

GREEN TRANSITION – ECONOMIC CHALLENGES AND MANAGERIAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT

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Abstract: The green transition is becoming a key factor in shaping modern economic and managerial practices, driven by growing climate challenges and increasing global demands for sustainable development. This paper explores the main economic obstacles companies face in transitioning to sustainable business models, including high initial investment costs, regulatory compliance requirements, and shifts in consumer expectations. It also analyzes managerial strategies aimed at aligning environmental goals with economic efficiency and competitiveness. The theoretical framework examines the impact of regulatory policies, financial incentives, market demand changes, and institutional support mechanisms. Special emphasis is placed on the adoption of Environmental, Social, and Governance (ESG) standards, the implementation of green innovations, and the integration of sustainability principles into corporate culture and business processes. Furthermore, the study highlights the importance of cooperation between policymakers and the private sector in facilitating this transition. Ultimately, the paper argues that a successful green transition not only contributes to environmental preservation but also serves as a source of long-term competitive advantage, fostering resilience and sustainable growth in an increasingly environmentally conscious market environment.

ZELENA TRANZICIJA – EKONOMSKI IZAZOVI I MENADŽERSKE STRATEGIJE ZA ODRŽIVI RAZVOJ

Ključne riječi: zelena tranzicija, održivo poslovanje, ekonomski izazovi, menadžerske strategije, zelene inovacije

Apstrakt: Zelena tranzicija postaje ključni faktor u oblikovanju savremenih ekonomskih i menadžerskih praksi, podstaknuta rastućim klimatskim izazovima i sve izraženijim globalnim zahtjevima za održivim razvojem. Ovaj rad istražuje glavne ekonomske prepreke sa kojima se kompanije suočavaju u procesu prelaska na održive poslovne modele, uključujući visoke

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početne troškove ulaganja, zahtjeve u pogledu usklađenosti sa regulatornim okvirom i promjene u očekivanjima potrošača. Takođe se analiziraju menadžerske strategije usmjerene na usklađivanje ciljeva zaštite životne sredine sa ekonomskom efikasnošću i konkurentnošću.

Teorijski okvir rada razmatra uticaj regulatornih politika, finansijskih podsticaja, promjena tržišne tražnje i mehanizama institucionalne podrške. Poseban naglasak stavljen je na primjenu standarda zaštite životne sredine, društvene odgovornosti i korporativnog upravljanja (ESG), implementaciju zelenih inovacija, kao i integraciju principa održivosti u korporativnu kulturu i poslovne procese. Pored toga, u radu se ističe značaj saradnje između kreatora javnih politika i privatnog sektora u procesu olakšavanja i ubrzavanja zelene tranzicije.

Konačno, rad ukazuje na to da uspješna zelena tranzicija ne doprinosi samo očuvanju životne sredine, već predstavlja i izvor dugoročne konkurentске prednosti, podstičući otpornost i održivi rast u tržišnom okruženju koje sve više karakteriše ekološka osviještenost.

1. Introduction

The concept of the green economy promotes a model of economic growth and development that is environmentally sustainable, socially inclusive, and economically viable. It emphasizes the prevention of environmental degradation, effective responses to climate change, and the responsible and rational use of natural resources (Chomsky & Pollin, 2020). This approach is particularly important for developing countries, which often face interconnected challenges such as poverty, unemployment, environmental degradation, and limited institutional capacity. In many of these countries, the adverse effects of climate change are already evident through rising temperatures, increasingly frequent and intense extreme weather events, and growing pressure on freshwater resources and arable land. Consequently, the transition to a green economy represents not only an environmental imperative but also a socioeconomic necessity (Abbass et al., 2022).

By investing in renewable energy, green infrastructure, sustainable agriculture, and circular production systems, developing countries can stimulate job creation, promote inclusive economic growth, and strengthen their resilience to climate change. In this context, the green economy represents an opportunity to align economic progress with environmental responsibility and social inclusion, thereby contributing to a more stable and sustainable future.

