

# Challenges and needs of SMEs after two years of full-scale war

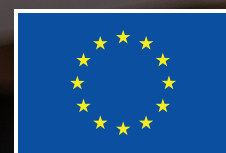
Excerpts from comprehensive market research  
of small and medium-sized enterprises (SMEs) in Ukraine

Commissioned by the EBRD



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
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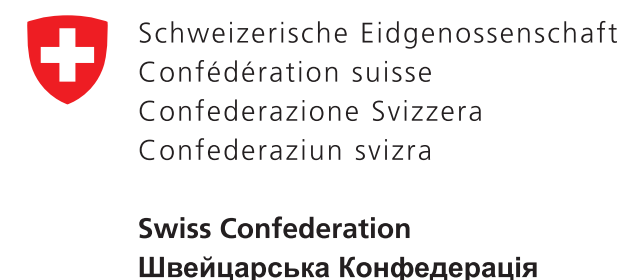
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Supported by donors: Switzerland through  
the EBRD's Small Business Impact Fund\*  
and the European Union through the  
EBRD's Women in Business programme.



## EBRD-commissioned research to assess the SME market

was carried out by the **Socioinform** sociological centre and supported by donors: **Switzerland** through the EBRD's Small Business Impact Fund\* and the **European Union** through the EBRD's Women in Business programme.



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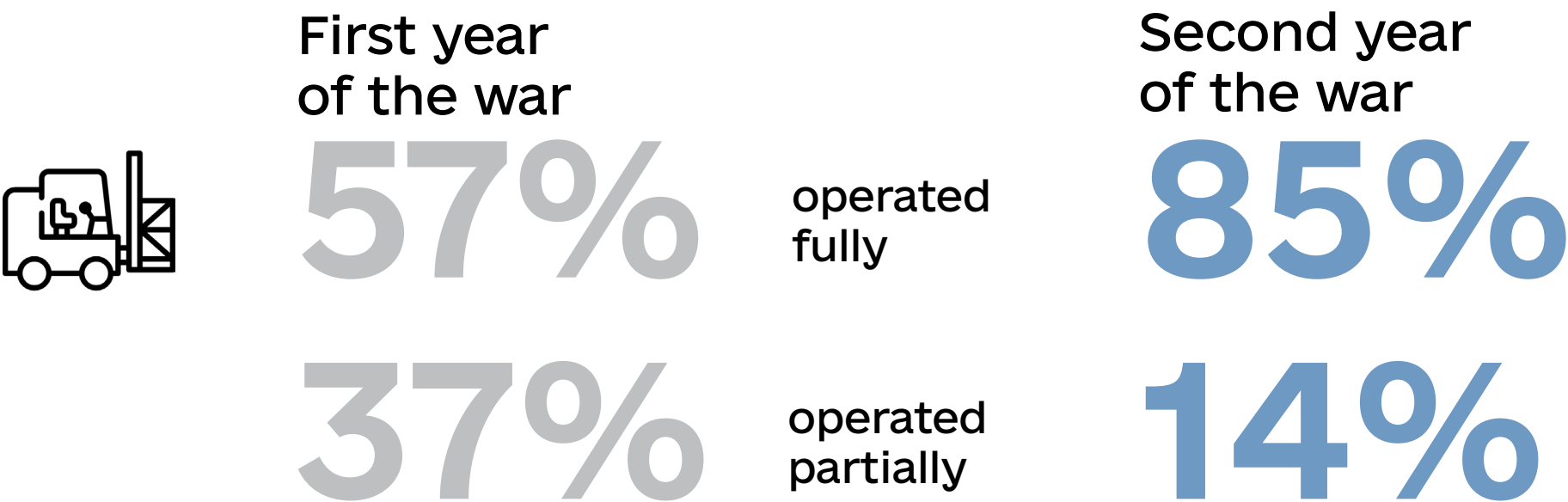
\*Donors to the Fund: Italy, Ireland, Japan, Luxembourg, Norway, South Korea, Sweden, Switzerland, the United States of America and the TaiwanBusiness-EBRD Technical Cooperation Fund

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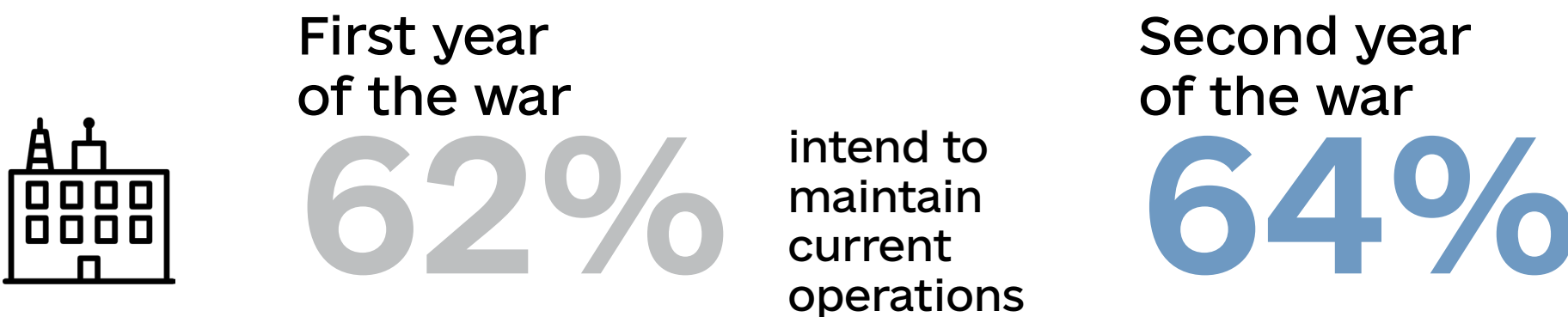
1. **Assessment of the business environment**
2. **State of SMEs after two years of full-scale war**
3. **Prospects for SMEs**
4. **Needs of SMEs**
5. **Research methodology and geography**

# Summary

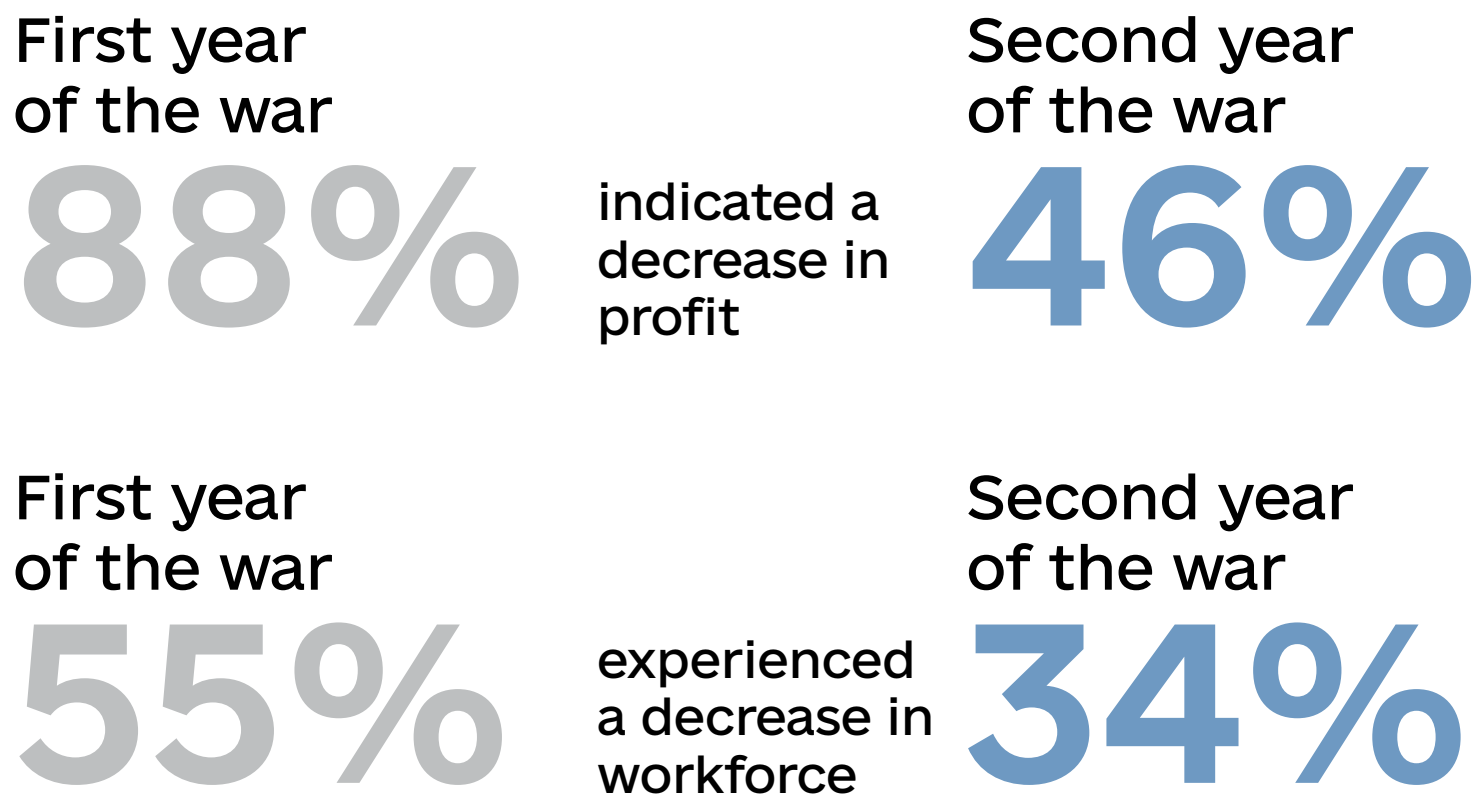
The study shows a certain degree of adaptation by SMEs to wartime conditions:



