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MODERN CHALLENGES OF ECONOMIC ETHICS IN UKRAINE

СУЧАСНІ ВИКЛИКИ ЕКОНОМІЧНОЇ ЕТИКИ В УКРАЇНІ

Анотація: У статті досліджено сучасні виклики економічної етики в Україні, окреслено основні механізми інтеграції етичних стандартів у корпоративну культуру для забезпечення сталого розвитку та ефективної відбудови країни. Проаналізовано роль етичних принципів у стратегічному управлінні компаніями, підвищенні їхньої репутації та конкурентоспроможності. Визначено, що впровадження етичних стандартів сприяє гармонійному розвитку бізнесу та зміцненню довіри споживачів. Розглянуто кількісні та якісні механізми оцінювання бізнес-етики, які дозволяють формувати цілісну картину етичної поведінки компаній.

Abstract: The article discusses the main challenges faced by the Ukrainian business environment in the current environment in the field of ethics and morality. The article highlights the role of ethical standards in solving socio-economic problems, which is of great importance in the context of globalisation and the need to adapt to European standards. The main areas of business ethics are presented, including social responsibility, environmental protection, development of corporate culture, transparency of financial reporting, fight against corruption, and support for human rights. The article highlights the mechanisms for assessing business ethics, which are conventionally divided into qualitative and quantitative. Quantitative mechanisms provide an objective comparison of data, while qualitative ones allow for a deeper analysis of the ethical aspects of a company's activities. It is determined that the best approach is to combine these two mechanisms to obtain a holistic view of the ethical state of business and identify areas for improvement. The study pays special attention to the importance of ethical governance in times of war and the economic challenges caused by the destruction of infrastructure,

reduced production and mass migration. It is noted that the war has exacerbated environmental problems, increasing the need for a responsible attitude to the environment. The author emphasises the importance of complying with the law, applying European standards and fighting corruption. The modern business sector should effectively integrate international experience and adapt it to national realities, which will help create a sustainable, efficient and ethical business environment that will increase the trust of international partners, attract investment and successfully restore the country.

Keywords: business ethics, sustainable development, social responsibility, corporate culture, management system, ethics of business relations, decision-making, ethical values

Ключові слова: бізнес-етика, стійкий розвиток, соціальна відповідальність, корпоративна культура, система управління, етика ділових відносин, прийняття рішень, етичні цінності

Statement of the problem.

Today's world poses new challenges and opportunities, but in the pursuit of success, it is important to adhere to ethical principles, which are the basis of sustainable development. Ignoring them can damage a company's reputation and cause environmental, social and economic problems. In response to the growing attention to moral standards, globalization and the need for sustainable development, businesses are forced to take ethics into account in strategic decisions. Create competitive advantages, increase consumer loyalty, and improve financial results.

In the conditions of fierce competition, ethics in business plays a key role, as it affects the formation of the entrepreneur's image, strengthening trust in him and his activities, as well as establishing effective feedback. Ultimately, this contributes to the development of the country's economy. Moral norms become the basis of market relations, ensuring the harmonious development of economic relations, effective negotiations, building management processes and

communication. They also form universal consciousness and contribute to the development of a culture of communication.

Analysis of recent research and publications. Many scientific papers are devoted to the study of the ethics of business relations in business, both in Ukraine and abroad. In particular, the works of Baldzhi M. D. [1], Basyuk T.P. [2], Malyk N. R. [6], Momot, V. Ye. [7], Orel, V. M. [8], Mukan O. V. [9], et al., indicate that the ethics of business relations in the business environment is a key element, but its study remains insufficient in modern conditions.

The purpose of the article is to explore the current challenges of business ethics in Ukraine and propose mechanisms for integrating ethical standards into corporate culture to ensure sustainable development and effective reconstruction of the country.

Presentation of the main material. In today's environment, when social and environmental challenges are becoming more and more urgent, the relationship between business ethics and sustainable

development of companies is of particular importance. Today, it is not enough for companies to focus only on making a profit, but they must take into account the long-term impact of their activities on society and the environment. protect the environment,

build trust and reputation, and stimulate innovation and partnership. Let us consider in more detail the main directions of business ethics in the context of sustainable development of the company in Table. 1.