The growing need to integrate sustainability into strategic management is closely related to increasing awareness of complex global environmental challenges, including climate change, natural resource depletion, and biodiversity loss (Head, 2022). In response to these challenges, regulatory institutions worldwide are strengthening environmental policies and increasingly requiring businesses to align their operations with sustainability principles. At the same time, consumer preferences are changing, with a growing number of consumers demonstrating greater interest in environmentally responsible brands, products, and business practices.

These developments have transformed sustainability from primarily an ethical and environmental concern into an increasingly important source of competitive advantage. Integrating sustainability into strategic management requires organizations to reconsider how they define their purpose, establish objectives, allocate resources, and organize business processes. Such an approach involves a broader understanding of value creation that encompasses not only financial performance but also environmental responsibility and social impact (Guarini et al., 2022).

Management frameworks such as the Triple Bottom Line (TBL) and the circular economy provide important conceptual foundations for this transformation. The Triple Bottom Line emphasizes the need to balance economic performance with social and environmental considerations—commonly expressed through the dimensions of *people, planet, and profit*. Similarly, the circular economy focuses on resource efficiency, product life-cycle management, waste reduction, and the more sustainable use of materials. Together, these approaches provide organizations with a framework for integrating sustainability principles into strategic decision-making and long-term business development.

2. Research results

The green economic transition represents a significant opportunity for developing countries to move beyond traditional and environmentally harmful patterns of economic growth. By directing investment toward renewable energy, sustainable agriculture, waste management, and green technologies, developing countries can promote a more inclusive model of economic development while simultaneously reducing negative environmental impacts (Lema & Perez, 2024). Such investments can also contribute to technological upgrading and the development of new economic activities associated with the transition toward low-carbon and resource-efficient economies.

The green transition has the potential to generate broader socioeconomic benefits. In addition to addressing urgent environmental and climate-related challenges, it can create new employment opportunities, contribute to poverty reduction, and improve living conditions and public health. From the perspective of the Global South, sustainable development strategies should therefore combine environmental objectives with broader human development priorities and the specific socioeconomic needs of developing countries (Ahmad, 2020).

In this context, the green economy can contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), particularly those related to affordable and clean energy, decent work and economic growth, responsible consumption and production, sustainable industrialization, and climate action. The development of green finance and financial technologies may further support environmental sustainability by facilitating investment in environmentally responsible projects and strengthening the financial foundations of the green transition (Udeagha & Ngepah, 2023).



Figure 1. Green Transition in the Economy

Source: World Economic Forum https://assets.weforum.org/editor/keY2O7CIxyY_Okm--r0PP0Wl0NHPEUqlcxJO3whwOK8.png

Effective policymaking plays a crucial role in accelerating the green economic transition, particularly in developing countries. Governments need to establish an enabling institutional and regulatory environment that encourages investment in green technologies, supports green entrepreneurship, and integrates environmental objectives into broader economic and development strategies. Innovation and the effective use of information and communication technologies can make an important contribution to green growth, particularly when supported by appropriate institutional and policy frameworks (Wang et al., 2023).

Government policies can also stimulate corporate green innovation by creating regulatory conditions and institutional incentives that encourage businesses to adopt environmentally responsible technologies and practices (Hao et al., 2024). Such policies may include incentives for energy efficiency, renewable energy development, sustainable agricultural practices, environmentally friendly infrastructure, and investment in research and innovation.

At the same time, developing countries face significant barriers to implementing these policies. Limited access to capital, insufficient technological capacity, shortages of skilled labor, and weak institutional structures can substantially slow the transition toward a green economy. Therefore, green transition policies should combine environmental regulation with financial support, capacity building, technological development, and investment in human capital.

Policy frameworks should also be aligned with international climate commitments, including the Paris Agreement, while taking into account national development priorities. The effects of the green economic transformation extend across governments, businesses, and civil society. Governments are expected to create supportive policies and regulatory frameworks, while businesses need to integrate sustainability principles into their operations in order to remain competitive in an increasingly environmentally conscious glob-

al market. Civil society organizations also play an important role by raising awareness, advocating policy change, and supporting initiatives aimed at environmental protection.

