

Sorokivska Olena,

*Ternopil Ivan Puluj National Technical University,
Doctor of Economic Science, Professor,
Department of Management in Manufacturing Sphere,*

Melnyk Liliya,

*Ternopil Ivan Puluj National Technical University,
Doctor of Philosophy, Associate Professor,
Department of Innovative Activity and Entrepreneurship,*

Mosiy Olha,

*Ternopil Ivan Puluj National Technical University,
Doctor of Philosophy, Associate Professor,
Department of Management in Manufacturing Sphere*

Environmentally responsible business: the introduction of the European experience in Ukraine

Abstract: The features of formation the concept of environmentally responsible business in the European Union, the peculiarities of the implementation of the best European practices in operation of Ukrainian enterprises have been investigated in the article. The model of formation of national concept of environmentally responsible business on the basis of European principles and approaches to the creation of a favourable business environment has been developed.

Keywords: environmentally responsible business, the European experience, the concept of environmental responsibility, sustainable development, indicators of greening.

1. INTRODUCTION

The concept of environmental responsibility in the European Union has been developed since 1970s in response to large-scale environmental problems caused by activities of powerful corporations. Formation of the whole concept of corporate social responsibility has been started from environmental responsibility.

There is no single approach how to determine the nature of environmental responsibility. Environmental responsibility is interpreted differently by representatives of different economic directions. According to the classical approach, the environmental responsibility arose under environmental law: to avoid sanctions, companies had to review their environmental policy and take steps to reduce the negative impact of their operation on the environment. According to the neoclassical approach, the environmental responsibility is not only the result of regulatory and legal constraints, but also the moral responsibility of producers for harming the nature [1, p. 826].

The concept of sustainable development is an organic fusion of classical and neoclassical approaches. It combines the restrictions set by environmental legislation and moral obligations of business. According to this concept, the ecological responsibility is not compulsory, it turns on the internal rules of business. However, we note that the company's compliance with the principles of environmental responsibility is due not only by ethical but also by economic considerations. The theoretical basis for researches of ecological direction of social responsibility were the concept of "ecological modernization", "reflection risk", "new environmental paradigm", "environmental marketing strategies," etc. [2, p. 189-192].

2. LITERATURE REVIEW

The issue of environmental responsibility is an object of scientific research around the world for several decades. Among the fundamental works of foreign scientists should be mentioned the experts in the field of economics and business such as Philip Kotler and Nancy Lee "Corporate social responsibility", and also Ronald R. Sims "Ethics and corporate social responsibility: why giants fall", dedicated to promote the values and principles of social and environmental responsibility. Corporate environmental responsibility around the world has been described in the works of Samuel O. Idowu, Walter Leal Filho "Global practices of corporate social responsibility", Hevina S. Dashwood "The rise of corporate social responsibility", Rob van Tulder "The international business-society management". Global aspects of corporate environmental responsibility have been disclosed in the book of M. Hopkins "The planetary bargain: corporate social responsibility comes of age". The advantages and disadvantages of corporate environmental responsibility model have been analyzed by Simon Zadek "The civil corporation: the new economy of corporate

citizenship". An important contribution to the study of environmentally oriented business in Ukraine has been made by domestic scholars such as I. Akimova, A. Martsynkiv, O. Osinkina, S. Melnyk, O. Lazorenko, R. Kolyshko, and others.

The scientists N. Didenko and I. Liebiediev have explored the environmental responsibility of business as a main component of effective partnership; S. Melnyk, O. Petroye, N. Schur and others have examined the relationship of corporate environmental responsibility and environmental policies.

Thus, scientific understanding of the phenomenon of environmentally responsible business in European countries and in Ukraine has been conducted primarily within economics, which studies the issue of combination of profitability and sustainability efforts of corporations. Until now, even in the presence of a large body of scientific literature on environmentally responsible business and study of socially responsible business strategies, the way of becoming environmentally responsible business in Ukraine have not defined. In this regard, an investigation of European experience in implementation of environmental responsibility is topical. The purpose of this paper is to study the European experience of formation and development of environmental responsibility, and to investigate the implementation of the best practice in national corporate practice.

3. RESULTS AND DISCUSSION

Today, the European and world science has applied many indicators of greening concerning manufacturing processes and industry as a whole. These indicators include the indices of environmental sustainability and eco-innovation.

The Environmental Performance Index (EPI), designed by the Environmental Law and Policy at Yale University, ranks countries' performance on high-priority environmental issues in two areas: protection of human health and protection of ecosystems. Within these two policy objectives the EPI scores national performance in nine issue areas comprised of more than 20 indicators (see EPI Framework). EPI indicators measure country proximity to meeting internationally established targets or, in the absence of agreed targets, how nations compare to one another.

