

THE GREEN AND SOCIALLY RESPONSIBLE BUSINESS IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

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Abstract: The green and socially responsible business, in the context of environment and resource protection, improving the quality of life for workers and employees at the corporate level and of the society as a whole, and oriented towards sustainable economic development, finds expression in the full integration of economic, environmental and social commitments of companies in the course of their business activities, in their interactions with the environment, and in their relationships with personnel, contractors and society. The thesis defended is that environmental protection and the implementation of socially responsible practices by companies can be successfully achieved with an effective management system that is tailored to the specific nature of the business and the best practices in the field, and with the support of an environmentally and socially responsible leader. The results of the study find an expression in revealing the process of transformation: "traditional business model - green and socially responsible business", highlighting the importance of turning companies into green and socially significant organizations with a good reputation.

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Introduction

Innovative entrepreneurship is a very important part of the process of successful sustainable development worldwide (Odinokova et al., 2018). The future of business is digital, green, socially responsible, and sustainable. That is why the issue of green and social transformation of businesses is extremely relevant, including the development of environmental, social, and new management models as a factor for success (Chipriyanov, & Andonovska, 2022). Green and socially responsible businesses in Bulgaria and Romania ensure full integration of the economic, environmental, and social goals that companies set in the context of sustainable development. The implementation of new standards for environmental and social impact, good corporate governance, and the transition to a new type of reporting (through ESG reports) in the European Union are regulated by the Corporate Sustainability Reporting Directive (CSRD), the EU Sustainable Finance Disclosure Regulation (SFDR), the Unfair Commercial Practices Directive (UCPD), the EU Taxonomy regulation, and others. ESG reports are subject to auditing, which ensures that they provide internal and external stakeholders with reliable and accurate information about the degree of environmental and social corporate governance of the enterprises, respectively. They are a suitable tool for tracking the trend towards achieving sustainable business practices. The preparation and actual process of creating ESG reports are a significant challenge for both the management and accounting systems of companies. This requires an up-to-date assessment of the state and prospects of the business, as well as options for adaptation in the short term in accordance with regulations and directives that define the sustainable future for Europe.

The purpose of research is to examine the good practices in developing a business management model in the context of environment protection, social responsibility, and sustainable development, and to identify options for its future elaboration and implementation in the systems of business organizations to achieve higher efficiency.

The formulated purpose is related to solving the following tasks: 1) to elucidate the concept and types of **corporate social responsibility** (CSR)

and the principles of socially responsible business in Bulgaria and Romania; 2) to trace the development of the institutional and regulatory framework of CSR; 3) to examine the readiness for organizational change of businesses in the context of green and social responsibility at the corporate level; 4) to analyze the organizational change of businesses in our country in the context of the Burke-Litwin model; 5) to evaluate the prospects for the success of the green and socially responsible way of doing business in our country through SWOT analysis.

1. Research methodology

The objectives and the tasks of this research are achieved through the application of the following research methods: Content analysis, Crosstabs in SPSS, SWOT analysis, Gap analysis, structured interview method, analysis and synthesis, methods of induction and deduction in the process of formulating research questions, comparative method, etc. The research complies with the normative regulations of the current national and European legislation as of May 31, 2023. For the empirical research, enterprises from the non-financial sector in Bulgaria were selected using the method of random sampling without replacement. The sample includes a total of 86 enterprises, of which 34 are small, 43 are medium-sized, and 9 are large. The category of *micro-enterprises* was excluded from the sample, as their share in terms of the research framework is insignificant. The research methodology provides for reliability in terms of the accuracy of the collected information, by addressing the questionnaire to a specific category of employees (managers and expert staff) in the surveyed 86 business organizations. The questionnaire developed for the research purposes consists of precise questions which aim to initiate statements of the respondents on the problem-based research framework and respective response modalities. The survey was conducted through an online survey. The collected data was processed by applying statistical procedures. The survey was administered using the surveyplanet.com tool.