Successful implementation therefore requires cooperation among multiple stakeholders. Environmental initiatives and green value co-creation can strengthen corporate entrepreneurship and green innovation, illustrating the importance of collaborative approaches to sustainable development (Ahmed et al., 2023).

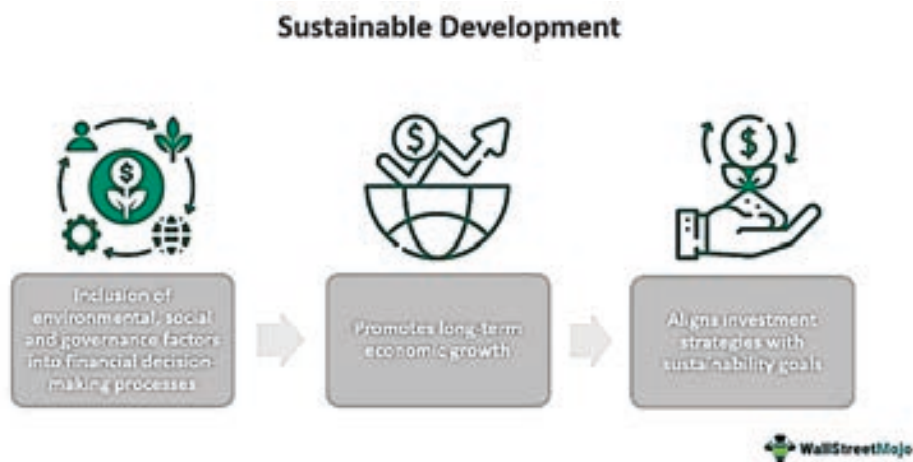


Figure 2. Sustainable Development

Source: WallStreetMojo.

Source: <https://www.wallstreetmojo.com/wp-content/uploads/2023/09/Sustainable-Development.png>

Developing countries play a crucial and complex role in achieving global sustainability goals. Their economic development patterns, energy systems, industrial activities, and use of natural resources have significant implications for global environmental outcomes. At the same time, these countries possess considerable potential to contribute to positive environmental change. Through appropriate public policies, sustainable business practices, technological innovation, and active participation in international climate initiatives, developing economies can make meaningful contributions to global efforts to mitigate climate change and promote sustainable development.

The transition to a green economy is particularly relevant because many developing countries face serious environmental challenges, including deforestation, water scarcity, air pollution, soil degradation, and unsustainable exploitation of natural resources. These problems can directly affect economic development, public health, and quality of life. Green entrepreneurship and environmentally responsible business models can contribute to addressing such challenges while simultaneously creating new opportunities for sustainable economic development (Chandel, 2022).

By adopting practices such as sustainable land management, conservation of natural resources, improved energy efficiency, and waste reduction, developing countries can mitigate environmental pressures while strengthening ecosystem resilience. Such measures can contribute to climate change mitigation, biodiversity conservation, and the preservation of

natural resources for future generations. At the same time, financial and investment conditions remain important determinants of the transition toward a green economy. Foreign direct investment, when appropriately directed and supported by effective policies, can contribute to green economic development and the diffusion of environmentally sustainable technologies and practices (Miraz & Soo, 2024).

However, one of the major barriers to the green transition is the lack of technical expertise and institutional capacity. Many developing countries lack a sufficiently skilled workforce, adequate technological infrastructure, and effective institutional mechanisms necessary for the implementation of green economy strategies (Dlamini, 2023). Weak governance structures and fragmented regulatory frameworks can further hinder the development and implementation of coherent sustainability policies.

Domestic enterprises may also lack the knowledge, technological capabilities, and financial resources required to introduce green technologies and environmentally sustainable business practices. Consequently, investment in education, vocational training, and professional development is essential. The development of green skills will become increasingly important as economies transform and new forms of employment emerge in response to environmental and technological change (Knudsen et al., 2023).

