

# Trends in the Era of Global Transformation as a Factor of Sustainable Development

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**Abstract.** The formation of ideas about the sustainable development of society in the modern era involves a critical examination of both environmental, economic and social processes, as well as the paradigmatic foundations of sustainable development itself. In the context of dynamic multi-paradigm, the problem of forming a new paradigm for the conceptual design of an innovative model of sustainable development of society arises. The scientific need to analyze the paradigmatic foundations of the generally recognized theory of sustainable development of society is determined by the fact that knowledge of the methodological foundations and logical structure of the existing generally recognized model of sustainable development will allow us to assess its potential and find out the boundary conditions for these ideas.

## 1 Introduction

The definition of human potential has undergone significant changes over the past 60 years, from a purely economic understanding of this phenomenon to the inclusion of social (social) and personal characteristics. The OECD defines human potential as “the totality of knowledge, skills, competencies and characteristics of an individual that shape personal, social and economic well-being” [1]. UN reports define human potential as the ability of people to be who they want and be able to achieve what they want in life. Among the main topics covered in studies on the development of human potential (components of human potential) are the duration and quality (standards) of life, health status, educational level, participation in public and political life, ecosystem services and sustainable development, security and human rights, gender equality, etc. Initially, the founding researchers, such as G. Daly and R. Costanza, considered the evolution of society and the economy as part of the evolution of nature [2]. Almost until the 90s of the twentieth century, the concept of “sustainable development” had a pronounced eco-centric orientation and postulated the position according to which, despite the importance of social and economic development, human activity was placed in a subordinate position as harmful to environmental sustainability [3]. This approach was facilitated by the political demand of the world community formed at that time. It is no coincidence that many researchers chronology the emergence of the concept not from theoretical scientific works, but from the report to the

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Club of Rome “Limits to Growth”, which was published in 1962. Other significant documents were the Stockholm Declaration, as well as the principles formulated at the “Earth Summit” in 1992. It was in 1992 that the turning point in the development of the concept of “sustainable development” came. As noted, from the very beginning, the concept provided for a balance in the development of three dimensions: environmental, economic and social. In 1992, Agenda 21, the outcome of the Rio Summit, formulated the social principles of sustainable development, namely gender equality and the reduction of inequalities. From that moment until today, a three-pronged approach to sustainable development has been established [4]. As already noted, the success and dominance of the concept of “sustainable development” is due to international officials and politicians. However, if we talk about the triune approach, its theoretical origins can be found back in the 1970s in the works of M. Mesarovich and E. Pestel, as well as E. Barbier, who reasonably refuted the subordination of one direction to another and proved the need to work in three directions at once.

Actually the concept of sustainable society was adopted at the UN Conference on Environment and Development, held at the level of heads of state and government in June 1992 in Rio de Janeiro. Russia has joined the process of achieving SD, which, in our opinion, is quite natural and logical, since this concept arose on the basis of the teachings of the Russian philosopher V. I. Vernadsky about the noosphere and corresponds to both the genetic code and the mentality of the Russian people. The “Concept of the Russian Federation's transition to sustainable development” as an official document was approved by Decree of the President of the Russian Federation No. 440 dated April 1, 1996 and assumed the consistent solution of a number of such fundamental tasks as [5]: “ensuring the stabilization of the environmental situation; radical improvement of the state of the environment due to the greening of economic activity within the framework of institutional and structural transformations; introduction of economic activity within the capacity of ecosystems based on the massive introduction of energy and resource-saving technologies, targeted changes in the structure of the economy, the structure of personal and public consumption” [8]. In June 2012, also in Rio de Janeiro, the next UN Conference on SD (“Rio Plus 20”) was held, in which 135 heads of state and government took part [6]. The Russian Federation has prepared its proposals for the final document of the Rio Plus 20 UN Conference, including the proposal to consider changing the concept of consumption and the concept of doing business as key elements of the new SD paradigm. The practical implementation of the conceptual provisions of SD for business means a significant increase and growth in the importance of factors that complicate external conditions. In the third millennium, there was a need to form a new course for achieving SD, which led to the adoption in 2015 of the “2030 Agenda for Sustainable Development”, which includes 17 SDGs (UN SDGs) and 169 SD targets. Now the UN SDGs serve as the main guideline for achieving sustainable development and are taken into account when developing plans and strategies by companies in both the state and non-state (private) sectors of the economy [7]. The purpose of this study is to analyze the concept of SD in the projection of modern transformational trends, one of which is due to the development of responsible investment principles (in accordance with the ESG approach), and the second is the process of digital transformation, reflecting the realities of the information age.

## 2 Research methodology

The theoretical and methodological basis of the study were the works of domestic and foreign scientists devoted to the problems of SD. The methodological solution of the problems of the subject area of research is based on dialectical methods of cognition. As a methodological basis of the study, a systematic approach, logical analysis, and synthesis

were used. The information base of the study was scientific publications in specialized journals, Internet resources.