The share of businesses planning to maintain current levels of activity if the war persists for a year or more has remained stable.



Meanwhile, more SMEs are looking to diversify or expand their operations if the war lasts more than a year.



In the second year of the war, the difficulty of doing business in Ukraine has decreased somewhat.

The assessment increased from "difficult" (2.7) to "neither difficult nor easy" (3.5) on a scale of 1 (very difficult) to 7 (very easy).



# Assessment of the business environment

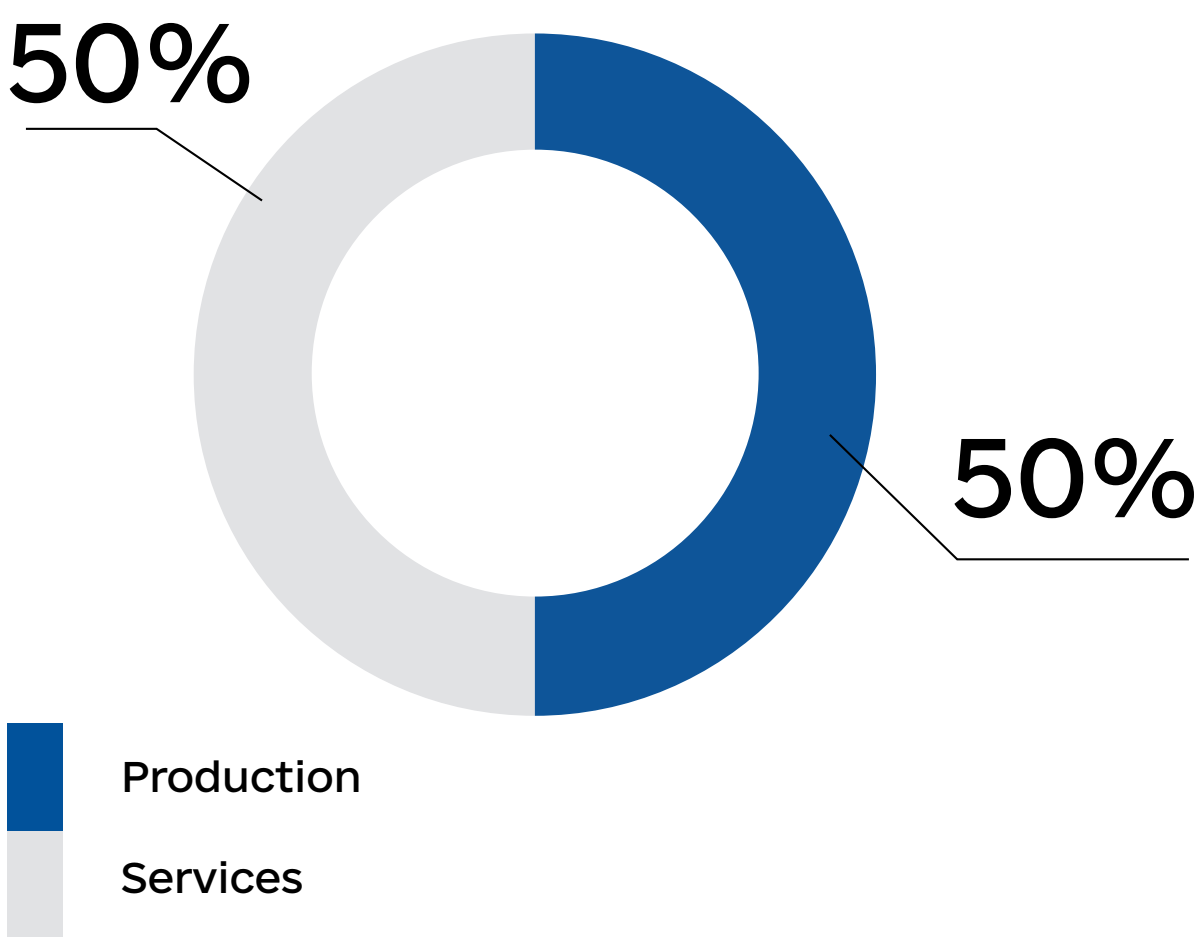




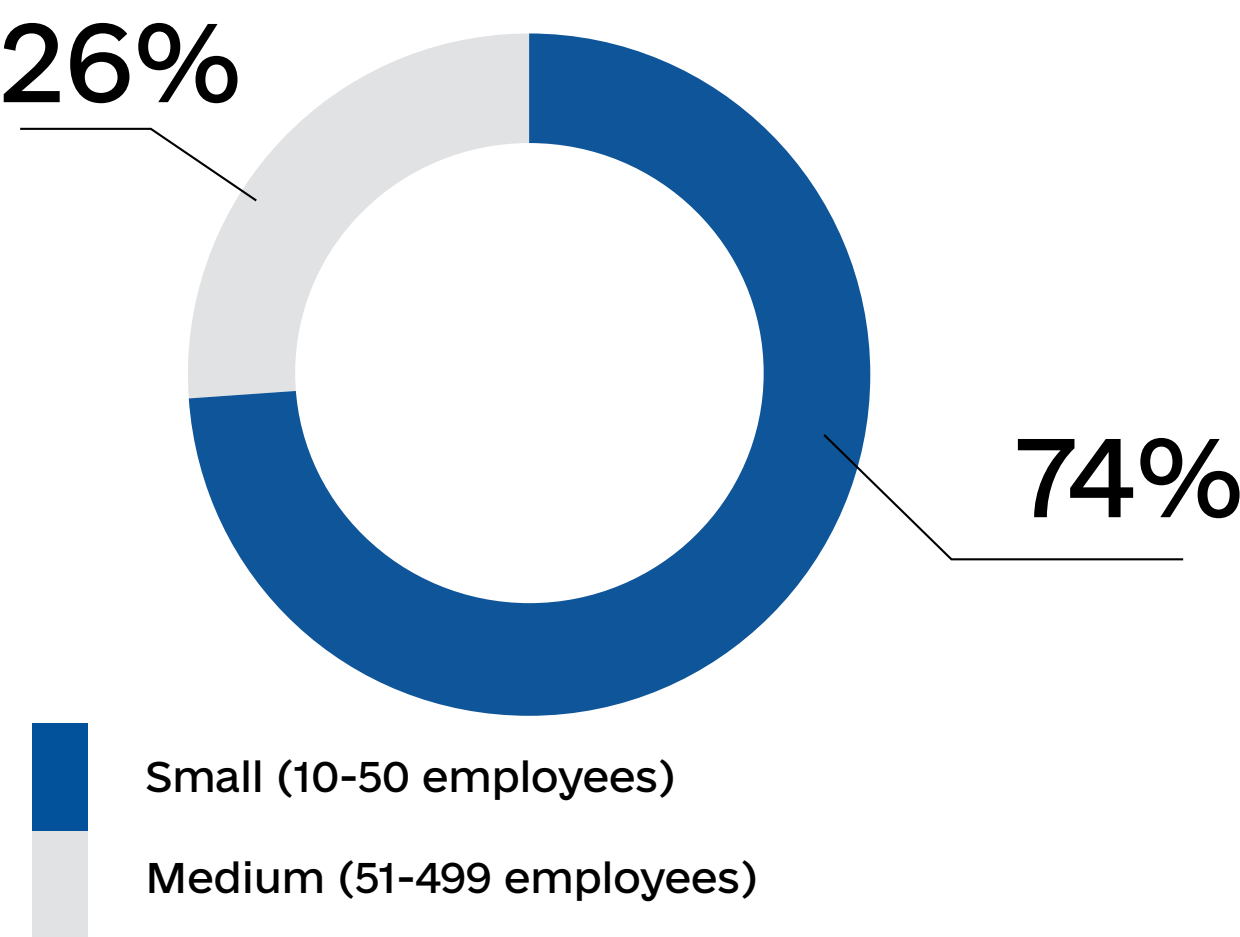
# Enterprises surveyed

Quantitative  
research

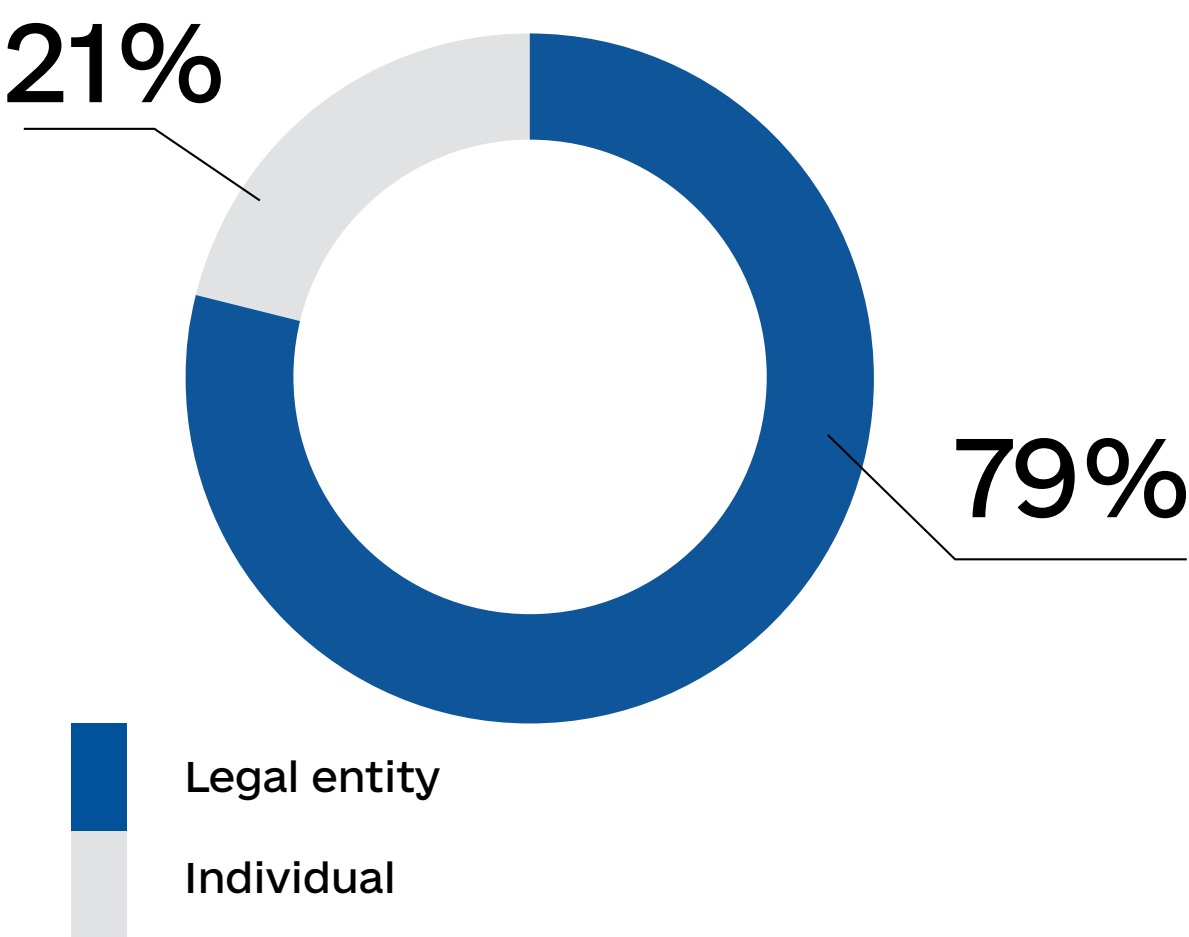
Area of activity



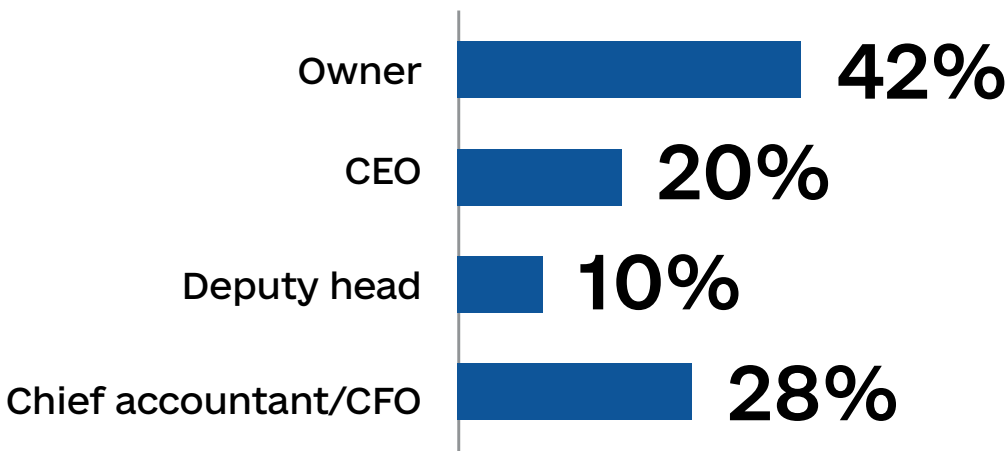
Business size



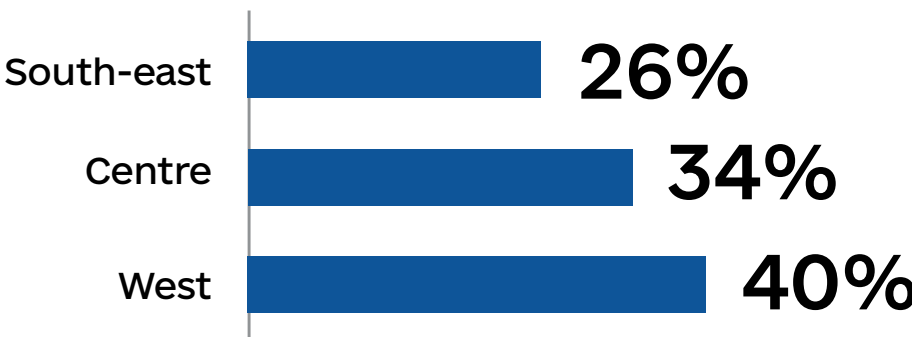
Business registration



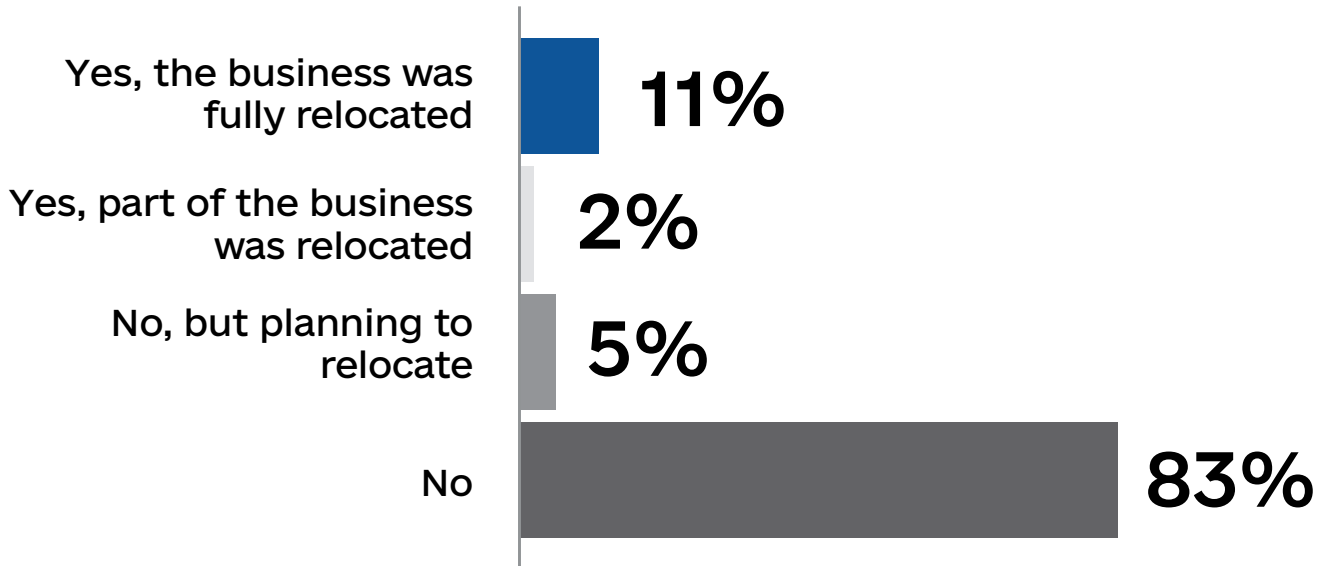
Surveyed employee's position



Region



Was the business relocated after 24 February 2022?



