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SYSTEMIC BASIS FOR IMPLEMENTING COMPLIANCE MANAGEMENT AS A FRAMEWORK FOR SUSTAINABLE DEVELOPMENT OF UKRAINIAN ENTERPRISES

Abstract. The article delves into the crucial role of Compliance Management in achieving sustainability objectives, focusing on integrating environmental, social, and governance (ESG) criteria and Sustainable Development Goals (SDGs) into business operations. As globalization and regulatory complexities continue to grow, effective Compliance Management Systems are vital for mitigating financial risks, ensuring legal compliance, and promoting sustainable development. This study underscores the significance of empowering business leaders with the expertise and insight to implement and evaluate ESG and SDG initiatives strategically. It examines the experiences of European and Ukrainian organizations in Compliance Management and puts forward a roadmap for its adoption in Ukraine. By applying John Kotter's eight-stage model for organizational change, this study outlines a practical approach as a roadmap for integrating Compliance Management into Ukrainian enterprises, emphasizing the importance of collaboration between Ukrainian and EU higher education institutions to enhance compliance capabilities and drive sustainable economic growth. The eight-stage model of compliance management for sustainability takes into account such aspects of sustainable development as ensuring

economic growth through decent work (SDG8), development with industrial development and innovation (SDG9), ensuring equity and responsibility for ethical and social standards within the enterprise (SDG16) and sustainable partnerships to achieve goals (SDG17). The successful experience of implementing the compliance approach with due regard for the sustainability of enterprise development is shown on the example of foreign organisations and enterprises. The proposed roadmap allows developing a strategy for implementing the compliance approach and gradually integrating the compliance management model for both enterprises and other organisations (educational, scientific, social, etc.) to achieve the sustainable development goals. It is shown that an integral part of the successful implementation of a compliance approach to achieving sustainability is the training of business leaders in ethical and social responsibility awareness, which requires the development of a certified course to obtain the relevant micro-qualification.

Keywords: Compliance Management, Ukrainian enterprises, Education, ESG, Sustainability, SDG, Roadmap.

Introduction. One area of particular relevance is the adoption of Compliance Management approaches to the challenges of achieving sustainable goals and international standards. An effective Compliance Management System not only minimizes the risk of financial losses but also plays a pivotal role in promptly identifying issues and averting potentially severe consequences.

As sustainability becomes a key factor in international business development, companies are fundamentally transforming their operations in line with environmental, social, and governance goals (ESG) and sustainable development goals (SDG). This alignment is aimed at accomplishing a positive impact and maintaining competitiveness. After analysing the Report of the Interagency Expert Group on Sustainable Development Goal Indicators [1], it can be concluded that the compliance approach should include the assertion that compliance should be mandatory in the process of achieving the SDGs. Therefore, business leaders need to acquire the skills and knowledge necessary to adopt a strategic approach to the SDGs and ESGs, as well as to accurately measure their influence. Having analyzed the "Report of the Interagency Expert Group on Sustainable Development Goal Indicators" [1], it can be concluded that the compliance approach covers many aspects of sustainable development [2] and for its effective implementation requires

consideration of ethical and social norms, which is the basis of compliance management. Therefore, a systematic basis for implementing compliance management as a framework for sustainable development is needed.

This global trend underscores the need to prioritize and continuously improve compliance strategies to effectively meet diverse international regulatory requirements and achieve sustainability goals. The Sustainable Development Report (SDR) evaluates progress towards the Sustainable Development Goals since 2015, identifying priorities for restoration and expedition at the halfway point to 2030. Released on the eve of the Paris Summit for a New Global Financial Pact in 2023, the report emphasizes the need for reforming global financial architecture and increasing development funding to meet the goals [3].

Compliance Management in Ukraine, which includes internal and external European compliance methodologies and approaches, is on the right way to provide society with the necessary competencies in SDGs and ESGs, contributing to the future growth strategies of the national economy.

The article generally emphasizes the following objectives:

1. To generate observations of practical experience in compliance management in Germany and Ukraine.
2. Propose a roadmap for the development of the mechanism for implementing Compliance Management in Ukraine to achieve sustainability.

