable development that affect a company's financial performance and effectiveness. It includes opportunities and risks associated with their impact on society and the environment [10].

The application of ESG principles for Ukrainian enterprises could prove to be a key factor in improving competitiveness and resilience. One way to increase investors' confidence in reporting is to engage a third party to audit sustainable development data, as well as active participation in international ESG ratings.

The process of implementing an ESG reporting system in Ukraine is still in its formative stages, and transformational changes according to the new reporting approach in companies may take from 3 to 4 years. During this time, the company gains confidence, attracts experienced personnel, and develops a practice of applying ESG principles [10]. According to a survey conducted by OECD [11], 70% of investors make decisions based on ESG criteria, while 14% actively consider it. Therefore, the implementation of ESG policies in Ukrainian companies can have a positive impact on their operations and attract foreign investors.

The research conducted by Deloitte [12] among the management of leading and less successful companies reflects the assessment of values that can be formed during the implementation of sustainable development strategies (Figure 2). The results are presented on a scale where 5 represents the highest rating, and 1 represents the lowest.

Based on the research results, it was found that leading companies focus on opportunities for growth and diversification of their activities, while less successful companies prefer achieving financial benefits and reducing costs. Enterprises recognized as leaders in sustainable development succeed by leveraging their existing advantages in the process of transforming their activities. The company's ability to quickly respond to changes and adapt to them turns out to be a key source of competitive advantage.

Having identified the values created in the process of transformation for sustainable development, it is advisable to conduct an analysis of maturity and readiness indicators of enterprises for such transformation (Figure 3). The indicators are ranked according to their importance for the enterprise based on the survey results among the respondents.

The most significant maturity and transformation capability indicators for enterprise leaders are Leadership team, Strategic financing, and Business analytics, while Performance management is the least influential indicator. The results of an extended study conducted by Deloitte [12] show that leading companies have a higher maturity score than less successful ones in 11 out of 12 transformation capabilities. Laggards are on par with leaders in Performance management, as sustainability reporting implementation is a starting point for many organizations but is insufficient on its own to achieve significant results. The main transformation capabilities that distinguish leading companies from less successful ones are Strategy cascading, Strategic foresight (Sensing), and Ecosystem co-creation, defined as the collaborative development of transformation strategy with an external business network to achieve sustainable development.

The process of enterprise transformation for ensuring sustainable development is complex and occurs in a specific sequence. Identified indicative stages of enterprise transformation can help management and stakeholders better navigate the sustainability achievement process (Figure 4).

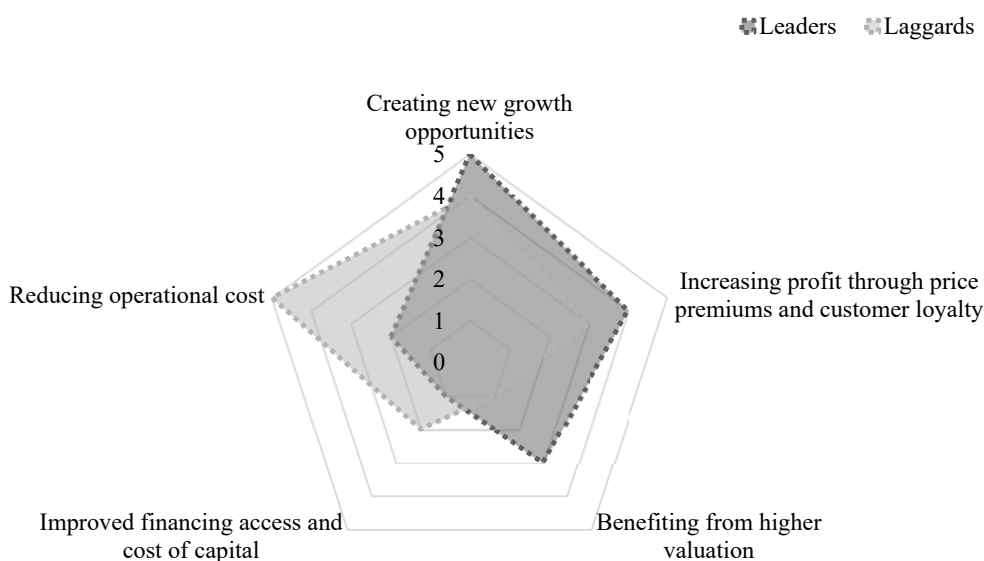


Figure 2. Assessment of values formed during enterprise transformation for ensuring sustainable development