Note: Relocated enterprises are included in the relocation region (nine of them moved from the south-east to the west, three from the centre to the west and one from the south to the east).



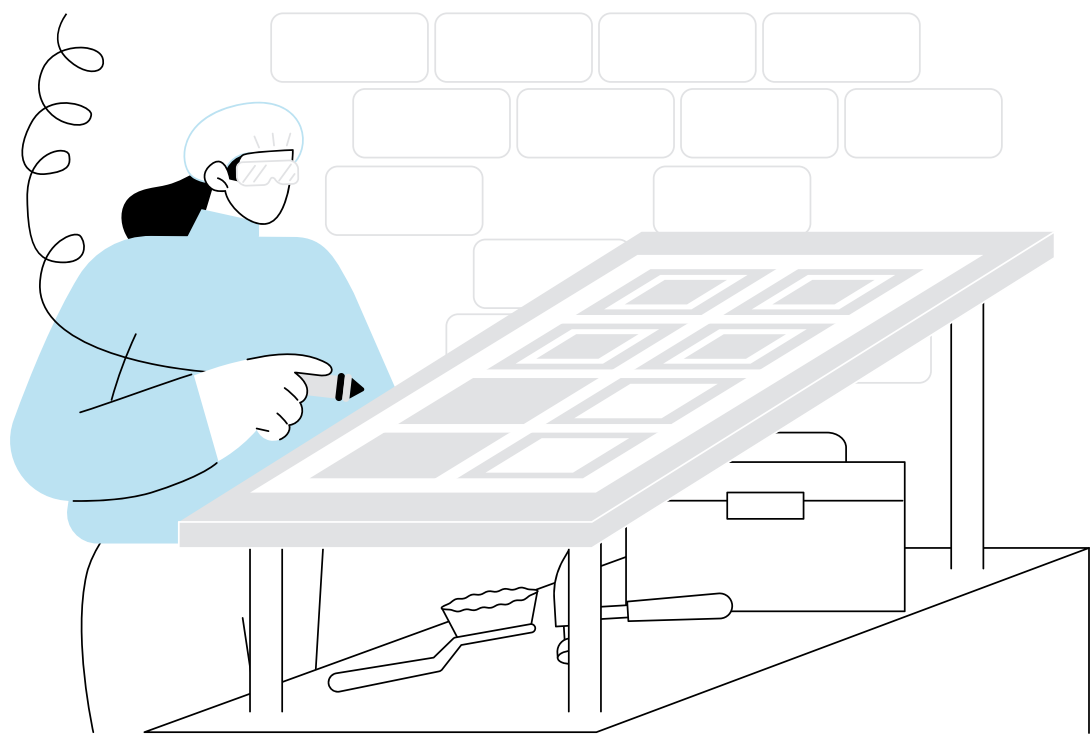
# The perceived difficulty of doing business in Ukraine

on a scale of 1 (very difficult) to 7 (very easy)



**3,52**  
Average,  
Second year of the war

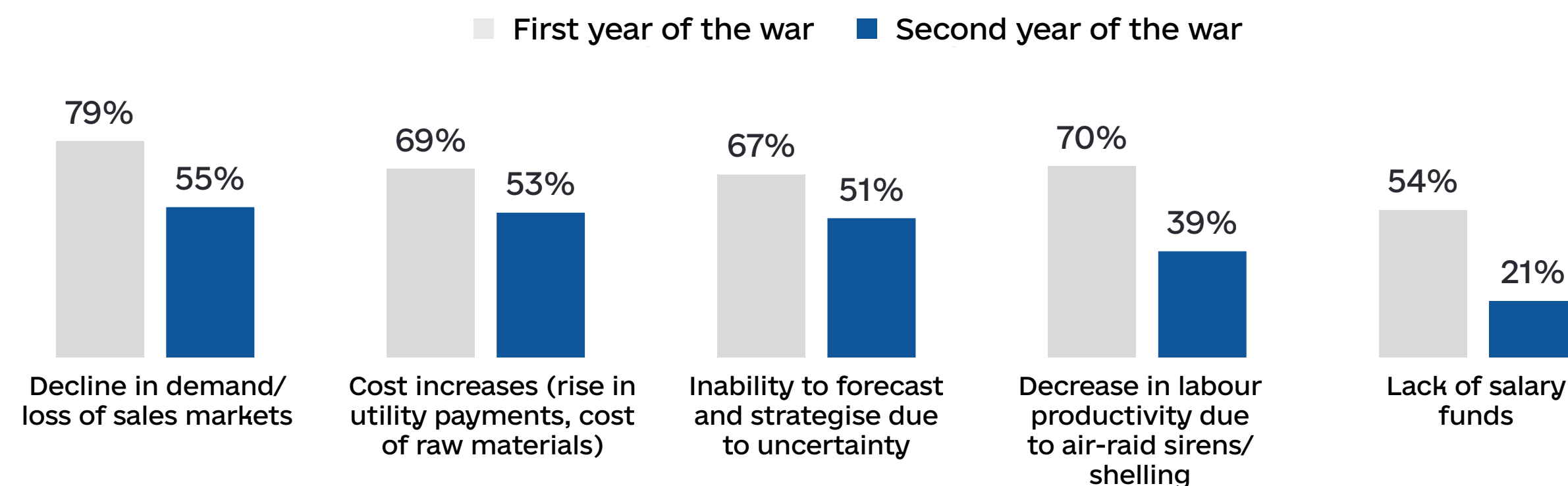
**2,72**  
Average,  
First year of the war



