

THE CURRENT STATE OF PROVIDING THE ETHICAL STANDARDS IN THE UKRAINIAN BUSINESS IN THE CONTEXT OF GLOBAL COMPETITIVENESS

Problem actuality. In the last years, dozens of ethics centers and programmers devoted to business ethics, legal ethics, bioethics, medical ethics, engineering ethics, and computer ethics have sprung up. These centers are designed to examine the implications of moral principles and practices in all spheres of human activity on our lives and that today the role of ethical aspect is essential.

Rising interest to the ethics in business in Ukraine is based on several reasons. First, is that development and the specification of business stipulate for reaction on society problems, the increase role of corporate culture, managing the relations with employees, cooperation with the government, the impact of the competition on the business conduct and the way of running business. On the other hand there is an international community and the tendency that the EU forms common European policy of business ethics. The Ukrainian entering to international business makes it inevitable to assimilate the principles of this policy. The development of Ukrainian business and the integration to the global economic system set up a number of tasks connected with ethical questions.

These issues were examined with such foreign and Ukrainian authors as O.C.Ferrell, Craig E.Jonson, George S. Yip, K. Sanford, G. Ebersole, Jed A. Reay, L. Anam, T. Barnett, Sydorenko S.V., Pidrobsky U.V., Zabolotny V.M., Shovkun I.G., Noviskiy V.E., Momot T.V., Glushko T.P., Gugina T.O. and others. Foreign literature devotes much attention to the developing business strategies in connection with ethical aspects. Ukrainian authors have achieved results in the sphere of approving the importance of ethical component for business life. But there is still need to examine firm links between ethical behavior and profitability. Another side is the importance of estimation of ethical level of the company or country.

The objective of the article is to estimate the level of ethics of Ukrainian business, finding indices and figures that could reflect the current situation and give relevant information. On the other hand it is also important to show the short comings of the ethical side of Ukrainian business.

Starting with Ukrainian business and its ethical

features it is necessary to give the definition of ethics. Ethics can be viewed from two aspects, normative and prescriptive.

First, ethics refers to well-based standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, and specific virtues. Ethics, for example, refers to those standards that impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud. Ethical standards also include those that enjoy virtues of honesty, compassion, and loyalty. And, ethical standards include standards relating to rights, such as the right to live, the right to freedom from injury, the right to choose, the right to privacy, and right to freedom of speech and expression. Such standards are adequate standards of ethics because they are supported by consistent and well-founded reasons.

Secondly, ethics refers to the study and development of personal ethical standards, as well as community ethics, in terms of behavior, feelings, laws, and social habits and norms which can deviate from more universal ethical standards. So it is necessary to constantly examine one's standards to ensure that they are reasonable and well-founded. Ethics also means, the continuous effort of studying our own moral beliefs and conduct, and striving to ensure that we, and our community and the institutions we help to shape, live up to standards that are reasonable and solidly-based for the progress of human beings. Business ethics is an integral part of responsible business conduct. It provides a basis for business decisions and conduct.

Typically, business ethics presumes that decisions will conform to standards articulated in law and regulations; internal policy and procedures; a set of core values determined by owners and managers, including honesty, integrity, respect, and fairness; and commercial principles such as profitability, customer satisfaction, product quality, health, safety, and efficiency. Business ethics issues range from practical, immediate ones, such as an enterprise's duty to be honest with its employees and customers, to broader social and philosophical questions.

Ethics is based on the responsibility (as free moral

agents, individuals, organizations, and societies are responsible for the actions that they take) and accountability (individuals, organizations, and society should be held accountable to others for the consequences of their actions). In most countries there is a system of laws which codifies the most significant ethical standards and provides a mechanism for holding organizations, and even governments accountable.

Thus, Ukraine needs to understand the role of ethical conduct especially in the context of European integration.