Source: [12]

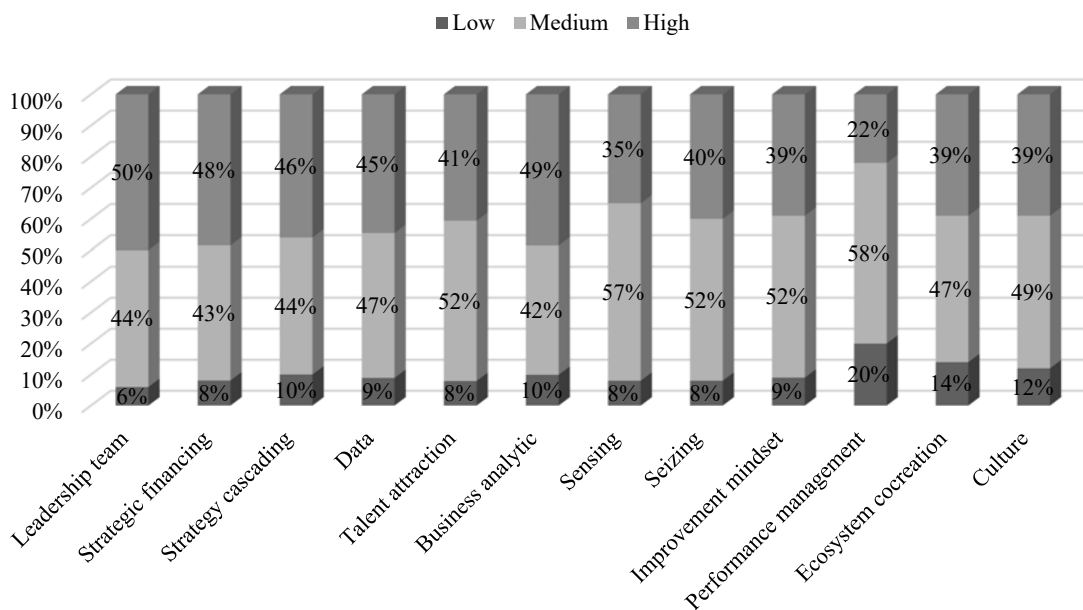


Figure 3. Assessment of enterprise' capability and maturity for transformation

Source: [12]

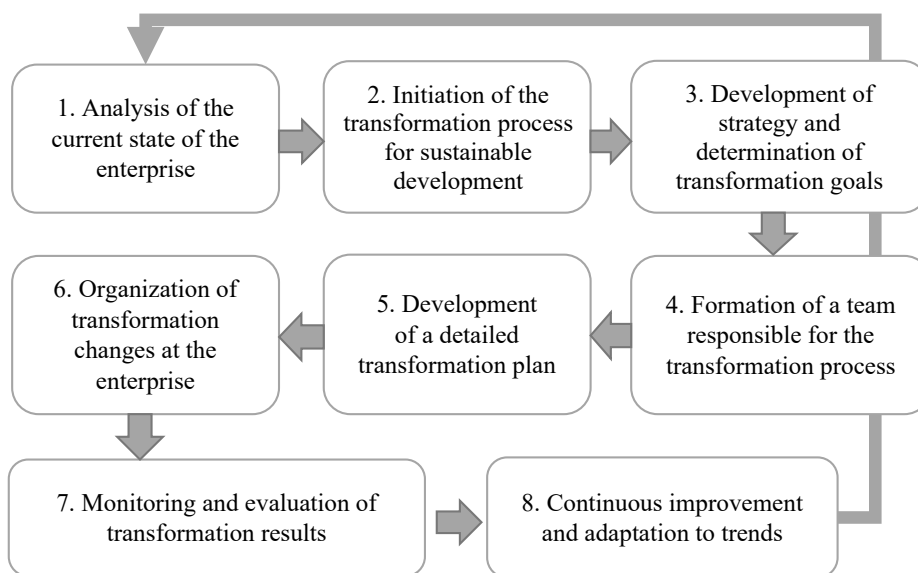


Figure 4. Stages of enterprise transformation for sustainable development

Source: developed by the authors

The process of enterprise transformation for ensuring sustainable development involves several stages.