Table 1- Directions of business ethics in the sustainable development of the company

| Direction | Explanation |
|--|---|
| Social responsibility | Businesses should assess their impact on society, minimize negative consequences and contribute to the development of the communities in which they operate, which will ensure the harmonious development of business and society. |
| Reputation | Modern consumers of products prefer manufacturers that adhere to ethical standards. Such activities help to strengthen the brand's position in the market, increase customer confidence, and create a positive image. |
| Protection of the environment | Environmental challenges, such as climate change, require businesses to take a responsible attitude towards nature. Businesses should minimize their environmental impact and contribute to environmental protection and long-term sustainable development. |
| Cooperation and innovation | The ethical approach encourages companies to develop innovative solutions to environmental and social problems, promotes innovation and strengthens partnerships. |
| Protecting the rights of employees | Maintaining fair working conditions, respecting the rights and obligations of employees, and preventing discrimination contributes to a healthy corporate culture and trust in business structures. |
| Ethical management of cooperation with suppliers | Cooperating with suppliers within the framework of ethical standards promotes business transparency and ensures responsibility at every stage of production. |
| Availability of information | Open access to information about our activities, environmental impact and social initiatives builds trust among consumers, partners and society. |
| Anti-corruption activities | Implementation of anti-corruption and anti-fraud measures helps to build trust in the organization among all stakeholders. |
| Community development | Investments in local infrastructure and support for social and educational projects contribute to the well-being of the regions where the company operates. |
| Variety of opportunities for employees | Providing equal opportunities for employees, regardless of gender, age, background, or physical abilities, strengthens the company's culture and increases team performance. |

Source: created by the authors based on their own research.

Awareness of business ethics is the key to successfully integrating ethical principles into a company's operations so that it not only declares its values but also translates them into practical actions that create a more equal, responsible and fair business. In order to gain a comprehensive understanding of a company's impact on society, the environment and the

economy, a number of mechanisms are utilised to assess the ethical and moral principles and standards of companies (Table 2).

Quantitative mechanisms allow companies to compare with each other or over time and help measure progress. They are more objective and easier to measure, but they may not always cover all aspects of ethical

performance. Qualitative mechanisms, on the other hand, allow for a more in-depth analysis of ethical practices, taking into account the different perspectives and context needed to understand complex ethical issues.

However, the results can be subjective and difficult to interpret. It is best to combine these two mechanisms to get a holistic view of ethical issues in a company's operations and identify ways to improve them.

Table 2- Mechanisms for assessing business ethics

| Quantitative | Quality |
|--|---|
| Sustainability Indices: Indices such as the Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index evaluate companies on their social and environmental impact. | Case analysis: Study of real or hypothetical ethical dilemmas to develop ethical decision-making skills. |
| Social Responsibility Reports (CSRs): Describe a company's actions in the social and environmental spheres, including emissions, energy use, human rights, etc. | Focus groups: Gathering feedback on the company's ethical practices from employees, customers, and other stakeholders. |
| Employee surveys: Help assess the ethical culture of the company and the attitude of employees to the ethical behavior of management. | Interview: In-depth analysis of the ethical views and experiences of employees, customers, and other stakeholders. |
| Risk assessment: Identifies the ethical risks facing the company and develops plans to minimize them. | Expert advice: Inviting independent experts to evaluate the company's ethical approaches and provide recommendations. |
| Performance metrics: Includes metrics related to environmental performance (e.g., reducing energy or water consumption) and social achievement. | Observing practices: Analyzing the actual behavior of employees and management to assess compliance with ethical standards. |
| Complaint Data Analysis: Examining the number and content of complaints from employees, customers, or partners to assess the company's ethical concerns. | Roundtables: Discussions with key stakeholders to discuss ethics-related issues and develop solutions. |
| Corporate Reputation Rating: The use of publicly available ratings to assess the perception of a company among the public and investors. | Corporate Culture Assessment: Analysis of the values, norms and rules of conduct in the company that form its ethical identity. |

Source: created by the authors based on their own research.