2. Theoretical and regulatory framework

CSR is a concept in which a business organization takes responsibility for the impact of its activities on stakeholders (customers, suppliers,

employees, communities) and the environment. The problems of CSR are highly discussed among scientists and practitioners (Jarmusevica et al., 2019; Kolechkina et al., 2019; Kurmanov et al., 2019; Nikolova-Alexieva, et al., 2022; Petrova et al. , 2023; Petrova & Tairov, 2022; Petrova, et al., 2018; Seitzhanov et al., 2020). Under CSR, the companies implement programmes to address environmental and social issues and add value to people's lives. These efforts or initiatives can range from financial donations to non-profit organizations or support for a social cause to the implementation of environmentally friendly policies in the workplace. In this sense, business management today has the task of functioning in the context of so-called **socially responsible business**.

The business is to reorient itself by deploying in new, socially significant areas of activity. An important contribution for defining the characteristics that describe CSR is that of A. Carroll, who "expands" the concept of corporate responsibility beyond the traditional economic and legal responsibilities by adding ethical and philanthropic responsibilities, thus providing for the contemporary interpretation of CSR (Carroll, 1991).

Carroll presents this unified set of responsibilities in the so-called **pyramid of CSR** including four basic elements. The base of the pyramid is **the economic responsibility** towards society, which is the foundational requirement in business and involves providing for sufficient economic resources for successful business and management, focused on creating and providing for goods and services at an affordable price. The second level shows the need for companies to comply with regulatory rules and provisions. To achieve this, business practices and methods are determined through legal means depending on the sector, region, country, or part of the world where business is conducted. Such behaviour of companies is the realization of their **legal responsibility**. According to A. Carroll, conducting business in an ethical manner is the compulsory next level of CSR. Developing ethical norms to protect employees, managers, and external stakeholders significantly reduces pressure and risk in the management process and demonstrates the company's **ethical responsibility**. At the top of the pyramid is **philanthropic responsibility**, which is the commitment of every company that claims to do socially responsible business to participate in improving life in the community. Philanthropic responsibility is expressed in specific contributions that do not expect financial gain for the company, i.e., do not guarantee the economic interests of investors, but adopt social and environmental initiatives that benefit communities and the planet. Assuming such responsibility is the most vivid evidence that a business is socially

responsible. Since the 1990s, "philanthropic" CSR has attracted the interest of politicians, academic communities, non-governmental organizations, and the general public. As a result, CSR has gradually been integrated into the strategies of various companies and organizations, as well as the legislative frameworks of different countries around the world.

At the same time, the global responsibility towards the future of our society on a global scale is reflected in the guidelines for development adopted at the United Nations General Assembly in 2015, the so-called **17 Sustainable Development Goals** (SDGs). This UN initiative has a time focus until 2030 and has the greatest contribution in terms of mutual cooperation between developed and developing countries.

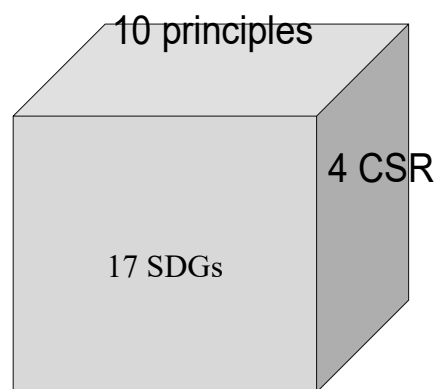
International initiatives and policies at a global level create a common basis that serves to formulate more specific national priorities adapted to local conditions, aimed at stimulating the achievement of specific goals, including in business organizations. Today, the real economic sector applies these standards by integrating socially responsible business into its processes. Businesses have been also encouraged to achieve SDGs through CSR by the voluntary initiative of signing the United Nations Global Compact on July 26, 2000 (Takasago, 2018). Specifically, the Global Compact asks companies to adopt, support, and enact a set of values in their sphere of influence, divided into four main categories - human rights, labour standards, environment, and anti-corruption. These values are defined based on the Ten Principles of the United Nations Global Compact derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption and are called **the Ten Principles of Socially Responsible Business**.