It is imperative to begin with a critical analysis of pertinent legal requirements and literature in order to generate observations of practical experience in compliance management research. This will furnish the research with a sturdy base. Empirical information and insights can be gathered by applying general scientific techniques like comparison and observation. Theoretical techniques such as synthesis, analysis, and analogy can also be used to help analyze and comprehend the observed practical experiences. It is possible to build a thorough and complete observation of compliance management processes by combining these approaches. Overall, the research provided valuable insights into the success drivers and success critical

dimensions of Compliance and transformational Ukrainian strategies necessary for navigating contemporary business challenges effectively in the context of SDG and European integration.

Literature review. Sustainability has now become a very crucial aspect of business strategies around the globe, with Germany being a frontrunner in implementing rigorous sustainability regulations. At the latest, sustainability has progressed from a peripheral concern to a central element of economic strategy. This shift is particularly evident in Germany, where robust sustainability regulations have been introduced to address environmental, social, business, and economic challenges. These regulations promote sustainable practices, ethical and compliance impact, and ensure long-term economic growth.

Germany's sustainability guidelines are extensive and diversified, enveloping multiple aspects of environmental protection, energy efficiency, compliance, and social responsibility. Key guidelines incorporate the German Sustainability Strategy [4]. This framework sets ambitious targets for implementation of the CMS, renewable energy adoption, and sustainable development, compelling businesses to align their operations with SDG goals.

Similar findings on this topic [5] sustainability is still viewed in large parts of the political-administrative system as environmental sustainability and not in the sense of integrative sustainability. In day-to-day politics, sustainability is most often crowded out by other, more immediate, issues also according to this article it can be said that progress has been made in organizational, internal, and instrumental terms; however, the implemented measures and organizational adaptations seem to be insufficient to adequately address the cross-cutting and long-term challenge of sustainability.

Detailed descriptions of compliance approaches and practical recommendations are well presented in the paper of Austrian scientists [6]. This book focuses on the development, operation, maintenance, assessment, and continuous improvement of a best-practice-based compliance management system. It emphasizes

the importance of this procedure for business efficiency. The book covers the phases of system development, its integration into structures, and monitoring its effectiveness. The focus is on continuous improvement to maintain flexibility and meet regulatory and market demands.

According to the study on the topic “Compliance-Management-Systeme als Wettbewerbsvorteil?” [7], not only does a compliant CMS have a positive impact on prosecuting violations of the law and imposing fines, but there are also several economic incentives that support the implementation of Compliance. To achieve the intended sustainable impact, an understanding of (inter)national standards is necessary to guide companies.

The research should pay special attention to the analysis of the standards and legislative regulations. According to ISO 37301 [8], Compliance is made sustainable by embedding it in the culture of the organization and the behavior and attitude of people working for it. While maintaining its independence, compliance management should be integrated with the organization’s other management processes and its operational requirements and procedures. The standards [8] highlight the central role of Compliance Management in the necessity for achieving sustainability.

Conferring to the internal compliance programs of the German Federal Office for Economic Affairs and Export Control Management, compliance is essential, supported by a risk analysis and a clearly defined organizational structure of responsibility. The proper allocation of human, technical, and other resources enables the effective management of operations and procedures, including record-keeping and documentation. Staff selection, training, and awareness programs, as well as strict controls over processes and systems, ensure that both physical and technical security measures are followed [9].

It should be noted that the company [10] emphasizes the significance of detailed insights into the ESG performance of business partners close of formation compliance management system within the framework of cooperation.

The current situation that emphasizes the need to implement Compliance approaches in the Ukrainian economy on the way to European integration was determined by several academics [11]. Their research indeed prioritized areas for Ukraine's post-war development, including mechanisms such as ensuring sustainable economic growth, modernizing infrastructure, developing trade relations with EU countries, supporting innovation and entrepreneurship, and improving the quality of education and healthcare, which can be used by scientists and the state to ensure the country's effective development and obtaining the status of a full EU member.

Additionally, relevant information supports the main goal of the research in the direction of creating a way for the implementation of compliance approaches and programs in Ukrainian conditions. To achieve sustainability through the implementation of Compliance Management, the roadmap must prioritize achieving SDG8: Decent Work and Economic Growth; SDG9: Industry, Innovation, and Infrastructure; SDG16: Peace, Justice, and Strong Institutions; and SDG17: Partnerships for the Goals [3]. Ukrainian companies that do not take care of compliance with international standards promptly risk losing business in the medium term [12].

In the article [13] proposes an understanding of compliance management as an element of compliance security of an industrial enterprise as the protection of the vital interests of an industrial enterprise from external and internal violations of laws, regulations, standards, constituent and internal documents of the enterprise by identifying, assessing and minimizing (eliminating) compliance risks.