Ethics is especially important in today's Ukrainian business environment. On the one hand, the rapid growth of new companies and industries creates great opportunities for innovation and development. On the other hand, this growth is often not always accompanied by proper observance of ethical norms and principles. Let's take a look at the main ethical and moral challenges Ukrainian companies face today.

1. Corruption remains one of the most pressing issues in today's business environment. It manifests itself in the form of bribes for documents, corrupt

schemes in public procurement, and shady deals. These practices negatively affect the level of trust in business, creating an uneven playing field that negatively affects both business and the economy as a whole. Nevertheless, even in the difficult conditions of war, Ukraine has made progress in the fight against corruption in recent years. This is confirmed by progress in Transparency International's Global Corruption Perceptions Index: from 116th place in 2022, the country rose to 104th place in 2023. The growth of indicators indicates the strengthening of anti-corruption institutions and the

implementation of reforms aimed at strengthening transparency and accountability in the public sector.

2. Failure to comply with the law. Failure to comply with these standards often leads to conflicts between employers and employees, an increase in the number of court cases, and a decrease in trust in the legal system. For example, according to the World Justice Project's 2021 report, Ukraine ranked only 77th out of 139 countries in terms of compliance. Improving the system of control over the implementation of laws, as well as in ensuring fair judicial proceedings in order to protect the interests of all participants in economic relations.

3. Environmental challenges. Environmental pollution problems in Ukraine remain critical. A large share of pollution falls on industrial enterprises, in particular in the mining and processing industries, which annually emit more than 2.4 million tons of pollutants into the atmosphere. The situation was exacerbated by the full-scale invasion, when infrastructure destruction led to uncontrolled emissions of harmful substances into the air, soil and water. The environmental consequences of these actions significantly affect public health and the environment, increasing the need to take urgent measures to control environmental standards.

4. War and economic challenges. Russia's full-scale invasion has significantly worsened the economic situation in Ukraine. The war has led to the destruction of infrastructure, reduced production, labor shortages, and mass migration. According to the World Bank, it will take about \$486 billion to rebuild the country, which is

well above the pre-war size of the economy. These conditions force Ukrainian businesses to look for new ways to adapt, which creates new ethical challenges. Responsible attitude towards employees, implementation of socially oriented programs and participation in the reconstruction of the country.

5. Insufficient implementation of European standards. Ukraine needs to actively integrate European ethical norms and standards into the business environment. This includes strengthening corporate governance, implementing clear policies on gender equality, human rights, transparency in financial reporting and sustainable development. Challenges that require an integrated approach to solve them. Overcoming corruption, complying with the law, implementing environmental standards, and adapting to war conditions are key tasks to ensure sustainable development. Improvement of legal regulation, integration of European standards and active participation of business in the reconstruction of the country will become the foundation for creating an ethical and stable business environment in Ukraine.

Compliance with ethical standards is becoming a key element of the activities of Ukrainian companies striving to achieve sustainable development. The implementation of such practices helps to strengthen reputation, increase trust from customers and partners, improve corporate governance, reduce risks, and increase employee and customer loyalty. Compliance with ethical standards is becoming a key element of the activities of Ukrainian companies

striving to achieve sustainable development. The implementation of such practices helps to strengthen reputation, increase trust from customers and partners, improve corporate governance, reduce risks, and increase employee and customer loyalty.

In addition, ethical standards help companies adapt to international requirements and attract foreign investors. In the long term, this provides competitive advantages and stable business growth in the domestic and foreign markets.

Let us consider several successful examples of the implementation of ethical initiatives in leading Ukrainian companies (Table 3).

The adoption of moral principles by Ukrainian companies has a positive impact on their operations, improving the company's reputation, increasing the trust of partners and customers, reducing risks and strengthening corporate governance. By

implementing sustainable environmental solutions, these practices also contribute to environmental protection. Increased employee and customer loyalty, as well as capital and financial growth, demonstrate the high efficiency of ethical standards in achieving sustainable development. As a result, an ethical approach has become a key factor in the competitiveness and long-term success of Ukrainian companies.