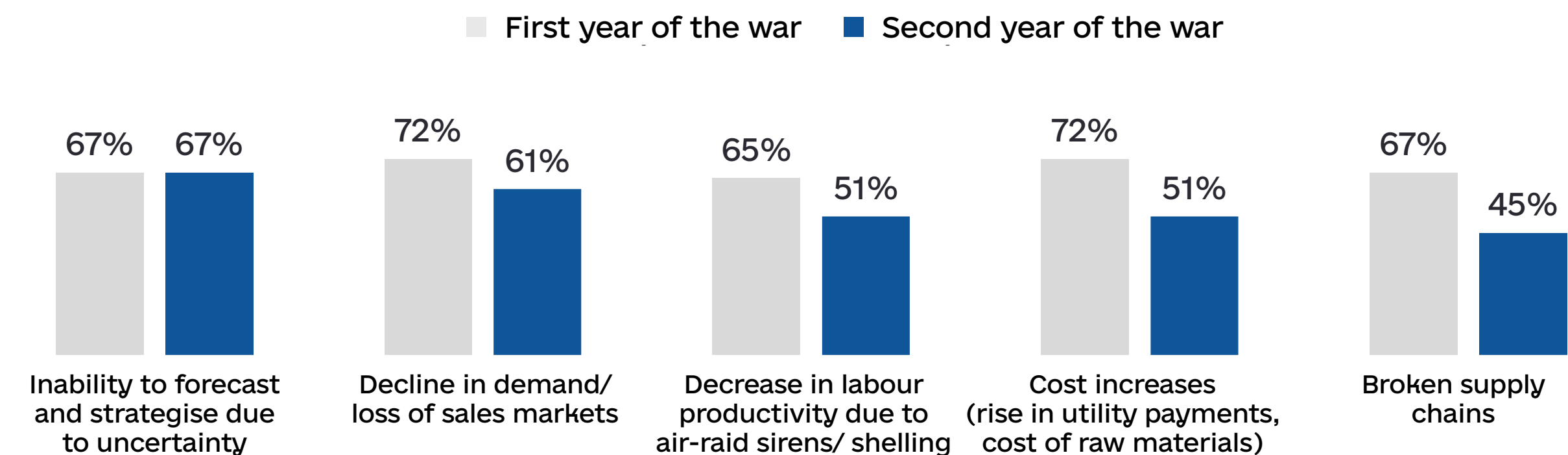


## Top challenges faced by small businesses in wartime

Quantitative research

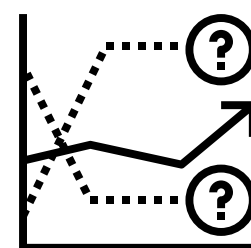


## Top challenges faced by medium businesses in wartime





## SME trends



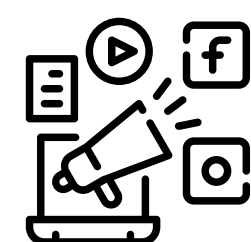
The war makes it difficult to compile forecasts, build strategic plans and invest in one's own business. To operate, companies require a certain level of physical safety, security of energy supply, resilience of general business activity, economic stability and reliable logistics chains.



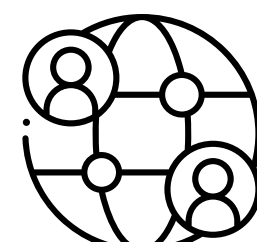
Managers are trying to maintain profitability by diversifying sales channels, entering new markets, launching competitive new products and services, and changing marketing strategies.



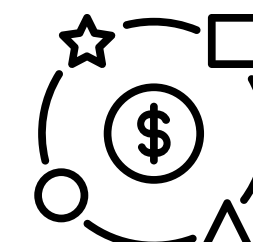
Faced with a lack of domestic stability, companies are turning to more predictable foreign markets. Consequently, advisory services on how to develop export activity, access foreign markets, obtain international certification and launch businesses abroad have become popular.



The expansion of domestic sales markets has sparked greater demand for advisory services on marketing, social media marketing and participation in trade fairs.



Because of the ongoing market transformation and relocation of businesses, the demand for networking (international/industry/local) is also growing.



Diversification, particularly by developing additional lines of business, has become an important task for SMEs.



In addition to grant and advisory support, business managers are looking for affordable loans.



## Negative aspects (-)



### Sales rebound is not quick enough

Numerous negative factors are hampering exports, including the continued savings mode of the business-to-business segment, unstable demand, a lack of access to part of the domestic market, the population's reduced purchasing power and blocked borders.



### Lack of payment discipline

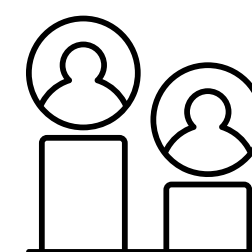
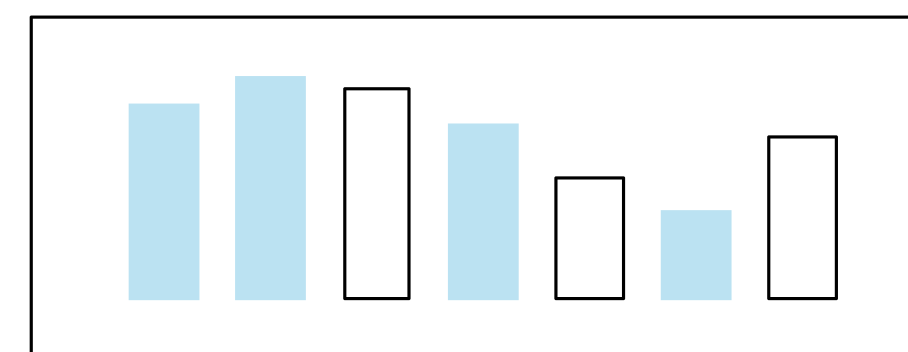


### Lack of workforce

due to mobilisation and migration, leading to a human resource crisis.



### Lack of investment



### Increased competition from (donor-funded) NGOs in the social services space



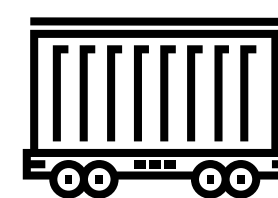


## Positive aspects (+)

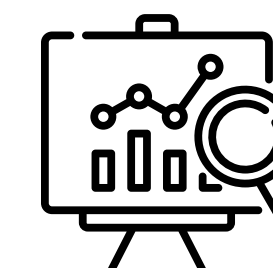
Two years on since Russia's full-scale invasion, the business community has already adapted to wartime challenges. The upward trend in business activity that was noticeable at the end of the first year of the war, has continued somewhat, but the overall situation remains fragile. The strategic uncertainty of persistent war is hampering business development and creating new challenges. Companies that could not resume their operations in 2022 have had to close.



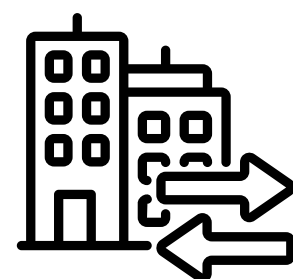
**Increased business activity**



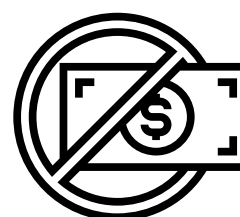
**Partial sales recovery among industrial enterprises** as they resume operations in de-occupied territories; resumption of export activity



**Gradual resumption of investment/increased spending on development**



**Adaptation of relocated companies**



**Shrinking of the shadow economy** due to new contracts with large buyers that operate 100 per cent legally







# State of SMEs after two years of full-scale war



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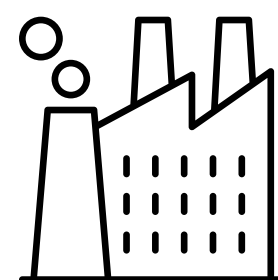
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Although some businesses are still experiencing turbulence, most are rebuilding their position.

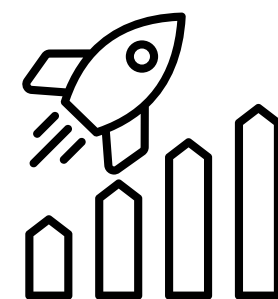
### For example:



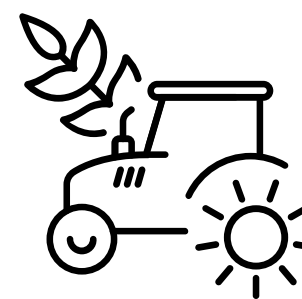
**Industrial enterprises supplying critical/war goods**  
(particularly those under government contract)



**Small businesses**  
that were able to diversify their activities without significant investment (owing to their available resource base)



**Companies that boosted activity in new areas,**  
for example, entered a new part of the domestic market, launched new products, unlocked the potential of areas they had deemed less profitable or implemented innovations in production processes.