1. *Analysis of the current state of the enterprise* involves a thorough examination of its financial status, operational processes, product quality, current business model, diagnosis of the competitive environment, and consideration of consumer needs and preferences. An important component of this stage is conducting a SWOT analysis to identify strengths, weaknesses, opportunities, and threats, which will provide better insight into internal and external factors impacting the enterprise.

2. *The initiation of the enterprise transformation process* aims to ensure its sustainable development. Motivations for initiating this process may include: adapting to trends

and environmental changes; enhancing the company's resilience; shaping its image and aspiring to take leadership positions in the market; adapting to changes in consumer needs and preferences; mitigating or significantly reducing the impact of risks on the enterprise; quality production planning and change management; improving productivity and operational efficiency; optimizing processes through the adoption of new technological solutions and methods; increasing profitability by improving product quality; engaging stakeholders in change implementation and considering their interests; participating in environmental initiatives; and aspiring to adhere to the principles of sustainable development and achieve the goals outlined in the outcome document of the

UN Summit "Transforming our World: the 2030 Agenda for Sustainable Development."

3. *Developing a strategy for enterprise transformation* to ensure sustainable development involves setting a clear purpose and defining short- and long-term transformation goals in accordance with the principles of sustainable development. It also entails choosing the direction of development and the depth of future changes.

An important step in forming the strategy is to specify the transformation processes, which involves analyzing identified problems, developing strategic initiatives to address them, and identifying the necessary resources for implementing such initiatives. It is necessary to develop mechanisms for monitoring and evaluating the results of transformation in accordance with the set goals. Additionally, when developing the enterprise transformation strategy, it's essential to adhere to documentation regarding sustainable development, including reports, standards, development strategies, declarations, and resolutions.

4. *Formation of a team responsible for enterprise transformation.* The main goal of this team is to implement the defined strategy and prepare a plan of preparatory

measures for the successful transformation. This working group should be responsible for internal communication within the company and explaining to the staff the importance of the changes, which involves holding regular meetings and training sessions to prepare employees for new requirements and processes.

5. *Development of an enterprise transformation plan* involves creating a specific action plan that includes identifying necessary resources, budget, and timeframe for the transformation. The developed plan should be flexible to account for risks associated with changing conditions and needs, as well as opportunities for adaptation to achieve successful transformation results. It is advisable to include monitoring and reporting mechanisms to ensure the implementation of planned actions within set deadlines and allocated resources.

6. *Organization of transformation changes at the enterprise* involves implementing new processes, technologies, sustainable development principles, management practices, and strategies aimed at balanced development that ensures economic efficiency, enhanced social responsibility management, and environmental