The key events, organizations, and acts that outline and promote the development of CSR on a global scale cover a period of more than half a century. Some of the most important are: the United Nations Conference on the Human Environment (1972), the report "Our Common Future" by the World Commission on Environment and Development of the United Nations (the Brundtland Commission) (1987), the UN Global Compact and the integration of its 10 principles (2000), the United Nations General Assembly and the adoption of the 2030 Agenda for Sustainable Development with 17 SDGs (2015), etc.

Bulgaria and Romania are active participants in the global processes related to achieving the UN SDGs and implementing CSR in business. Bulgaria, for instance, has adopted a National Development Program

BULGARIA 2030, which defines the overall goals of development policies in all sectors of public administration. Today, the Ministry of Labour and Social Policy follows the adopted Corporate Social Responsibility Strategy 2019-2023 and the plans for its implementation, encouraging numerous initiatives that ensure the fulfillment of our country's commitments to international regulatory frameworks and institutions, business representatives, and society. A direct consequence of globalization is the fact that multinational companies have gained dominance in the global economy. Therefore, their activities have the greatest impact on the environment and society. Many of them are turning to socially responsible business as a possible response to the issues raised by institutions and society regarding ensuring sustainable development, circular economy, and CSR. Managers need to find new ways to steer their organizations towards implementing socially responsible business practices to ensure sustainable development. The integration of market and non-market requirements represents one of the greatest challenges of the modern economy (Orlitzky et al., 2011). This is the only way to guarantee **the simultaneous achievement of the four types of CSR in fulfilling the 17 SDGs in line with the ten principles of socially responsible business** (Fig. 1).

The readiness of companies to engage in these three areas can be traced through research on several indicators: presence of CSR in the internal normative base, responsibility assigned to top management, presence of a CSR programme, accounting for the risks from the implementation of CSR policies or the achievement of the SDGs, comprehensive evaluation of all decisions from a CSR perspective, monitoring the reputation of the company, and certification of management systems regarding the implementation of CSR.



Source: authors' own research

Figure 1. A model of socially responsible business "CUBE SRB 17/10/4"

3. Results and discussion

A. The concept of organizational change of business

In every company, there comes a moment when change is inevitable (Hristov, 2021). The external environment in which businesses operate today is what drives change - a change in the way of thinking of the managerial body or a change in the way the business is done. Naturally, like most changes, this represents a complex and difficult process resulting from the legislation, the competition, the consumer behaviour, and others. And since no enterprise can influence the external environment, it must respond appropriately and in time by adapting and adjusting to new challenges if it intends to continue to be operational.

CSRD, SFDR, UCPD, and the EU Taxonomy regulation require businesses in Bulgaria and Romania to orient themselves towards the implementation of new standards for environmental and social impact and good corporate governance (ESG standards). Or, on a regulatory path, the external environment drives the green transformation and the making of socially responsible businesses in Bulgaria and Romania in the context of sustainable development in the European Union. In this regard, companies need to conduct a comprehensive review (reconsideration) of their mission, vision, values, strategies, internal policies, environmental protection and natural resource utilization policies, attitudes towards renewable energy and energy efficiency, codes of conduct, management methods, functions and roles in management, decision-making processes, responsibilities, communication and communication channels, work environment, working conditions and organization of work, work-life balance, collaboration, staff attitudes and beliefs, motivation, and incentives. This results in the development of a plan for changes, deployed in time, taking into account the fact that one change can often trigger another, as there is a cause-and-effect relationship between them. This plan outlines the framework for the management team to systematically and logically undertake and implement specific measures and actions for the successful execution of the overall change - green and socially responsible business.

Do Bulgarian companies recognize the high degree of importance and respective need for organizational change in business? Some of the more significant results from the in-depth interviews conducted among the enterprises in the sample regarding the position of Bulgarian companies in the context of developing a plan with solutions, alternatives and actions with pre-defined implementation deadlines are presented through the cross-tabulation table

below. Cross-tabulations are tables with two variables used to organize data based on two categorical (qualitative) variables and display the distribution of the attributes possessed among the representatives of the sample (Academy, n.d.).

