

UDC 65.011.4

JEL Classification: B41 + D24 + Q01

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## ENSURING SUSTAINABLE DEVELOPMENT AS A WAY TO REDUCE ENTERPRISE EXPENSES

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This article explores the possibilities of using sustainable development to improve the enterprise’s financial results, namely, the reduction of operating expenses. The authors highlight that many Ukrainian companies have not yet adopted such practices, citing concerns over financial burdens and time constraints. Nonetheless, sustainable development initiatives can confer powerful competitive advantages, especially during the current crisis in Ukraine. Therefore, the authors recommend that young enterprises and those striving to maintain profitability during wartime conditions consider implementing sustainable development measures as a means of cost reduction. To this end, the article proposes a specific sequence of actions. The first stage involves identifying areas within the value chain where costs can be reduced. The second stage is creating a list of measures deemed practical and timely by management. Finally, the authors have developed a matrix to prioritize measures that ensure sustainable development and cost savings. This matrix helps place measures according to three criteria (labor intensity, volume of financial costs, significance of impact on sustainable development) into four quadrants: immediate implementation, short-term planning, expansion of work duties, and operating debt. Also, the authors emphasize that thanks to the implementation of measures to ensure sustainable development, entrepreneurs can receive additional benefits in the form of SDI or ESG investments, providing timely reporting on the metrics of the components of sustainable development.

**Keywords:** sustainable development of the enterprise, financial expenses, the value chain of production, prioritization matrix, measures to reduce expenses and ensure sustainable development of the enterprise.

**DOI:** 10.32434/2415-3974-2022-17-1-239-246

### *Introduction and formulation of the problem*

In contemporary times, the concept of sustainable development has gained immense significance. This notion encompasses the concept of human development that fulfills the present needs without jeopardizing the capacity of future generations to fulfill their own needs. Major multinational corporations have assumed the role of ambassadors of sustainable development, thereby charting the course for small, medium, and other large-scale businesses.

For an extended period, sustainable

development in Ukrainian enterprises was restricted mainly to social responsibility initiatives that had no bearing on core business operations. Despite the lack of legal enforcement mandating “sustainability” in Ukrainian business practices, it has garnered strong endorsement and manifests competitive advantages. Enterprises intending to engage in export trade, foreign investment attraction, scaling, diversification, or any other form of expansion can leverage sustainable development strategies to bolster their outcomes, secure better partnerships, lower barriers to entry into new markets, enhance stakeholder

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**Ensuring sustainable development as a way to reduce enterprise expenses**

loyalty, and achieve various other benefits.

Even with the evident advantages of sustainable development, Ukrainian entrepreneurs frequently defer its implementation in business processes, citing its financial and temporal exigencies. Business leaders regard sustainability as a long-term investment in the viability of their companies. Implementing sustainable practices necessitates several changes in a company's operations, with the most crucial of these alterations centering on the management paradigm, specifically enterprise planning.

However, sustainable development can also be viewed as curtailing a company's expenses, even in the short run. This approach proves especially efficacious for nascent enterprises, where strategic planning functions remain underdeveloped, and managers can only feasibly undertake current and short-term planning amidst rapid growth. Furthermore, exploring this topic bears relevance and timeliness for numerous Ukrainian enterprises operating in crisis conditions and struggling to safeguard their businesses. To achieve this, enterprises must prioritize expenditure reduction and export expansion to foster favorable conditions for business preservation.

#### ***Analysis and research of publications***

Reducing enterprise expenses has been a topic thoroughly investigated by many eminent scholars for an extensive duration. It was studied by K. Marx, A. Marshall, A. Smith, D. Ricardo and many other prominent economists. However, the modern problem of cost-saving through sustainable development is relatively new, mainly because the term "sustainable development" was only coined in 1987. This term occurred when H. Brundtland introduced it in the report "Our Common Future" of the International Commission on Environment and Development.

