

CHANGE IN DEVELOPMENT VECTORS OF UKRAINIAN ENTERPRISES IN WAR CONDITIONS

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Abstract The war has changed the lives of Ukrainians dramatically. High turbulence of the economic environment cause searching potential directions of business activity recovery for Ukrainian companies. The purpose of the study was to identify the current development issues and summarize the experience of survival of Ukrainian enterprises under war conditions. Based on the analysis of the responses of more than 500 Ukrainian enterprises' representatives from all regions of the country, actual functioning problems of Ukrainian business after February 24, 2022 were revealed. Dynamics of economic results of the enterprises was analyzed, structural changes of their contract portfolios were determined, practice of full or partial relocation of business was revealed, current operating issues of domestic companies were described. Potential vectors of development are changes in the company's product portfolio, logistics chains, structure of the contracts, keeping decent work conditions and social support for the employees.

Keywords:

economy,
management,
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business

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1 Introduction

As a result of external aggression, business in Ukraine was forced to develop and implement anti-crisis strategies urgently within a significant deterioration of the general state of the economy. According to the Ministry of Economy of Ukraine, by the end of 2022, the drop in GDP is estimated to reach 30,4 % (Ukrinform, 2022). All areas of the economy have experienced a significant negative impact on business associated with the threat of physical loss of assets, power generation shortages and disruptions of supply chains due to hostilities and port blockades.

In order to ensure the effectiveness of financial support for the development of domestic SMEs, new relevance is vested in determining the vectors of their development, taking into account the current conditions and prospects of European integration.

The necessity of forecasting the development of the enterprise increases within a crisis state of the economic system as a whole. This need is especially acute during systemic crises such as full-scale hostilities. Since February 2022, foreign and Ukrainian researchers have made numerous attempts to determine the conceptual basis for forecasting the development of enterprises during the war and in post-war period and offer effective management tools for predicting the future.

A review of scientific publications of the last year allows us to highlight the key thematic areas of such research, in particular:

- Identification and generalization of the consequences of full-scale military aggression by the Russian Federation for the economy of Ukraine (Pereira et al, 2022);
- digitization, information support and information security of enterprises, development of innovative potential of enterprises (Cherep et al., 2022);
- peculiarities of export by Ukrainian enterprises (Dvulit & Komarenska, 2022);
- peculiarities of strategic decision-making related to enterprise development management (Bezzubko & Tkachenko, 2022).

Based on our experience of previous studies of the development of Ukrainian enterprises, in particular referring to the methodology of company development management (Verba & Hrebeshkova, 2010; Verba, 2011) and consulting support for management decision-making based on strategic controlling (Kyzenko, 2019; Kyzenko et al., 2017), we believe that the above-mentioned topics of the latest publications reflect the current problems of Ukrainian business in terms of search for promising directions of development.

2 Methodology

From April to November 2022, CMC-Ukraine with the support of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH initiated and implemented the project “Consulting support of small and medium-sized business of Ukraine in the crisis period caused by the war”. The sample is random, since we did not apply any criteria by engaging the respondents in the survey. All respondents, on their own initiative, joined the consulting project. Within the project, we received and processed 505 questionnaires filled out by representatives of Ukrainian SMEs enterprises. Based on the results of the project, we analyzed the sample structure at business areas: wholesale and retail trade (13 % of respondents); light and food industry, agriculture and professional, scientific and technical activity (10 % each); construction (9 %); woodworking and furniture production (8 %), as well as different tertiary industries (17 %).

After February 24, 2022, questionnaire and interview methods are actively used in Ukraine to collect relevant information, and the results are quickly published in open sources, which allows comparing data from different sources. By interviewing the participants, we aimed to find out their opinion on the problems of survival and development of their businesses and to identify the need for consulting support to solve the current problems.

3 Results

The working hypothesis is based on the idea that Ukrainian enterprises, changing the practice of forming the directions of enterprise development in existential conditions, switched from formal strategies for their development to the creation of emergent strategies (search for new markets, sources of financing, etc.). Such a

flexible approach eliminates the limitations of the classical methodology of formulating strategic guidelines for company (business) development through the triad “vision — mission — goals” precisely within a highly turbulent environment.

The Ministry of Economy of Ukraine estimates the overall GDP rate decline for 2022 to reach 30 % (Ukrinform, 2022). The factors that influenced socio-economic changes include: population migration (external and internal); destruction of social and industrial infrastructure; loss of production capacity by large industrial enterprises in the territories with active hostilities; reduction of exports of key industries; and change in consumer behavior and the structure of consumer needs.

Ukrainian business is adapting to new conditions and is gradually resuming its work. According to the surveys, the share of enterprises that ceased or almost ceased their operations fell from 86 % at the beginning of March to 47 % at the beginning of May and 12 % of enterprises did not change their capacities or increased them since February 24.

33 % of Ukrainian businesses have an action strategy and have adapted business plans or undergoing the adaptation.

In order to reveal an idea of the development prospects of SMEs enterprises in Ukraine, we analyzed the results of surveys and interviews of representatives of 505 Ukrainian companies that participated in the project “Consulting support of SMEs business of Ukraine in the crisis period caused by the war”.

