

CHAPTER «ECONOMIC SCIENCES»

UKRAINIAN BUSINESS DEVELOPMENT DURING THE FULL-SCALE WAR

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Abstract. This study explores the dynamic landscape of Ukrainian business development in the context of a full-scale war. *The purpose* of the paper is to compare and generalize the wide range of empirical studies on Ukrainian business development during the full-scale war to support overcoming of existing economic and social challenges, business adaptability enhancement and fostering of its resilience. The solution of such research problems determines the logic of the presentation of the studied material in the paper, namely: defining of the main challenges arising from the full-scale war for Ukrainian business, systematization of empirical studies on Ukrainian business development during the full-scale war to overcome existing challenges. *Methodology* relies on the research techniques such as analysis and synthesis, induction and deduction, as well as observation and abstraction. These methods serve to organize insights from both theoretical and practical realms in modeling systems of diverse natures within the humanities. *Results* of the survey showed that to overcome the existing challenges for Ukrainian business in the war time the government needs to advocate for economic stability, foster transparency, and create a conducive business environment. Simultaneously, business stakeholders should be ready to adjust and enhance their strategies to not only endure but also prosper amidst periods of instability and crisis.

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Practical implications. The practical implications of a study on Ukrainian business development during the war are significant and can influence various aspects of business operations and resilience strategies, government policies, and overall economic stability. *Value/originality.* The value and originality of the current study on Ukrainian business development during the war lie in its potential to contribute novel insights and offer practical applications at state and business level.

1. Introduction

There is a measure of quantitative and qualitative researches, considering the war challenges and its influence on the society development and economic growth. At the same time, there are some fields, which aren't so widely covered by researches due to its complexity and diversity. In particular, one of the most complicated areas of research during the war-time is connected with business development and its structure [1]. This is caused by the fact that business is a rather complex subject of research due to its complexity and industrial widespread. On the one hand, business may be considered as an important part of national economy stability and competitiveness. However, on the other hand, business plays an active role in conducting the defense function due to widespread of military researches and production.

The Ukrainian economy faces a measure of challenges in the time of full-scale war. In particular, the full-scale invasion of rF caused a real challenge for Ukrainian business. Due to the measure of challenges and difficulties the business entities through the whole economy faced with a difficult choice, namely either to stop their activity to avoid the multiplication of losses or to maintain the further activity in accordance with new economic and social challenges. In particular, businesses face such main challenges as instability of economic environment, infrastructure damages, market uncertainty, disruption of logistic strategies and supply chains, human capital challenges, etc. According to the Kyiv School of Economics, direct losses suffered by private companies and state enterprises amounted to 13 billion dollars, experts estimated indirect (total) losses at 33 billion dollars as of the May 2023 [2].

However, according to the polls as of the end of 2022 held by the Advanter Group and by the American Chamber of Commerce

(ACC), after one and a half months of the war, 78 percent of SMEs and 91 percent of large enterprises continued to operate in full or at reduced capacity. Large enterprises had demonstrated a more stable performance: there were almost three times more fully functioning large enterprises than SMEs (41 percent vs 14 percent), and only 2 percent of large enterprises have ceased operations, compared to 22 percent of SMEs. It should also be noted that 34 percent of SMEs were functioning only at 10 to 30 percent capacity of their pre-war level [3]. Ukrainian business managed to reorganize its activity in order to continue operations despite the growing challenges of full-scale invasion. The traditional business models were changed with innovative actions and strategies, aiming to increase the business adaptability in the uncertain conditions. This causes the increasing role of business in the national economy functionality during the full-scale war, its post-war rebuilding and fostering further sustainable development.

Therefore, there is an urgent need to conduct constantly researches of peculiarities of Ukrainian business development during the full-scale war, paying attention to the main challenges, arising from the full-scale war, empirical studies of Ukrainian business needs and possible activities to overcome the challenges.

2. Challenges arising from the full-scale war for Ukrainian business

The full-scale war in Ukraine poses a wide range of challenges for our business community, creating a rather uncertain environment that demands resilience and strategic thinking to support business activity.