According to the ranking of environmental sustainability index in 2016, Ukraine took the 80th place among 180 countries. Its ranking is lower than in developed European countries (fig. 1).

It is reasonable to note, that the developed European countries have relatively high indexes of environmental sustainability, it gives possibility to make conclusions about the significant level of greening of their production processes and increasing role of environmental component in the industrial development.

Environmental innovations are recognized as an indicator of sustainable and balanced development in a competitive environment, and one of the tools that facilitates the introduction of European standards in Ukrainian economic environment.

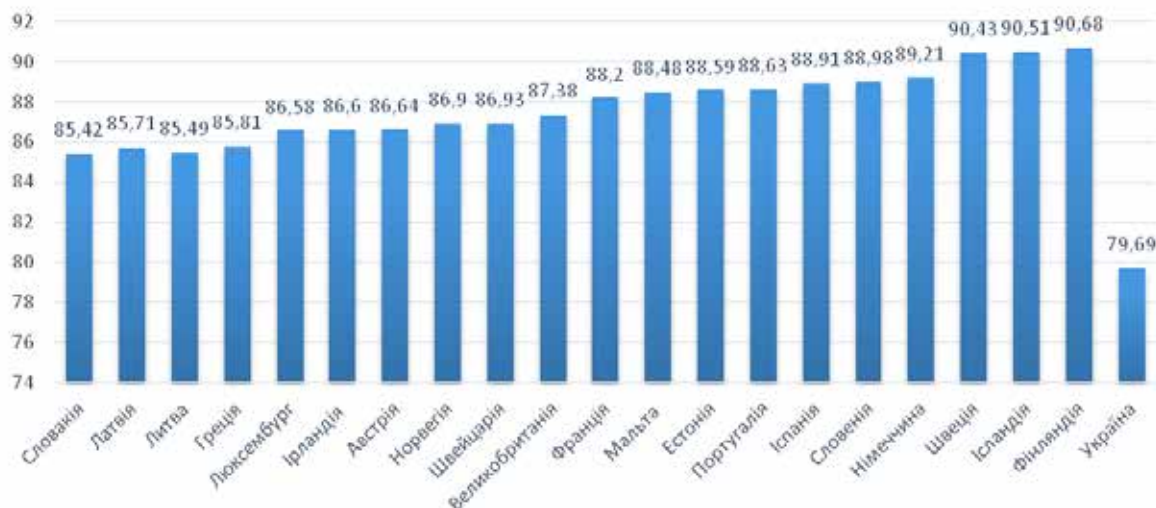


Fig. 1. Comparison of environmental sustainability index of Ukraine and European countries [3]

International policy documents and statistical reports, where environmental innovations are treated as innovations that increase the efficiency of natural resources from an economic point of view, reduce negative impact of human activity on the environment or improve the stability of the ecological system. Implementation of environmental innovation contributes to the development and expansion of market share for environmental goods and services.

Eco-innovation Index is based on 16 indicators from eight contributors in five areas: eco-innovation inputs, eco-innovation activities, eco-innovation outputs, environmental outcomes and socio-economic outcomes. Graphical display of eco-innovation index of European countries in 2013-2015 is presented in Fig. 2 [4 Eurostat].

Thus, we can note that under current conditions the development of the concept of environmental responsibility contributes to the implementation of certain aspects of greening in the activities of domestic companies that implement local, regional and

global environmental projects to help them expand their presence in the European market.