*Table 1.
Meaning of the assessments of the readiness for organizational change in terms of type of the enterprise*

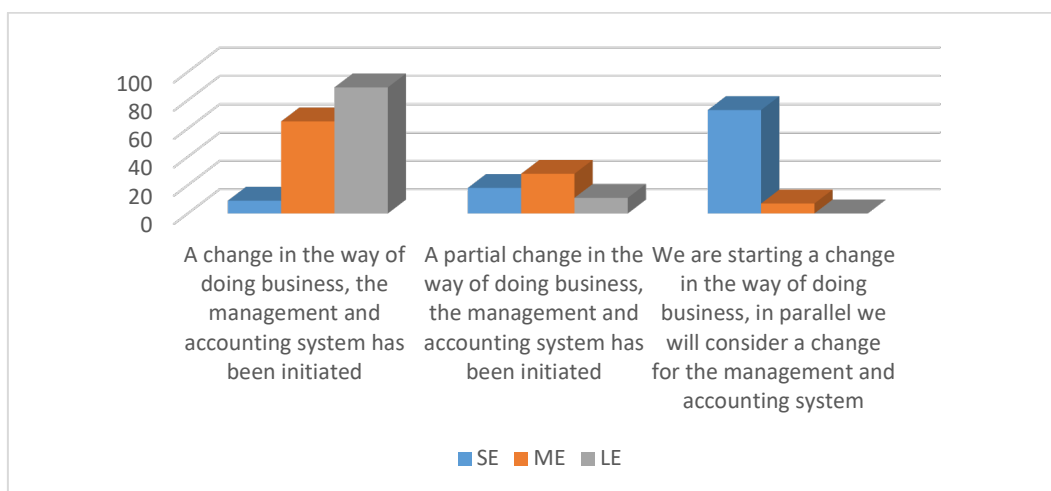
| | | Categories of businesses (Accountancy Act, amm. SG/ 26 dated 22 March) | | | | Total |
|--|-------------------------------|--|-----------------------|----------------------|-----------|--------|
| | | Small enterprises | Medium enterprises | Large enterprises | | |
| Is an organizational change of the business needed in the context of... | definitely yes | Count | 11 | 40 | 9 | 60 |
| | | % within categories | 32.35% | 93.02% | 100,00% | 69.77% |
| | more than likely | Count | 15 | 2 | 0 | 17 |
| | | % within categories | 44.12% | 4.65% | 0% | 19.77% |
| | we will analyze further | Count | 8 | 1 | 0 | 9 |
| | | % within categories | 23.53% | 2.33% | 0% | 10.46% |
| Total | Count | 34 | 43 | 9 | 86 | |

Source: authors' own research

The two-dimensional distributions show that the readiness for organizational change is most strongly expressed in large and medium-sized enterprises, with respective scores of 100.00% and 93.02% responding "definitely yes". This could be explained by the fact that large and medium-sized enterprises are directly "affected" by new regulations and regulatory frameworks, and if they want to continue to function and develop successfully, they must initiate, if they have not already done so, a change in their business practices and accounting. Undoubtedly, organizational change also affects the management and accounting system of these enterprises, and they should take

steps in that direction. Our study shows that most large and medium-sized enterprises have demonstrated positive change in many areas of their economic activity over the last 2-3 years. This is because they are innovators, develop environmentally and socially sustainable solutions, and are willing to take risks. For the most part, these categories of enterprises operate in the international market, often with foreign investments, with foreign counterparts, and from there - they have direct observations and impressions of digitization of work processes, innovations, investments in intangible assets and human capital, and are "open" to innovations in various areas of their activity.