One of the main challenges for both Ukrainian business and society is connected with constant Russian attacks on the energy system. The EBA statistics shows that both private companies and public businesses felt a significant negative influence of Russian strikes on the energy sector (almost 89% of them) [2]. According to the research of the Centre for Economic Strategy, the blackout effect had the following influences at Ukrainian business: changes in schedules for 66% of respondents, decrease in production/service for 40% of them, the network has partially closed for 12% of businesses, 9% of business entities had their operations suspended and 1% operations fully stopped. It is becoming extremely important to

concern energy sector as an important element of business infrastructure recovery. Business also suffers a lot from increased logistics costs due to the blockade of ports and from direct losses from the war, such as mining of fields and roads, damage to machinery, occupation of territory [4].

At the same time, the decreasing tendencies of "Ease of doing business index" at the regional level (Lviv fell by 17%, Odesa – by 5%, Dnipro – by 12 or 13%, then Kharkiv fell by almost 60%) are primarily connected with the outflow of personnel abroad, the decrease in the purchasing power of the population [5]. Therefore, there is a huge business development challenge, connected with the issue of human capital and the effectiveness of its use (Figure 1).

The figures show that despite the human capital challenges, Ukrainian businesses are still trying to save their available staff. This is connected with the human capital strategies, aiming on stability and increase of the human potential inside the business. At the same time, the format of work of employees has mainly changes. The operating mode remained unchangeable only for 27%.

According to the American Chamber of Commerce forecast, the main part of Ukrainian businesses (53%) answered that the number of employees in their organization would remain unchanged in 2023. Only 20% of respondents declared possible increase and 27% of businesses thought about decrease [3].

The losses due to the decrease in the purchasing power of the population caused the need to revise sales and marketing strategies. In particular, some businesses got the need of sectoral transformation as a result of the war. In accordance with the Ukrainian business survey as of November 2022, 14% of businesses were partially or fully transformed, 15% of businesses were in the process of partial or complete industry transformation, 10% of businesses needed the sectoral transformation. Only about the half of businesses didn't need any sectoral transformation. It was difficult to answer for 11% of respondents [6].

At the same time, a lot of businesses are in need not only of sectoral transformation, but the geographic changes due to the outbreak of full-scale war (Figure 2).

Thus, the Figure 2 shows that about 40% of businesses have already relocated or are still in need of relocation. At the same time, the main part of