The project primarily engaged the representatives of SMEs enterprises, which are unable to solve the problems of functioning during the war and need help of consultants.

The key issue of our research is to identify the problems of enterprise development within a full-scale military invasion of the Russian federation in Ukraine. Respondents could choose several answers (multiple-choice). The results of the survey are shown in Figure 1.

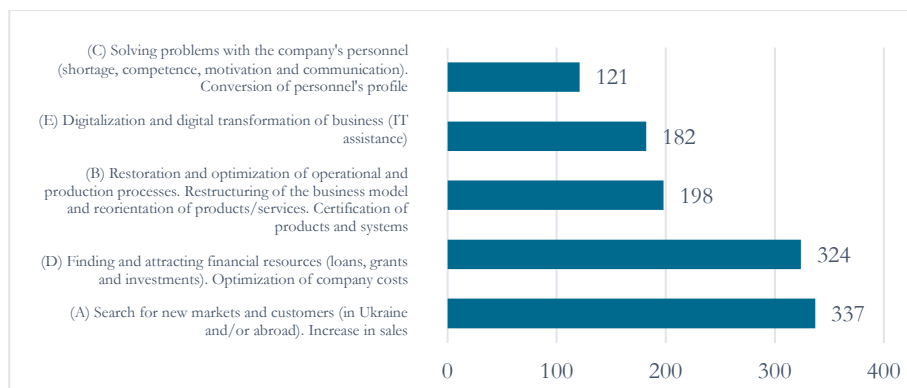


Figure 1: Problems of functioning of the investigated enterprises that require business consulting

Source: Concluded by the authors based on the results of the survey.

Systematization of the received answers in order of reference frequency (Fig. 1) proves that the most relevant problems for the studied enterprises include searching for new markets (block A, 337 (67 %) respondents) and finding financial resources and cost optimization (block D, 324 (64 %) respondents). Operating processes (block B, 198 (39 %) respondents) and digitalization of business (block E, 182 (36 %) respondents) came in second place in terms of relevance. The least mentioned domain was personnel management (block C, 121 (24) respondents).

In addition to closed answers, respondents could provide their comments on the current problems of the development of their enterprises (open answer). Summarizing the answers provided by the respondents, we should confirm the relevance of requests regarding further development of the investigated enterprises: 53 % of respondents emphasized the problems in marketing (sales); 26 % of respondents are focused on the problems of operational activities (logistics and business processes); and 7 % of respondents deal with finding solutions in digitalization, financing and personnel.

4 Discussion

It should be underlined that all the results of the conducted project were received based on the descriptive statistics and relate to the sample companies. We compared the results of our research with similar studies. The results of our survey are similar to the conclusions published in December analytical report, which reveals a gradual change in short-term expectations and a decrease in the level of uncertainty from the six-month perspective. The share of enterprises where production growth is planned almost doubled in December (from 16.9 % to 32.1 %). At the same time, the share of respondents who could not forecast the changes in the financial and economic situation at the enterprise in six-month period decreased (from 43.8 % to 42.1 %) (Kuzyakiv et al., 2022). The research of the priorities of the activities of SMEs during 2022 proves that there is a shift in the priority of the problems these enterprises solved under various scenarios of the military situation in Ukraine. In the first months (February through May 2022), the main priority was vested to physical and information security issues, which were resolved by the termination of activities and/or relocation of companies. Approximately from May 2022, the focus of attention of entrepreneurs shifted to the search for new business opportunities for the launch/relaunch of their business models: search and conversion of personnel's profile to resume work in new conditions (as well, at a new location); restoration of operational processes (as well, through digitization); and optimization of business models (as well, as a result of lost partnerships). From October 2022, the issue of energy supply became a new challenge for domestic businesses, caused by purposeful destruction of the energy infrastructure by the russian invaders. However, despite the objective risks, starting from autumn domestic enterprises began to actively look for new markets for their goods, new partners for the implementation of business projects and focused on increasing their sales. A conscious purposeful movement of businesses towards the recovery and development of the Ukrainian economy is confirmed by the growth of the rate of optimistic assessments of prospects from the side of entrepreneurs and the focus on the search for development drivers.

5 Conclusions

It should be noted that the obtained results rather raise more questions about the prospects for the development of Ukrainian enterprises in the post-war period than provide answers to them. Firstly, the following question remains open: which indicators should be used to determine promising opportunities for further development when: a) there is no reliable data on the state and course of processes in the economy; b) the prediction horizon is reduced to a few weeks; and c) the risks of economic activity grow exponentially. Development in such conditions requires entrepreneurs to be constantly ready for systemic changes — in processes, structures, values and thinking.

In order to successfully implement the development projects, domestic enterprises should fundamentally change their management model, which involves the spread of an agile approach in decision-making at all levels, the rejection of the hierarchy model in the organization and the expansion of the powers of each employee within the framework of the value he/she creates, focusing on the needs of customers. Accordingly, it is necessary to prepare systemic transformations at the level of each enterprise and form business ecosystems, which can fundamentally change Ukrainian business.

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