The lowest readiness levels according to the assessments of the respondents are observed in small businesses, with 32.35% responding "definitely yes". These results could be explained by the fact that these types of businesses are usually conservative in their approach to the environment and resources, and in their interactions with suppliers, customers, and employees when making decisions and managing their operations. They are more likely to rely on familiar and tried-and-tested techniques and approaches, typical of the traditional model of business management. Regarding the response "more than likely" and "will analyze further," the assessments among small businesses are positive, with 44.12% and 23.53%, respectively. The respondents who answered "definitely yes" were asked an additional question regarding the guidelines for preparing a plan with strict deadlines for actions and decisions to lead the business to a successful change. The results are as follow (Fig. 2):



Source: authors' own research

Figure 2. Categories of businesses (small, medium and large enterprises – SE, ME, LE) versus the levels of change in the way of doing business and the management and accounting systems (in percentage)

The green and socially responsible way of doing business calls for upgrading and updating the management and accounting systems of these companies. Changes in the way of doing business are reflected in the reporting of companies for management, accounting, statistical, and tax purposes.

B. Profit and/or added value for the companies

The process of green transformation is a unique opportunity for Bulgarian businesses to participate in the development and implementation of environmental and social management models, without which no company will be competitive and successful either in the international or national market. Modern business must be among the leading carriers of policies for environmental protection and personnel investments. Studies show that the symbiosis between traditional practices, innovative working processes, and the information technologies of the future results in real technological advantages, but this is not enough today. Another important factor is people and their future - health, education, motivation. On the one hand, there are the natural resources that are exhaustible. On the other hand, the personnel that must be attracted, trained, and have a sense of awareness and responsibility.

And if until now the business activity of companies was considered as a system, a set of activities that involve certain resources, interconnected in unity, with multiple processes, expenses, revenues, and results reporting, from the business perspective today, it needs some updates and amendments. Appropriately, in this system, environmentally sound decisions should take place in production processes, innovations in smart production, corporate culture and ethics, collective intelligence, the vision of the leader, employee motivation, providing benefits to society, and economic prosperity for local communities and the national economy as a whole. The next step of our research is related to analyzing the attitudes of the business regarding the relationship: "green transformation – implementation of social programmes – added value".

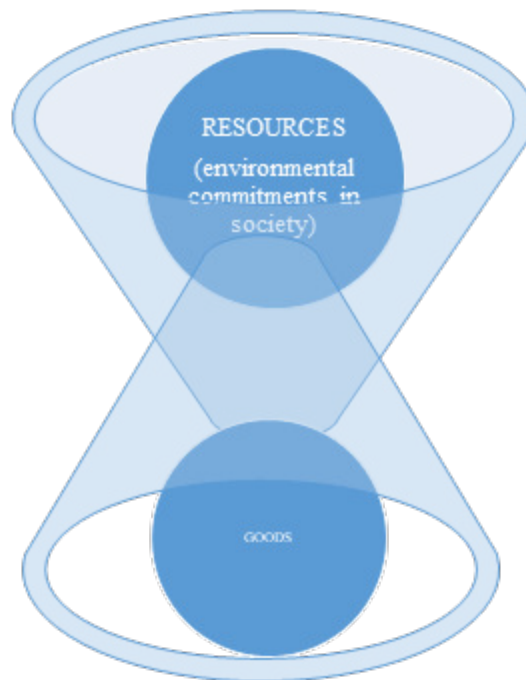
*Table 2.
Meaning of the assessments of implementing green and socially responsible business on the added value for companies and their future development, respectively for the owners and society*

| | | Categories of businesses (Accountancy Act, amm. SG/ 26 dated 22 March) | | | Total | |
|--|------------------|---|--------------------|-------------------|---------|--------|
| | | Small enterprises | Medium enterprises | Large enterprises | | |
| It provides for added value for the business | definitely yes | Count | 7 | 31 | 9 | 47 |
| | | % within categories | 20.59% | 72.09% | 100.00% | 54.65% |
| ... | more than likely | Count | 19 | 10 | 0 | 29 |
| | | % within categories | 55.88% | 23.26% | 0.00% | 33.72% |
| we will analyze further | | Count | 8 | 2 | 0 | 10 |
| | | % within categories | 23.53% | 4.65% | 0.00% | 11.63% |
| Total | | Count | 34 | 43 | 9 | 86 |
| | | % within categories | 100.0% | 100.0% | 100.0% | 100.0% |