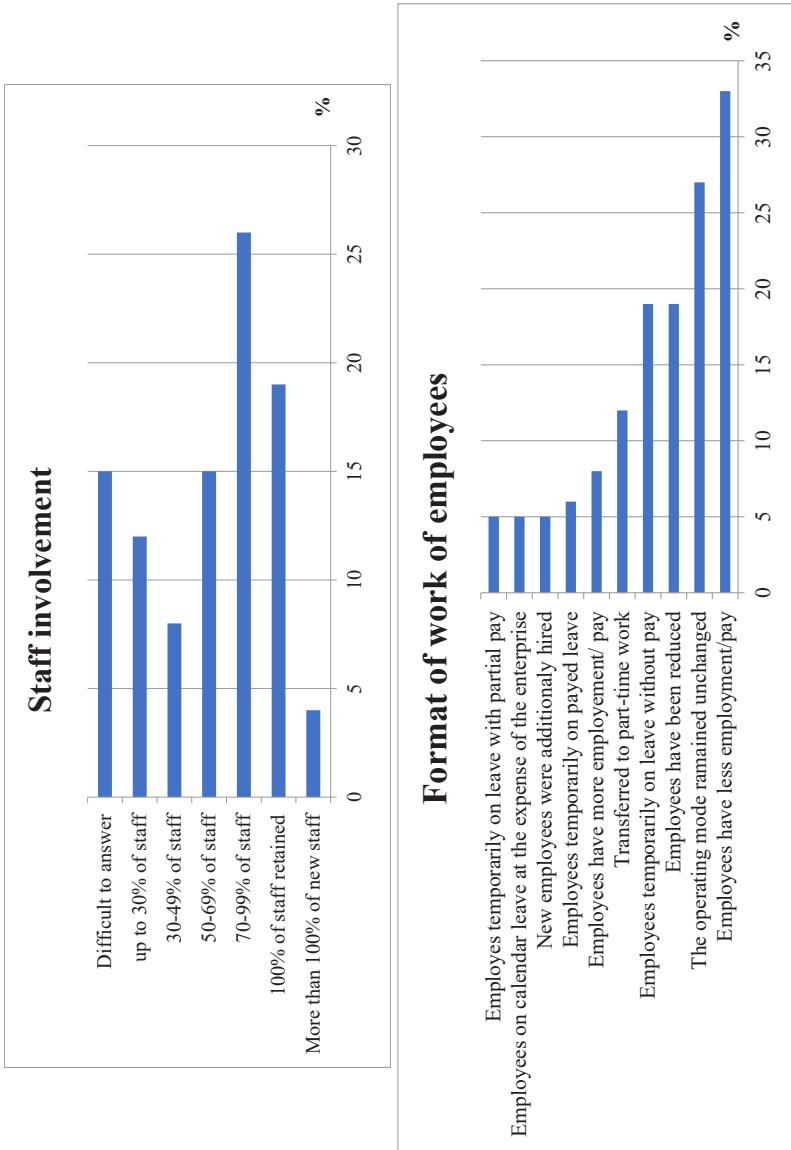


Figure 1. Indicators of the human capital management in the war-time [6]

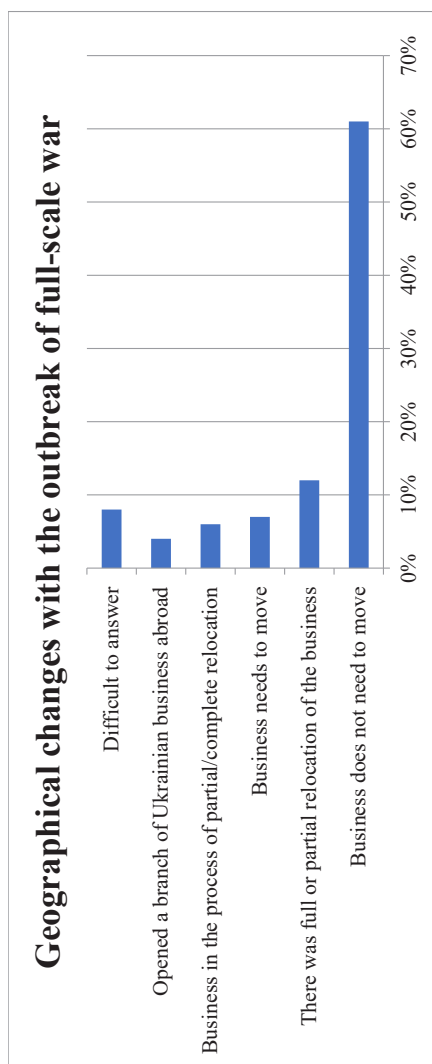


Figure 2. Tendencies of business relocation [6]

them prefers the relocation within the territory of Ukraine (52%), 20% have the aim to relocate abroad, 28% would like to combine both geographical types of relocation.

In general, during the year of the war, 800 enterprises were relocated to safer regions of the country under the government's relocation program, 623 of which have already resumed work at their new location. For another 239, a suitable location or method of transportation is being sought [7].

However, despite the mentioned challenges, there are some positive forecast and tendencies of Ukrainian business development in 2023. According to Ukrainian business climate survey, 43% of businesses made a positive forecast of business climate in Ukraine, 40% thought that it may remain the same and only 17% of businesses forecasted its worsen. In fact, according to Relief Web research as of March 2023 the economic situation

at enterprises significantly improved, the optimism of enterprise managers in the short- and medium-term perspective increased significantly. The highest level of utilization of production capacities was recorded for the entire period of the survey, which indicates the revitalization of the recovery of production. The combined share of businesses operating near full and full capacity reached 52%, the highest figure for all waves of the survey (47% in January and 49% in February) [8]. Almost 150000 new businesses have been registered in Ukraine since the beginning of the full-scale invasion of russia. 32,000 of them are private enterprises and more than 14,000 are legal entities. In addition, the number of new business registrations is increasing every month. The highest rate was recorded in the first week of August – 5,306 new private enterprises [9].