There are many theoretical and practical studies on how implementing sustainable development can help businesses. For example, R. Campo and O. Trio studied how eco-innovations help the enterprise to improve product quality [1]; K. Isensee, K. Griese, and F. Teuteberg demonstrated how the use of artificial intelligence could reduce the use of resources in the enterprise [2]; an inspiring study of W. Keck, who proves that even sole proprietorships can pursue a policy of sustainable development and increase their income as a result [3]. Given the relevance of this study and the need to convey to entrepreneurs the benefits of ensuring sustainable development, it was also essential to consider the works on the construction of entrepreneurial thrifty thinking [4].

It is worth highlighting the contributions of

Ukrainian researchers in entrepreneurship, particularly in the context of war. O. Solosich and S. Tulchynska have researched the specifics of economic security during war conditions [5]. In their study, they propose an adaptive policy that involves utilizing all available resources and implementing aggressive measures to sustain profitability, including adopting sustainable development practices to reduce enterprise expenses.

An understudied area of sustainable business development is military waste handling, disposal, and use. Most scientists agree that the state should primarily initiate the solution to this problem. Ukrainian scientists V. Marchenko, V. Shutuyuk, V. Osetskyi, and others [6] proposed such a model of waste management, which involves delegating the performance of specific tasks of the waste management chain to subjects not of the state, but of the business sector the economy. It is important to note that military waste is considered not only the remains of equipment or weapons but also the ruins of buildings, damaged forest areas, road debris, etc. From this point of view, with the assistance and permission of state authorities, enterprises could use such waste free of charge or at a minimal price for their own needs, at the same time unloading landfills and cleaning up the consequences of military actions, but, unfortunately, this issue has not yet been fully settled at the legislative level [7].

The impact of the war in Ukraine on the sustainable development of domestic enterprises has been considered by A. Hrechko and O. Ocheretiana in their previous study [8]. The authors highlighted the spheres of the company's activity that were most negatively affected. However, it is essential to determine possible directions for minimizing the damage caused to Ukrainian businesses as a logical continuation of this research. Furthermore, practical advice for managers on building their work in financial and security uncertainty conditions should be provided.

#### ***Purpose of the article***

The article aims to develop a sequence of actions aimed at reducing the company's expenses by ensuring its sustainable development. Within the scope of this study, it is planned to determine specific directions for reducing expenses by analyzing the chain of formation of the value of products at the enterprise, as well as to build a matrix for determining the priority of implementing measures to reduce expenses and ensure the sustainable development of the enterprise.

#### ***Presentation of the main material***

Enterprise expenses cover all company expenses

for a certain period during its operation. According to some alternative definitions, costs can be considered to be (1) the assessment of all resources necessary for the enterprise to work effectively; (2) reduction of economic benefits of the enterprise; (3) the type of investment of various resources. In any case, the desire of entrepreneurs to reduce their financial costs and increase the profitability of business activities remains unchanged.

The cost structure of an enterprise comprises financial, operational, investment costs, taxes, and expenses resulting from unexpected events. Operational expenses are the most adaptable category since managers can easily modify their components. Therefore, let us analyze the conventional value chain of an enterprise while considering two criteria: (1) sustainable development assurance and (2) cost reduction potential, and identify the domains in which alterations can be proposed (Fig. 1).

The directions for forming a list of measures to reduce costs by ensuring sustainable development should be documented in a visually convenient form and detailed. It is also appropriate to combine similar activities from different value chain stages by critical areas, as done in the table.

The present example entails the most widespread areas of the enterprise where cost reduction measures and sustainable development can be implemented:

First. Energy saving. Measures aimed at reducing the consumption of various types of energy are usually implemented by changing the behavioral habits of the team.

Second. Energy efficiency. Unlike energy saving, this category assumes that the enterprise will not reduce its energy needs but will use available resources more efficiently.

Third. Sustainability of packaging. The most important functions of packaging are to protect the product from damage and to inform the user, so more and more companies are abandoning packaging that performs any other functions (PR, presentation, etc.) [10].