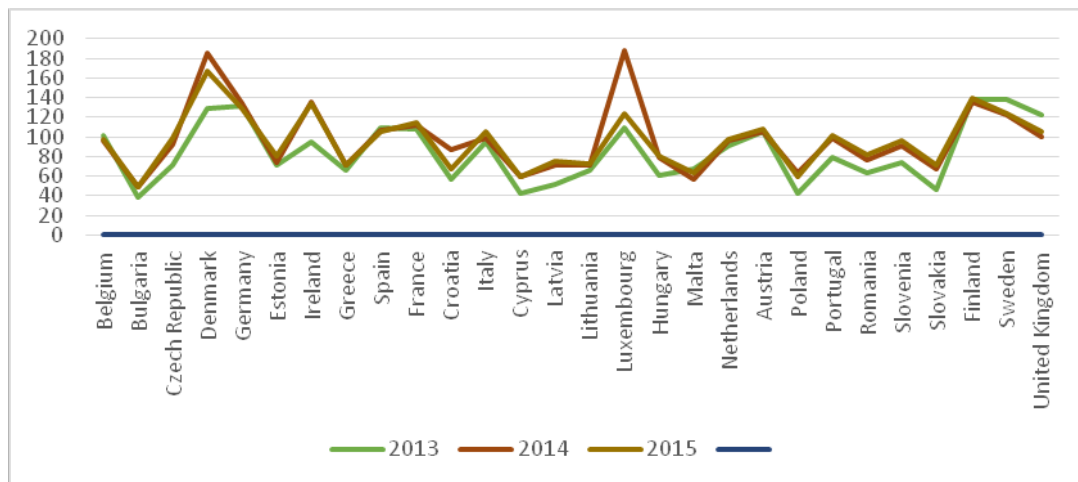


Fig. 2. Eco-innovation Index (EU=100)

Environmental liability in Ukraine is a relatively new type of legal liability; its occurrence is prescribed by the standards of environmental legislation for committing environmental offenses. Responsibility in environmental law is an important component of legal support of environmental management, environmental restoration and environmental protection facilities. Environmental responsibility involves not only compliance with environmental legislation, but also the responsibility of the company before present and future generations for the preservation of the environment, which results in environmental management, saving production and consumption and other actions aimed at improving the environmental situation.

The essence of environmental responsibility manifests itself through three main functions: stimulative, preventive and compensatory aimed at maintaining the stable balance of economic and environmental interests in economic activities through the prevention, reduction and resumption of losses in the natural environment. Such approach requires a comprehensive implementation of the values of environmental responsibility in the practice of management and corporate culture of the organization.

Most Ukrainian enterprises recognize only legal environmental liability, and many organizations use it for the sake of economic benefits. At the same time, every year a growing number of companies is aware of the severity of the global environmental crisis and they contribute to the preservation of the environment.

Ecological situation in Ukraine has still a negative impact not only on health but also the livelihoods of ecosystems. Bad environmental situation (increase in emissions and discharges of pollutants into the atmosphere and water, penalties for violations in the field of environmental protection) caused by the annual increase in the amount of environmental tax. The increase in the environmental tax is higher than the increase in capital and current expenditure on environmental protection by 1,5 times (Table 1). According to data presented in the "National Environmental Policy of Ukraine until 2020" [6], the environment in Ukraine is polluted mainly by mining and metallurgy, chemical industry and energy sector.

Table 1

**Economic indicators of Natural Resource use in Ukraine
in 2012-2016, million UAH [5]**

Characteristic	Years					Deviation	
	2012	2013	2014	2015	2016	+/-	%
Environmental tax	2345,4	2987,6	3123,9	3876,5	4528,9	2183,5	93,1
Capital expenditures on environmental protection	5172,8	6457,6	7959,8	7675,6	8564,1	3391,3	65,6
Current expenditures on environmental protection	11543,1	12894,3	13965,7	16915,5	18967,3	7424,2	64,3

Very complicated ecological situation in Ukraine requires a comprehensive implementation of European values of environmental responsibility at all levels - from personal to public. We evaluated the level of implementation of environmental responsibility in the management practices of European enterprises in order to determine the areas of environmental responsibility of domestic companies.

Today Ukraine has to implement the best practices of European stimulation of the environmentally responsible business. Schematic representation of a model is shown in Fig. 3. The European model of environmental responsibility is characterized by significant state intervention in social and economic processes, employment and

environment. Its main task is not profit, but creation of responsible attitude to the environment.

Management of the European Union shows the example of environmentally responsible approach, in order to encourage the private entities to follow it [7]. For example, in the Netherlands it is determined that two per cent of all goods purchased by government agencies and businesses must be environmentally friendly, which encourages private companies to invest in this area.

The studies suggest, that an effective strategy for supporting environmentally responsible business is designed to advise, inform and create a favourable institutional environment for the development, and implementation of management experience and cooperation with European countries in the application of favourable environmental technologies and efficient use of resources.

The lack of appropriate legal framework and standards today hampered the implementation process of environmentally friendly business activities of Ukrainian enterprises, not transparent system of energy pricing and tariff design, inefficient government interference in the business environment, and the main thing - the lack of information on environmental business opportunities based on experience of European countries.