However, despite some optimistic business trends and forecasts, it is important to continue paying attention to the continuing full-scale war challenges. Therefore, there is a need of deeper understanding of current business development trends and problems through their empirical studies compartment.

3. Empirical studies on Ukrainian business development during the full-scale war

The nuances of business development during wartime have become a crucial area of scientific investigation. Analyzing the features of business adaptation to crisis conditions enables the formulation of prognostic models for the future integration of business enterprises into the global economic system. The stability and efficiency of Ukraine's business environment during times of war are crucial for ensuring regional stability and promoting European development. The outbreak of hostilities has led to a new socio-economic phenomenon: businesses relocating, and their representatives are seeking effective solutions to restore operations and adapt to the crisis conditions. Studying the impact of the Ukrainian war on business development yields valuable insights and experience for other nations and business groups encountering comparable challenges.

In our opinion, it is extremely relevant to study the chosen issue in an interdisciplinary discourse and use scientific approaches for its research at the intersection of economic sciences and sociology. We have chosen media monitoring potential and the functionality of desk research as the

methodological basis for processing the materials. So, let's try to illustrate the general features of business development in the context of war using various empirical data.

One of the characteristics of the functioning of Ukrainian business before the war was the influence of certain oligarchic structures (which is partly inherent in Ukrainian society today). Oligarchic capital in Ukraine poses significant risks to the economy and society. Its concentration in highly regulated industries and monopolies creates additional costs for consumers and limits competition.

The war in Ukraine has affected economic development and the implementation of anti-oligarchic measures. Although it has postponed the implementation of the anti-oligarchic law, it has also forced the authorities to take more radical steps against the oligarchs and their assets. At present, it is important to apply effective methods of de-oligarchization, considering the shortcomings of the measures already taken.

In general, business development in times of war requires a comprehensive analysis and coordinated measures by the government, the business community, and civil society to ensure stability and reduce the influence of oligarchs on the economy and society, taking into account the impact of military operations [10].

A number of sociological studies aimed at obtaining and studying the opinions of entrepreneurs are particularly relevant for understanding business characteristics. Let's examine the array of empirical data as of 2022–2023. During this period, various organizations and companies conducted a series of representative studies. We will present a general overview of these studies for further analysis of empirical information (Table 1).

Let us examine the empirical data gathered in August 2022. Consequently, during the last three months, almost a quarter of Ukrainians (26%) had to search for employment, demonstrating the labour market's instability during that period. The primary determinants of this situation were the inadequate salaries offered by employers (34%) and the insufficiency of suitable job openings in their respective fields (34%). Around 35% of respondents expressed a desire to change their profession if given the opportunity, highlighting potential challenges for the educational system and indicating new demands for businesses to fill jobs. Specifically, in metropolitan areas with populations of 101,000 to 500,000 and over 500,000, IT, trade,

**General overview of the empirical studies
on Ukrainian business development**

Researching for 2022	Researching for 2023
"Results of a representative survey among Ukrainians. Implemented by Info Sapiens research agency within USAID Economic Resiliency Activity" (August) [11].	"The state and needs of business in times of war: results of the survey". Advanter Group (June) [15].
"Research Mastercard SME Index" (August) [12].	Center for Innovation Development, Office for Entrepreneurship and Export Development, National Project Diia. Business together with Advanter Group (August) [16].
"Assessment of the damage caused by the war crimes of russia in Ukraine" (September) [13].	"The state and needs of business in times of war" Advanter Group (September) [17].
Monthly Enterprises Survey "Ukrainian business in wartime" (October) [14].	

and marketing emerged as the most desirable categories of specialists for businesses. In cities with population sizes ranging from 51,000 to 100,000, respondents demonstrated a greater tendency towards selecting the service sector and other industries. Notably, Ukrainians displayed significant interest in commencing their own business ventures, despite the prevailing economic crisis: as much as 46% of Ukrainians either yearn to initiate their own business or are presently working towards that goal. However, there appeared to be gender-based disparities in this regard, with fewer females (36%) exhibiting intentions to launch their entrepreneurial endeavours compared to males (57%). Although the desire to engage in entrepreneurial activity is evident among respondents, various obstacles are emphasized. The most commonly cited barrier is the inability to plan business activities during times of war (24%). Additionally, a significant number of respondents lack the necessary material resources (18%) and working capital (18%) [11].