Fourth. Use of waste. According to the EU Waste Directive of November 19, 2008, utilization and liquidation are the last stages of the enterprise’s waste life. However, before that, the enterprise should take care of the prevention of waste, as well as the preparation of existing waste for reuse [1].

Fifth. Sustainability of logistics transportation. Even if the company does not carry out logistics transportation on its own, it can reduce its costs for ordering such services due to the implementation of appropriate measures.

Sixth. Diversification of working conditions. Even in the post-war period, the trend towards remote work remains, so it can be used to reduce costs and increase the comfort of the company’s

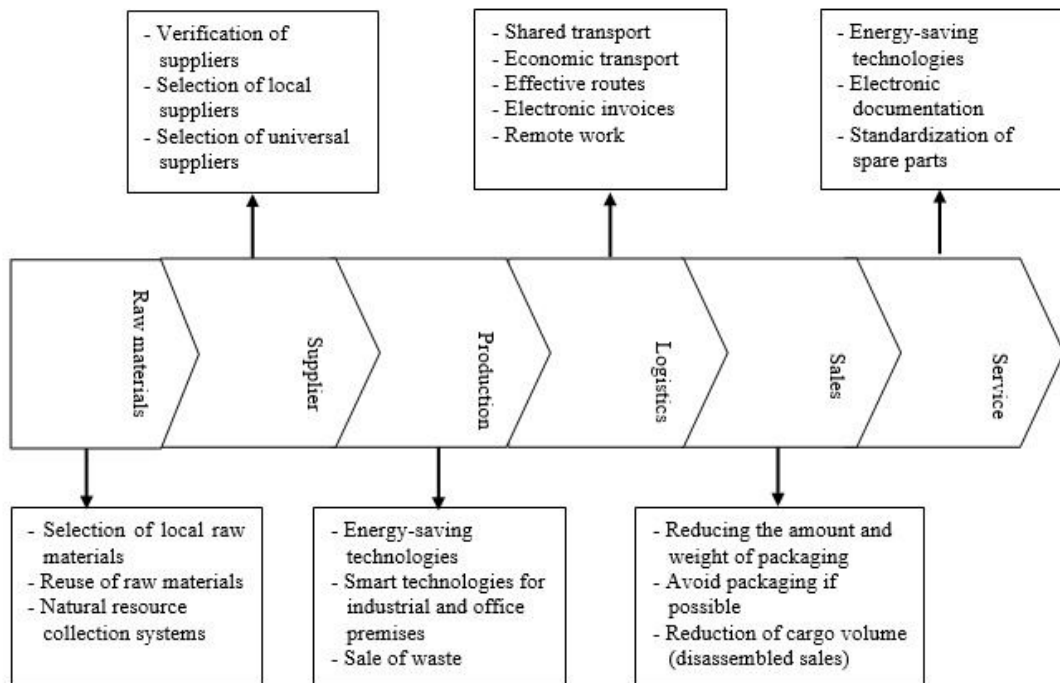


Fig. 1. Determination of cost reduction directions by ensuring sustainable development in the value chain