The analysis of studies and publications shows that Ukrainian business is on the right way of running ethical business. Despite the low level of indicators that reveal the countries ethical positions there is a trend to increase the role of business ethics and improve the moral basis of Ukrainian business. In acknowledgment of this is the fact that a number of Ukrainian companies join The Global Compact, most of the companies that operate on international market have the codes of conduct and provide the transparency of running business. But there is still a lot of misconduct and high level of corruption [1].

To estimate the ethical level is a complicated problem, but it could be made through the analysis of indicators which is indirectly connected with business ethics and could reflect the basic trends.

It is interesting to estimate Ukraine's ethical position through the Global competitiveness index (GCI). According to Global competitiveness report Ukraine's performance for the past year reflects the daunting challenges the country has faced during the global economic crisis. The country drops by seven positions to 89th. A particularly severe weakening of its already poor macroeconomic stability contributed to this slide, as has a more negative assessment across many of the areas measured by the GCI.

The country nevertheless maintains the characteristics that made up its competitive strength in the past years. A well-educated population, flexible and efficient labor markets, and a large market size continue to set a good basis for the country's future growth performance.

The new government announced an ambitious reform agenda that, according to the GCI, should address as a priority the country's weak institutional framework (134th place) and the highly inefficient markets for goods and services (129th place), which stifles competition and prevents entrepreneurship from flourishing. In this context, the country's recent accession to the World Trade Organization (WTO) should contribute to intensifying competition in the

country, through reducing both trade barriers and domestic obstacles such as ineffective anti-monopoly policies (126th position).

Priority should also be given to fostering the development of the financial sector (119th position), the major weaknesses of which exacerbated the effects of the crisis on Ukraine. Both financial market efficiency and trustworthiness have continued, down to ranks 123rd and 115th, respectively.

There are many determinants driving productivity and competitiveness. The competitiveness is an impact of many different components, each measuring a different aspect of it. These components are grouped into 12 pillars of economic competitiveness:

1. First pillar: Institutions
2. Second pillar: Infrastructure
3. Third pillar: Macroeconomic environment
4. Fourth pillar: Health and primary education
5. Fifth pillar: Higher education and training
6. Sixth pillar: Goods market efficiency
7. Seventh pillar: Labor market efficiency
8. Eighth pillar: Financial market development
9. Ninth pillar: Technological readiness
10. Tenth pillar: Market size
11. Eleventh pillar: Business sophistication
12. Twelfth pillar: Innovation

Obviously, this index can reflect the ethical side in the context of first pillar. According to the Global competitiveness report the Institutions as a pillar of competitiveness includes ethics (Figure 1).

This pillar has a considerable influence on GCI, its share is approximately 25%. So the conclusion is that ethics today could be regarded as the factor of competitiveness. If we refer to the GCI 2010-2011, the Ukrainian position is 89, in comparison with 87 in 2009. Let's compare Ukrainian positions with other countries (table 1)

Let's examine in details the position of Ukraine according to the GCI and define the role of ethics in the process of improving the competitiveness. At first consider the problems for doing business in Ukraine. Figure 2 shows the questionnaire including list of 15 factors, respondents were asked to select the five most problematic ones for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings (Figure 2).

According to this data the conclusion is that most of the problematic factors for doing business in Ukraine today correspond to the ethical aspects. Another figure that could reflect the level of ethical aspects of Ukrainian economy is included in table 2. It can evaluate indicators of GCI through detailed analyzing.

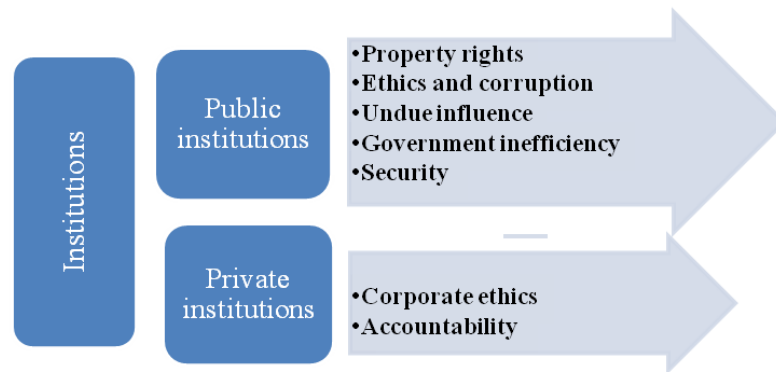


Fig. 1. The Institutions system as a competitiveness factor [4]