The subsequent survey, conducted in August 2022, offers a chance to document distinct results. This enables us to highlight the features of the business environment. The survey indicates that Ukrainian entrepreneurs are functioning capably under the trying circumstances of war and forced

relocation. It is noteworthy that business representatives, despite being compelled to halt operations, expressed a willingness to resume them in the future. This may reflect the resilience of business practices that will be restored when conditions become favorable. The survey highlights how the war has had an exceedingly adverse effect on the revenue of small and medium-sized businesses in Ukraine, resulting in a significant drop in sales across various product categories.

There are adaptation indicators, such as reorienting to defense needs, shifting business sectors, and relocating production facilities to host regions or other countries. During times of war, entrepreneurs actively utilize digital sales channels, including social media and their own websites, which has become a key element in successfully adapting to new circumstances. The acceptance of electronic payments by businesses is on the rise, as is the prevalence of advanced payment methods like cryptocurrency payments.

A distinguishing feature of Ukrainian business during the war has been its socially responsible conduct, evident in the proliferation of volunteerism and philanthropy. In 2022, Ukrainian entrepreneurs projected varying timeframes for business recovery following the war, but the majority aspire to attain improved financial performance within two years [12].

In September 2022, several business aspects will undergo changes. The majority of respondents report encountering significant challenges caused by the war, including relocation and material losses. Only 12% of participants claimed that the war had no impact on their business. A considerable number of businesses had to reduce salaries and dismiss employees, leading to a decline in the country's economic potential. The downturn in business performance is widespread, impacting different areas of the economy, including manufacturing, trade, and services [13].

Conducting a survey of public opinion in October 2022 allows us to track shifts in business practices amidst the deepening crisis in Ukraine. According to the survey findings, there is a marked decline in expectations and evaluations of business growth in the immediate future. Missile attacks on Ukraine's energy infrastructure have heightened uncertainty among respondents. Notably, an increasing share of respondents regards the financial and economic situation at enterprises as poor. Further, business representatives face several other distinct problems. Among these, price increases in raw materials rank as a major concern, expressed by 70%

of respondents. Issues with electricity, water, and heat supply have risen markedly in the obstacle rankings, accounting for 51 %. While entrepreneurs' trust in the government is burgeoning, unfavorable evaluations of the state's business support policies persist. Nonetheless, informants express positivity regarding future development, potentially revealing the resilience and adjustability of the business environment during wartime [14]."

Continuing the investigation into business development during times of war, we will examine several studies conducted in the latter half of 2023. Therefore, drawing on the findings of the research on the state and requirements of businesses in the war context completed in June of 2023, several generalizations can be made, and the following explanatory features can be revealed.

Business owners and managers report that, on average, the current volume of work carried out during the first five months of 2023 was only 71.6% of the planned figure. This suggests an overall underperformance by businesses despite adapting to the military situation. Nevertheless, business representatives are optimistic about the future. According to forecasts, 38.4% of respondents anticipate an increase in business revenues by the end of 2023. Previously, the growth of social responsibility among Ukrainian business representatives was observed, and other areas are now emerging. For instance, 81 % of business representatives are interested in participating in discussions about country reconstruction projects at different levels [15].

In August 2023, a study was carried out on the primary problems hindering business development. One major issue identified was the insufficient number of customers who can pay their debts in full and on time. Half of businessmen recognize this as a key concern, an 11 % increase from November 2022. Entrepreneurs are highly anxious due to the current state of uncertainty and the inability to anticipate economic developments in the near future—this problem is faced by 48.4% of survey participants. The other significant challenge was insufficient capital, affecting 40.4% of respondents. Logistical issues and disapproval of grant applications also pose challenges – 21.1 % and 13.9% of participants were impacted by delays in logistics and denials of access to grant programs, respectively [16].