Source: authors’ development

**Development of a detailed list of measures to reduce costs by ensuring sustainable development at the enterprise**

Direction	Measures	Explanation
Energy saving [1,8]	use of lighting control devices	for example, touch-sensitive light switches, timers, brightness controls, etc
	time control of the effective time of use of electrical appliances	for example, the prohibition to leave electrical appliances in the "stand-by" mode
	use of natural light	increasing the number/area and transparency of windows
	proper insulation of walls, floor and roof	will help preserve heat in heated rooms
	use of motion sensors for cranes	will help reduce the amount of water used for technical needs
	rainwater collection	
	information and educational activities	trainings are conducted to raise employees' awareness of the goals of sustainable development
Energy efficiency [1,8]	use of energy-saving lamps	for example, LED lighting or foil lamps
	use of energy-saving technologies in production and replacement of small household appliances	for example, updating equipment, replacing old electric kettles with energy-efficient ones, replacing stationary PCs with laptops, etc.
	use of alternative energy sources	for example, installing solar panels, using charging stations
	conducting a general energy audit	replacing plumbing fixtures with energy-efficient ones, replacing cast-iron radiators with bimetallic ones, replacing windows with windows with multifunctional glass, etc.
Sustainability of packaging [10]	avoiding packaging, if possible, or using less of it	rejection of decorative, additional and excessive packaging
	using packaging with reduced weight	such packaging reduces the cost of transportation and ensures a reduction in waste
	use of packaging with a reduced content of paints	such packaging reduces the amount of harmful substances in waste and water and is cheaper
	secondary use of packaging	provided that it is permitted by sanitary regulations
Use of waste [1,7]	waste minimization at all stages of production	includes reducing production waste and reducing packaging from raw materials
	repeated use without prior preparation	for example, the use of packaging materials, the use of wood waste for space heating
	reuse after preparation	for example, composting organic waste, melting plastic
	selling waste as valuable resources	for example, sales to producers of glass, metal, waste paper, etc
Sustainability of logistics transportation [9]	use of electric cars and other hybrid vehicles	such transport usually has lower emissions and saves fuel
	use of public transport	for example, ordering logistics services or cooperation with other local businesses
	using efficient routes	a route that ensures optimal delivery time, cargo preservation and cost minimization
	use of electronic invoices	allows you to save on printing, filling, transportation and working time of employees
	reduction of cargo volume	implemented by reducing the amount of packaging or transporting large goods in disassembled form
	use of "economizers"	devices for saving fuel by the vehicle engine
Diversification of working conditions [11]	implementation of remote work programs	leads to a reduction in costs for office rent, communal services, organization of workplaces and covering transport costs for employees
	partial replacement of offline forms of communication with online ones	use of free tools (Skype, Zoom, Google Meet) instead of expensive conference calls or employee trips to meetings
Social responsibility [12]	fight against corruption and nepotism in the workplace	prevention of inappropriate use of company funds or exceeding the powers of employees
	introduction of mentoring programs	an internal tool for improving the professional skills of less experienced employees and developing the general skills of highly qualified specialists
	providing a flexible work schedule	allows to take into account the variability of external circumstances in the conditions of war
Digitization of the enterprise [2,13]	transition to electronic documentation	allows you to save on printing, filling, archiving and working time of employees
	abandoning local servers and switching to cloud ones	allows you to save on auxiliary equipment and electricity
	hardware upgrade	outdated programs process information more slowly, requiring more energy consumption, and lead to more heat output, which accelerates the depreciation of equipment

Source: aggregated by the authors based on [1,2,7,8,9,10,11,12,13]

employees [11].

Seventh. Social responsibility. Increasing the social responsibility of the business and the team minimizes the adverse risks of the human factor and creates additional value.

Eighth. Digitization of the enterprise. It covers digital transformations that increase productivity and optimize processes [13].

The abovementioned list of directions and measures is not comprehensive and may vary depending on the enterprise’s size, industry, and specifics. The question of how managers should prioritize implementing these measures remains unanswered. Typically, a matrix approach is utilized for tasks with a similar objective. This approach entails constructing a rectangular table and placing the assessed components in its quadrants.

Fig. 2 shows an example of a completed matrix for determining the priority of measures to reduce expenses and ensure sustainable development of the enterprise, which is an independent development of the article’s authors.

On the matrix’s horizontal axis, the enterprise’s financial expenses are plotted. Measures that require investments are positioned on the left side of the matrix, while measures that generate immediate cost

savings or revenue are placed on the right side. On the vertical axis, the complexity of implementing the measure is represented, with the labor intensity measured in regular hours. The more time-consuming a proposed measure is, the higher it is on the matrix. Each measure is represented by a circle, with the circle’s area corresponding to the measure’s impact on achieving the company’s sustainable development goals. These assessments are made by experts.