Table 1

The Ukrainian Global Competitiveness Index 2010—2011 in compare with other counties [9]

| # | Country/Economy | Rank |
|----|--------------------|-----------|
| 1 | Switzerland | 1 |
| 2 | United States | 4 |
| 3 | Finland | 7 |
| 4 | China | 27 |
| 5 | Poland | 39 |
| 6 | Russian Federation | 63 |
| 7 | Romania | 67 |
| 8 | Croatia | 77 |
| 9 | Ukraine | 89 |
| 10 | Honduras | 91 |
| 11 | Chad | 139 |

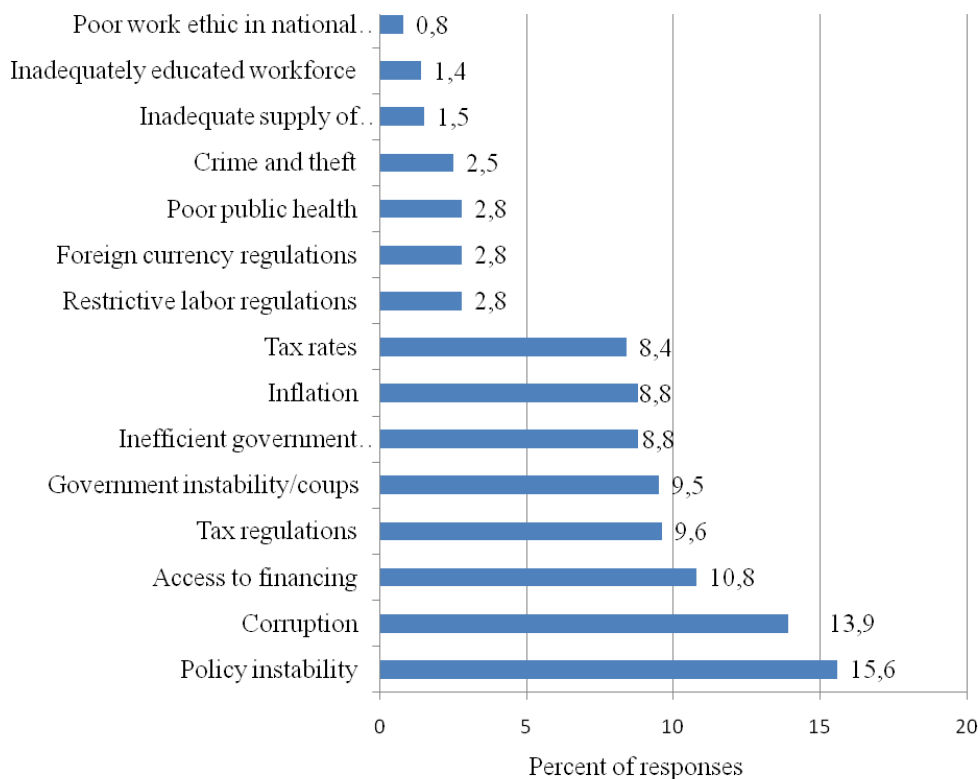


Fig. 2. The most problematic factors for doing business in Ukraine [9]

Table 2

The detailed rank of Global competitiveness index of Ukraine in the aspect of Institution pillar [9]