In this section of our analytical review, we will discuss the survey conducted in September 2023 that examines the state and needs of businesses during the context of war. Positive trends are apparent, as the indicator for

business expectations regarding improved financial performance increased from -0.7% in June 2022 to +8.2% in August 2023. However, some negative factors that hinder the development of entrepreneurial activity have also been identified.

The lack of predictability in the development of the situation in Ukraine is a major concern, with 56.2% of respondents citing this issue. The country's political and social instability can create uncertainty among businesspeople. Another significant concern is the unpredictable decisions and actions of government agencies, which can have a negative impact on the business landscape (47.7%). Additionally, 47.6% of respondents noted a decrease in financially stable customers, likely a result of economic instability and declining consumer demand.

There is a shortage of skilled workers, as reported by 34.3% of respondents, primarily due to population migration and men being mobilized to defend the country. Military events also have the potential to decrease investment and jeopardize enterprise liquidity. According to 30.7% of those surveyed, access to financial resources and support mechanisms could be critical to the survival and recuperation of businesses. Currently, Ukrainian enterprises are concentrating on sustaining the battle against corruption while executing tax and judicial transformations [17].

The compartment of different sources of statistical data analysis provides the real information about the particular business needs in Ukraine, providing the background for development of the appropriate activities to overcome the existing challenges.

4. Conclusions

In conclusion, it is possible to pay attention to the increasing complexity of business process at the time of full scale war. This is connected with a measure of additional challenges, including lack of electricity, destroyed logistics routes and vehicles, shortage of human resources and consumer capacity, production structure and relocation challenges. There is constant need to observe and analyze these challenge for their overcome.

In summary of the statistical data analysis representing the state and prospects of Ukrainian business development in the war, it is essential to examine some key characteristics. Notwithstanding significant economic challenges linked to the destruction of production facilities, limited access to

skilled personnel and an overall unstable economic environment, Ukrainian entrepreneurs are endeavoring to adjust to new challenges. Support from government agencies and international investors has a significant impact on this. In general, entrepreneurs are rather positive about developing their businesses and the possibilities of restoring Ukraine's economic system and infrastructure.

Military events have a profound effect on the country's business and economy, leading to increased uncertainty, slower production recovery, export difficulties, and higher prices for raw materials. Additionally, these unfavorable conditions are marked by some level of distrust in government policy, although this situation is changing noticeably. The general trend indicates that Ukrainian businesses are demonstrating resilience, adaptability, and recovery capabilities. They actively implement digital technologies and exhibit socially responsible behavior towards both employees and citizens of the country.

Overcoming the challenges faced by Ukrainian businesses during a time of war requires a comprehensive and strategic approach. In particular, there is a need to manage a complex of activity, contributing to adaptability and sustainability enhancement, fostering of resilience and contributing to the long-term development of Ukrainian businesses to overcome the challenges of war. This is possible in case of common activity of national authority, Ukrainian business and foreign partners. For example, reforms of regulations in the field of intellectual property, waste management are aiming to allow businesses to work more efficiently and spend less time on unnecessary bureaucracy. The business adaptability is fostered with the implementation of specific programs and funding strategies. One of the most important mechanisms to foster resilience of businesses, which are active at the territory of Ukraine in the time of war, is energy sector support. Due to the full-scale war, the women business starts to play the role of important driving force of Ukrainian economy. Therefore, there is a need to ensure its continuity even in unpredictable time. The government is implementing innovative programs to support entrepreneurs in Ukraine and increase employment among women, providing them with access to financial resources for business development.

However, the overall conclusion is that Ukrainian businesses face significant challenges during hostilities. Addressing these challenges will

require a comprehensive strategy. The government must promote economic stability, ensure transparency, and establish a favorable business climate. Meanwhile, business representatives must be prepared to adapt and improve their strategies to survive and thrive in times of instability and crisis.

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