In [14,15], the authors consider approaches to ensuring effective management of energy sector enterprises in terms of sustainable development. It is noted that such an approach should take into account both safety and efficiency issues, based on regulatory support and standards. Important scientific results [16] are devoted to the monitoring of Ukrainian compliance development. They note that proper compliance with the basic principles of compliance and their effective implementation lead to the establishment of the principle of fairness between market participants, minimization

of legal and reputational risks, and also directly affect the success and integrity of the organization and the welfare of its personnel, which ultimately increases business efficiency.

Limitation of the literature. At the current stage of development of the world economy, popularization of the sustainability concept, as well as given the active use of the case study method in the research of approaches to Compliance Management, the quantity, and quality of scientific research is significantly expanding. This is evidenced by many scientific papers and research projects, particularly those implemented in Europe and the USA. However, the issue of effective and easy implementation of Compliance Management for sustainable development of the Ukrainian economy is not sufficiently disclosed in the literature. Ukrainian researchers partially address this issue, but to a greater extent in the aspect of tax policy, banking, and industrial enterprises or as an extension and clarification of the theoretical foundation of Compliance. There is no real substantiated way to form a unified approach to implementation at the moment specifically for achieving SDG.

Summary of the main material and justification of the results. Research result poses a hindrance to the effective implementation of compliance management and its efficient functioning within business structures. ISO 37301 (the International Organization for Standardization) [8] states that "Embedding compliance in the behavior of the people working for an organization depends above all on leadership at all levels and clear values of the organization, as well as the recognition and implementation of measures to promote compliant behaviour. If this is not the case at all levels of an organization, there is a risk of non-compliance". Therefore, in the current situation, when all subjects of the management system, future top managers responsible for specialized areas (finance, accounting, digitalization, social development, personnel, etc.), lower-level persons with management functions are not familiar with the principles of compliance management, there is a significant risk of the so-called "gap in expectations", the consequences of which are usually devastating for the entire business organization. On the other hand, it should be noted

that the existence of a compliance management system under the current Ukrainian legislation is mandatory for financial institutions (including banks, financial, insurance, and leasing companies) and professional stock market participants, where corporate governance requires the mandatory formation of a risk management system. Therefore, the development of a course on compliance management under ISO 37301 is undoubtedly relevant for the training of top managers in specialized areas.

The implementation of this and the introduction of compliance management courses in Ukraine will solve another problem, given the comprehensive nature of ISO 37301. Since it is based on and requires consideration of other important ISOs, notably ISO 19011 Guidelines for Auditing Management Systems [17], ISO 37001 Anti-bribery Management Systems- Requirements with guidance for use [18], and ISO 37002 – Whistleblowing Management Systems – Guidelines [19], this will enable the creation of a course that provides both future managers and current management personnel with specialized knowledge in areas such as whistleblowing policy. Among that, there are several International compliance standards applicable in Ukraine, such as OECD (Organization for Economic Cooperation and Development) Anti-corruption standards for business, and FATF (Financial Action Task Force on Money Laundering) Anti-billing and anti-terrorist financing standards.

The latter point has been devastatingly supported by the German Compliance Management Association DICO [20], representatives from this association have independent and appropriate positions, which means that the compliance function should have sufficient independence from other effectiveness of the CMS, the compliance function should be granted sufficient independence from other functions/departments/management. This should also include involvement in strategic and operational decision-making processes. The compliance function should be provided with adequate financial and human resources, which should contribute to the effectiveness and efficiency of the CMS.

To enhance the effectiveness of the study it is proposed to use these elements in combination with the model of economic organizational change.

In the path of investigating literature sources and case studies of effective implementation of Compliance Management in Germany, it was suggested to use an eight-stage process for implementing organizational change by author John Kotter [21]: the first four steps are there to “defrost” the status quo, then, phases 5 through 7 help introduce new practices, and the final phase, phase 8, helps the changes stick.

Based on extensive research conducted in such large companies as Ford, General Motors, British Airways, and Eastern Airways (400 respondents from 130 organizations), Kotter offers a new eight-step approach to implementing organizational change.

Generally, for developing and implementing the strategies to effectively meet diverse international regulatory requirements and achieve sustainability goals, Ukrainian businesses and representatives of the national economy must integrate Ukrainian real needs and conditions requirements to the European Compliance approaches through the lens of Kotter`s model. This model can be effectively used to develop a roadmap for compliance management implementation in Ukraine (Figure 1).