| # | Indicator | Rank of the country from 139 |
|----|--|------------------------------|
| 1 | Property rights | 135 |
| 2 | Intellectual property protection | 113 |
| 3 | Diversion of public funds | 129 |
| 4 | Public trust of politicians | 122 |
| 5 | Irregular payments and bribes | 127 |
| 6 | Judicial independence | 134 |
| 7 | Favoritism in decisions of government officials | 127 |
| 8 | Wastefulness of government spending | 131 |
| 9 | Burden of government regulation | 125 |
| 10 | Efficiency of legal framework in settling disputes | 138 |
| 11 | Efficiency of legal framework in challenging regulations | 138 |
| 12 | Transparency of government policymaking | 114 |
| 13 | Business costs of terrorism | 58 |
| 14 | Business costs of crime and violence | 65 |
| 15 | Organized crime | 116 |
| 16 | Reliability of police services | 122 |
| 17 | Ethical behavior of firms | 130 |
| 18 | Strength of auditing and reporting standards. | 128 |
| 19 | Efficacy of corporate boards | 90 |
| 20 | Protection of minority shareholders' interests | 138 |
| 21 | Strength of investor protection | 93 |

The conclusion is that today Ukraine is on low position almost in every indicator, but it has some positive trend. These analyzing arises a questions: where is the links between ethics and economics and other one is: why does Ukraine in need of providing ethical standards and conduct?

An essential for any business enterprise on the way to a market economy is to improve its own business performance. For all business enterprises, this is the first step toward making profits and contributing to economic progress. To prove this let's consider the link between values in general, trust in particular, and profitability. The link is based on an increase in creativity, support of management decisions, knowledge sharing, and pride, among other factors (Fig. 3).

A business ethics program provides a toolkit of leadership and management practices to aid any enterprise — large or small — in the responsible pursuit of its envisioned future. It helps owners and managers ensure that their employees and agents comply with applicable laws and regulations. It also helps them minimize risk to the enterprise, improve the enterprise's reputation, and bring value to stakeholders by adapting emerging global standards of responsible business conduct and best practices.

Another indicator that reflects the ethical transformation of the country is The Index of Economic Freedom. Economic freedom has far-reaching positive impacts on various aspects of human



Fig. 3. Links between Values, Trust and Profitability [4]

development. Economic freedom correlates with poverty reduction, a variety of desirable social indicators, democratic government, and environmental sustainability.

Today, to the opinion of Wall Street Journal research, the Ukraine's overall score of economic freedom is lower than the world average. It is 46.4, making its economy ranking 162nd freest in 2010 Index. Its score is 2.4 points lower than last year (Fig. 4).

According to the Wall Street Journal and The Heritage Foundation research the main problems lie in the field of:

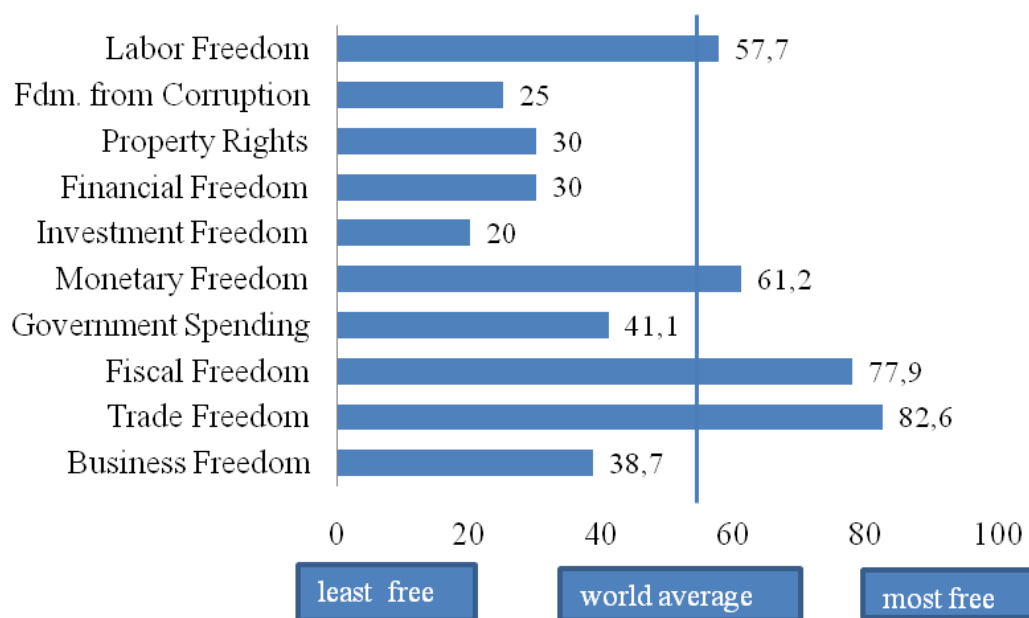


Fig. 4. The estimation of components of economic freedom in Ukraine [6]