Source: authors' own research

The main conclusion that can be drawn from the two-dimensional distributions is that more than half of the companies in the sample (54.65%) are aware that a green and socially responsible way of doing business provides for added value for the company (as a whole and especially for its owners, management, and staff), the sector, the industry, the economy, and society. Among these respondents, the largest is the share of large and medium-sized enterprises, at 100% and 72.09%, respectively. A positive impression makes the fact that 55.88% of small enterprises and 23.26% of medium-sized enterprises responded with "more than likely". Or the above

results give us reason to believe that in the new business management model, the goal of enterprises is not solely economic, with a clear emphasis and categorical pursuit of profit, but rather aims to embody their role as environmentally and socially engaged participants in the life of the planet. The result of their activities is not solely targeted towards profit at any cost, but towards goods that find expression in added value for the future - for companies, owners, workers and employees, the economy, and society. A successful way to visually present this model in Bulgaria and Romania is presented in Fig. 3:



*Figure 3. A model of green and socially responsible business
Source: authors' own research*

The choice of the hourglass shape is not accidental. It carries the idea that the investment of resources, resulting from the commitments made by companies to the environment and society, generates goods. When the hourglass is turned over, it can be seen that the goods (for the environment and society) bring even more resources.

C. Analysis of the relationships between internal and external factors

For the purposes of our research, a comprehensive assessment of the favourable opportunities and potential threats, as well as of the strengths and weaknesses of the green and socially responsible way of doing business was made. The aim was to determine the current state of the new business model, which is a condition for adequately determining strategic priorities and

specific measures. A popular solution in choosing a methodological tool to do so is the SWOT analysis.

Table 3.

Assessment of the prospects for success of green and socially responsible business practices in Bulgaria using a SWOT analysis

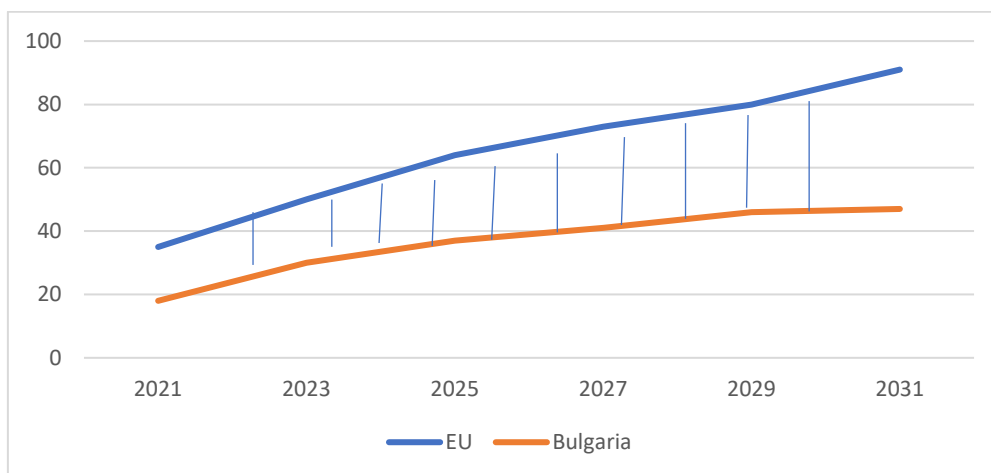
| EXTERNAL FACTORS | |
|--|--|
| OPPORTUNITIES | THREATRS |
| <ul style="list-style-type: none"> ● Entry into the markets of Western Europe and North America with products that meet high ecological standards. | <ul style="list-style-type: none"> ● The cycle of rising interest rates in external financing, undertaken by the central banks, limits access to financial resources that can be used to modernize production capacities towards increasing their eco-efficiency. |
| <ul style="list-style-type: none"> ● Legislative changes in the final stage of development and approval that will encourage more extensive investment in high-ecological technologies. | <ul style="list-style-type: none"> ● Difficulties in supply chains largely delay the process of implementing innovations in ecological technologies. |
| INTERNAL FACTORS | |
| STRENGTHS | WEAKNESSES |
| <ul style="list-style-type: none"> ▶ High-tech production with modern innovative environmentally friendly solutions; | <ul style="list-style-type: none"> ▶ Still underdeveloped social corporate programs to support needy families of employees, including scholarships for talented children; |
| <ul style="list-style-type: none"> ▶ The company develops side production based on waste products from its core business; | <ul style="list-style-type: none"> ▶ The project for building a corporate vacation center is still postponed. |
| <ul style="list-style-type: none"> ▶ The production of new side products increases the profitability of the business at a corporate level (conglomerate level) | <ul style="list-style-type: none"> ▶ The currently operated particles filter is not of the highest possible grade. |
| <ul style="list-style-type: none"> ▶ Transfer of positive image from the core business to the new productions; | |
| <ul style="list-style-type: none"> ▶ Even in moments of difficulty to supply the main raw materials, the company does not lay off key personnel but pays due compensation, even in cases of suspended production. | |