The results should be interpreted according to the quadrants to which the circles fell (that is, prioritized activities):

– firstly, immediate implementation. Usually, these measures do not require financial costs and can generate additional income. Their second advantage is low labor intensity. Therefore, their implementation can take a little effort and resources from the enterprise. Since such measures can be quickly implemented, they are a high priority;

– secondly, short-term planning. It is necessary to allocate a certain amount of monetary investments (often insignificant) to implement such measures. Therefore, they should be included in the budgeting plans of the enterprise. Also, such measures should be carried out according to a defined schedule to ensure sufficient control and planning of actions;

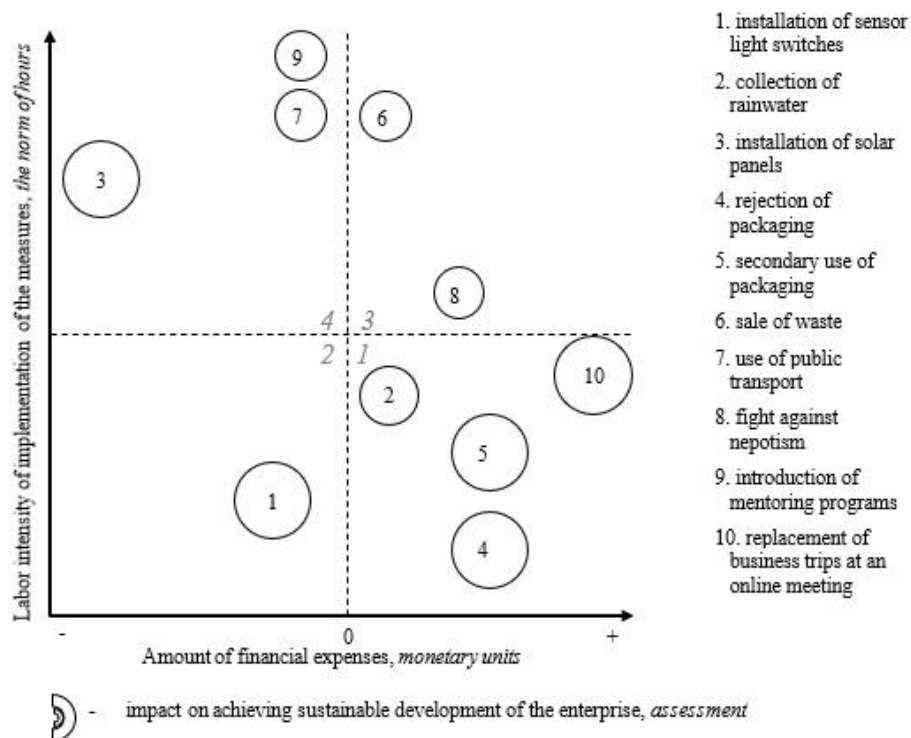


Fig. 2. Matrix for determining the priority of measures to reduce expenses and ensure the sustainable development of the enterprise

Source: authors’ development

– thirdly, expansion of labor duties. Such measures can be highly effective for the enterprise but require significant involvement of labor resources. These can be long-term or repeated activities that require a responsible approach to their organization and implementation. The most popular implementation option is to expand the work duties of one of the employees who will be responsible for the implementation of the event. Another option is to hire a new employee for the role;

– fourthly, operating debt. These measures are the most difficult to implement. Usually, they are postponed indefinitely and represent operational debt repaid when the company has free resources or an urgent need.

The article’s authors recommend that managers regularly return to this matrix, supplement it, and reassess measures (especially those in the operational debt quadrant).

Finally, it is essential to recall the opportunities that are presented to enterprises that have committed to the path of sustainable development. New investment areas like SDI and ESG are becoming increasingly popular [14]. Sustainable Development Investing focuses on investing in companies that demonstrate a high level of social responsibility, sustainable development, and efficient use of resources. Environmental, Social & Governance investing focuses on evaluating a company’s responsibility to the public, employee relations, ethics, and business ethics in the context of sustainable development. These types of investments resemble a mixture of business and volunteerism because investors primarily expect to know how a company has changed the world, not when the company will return the money. SDI grants are awarded for developing sustainable projects, including using renewable energy, efficient use of natural resources, and reducing emissions. ESG grants are provided for sustainable business development, in which companies consider the impact of their activities on the environment and high social responsibility standards.