**Companies associated with the agricultural sector**  
(farmers now have funds to buy fertilisers, pay for machinery repairs, and so on, thanks to the opening of the grain corridor)

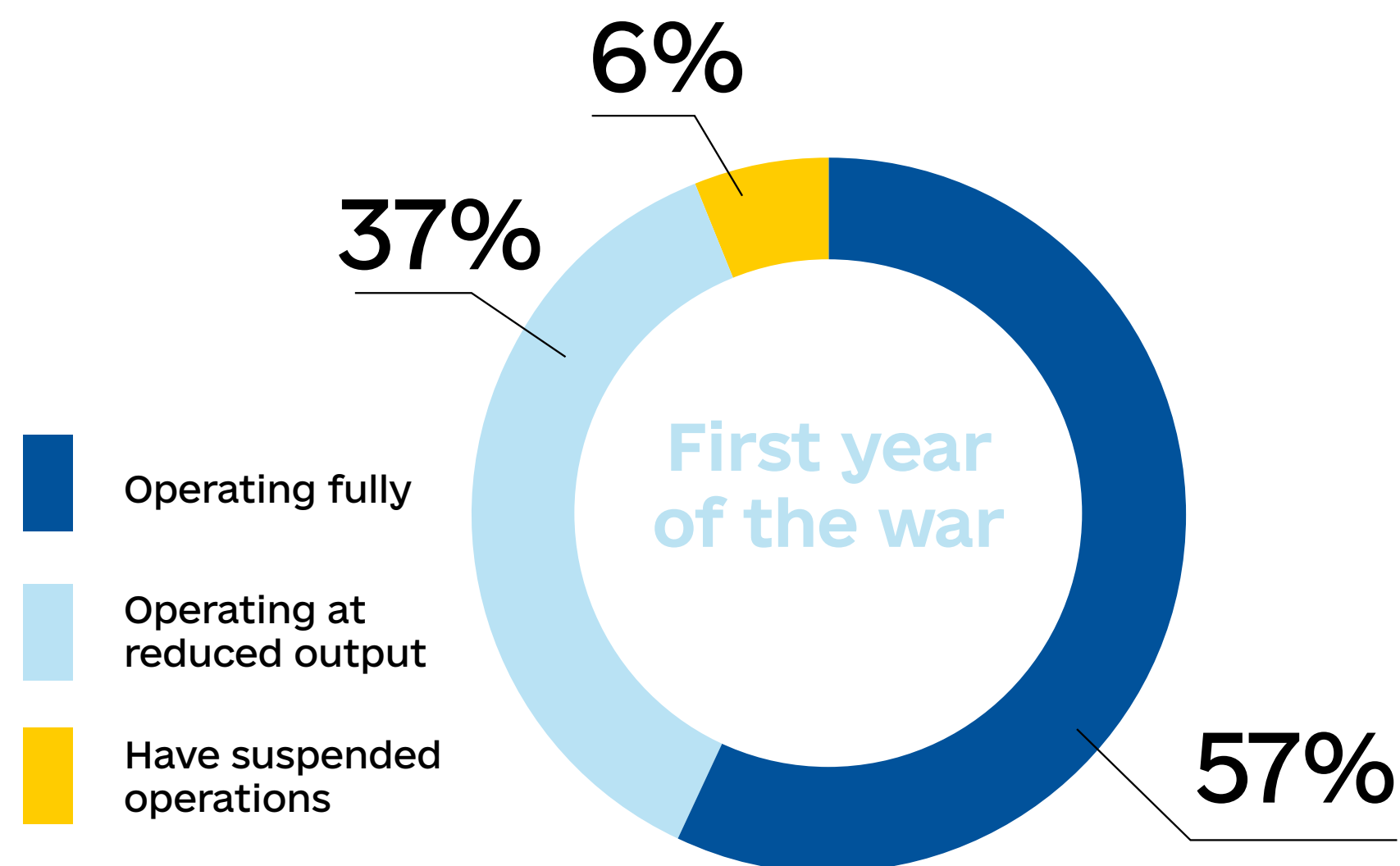
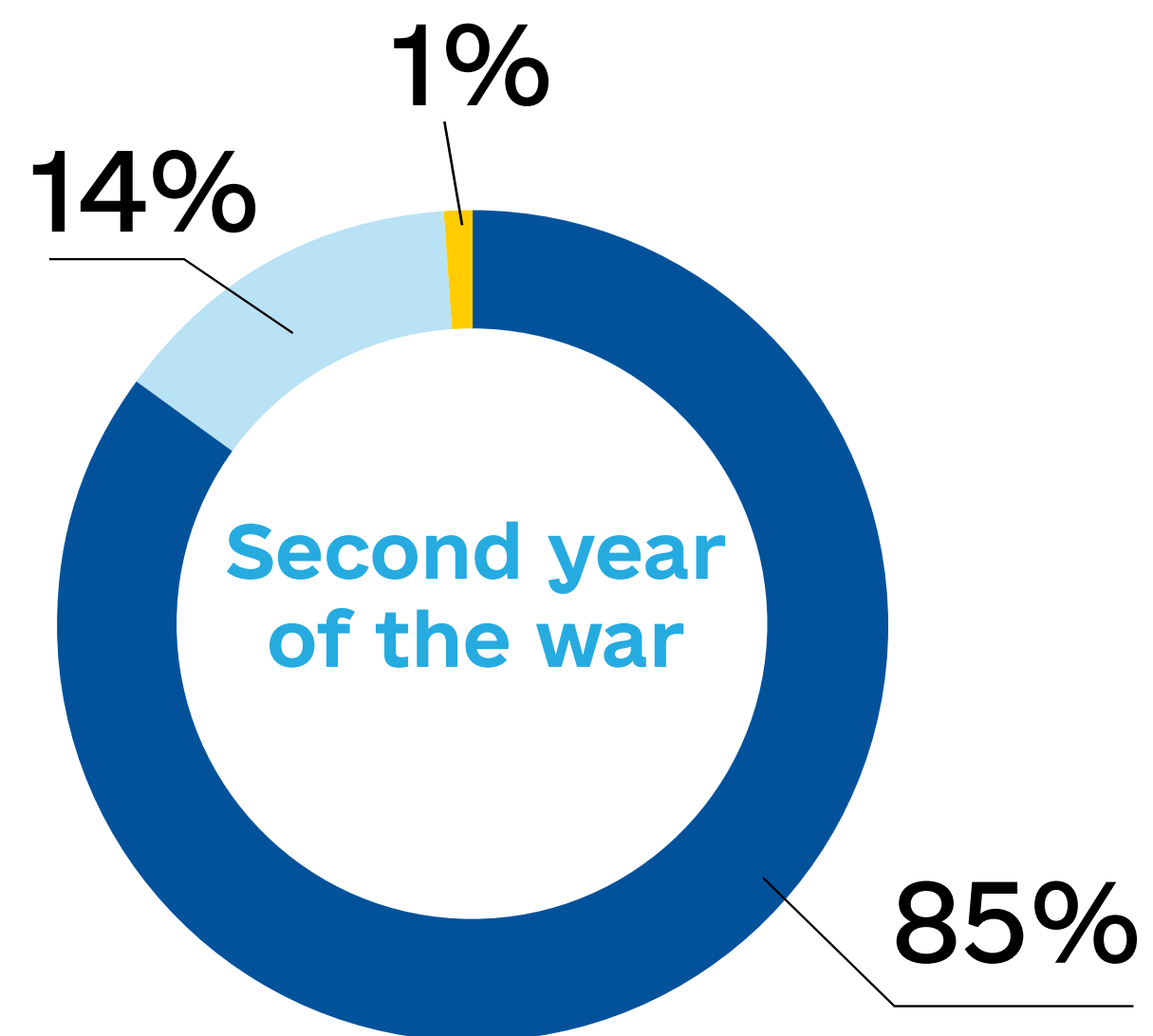


“They started buying items for military purposes. We had not paid much attention to small parts in the past, but market prices have become quite high. Now we are paying more attention to them.”.  
(Small firm)

“The state now needs our products. Volunteers and hospitals are buying them as there are a lot of wounded people. Even though a large number of people have left the country and we have lost territory, there is still demand for what we are producing.”  
(Medium-sized firm)