CONCLUSIONS

Thus, the main priority measures aimed at implementation of European experience and development of own model for environmentally friendly business in Ukraine should include:

- the information support of European countries in implementing measures of greening business;
- introduction of European scale of ecological indicators of enterprises and regions development;
 - training of managers and owners of Ukrainian enterprises in order to create environmental awareness and implementing European experience;
 - providing the environmental responsibility propaganda, its benefits and the need for society;
 - formation of investment funds and attraction of local budget funds for co-financing of environmental projects, implemented by private companies with the financial and informational support of the European Union;

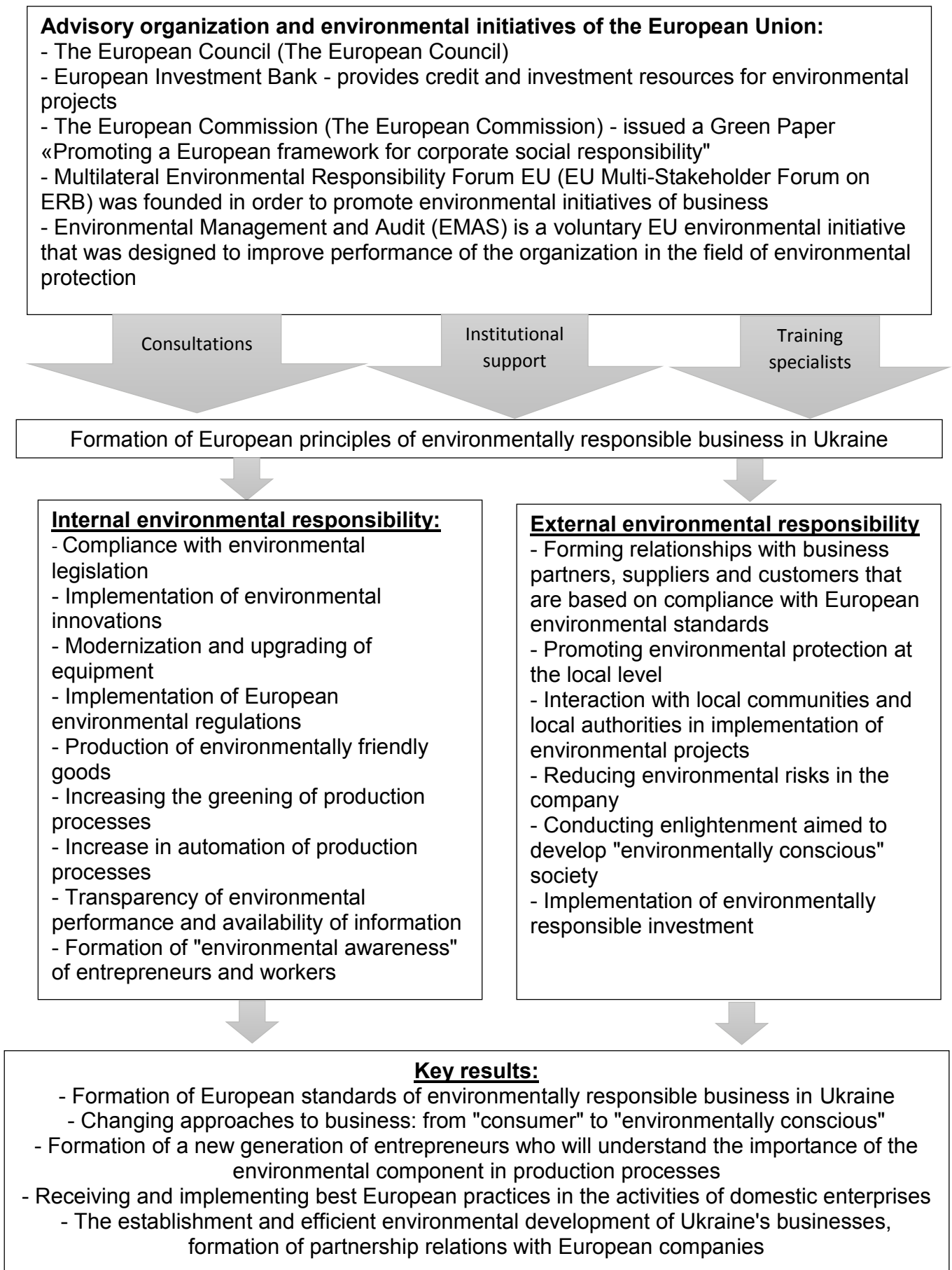


Fig. 3. Model of European experience implementation in the formation of environmentally responsible business in Ukraine

- implementation of government support through tax incentives and developing moral incentives for businesses that have invested in environmental projects;
- implementation of mandatory environmental reporting at national level, required for companies to share prices on stock exchanges, participation in public tenders, obtaining licenses and others.

Implementation of the European experience of environmentally responsible businesses should be seen as a key factor in increasing the competitiveness of Ukrainian enterprises and rising living standards of citizens and society in general. A key result of this implementation should be a clear understanding that the use of the principles of environmental responsibility is a strategic priority for each company and the foundation for sustainable development.

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