### 3 Results and discussions

The prologue to the emergence of the concept of SD was the appearance in the middle of the twentieth century. new views and various concepts based on the concept of “social responsibility” (the concept of social responsibility of business; the concept of corporate social responsibility; the concept of corporate social activity, etc.) [8]. In the 80s of the twentieth century. the concept of stakeholders (stakeholders) and the concept of business ethics appeared, and by the end of the twentieth century it was recognized and began to develop on the foundation of the scientific background that existed at that time, the concept of sustainable development. One of the leading experts in the field of relations between business and society, A. Carroll (A. Carroll) rightly considers these concepts in the context of the development of the theory of corporate social responsibility (CSR) as a kind of “core, consistent with alternative concepts or transforming into them” [9]. It should be agreed that it is “this approach that allows us to transfer the problem from general discussions about the role of business in the development of society to the analysis of the activities of a particular enterprise” [10]. It can be said that the emergence and further development of the concept of SD (as a global initiative) was facilitated by the emergence of CSR (as a managerial corporate initiative). But, unlike CSR, which focused on meeting, for the most part, the current expectations of stakeholders, on ensuring viability in the short and medium term, SD is focused on meeting the expectations of stakeholders in the long term [11]. An analysis of international initiatives in the field of SD allows us to draw the following conclusions: the UN SDGs have become a benchmark for developing strategies for SD and social development not only at the state level, but also at the level of individual companies choosing those goals that are more compatible with their business -model; ESG-transformation is a new vector of business development in the SD concept. The KPMG study shows that the share of the 250 largest companies that builds a business model based on the UN SDGs in 2020 was 72% [12]: 175 of the 250 largest companies in the world are guided by the UN SDGs when forming a business strategy. The main industries that account for the largest share of companies building a business model based on the UN SDGs are the automotive and oil and gas industries. For example, the activities of PJSC Gazprom Neft affect all 17 UN SDGs, with priorities such as “Good health and well-being”, “Affordable and clean energy”, “Decent work and economic growth”, “Combating climate change”. ESG approaches formulated by the UN are enshrined in the document “Principles for Responsible Investment” the list of principles has been constantly growing and today it already consists of 17 positions. The Responsible Investment Principles are a set of voluntary principles to minimize the risks of long-term investment by incorporating ESG factors into companies’ investment strategies. Despite the fact that the world’s leading companies have already accepted the ESG transformation as an objective reality and are building their business processes in accordance with the principles of environmental friendliness, sociality and corporatism, there are ESG risks that must be taken into account when forming corporate strategies. The main E-risk is the influence of the climatic factor. Many countries have developed and are implementing state environmental protection policies that impose appropriate restrictions on the economic activities of companies [13]. The introduction of a carbon tax on imported goods entering the EU countries will have a negative impact on the capitalization of companies, if not taken proper measures. S-risks are due to the impact that the company has on stakeholders (employees, customers, suppliers, local communities), and violation of social criteria leads to negative consequences for companies. The improvement of the company’s ESG rating will be

facilitated by the creation of favorable working conditions, an effective personnel motivation system, the introduction of corporate pension programs, the prevention of dishonest sales, etc [14]. The development of corporate G-principles is characterized by an increase in interest in balanced corporate governance, which is becoming more technological, accurate and measurable. Violation of regulatory requirements, the corporate governance code, non-compliance with corporate ethics, late disclosure of information and violation of the interests of shareholders can lead to financial and reputational damage to the company [15-16]. The digital transformation of the economy entails significant changes in property relations, makes adjustments to the system of interaction between owners and users. The ability to gain access to goods is valued much more than the possession of them, and the commercialization of objects of personal use is becoming the norm. This phenomenon has been called the “sharing economy”, the feature of which is that the ownership of market goods is becoming obsolete, and the right of ownership is gradually being replaced by the right to access the use of resources. Instead of markets, Internet portals and mobile applications serve as an open platform for concluding transactions, which carries serious risks for owners and the state. The absence of legally formalized obligations of the participants in the transaction leads to the risk of improper use of someone else's property. For the state, the new model is accompanied by the risk of a decrease in tax revenues to the budget and an increase in the volume of the shadow economy [17-18]. Digital transformation also poses a threat to the economic security of business. Regardless of the national conditions for the functioning of economic entities, such threats can be noted: resource substitution associated with high opportunity costs; growth of intellectual property; hacker attacks; industrial espionage. To overcome these threats, it is necessary to shift the focus to the non-material sphere, where human knowledge and skills are paramount, the introduction of cybersecurity systems and the protection of trade secrets.

## 4 Conclusions

In the absence of a common definition, social risk can be characterized as the likelihood of negative consequences for society arising both from the actions of the society itself and under the influence of external causes. Regardless of the causes of occurrence, all social risks tend to accumulate. In the developed and developing world, the causes of social risks are different, but there are those that do not depend on the level of development of the country. There are different methodologies for monitoring risks, but in this book we will stick to the UN Sustainable Development Goals (SDGs). The social dimension is an integral part of the concept of sustainable development. The implementation of measures in this direction directly affects people's lives, and this effect is visible almost immediately after the adoption of appropriate efforts. However, the social sphere is difficult to measure. In addition, it is rather problematic to compare financial costs and the results obtained from investments in socially oriented programs, and it is generally impossible to compare companies when compiling an ESG rating that carry out projects, for example, in healthcare, education or are concerned about gender equality. A very serious problem follows from this: companies tend to choose not those problems that this or that society really needs, but those that are more amenable to economic evaluation. In order for the company's ESG activities to bring real results, a business that is truly committed to the ideology of sustainable development tries to assess social risks in the regions of its presence and work to minimize them.

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