# State of enterprises

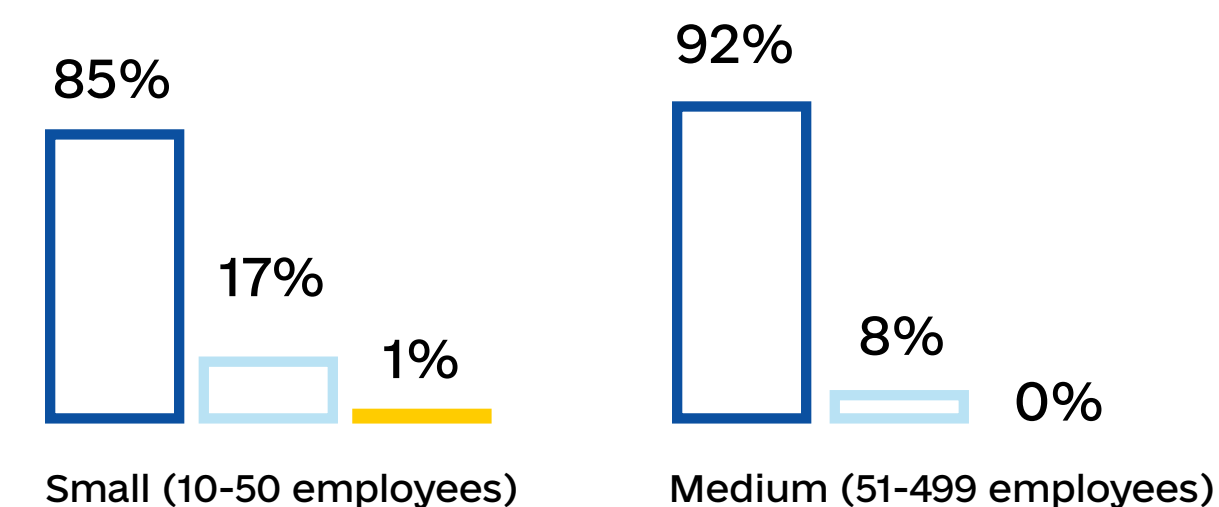


- Operating fully
- Operating at reduced output
- Have suspended operations

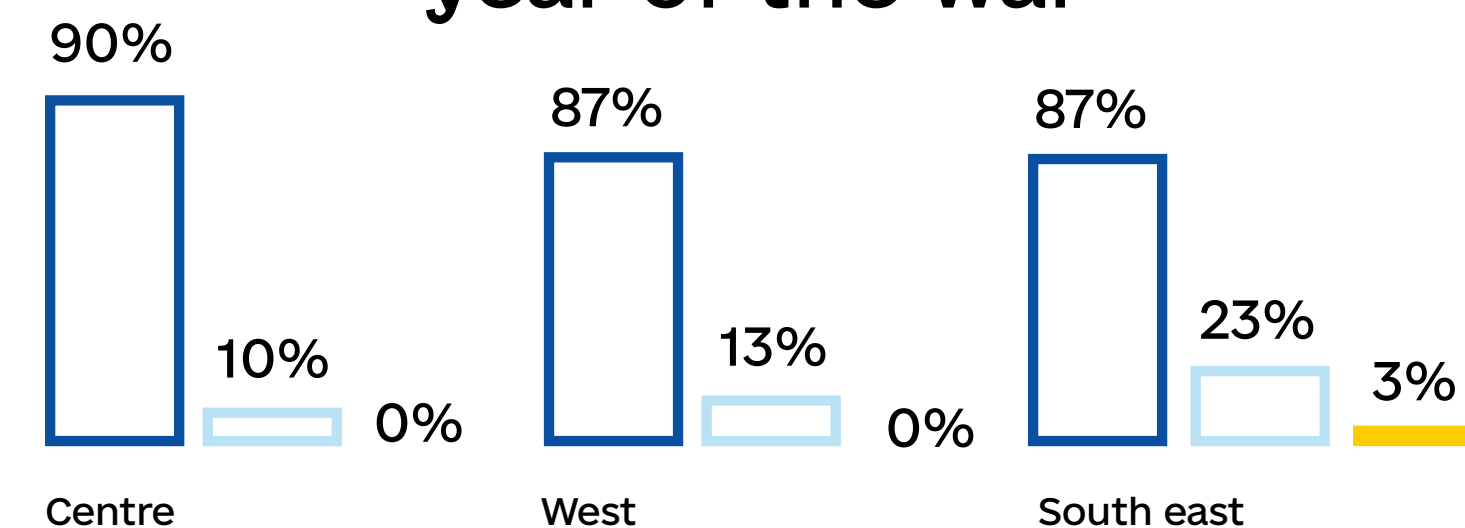


Quantitative  
research

## Size statistics\*, second year of the war



## Regional statistics, second year of the war

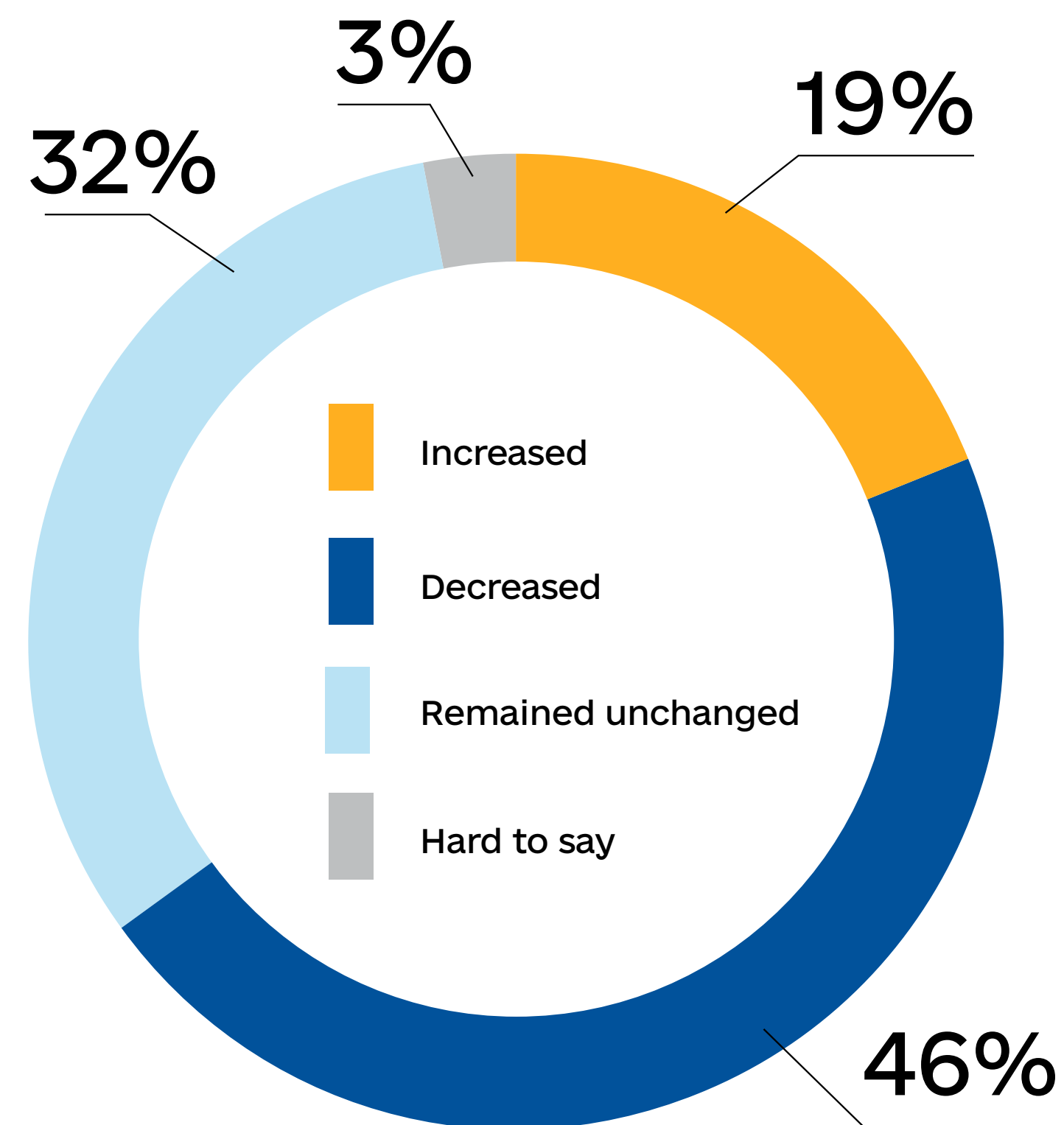


\*Only those segments (by sector, size, or region) showing statistically significant differences are presented