Source: authors' own research

The analysis of the relationship between external and internal factors can be further extended using Gap analysis. It is associated with goal-setting in companies and the steps (specific measures and actions) for their systematic achievement within a deadline (Hristov, 2020).

D. Gap analysis

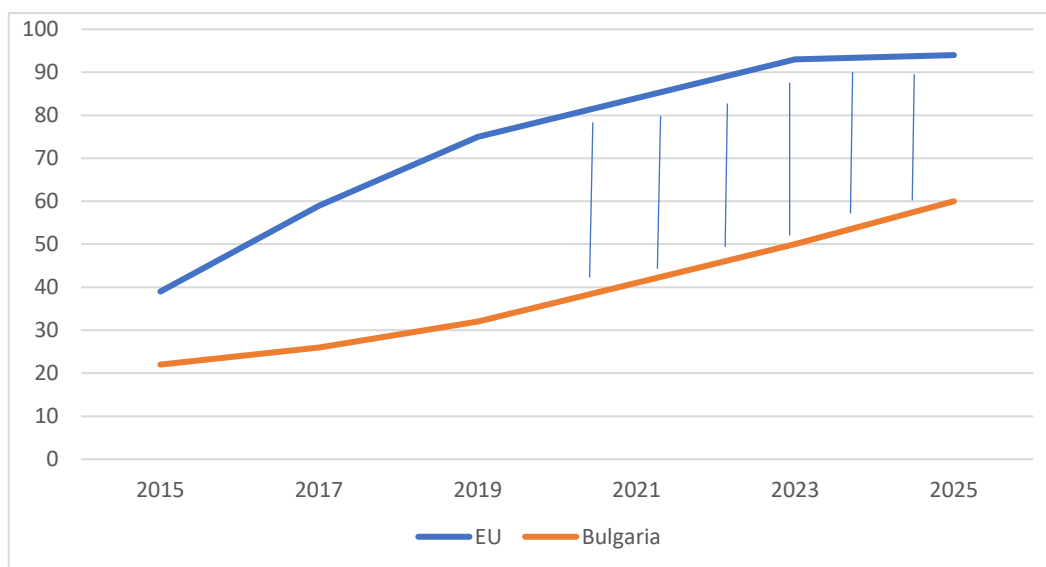
In the course of the process of transforming the traditional business model in Bulgaria into a new type of a business model, a Gap analysis was done. It finds expression in defining the desired future state (level) of the green and socially responsible way of doing business in Bulgaria, analysis of the current situation, and outlining and implementing specific actions to bridge the gap. First, in the context of green business ideas and the environmental policy of companies, the leading indicator will be *the share of renewable energy sources used in Europe*. The share of renewable energy in energy consumption in the EU has increased significantly from 9.6% in 2004 to 22.1% in 2020, thus exceeding the EU target of 20% for renewable energy sources by 2020. The new EU target for 2030 is 32% and is currently under review (Eurostat, 2023). The data refer to the general level in the EU. However, it should be noted that the private sector is far ahead of the public sector in this indicator. According to our research, the average values of *the share of the renewable energy sources used in Europe* currently range around 60% for non-financial sector companies, with a target of 80% by 2030. Against this background, in Bulgaria, the indicator currently stands at around 30%. The lagging of Bulgarian businesses is presented by the so-called "plan gap," a result of the applied Gap analysis (fig. 4). The same clearly reveals that at the current pace, Bulgarian businesses will not reach the desired European level by 2030. To overcome the "plan gap" it is necessary to institute adequate measures such as tax relief by the government, financing from the Recovery Plan, optimization of the execution of projects under Operational Programs, expansion of the scope of state-targeted subsidies, etc.