In addition to developing human capital, governments need to establish comprehensive and coherent policies that encourage green innovation and support companies in transitioning toward sustainable business models. Such policies should recognize that countries differ significantly in terms of economic development, resource availability, technological capabilities, and social conditions. Therefore, a globally inclusive green transition requires flexible approaches that extend beyond a narrow focus on decarbonization and take into account realistic development pathways and national circumstances (Ghorbani et al., 2023).

The inclusion of relevant stakeholders is particularly important in developing countries, where green transition policies need to respond to specific socioeconomic and environmental challenges. One important mechanism is the establishment of multi-stakeholder platforms that bring together governments, businesses, civil society organizations, academic institutions, and local communities to jointly design and implement sustainability initiatives.

Such collaborative approaches enable the integration of diverse perspectives, including those of communities that are particularly vulnerable to environmental degradation and socioeconomic change. Participatory mechanisms, including public consultations, local forums, and community dialogue, can contribute to the development of policies that are locally relevant, socially acceptable, and supported by a broader range of stakeholders. An integrated approach that considers economic, social, and environmental dimensions simultaneously is essential for achieving long-term sustainability (Hariram et al., 2023).

Raising awareness of the benefits of the green economy represents another important step in accelerating the transition, particularly in developing countries where limited knowledge and understanding of sustainability may slow the adoption of environmentally responsible practices. Well-designed awareness campaigns can help citizens, businesses, and policymakers better understand both the economic opportunities and environmental benefits associated with the green transition.

Communication and educational initiatives should be adapted to local socioeconomic conditions and should emphasize practical benefits that are directly relevant to communi-

ties. For example, renewable energy projects can contribute to employment creation and improved energy access, while sustainable agricultural practices can strengthen food security and increase the resilience of rural communities. Such initiatives can also support broader social acceptance of sustainability policies and encourage greater participation in environmental programs.

Green infrastructure also plays an important role in strengthening environmental resilience and supporting sustainable development. Investments in resilient infrastructure can contribute to reducing environmental risks while simultaneously improving social and economic conditions, particularly in communities vulnerable to the effects of climate change (Arzo & Hong, 2024).

Renewable energy development is another important component of the green transition. From an economic perspective, the expansion of renewable energy requires an appropriate balance between environmental objectives and economic feasibility. Investment decisions should therefore consider not only environmental benefits but also costs, technological capabilities, employment effects, and long-term economic sustainability (Batra, 2023).

Awareness-raising activities conducted through local media, educational institutions, public authorities, and civil society organizations can be particularly effective because they enable sustainability-related information to reach a broad range of social groups. In this context, education should not be limited to general environmental awareness but should also contribute to the development of practical knowledge and skills required for participation in a green economy.

The transition toward a green economy in developing countries therefore requires an integrated approach that combines environmental protection, economic development, technological innovation, institutional capacity, and social inclusion. The green transition should not be understood solely as a response to environmental problems; it can also provide opportunities for economic diversification, employment creation, improved resource efficiency, and more sustainable development pathways (Wambura, 2024).

Nevertheless, the successful implementation of green economy strategies depends on the ability of governments, businesses, and other stakeholders to coordinate their activities and develop long-term policies. Financial resources, technological capabilities, appropriate regulation, institutional effectiveness, and qualified human capital are interconnected elements of this process. The absence of any of these elements can significantly limit the effectiveness of sustainability initiatives.

For managers, these developments create both new responsibilities and new strategic opportunities. Sustainability considerations increasingly need to be incorporated into investment decisions, resource allocation, risk management, innovation strategies, and organizational development. Managers are therefore expected to balance short-term economic objectives with long-term environmental and social considerations while identifying opportunities for creating sustainable competitive advantage.