Establishing effective internal ethical controls and oversight mechanisms is a key step in overcoming ethical challenges in the Ukrainian business environment. First, they allow for timely detection and prevention of violations such as bribery, corruption, kickbacks, discrimination, or unfair competition. Second, they emphasize the company's commitment to ethical standards and strengthen trust with customers, partners, investors, and employees [4].

Table 3 - Examples of positive consequences of the implementation of ethical practices in Ukrainian companies

| Company | Achievement |
|---------------|--|
| «Metinvest» | 1st place in reputation among mining companies in Ukraine (2023), trusted by 78% of Ukrainians; FTSE Russell ESG All-Cap Index; silver medal in ESG and ratings; employee engagement index - 76%; customer satisfaction - 82%. |
| «Nova Poshta» | 92% of customers would recommend the company; Employee Engagement Index - 83% (above industry average). |
| «Kernel» | collaboration with Cargill, Glencore and Dreyfus; 35% capital increase in 5 years. |
| «DTEK» | is one of the most trusted energy companies in Ukraine; Employee Engagement Index - 80% (above industry average). |
| «Epicenter K» | won the Consumer Choice Award 2023; recycling 65% of waste, reducing plastic use by 20% (2022); increasing sales by 12% (2023). |
| «Rozetka» | is the most trusted brand among online retailers (Kantar TNS, 2023); share of repeat purchases increased by 18% (2023). |

Source: created by the authors based on their own research.

Let us consider the main directions and mechanisms of control and monitoring of compliance with ethical standards in business.

Prevention of ethical violations:

- formulate clear ethical and moral standards for all stakeholders

with specific consequences for violating them;

- conduct a comprehensive analysis of the company's activities, including financial reporting, environmental impact, customer and supplier relations, and labor relations management;

- organize training courses and seminars on business ethics for all employees;

- implement a mechanism for anonymously reporting violations while ensuring protection from negative consequences such as dismissal or discrimination.

Investigation of ethical violations:

- an independent body that reviews violations and develops recommendations for their elimination;

- clearly defined stages, rights and obligations of participants, as well as deadlines for decision-making.

Reaction to violations:

- determination of disciplinary measures corresponding to the level of violation, ensuring transparency of their application;

- maintaining detailed records of violations and sanctions applied for further analysis and improvement of ethical policies;

- implementation of mechanisms to protect the reputation of companies that have been groundlessly accused [10].

Ethical aspects of organizing and conducting business at the macro level depend on the state and its international obligations, and at the micro level - on the business entity, management model, traditions and culture of internal behavior. Compliance with business ethics at this level is ensured primarily

by the actions of management personnel that are in line with ethical principles, because in such conditions it is possible to spread a positive example among subordinate employees.

Today, a well-functioning ethics system should be an important part of an organization's risk management, enabling it to effectively control a range of reputational risks and supporting the management of some strategic risks. The importance of reputational risk has increased dramatically in recent years. If earlier it was considered a risk that had little impact on the organization's activities, now it is assessed on a par with operational and financial risks. Effective management of ethical risks requires not only a comprehensive approach and building an effective ethical system, but also the application of an appropriate risk management methodology. It is important to provide the necessary foundation for the entire system, i.e. to develop an ethical culture and appropriate attitudes and behavior among management personnel.

Conclusions.

Modern challenges of business ethics in Ukraine require the integration of ethical standards into corporate culture to ensure sustainable development. Ethical principles have become the foundation for strengthening the reputation of companies, increasing competitiveness and harmonious business development. The analysis proves that the implementation of social responsibility, transparency, innovation and respect for human rights promotes the trust of consumers and partners, as well as improves financial results. Ethics allows you to effectively determine areas of improvement.

Ukrainian business must actively integrate international standards, ensuring sustainable growth and reconstruction of the country.

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