Source: authors' own research

Figure 4. Results of a gap analysis of the sample companies regarding the share of energy sources used in Bulgaria and the EU

Secondly, in the context of transforming companies into socially significant organizations with a good reputation, a leading quantitative indicator will be *the share of employees covered by the social policy programs of the company*. The goal of Bulgarian businesses is to reach the Central European levels of the indicator "share of workers and employees (personnel) covered by social initiatives and programmes of companies." The analysis of secondary data (including corporate reports, surveys, etc.) evidences that Central European values of the indicator have been gravitating towards the range of 80-90% in recent years. The ambitious goal set for Bulgarian entrepreneurs, expressed at numerous industry forums and in official bulletins, shows the aspiration for Bulgarian business to reach this Central European level by 2025. The data from our study show that owing to the efforts made in 2021 and 2022, there is visible progress resulting from the efficient solutions of Bulgarian companies. However, in the current year of 2023, the data show a certain levelling out, which in practice results in an increase (growth) of the so-called "plan gap" according to the used instrument - the gap analysis method (fig. 5).



Source: authors' own research

Figure 5. Results of a gap analysis of the sample companies regarding the share of employees covered by social programmes of businesses in Bulgaria and the EU

For the purposes of the gap analysis using a random sampling without replacement, 11 small, medium and large enterprises (out of a total of 86 companies) with a total staff of 1,397 people were selected. The figure clearly

shows that only 573 people are actually covered by the programmes for social policy of business in Bulgaria, representing 41% compared to 80-90% of the average European level. It is evident that the introduction (implementation) of a new type of innovative solutions is necessary to stimulate the upward process and compensate for the established lag in the next two years. Possible solutions in this regard gravitate around options for: tax relief by the government, financing from the Recovery Plan; extension of 60/40 and 80/20 schemes and similar measures for sectors or businesses in difficulty; establishment of a European corporate culture and so on.

4. Conclusions

From our research work, the following conclusions about Bulgarian and Romanian business can be formulated: *firstly*, based on the conducted analysis, it can be reasonably concluded that CSR has been increasingly implemented in non-financial enterprises. This is a clear indicator of the sustainable positive deliberate change, expectations, and attitudes of the owners, management, and corporate governance of these key for the economy and society business entities; *secondly*, the study confirms the existing dynamics and positive trends in the development of the relevant institutional and regulatory framework at the local and international levels. This fact is an important prerequisite for shaping and expressing readiness for organizational change in business in the context of corporate green and social responsibility; *thirdly*, the empirical research undoubtedly proves that the organizational change of business as a whole in our country is underway and its successful future is inextricably linked to the introduction and permanent application of the green and socially responsible approach in its implementation.

It can be summarized that at the core of business success today are the protection of the environment and the implementation of socially responsible practices by companies, which is achieved with an effective management system, tailored to the specifics of the business and the best practices in the field, and with the support of an environmentally and socially responsible leader.

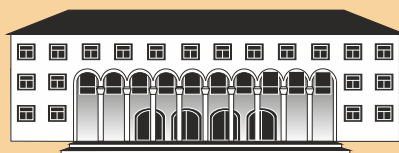
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