From this perspective, the green transition is not simply an environmental policy issue but also a managerial challenge. Organizations capable of anticipating regulatory changes, investing in green innovation, developing appropriate competencies, and incorporating sustainability into their strategic decision-making may be better positioned to respond to changing market conditions and stakeholder expectations. Consequently, managerial

capacity represents an important link between broader green economy policies and their practical implementation at the organizational level.

3. Conclusion

The green transition represents an increasingly important development pathway for both developing and developed economies seeking to achieve long-term economic sustainability, environmental protection, and greater social inclusion. Although this process involves significant economic and institutional challenges—including high initial investment costs, limited technological capacity, insufficient access to finance, and institutional weaknesses—it also creates substantial opportunities for economic and organizational development. Green innovation, economic diversification, the creation of new employment opportunities, and improvements in quality of life are among the potential benefits associated with the transition toward a more sustainable economy.



Figure 3. ESG Management and Sustainability Risks

Source: Better Future Factory. Source: <https://betterfuturefactory.com/wp-content/uploads/2023/10/MANAGEMENT-ESG-ESG-Risks.png>

Effective managerial strategies play a central role in overcoming these barriers and accelerating green transformation. Managers are increasingly expected to integrate environmental and social considerations into strategic planning, investment decisions, risk management, innovation, and organizational development. This requires moving beyond a narrow focus on short-term financial performance toward a broader understanding of long-term value creation.

The integration of Environmental, Social, and Governance (ESG) principles, together with approaches such as the Triple Bottom Line and the circular economy, can provide organizations with important frameworks for incorporating sustainability into their strategic and operational activities. However, these frameworks should not be treated merely as formal compliance mechanisms. Their effectiveness depends on the extent to which sustainability principles are embedded in organizational culture, managerial decision-making, resource allocation, and everyday business processes.

Partnerships between the public and private sectors, together with the active involvement of local communities and civil society organizations, are also essential for developing inclusive and locally relevant sustainability policies. Cooperation among stakeholders can facilitate knowledge exchange, mobilize financial and technological resources, strengthen institutional capacity, and increase public support for green transition initiatives.

The green transition should therefore not be viewed solely as an obligation arising from the need to address climate change. It should also be understood as a strategic development opportunity. Businesses can use sustainability initiatives to strengthen their competitiveness, stimulate innovation, improve resource efficiency, and respond more effectively to changing consumer and stakeholder expectations. At the national level, green transformation can support economic diversification and contribute to the development of more resilient and sustainable economic structures.

Beyond its economic and environmental dimensions, the green transition also has an important social component. Successful implementation can contribute to reducing socioeconomic inequalities, particularly in developing countries, through the creation of green jobs, improved access to sustainable energy, enhanced public health, and greater opportunities for vulnerable communities. Sustainability should therefore be understood as an integrated concept that combines environmental protection with economic development, social inclusion, and intergenerational responsibility.

The green transition also requires a fundamental change in governance and managerial decision-making, shifting the focus from short-term economic gains toward long-term sustainability. Managers can no longer base strategic decisions exclusively on financial performance; they must increasingly consider the effects of organizational activities on the climate, communities, natural resources, employees, and other stakeholders. This transformation requires new managerial competencies, analytical tools, leadership approaches, and organizational values.

Education and professional training in the fields of the green economy, sustainability management, ESG principles, and green innovation are therefore essential. Strengthening human and institutional capacities in both the public and private sectors is a prerequisite for developing and implementing strategies that are economically feasible, environmentally responsible, socially inclusive, and sustainable in the long term.

In conclusion, the green transition should be regarded not as an optional development pathway but as an increasingly necessary response to contemporary economic, environmental, and social challenges. Its success depends on the willingness and capacity of governments, businesses, institutions, and communities to embrace change, invest in knowledge and innovation, strengthen cooperation, and integrate sustainability into economic and organizational development. Although the transition involves substantial challenges, it also provides an opportunity to build a more resilient, competitive, inclusive, and environmentally responsible economy capable of meeting the needs of both present and future generations.

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