The steps for Ukraine by Kotter [21] should be supplemented by the most relevant and spreading elements for the Compliance Management implementation by expert`s experiences and their recommendation.

According to PwC's Global Investor Survey [22, 23], sustainability outcomes have become too important for investors. Instead, sustainability needs to be integrated into business strategy and decision-making processes for capital allocation, investments, and other activities related to strategy implementation. In PwC's experience, these integration efforts are most successful when companies start with a set of sustainability goals. It is worth noting that the compliance management system should be integrated to update the sustainability strategy at the national, business, and educational levels.

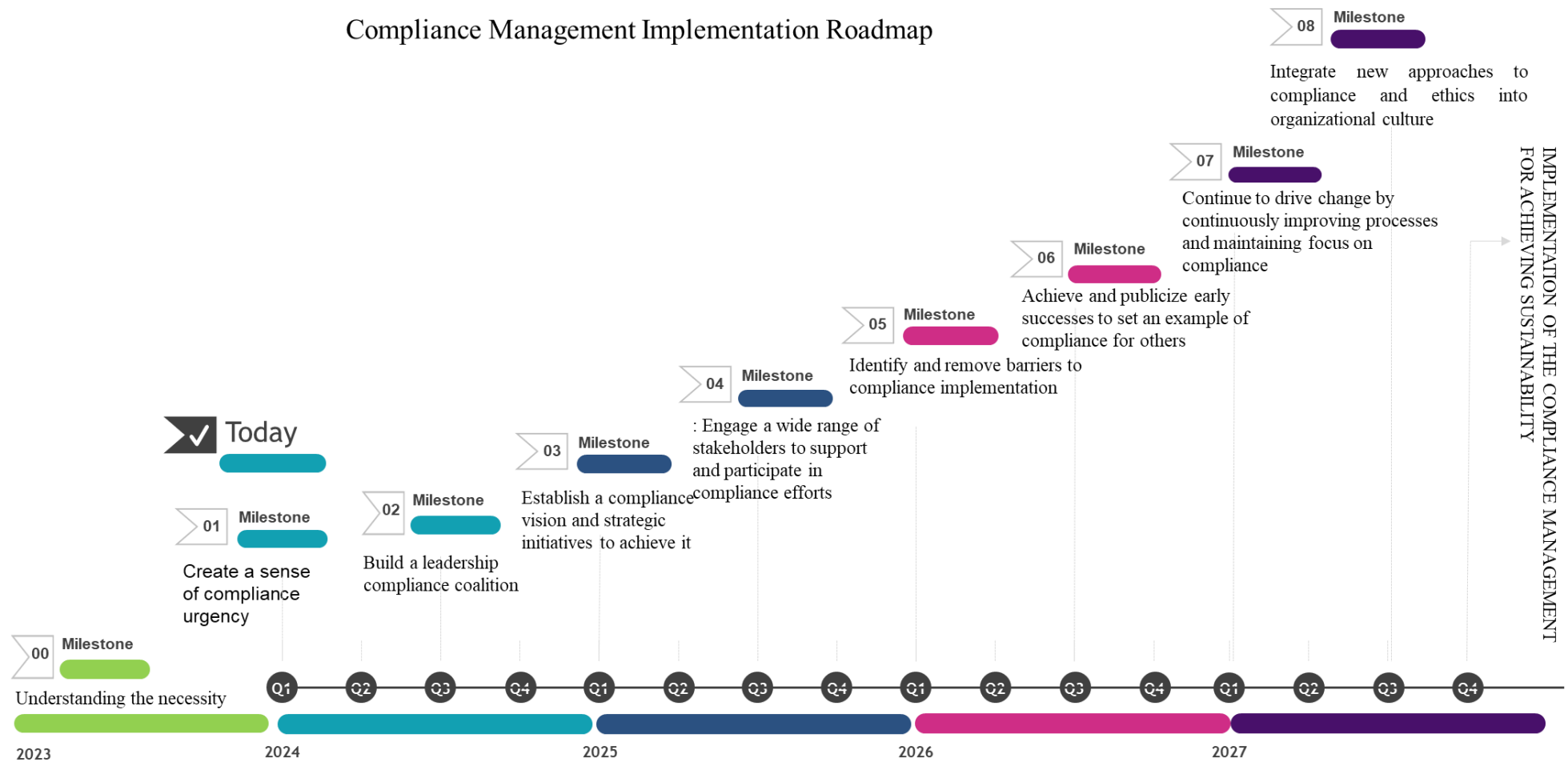


Figure 1. Roadmap for implementation Compliance Management in Ukraine for achieving sustainability (Source: Author)

From here, managers can find solutions to various issues on the path of globalization, look for new ways to compete, assess what capabilities will be needed, and identify bold actions on different time horizons.