— creating an entrepreneurial environment and eradicating corruption;

— progress in privatization and attracting foreign investment has been slow;

— bureaucratic hurdles make many commercial operations and business formation challenging;

— the judicial system lacks independence and capacity;

— Legal procedures are commonly subject to corruption.

As it shown the lowest position Ukraine has in components of Investment freedom and freedom from corruption. Both components directly connected with the ethical behavior of companies and government according. To the opinion of global community, corruption is one of the most problematic factors of economic development for today. According to the Economic Freedom index research corruption pervades all levels of Ukrainian society and government and all spheres of economic activity and is a major obstacle to foreign investment. Low public-sector salaries fuel corruption in local administrative bodies such as the highway in Police and tax administration, as well as in the education system [5].

It goes without saying that today all elements economics are based on the policy of ethical behavior and it should be supported by the on state regulation as well as support from international organizations, individual investors, and large companies.

Among the prospects of continuous studies in this area are outlining the strategy for the Ukrainian

companies of adapting to the conditions of global competition in the aspect of business ethics and getting the economic effect through providing the ethical principles of doing business.

Global community expects cultural and managerial change in firms that will create the basis for sustainable development. Ethical practices might be a way of committing businesses to contribute to sustainable economic development, since being a part of sustainable development efforts is the most influential reason for all companies.

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Zyuzgina A. S. The current state of providing the ethical standards in the Ukrainian business in the context of global competitiveness

The article examines the role of business ethics in the economic development of Ukraine. It mentions the links between values, trust and profitability and analyses positions of the country using the results of global competitiveness index. In the opinion of the author, it is imperative to analyze the ethical conduct at such a political and socioeconomic stage of development as Ukraine is today. The article lists ethical standards as the determinants driving productivity and competitiveness, their essence and outlines the prospects for their further development in Ukraine.

Key Words: business ethics, global competitiveness, ethical standards, ethical conduct, economic freedom.

Зюзгина А. С. Сучасний стан впровадження етичних стандартів ведення бізнесу в Україні в контексті глобальної конкурентоспроможності

У статті досліджено роль ділової етики в економічному розвитку країни. Зазначено зв'язок між ціннісними засадами, довірою та прибутком, також проаналізовано позиції України в цій сфері за показником глобального індексу конкурентоспроможності. На думку автора, аналіз етичної поведінки саме на політичному та соціально-економічному рівні розвитку, на якому перебуває Україна, є актуальним. У статті зазначається перелік етичних стандартів, як детермінант, що сприяють підвищенню продуктивності та конкурентоспроможності, а також виділяються перспективи для подальшого розвитку цих факторів в умовах України.

Ключові слова: ділова етика, глобальна конкурентоспроможність, етичні стандарти, етична поведінка, економічна свобода.

Зюзгина А. С. Современное состояние внедрения этических стандартов ведения бизнеса в Украине в контексте глобальной конкурентоспособности

В статье исследовано роль деловой этики в экономическом развитии страны. Определена связь ценностными характеристиками, доверием и прибылью, так же проанализирована позиция Украины в этом аспекте согласно показателю Индекса глобальной конкурентоспособности. По мнению автора, анализ этического поведения именно на политическом и социально-экономическом уровне развития, на котором находится Украина, является актуальным. В статье указывается перечень этических стандартов, как детерминант, которые благоприятствуют повышению продуктивности и конкурентоспособности, так же выделяются перспективы для дальнейшего развития этих факторов в условиях Украины.

Ключевые слова: деловая этика, глобальная конкуренция, этические стандарты, этическое поведение, экономическая свобода.

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