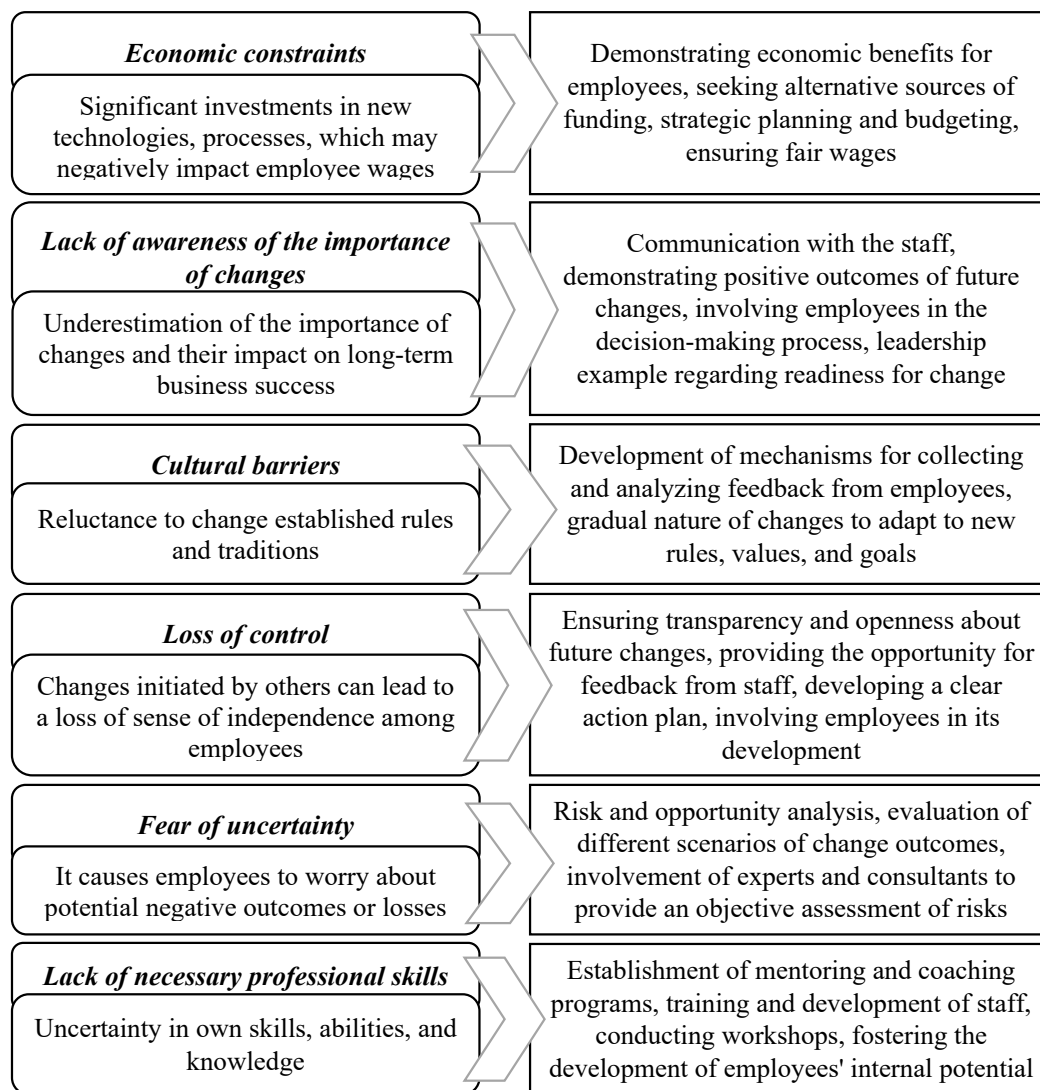


Figure 5. Reasons for resistance to changes and ways to overcome them

Source: developed by the authors

preservation. Internal communication is a crucial component that helps engage personnel in the change process and stimulates active participation in decision-making.

7. *Monitoring and evaluating the effectiveness of transformation results* for sustainable development aim to implement corrective measures promptly. Assessing the outcomes of transformation allows determining the degree of task completion and goal achievement. Using analytical methods provides the necessary information for systematic monitoring of key transformation process parameters, enabling the identification of potential areas for improvement and the detection of possible problem areas.

8. *Continuous improvement and adaptation to trends* are key aspects in the context of transformation. This stage marks the completion of the previous transformation cycle and the beginning of a new phase of development. The effectiveness of change implementation for sustainable development is determined by the capability of the enterprise for adaptation and innovative growth. This process involves continual refinement of business processes, openness to new ideas, and flexibility in responding to changes in economic, technological, environmental, and socio-cultural environments. Accordingly, active tracking and implementation of trends into the business strategy form the foundation for the sustainable development of the enterprise.

Despite the positive aspects, the transformation process can trigger resistance to change from employees within the enterprise. Therefore, it is important to identify the sources of such resistance and find ways to overcome it. Resistance to change during the transformation of enterprises for sustainable development can arise for various reasons (Figure 5).

Transforming a business based on sustainable development principles is a challenge, as it requires not only technical changes but also strategic realignment, cultural restructuring, and significant investments in staff, technology, and infrastructure. Thus, businesses need to formulate a comprehensive, systematic perspective on sustainable business development that reflects all critical challenges, including environmental, social, and economic aspects. This perspective should integrate various spheres such as responsible production, clean energy, and economic development, considering their interconnection [13].

In summary, overcoming resistance to changes requires systematic engagement with stakeholders, ensuring an effective communication process, implementing training and support programs for staff, and demonstrating specific benefits and advantages of transforming the enterprise towards sustainable development.

Conclusions. Enterprise transformation for ensuring sustainable development reflects a strategic approach to addressing environmental, social, and economic challenges facing businesses in today's realities. The transformation process involves quantitative and qualitative changes in business processes, business models, organizational structure, technologies, management, and corporate culture aimed at optimizing production processes, reducing negative environmental impact, improving working conditions, and promoting social responsibility.

Therefore, enterprise transformation based on sustainable development principles is not only necessary but also an integral part of modern corporate strategy aimed at achieving harmony among economic, social, and environmental goals.

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