Grant programs for small businesses operating according to this investment principle are top-rated. Their number for Ukrainian enterprises increased significantly after the full-scale invasion of Ukraine. Financial support is offered by the European Bank for Reconstruction and Development, the European Commission, the International Organization for Migration, the German Society for International Cooperation, the UN Migration Agency, and many other commercial organizations.

To receive such grants, the enterprise must have

a clear sustainable development strategy and prove that its activities comply with the principles of sustainable development and ethical standards. In addition, in order to confirm the sustainability of its development, the company must regularly record and report on the economic, environmental, and social indicators of its activities; a proper tool for this is non-financial reports compiled according to international standards (for example, Global Reporting Initiative, GRI) [15].

### **Conclusions**

Within the scope of the conducted study of ways to reduce the company’s expenses as a result of ensuring sustainable development, it was possible to form a sequence of actions for managers: (1) to determine possible directions for reducing expenses with the help of ensuring sustainable development in the chain of production value formation; (2) create a list of specific measures that are appropriate and possible to implement at the enterprise; (3) prioritize this list using a matrix for determining the priority of measures to reduce expenses and ensure the sustainable development of the enterprise; (4) start the implementation of measures that have reached the first quadrant; (5) include measures from the second and third quadrants in short-term plans and budgeting plans; (6) regularly add to the matrix and reassess measures to relieve the fourth quadrant. Therefore, the logical continuation of this study should be the calculation of the actual saving of financial resources as a result of the implementation of measures to ensure sustainable development on the example of any Ukrainian enterprise.

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Received 10.04.2023

## ЗАБЕЗПЕЧЕННЯ СТАЛОГО РОЗВИТКУ ЯК СПОСІБ ЗМЕНШЕННЯ ВИДАТКІВ ПІДПРИЄМСТВА

Гречко А.В., Очеретяна О.В.

Стаття досліджує можливість використання сталого розвитку як способу покращення економічних результатів підприємства, а саме зменшення операційних видатків. Автори вказують на те, що багато українських компаній досі не імплементували сталий розвиток у свої бізнес-процеси, оскільки вважали це фінансово витратним та трудомістким. Однак, сталий розвиток може мати потужні конкурентні переваги, які варто враховувати в тих кризових умовах, що нині склалися в Україні. Автори рекомендують молодим підприємствам використовувати сталий розвиток як спосіб зменшення видатків, а також іншим українським підприємствам, що прагнуть зберегти свою прибутковість навіть в умовах війни. Для цього у статті запропоновані та описані конкретні послідовності дій. Першим етапом є визначення потенційних напрямів зменшення витрат у ланцюзі формування вартості продукції. Другим – формування списку заходів, що є доцільними та своєчасними на думку управління. Для реалізації третього етапу, автори статті розробили матрицю визначення пріоритетності заходів зі зменшення видатків та забезпечення сталого розвитку підприємства. Ця матриця допомагає розташувати заходи за трьома критеріями (трудомісткість, обсяг фінансових витрат, значущість впливу на сталий розвиток) у чотирьох квадрантах матриці: I. негайна реалізація; II. Короткострокове планування; III. Розширення трудових обов'язків; IV. Операційний борг. Також автори наголошують, що завдяки реалізації заходів із забезпечення сталого розвитку, підприємці можуть отримати додаткові вигоди у вигляді SDI або ESG інвестування, за умови своєчасного звітування за метриками складових сталого розвитку.

**Ключові слова:** сталий розвиток підприємства, фінансові видатки, ланцюг формування вартості, матриця визначення пріоритетності, заходів зі зменшення видатків і забезпечення сталого розвитку підприємства.

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