In summary, it has been shown from this review that focusing on European and Ukrainian experience, the study offers a roadmap for implementing Compliance Management in Ukraine using a comprehensive literature review and comparative analysis. The study emphasizes the importance of educating business leaders on ESG and SDG initiatives and suggests the use of John Kotter's eight-step model of organizational change.

Conclusion. The implementation of the organizational change model and roadmap significantly provides a clean and simple understanding of future steps for Ukrainian economics because of the lack of time for detailed and gradual implementation of compliance in national economics.

A system framework based on an eight-stage model has been developed and presented, which makes it possible to implement a compliance approach in an affordable way to achieve the goals of sustainable development. It is shown that, on the basis of foreign experience, this approach makes it possible to sustainably develop the enterprise, to clearly understand the principles and concepts of sustainable development, realizing the responsibility for compliance with ethical and social norms of each participant in the process.

The prevalence of stringent business conduct standards and adherence rules within the European context, ranging from ISO certifications to directives on anti-money laundering and base erosion, underlines the need for comprehensive teaching methods in Ukrainian higher education institutions.

The study also emphasizes the need for certified courses and training programs to build compliance competencies that are essential for sustainable development and the European integration of Ukraine. Recommendations include creating a sense of

urgency, building leadership coalitions, and embedding compliance practices in organizational culture.

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Системна основа впровадження комплаєнс-менеджменту як рамкова умова стійкого розвитку підприємств України

Анотація. У статті розглядається важлива роль комплаєнс-менеджменту в досягненні цілей сталого розвитку, з акцентом на інтеграції екологічних, соціальних та управлінських критеріїв (ESG) і Цілей сталого розвитку (ЦСР) у бізнес-операції. В умовах глобалізації та ускладнення регуляторного середовища ефективні системи комплаєнс-менеджменту є життєво важливими для зменшення фінансових ризиків, забезпечення дотримання правових норм та сприяння сталому розвитку. Це дослідження підкреслює важливість надання бізнес-лідерам досвіду та знань, необхідних для стратегічного впровадження та оцінки ініціатив ESG та ЦСР. У дослідженні розглядається досвід європейських та українських організацій у сфері комплаєнс-менеджменту та пропонується дорожня карта для його впровадження в Україні. Застосовуючи восьмиступеневу модель організаційних змін Джона Коттера, це дослідження окреслює практичний підхід як дорожню карту для інтеграції комплаєнс-менеджменту на українських підприємствах, підкреслюючи важливість співпраці між українськими та європейськими вищими навчальними закладами для посилення комплаєнс-спроможності та стимулювання сталого економічного зростання. Восьмиступенева модель комплаєнс-менеджменту для сталого розвитку враховує такі аспекти сталого розвитку, як забезпечення економічного зростання через гідну працю (ЦСР8), розвиток через промисловий розвиток та інновації (ЦСР9), забезпечення справедливості та відповідальності за дотримання етичних і соціальних стандартів на підприємстві (ЦСР16) та стійке партнерство для досягнення цілей (ЦСР17). Успішний досвід впровадження комплаєнс-підходу з урахуванням сталості розвитку підприємства показано на прикладі зарубіжних організацій та підприємств. Запропонована дорожня карта дозволяє розробити стратегію впровадження комплаєнс-підходу та поступово інтегрувати модель комплаєнс-менеджменту як для підприємств, так і для інших організацій (освітніх, наукових, соціальних тощо) для досягнення цілей сталого розвитку. Показано, що невід'ємною частиною успішного впровадження комплаєнс-підходу для досягнення сталості є навчання бізнес лідерів щодо обізнаності в питання етичної та соціальної відповідальності, яке потребує розробки сертифікованого курсу для отримання відповідної мікрокваліфікації.

Ключові слова: комплаєнс-менеджмент, українські підприємства, освіта, ESG, сталий розвиток, ЦСР, дорожня карта.