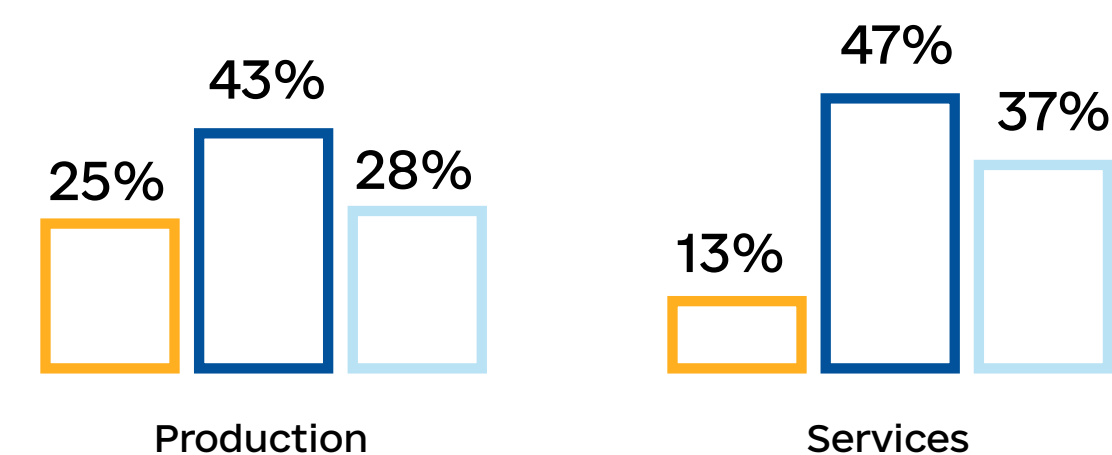


# SME profit in the second year of the war

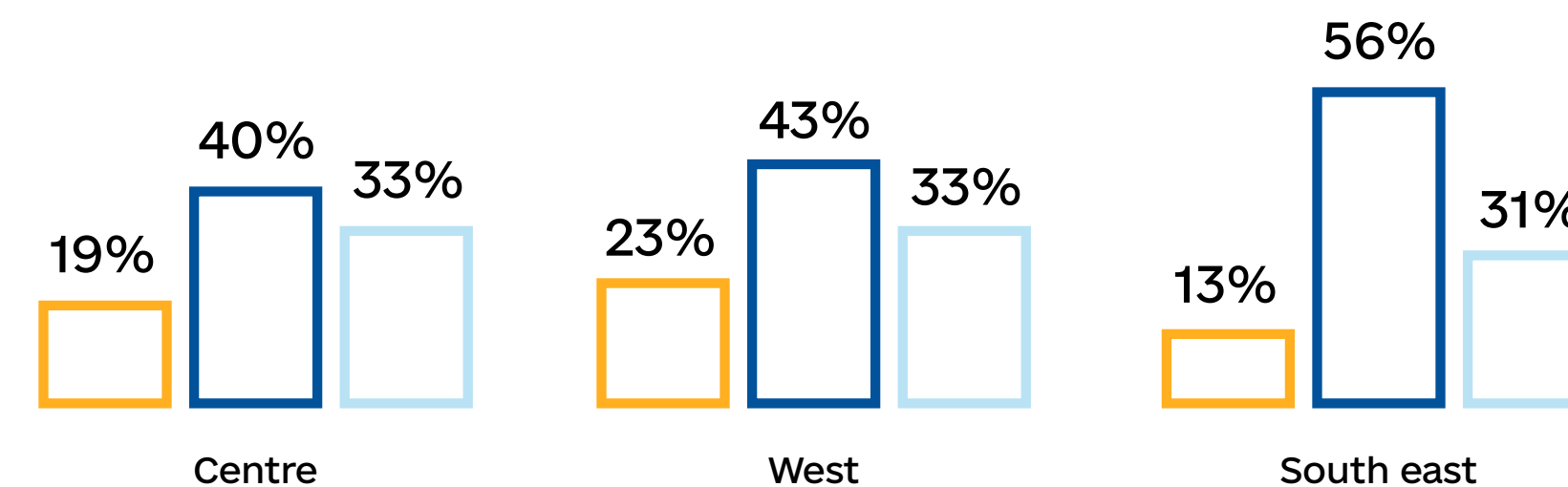
Quantitative  
research



## Area statistics



## Regional statistics



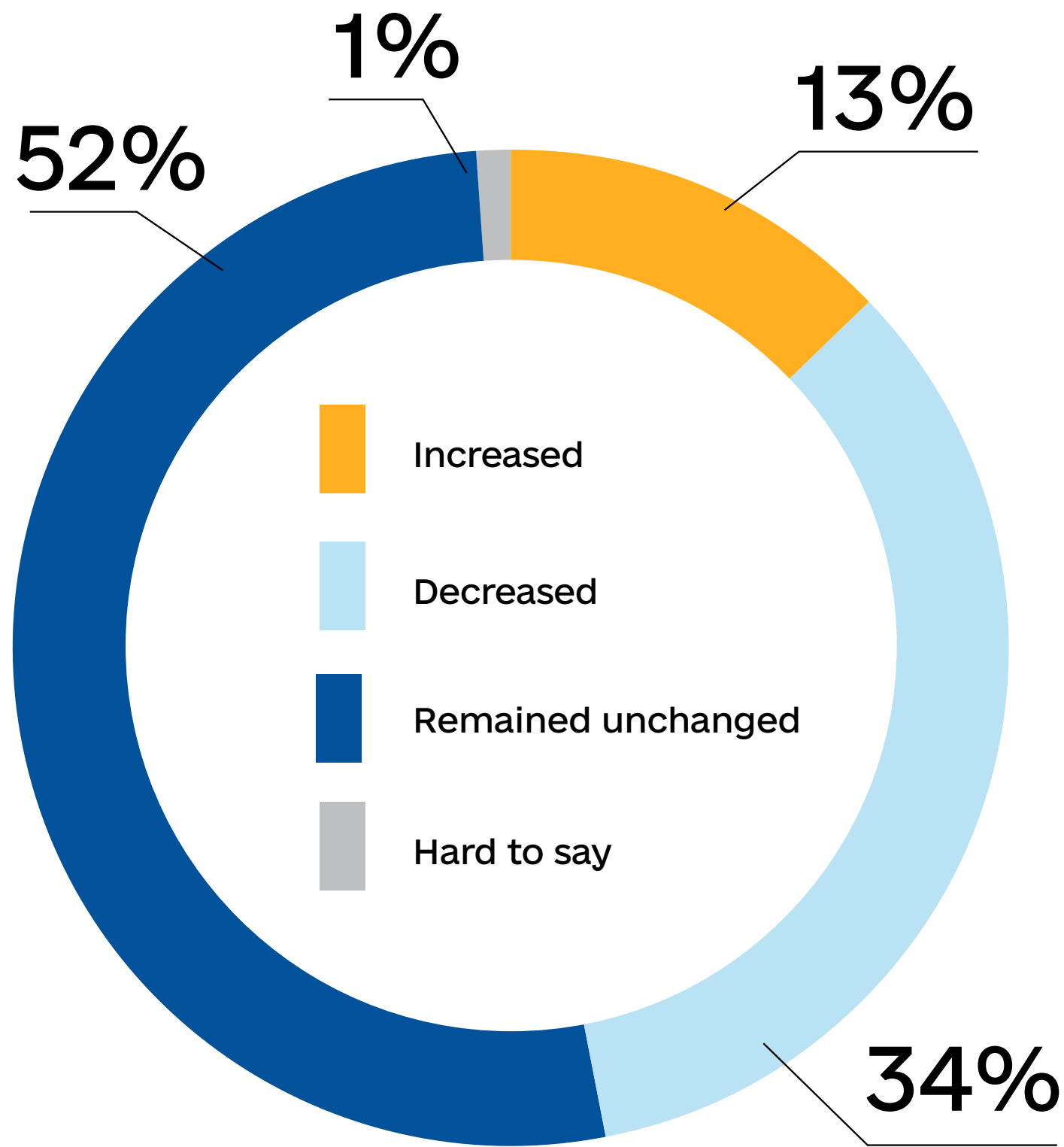
88%

indicated a decrease in profit in the first year of the war

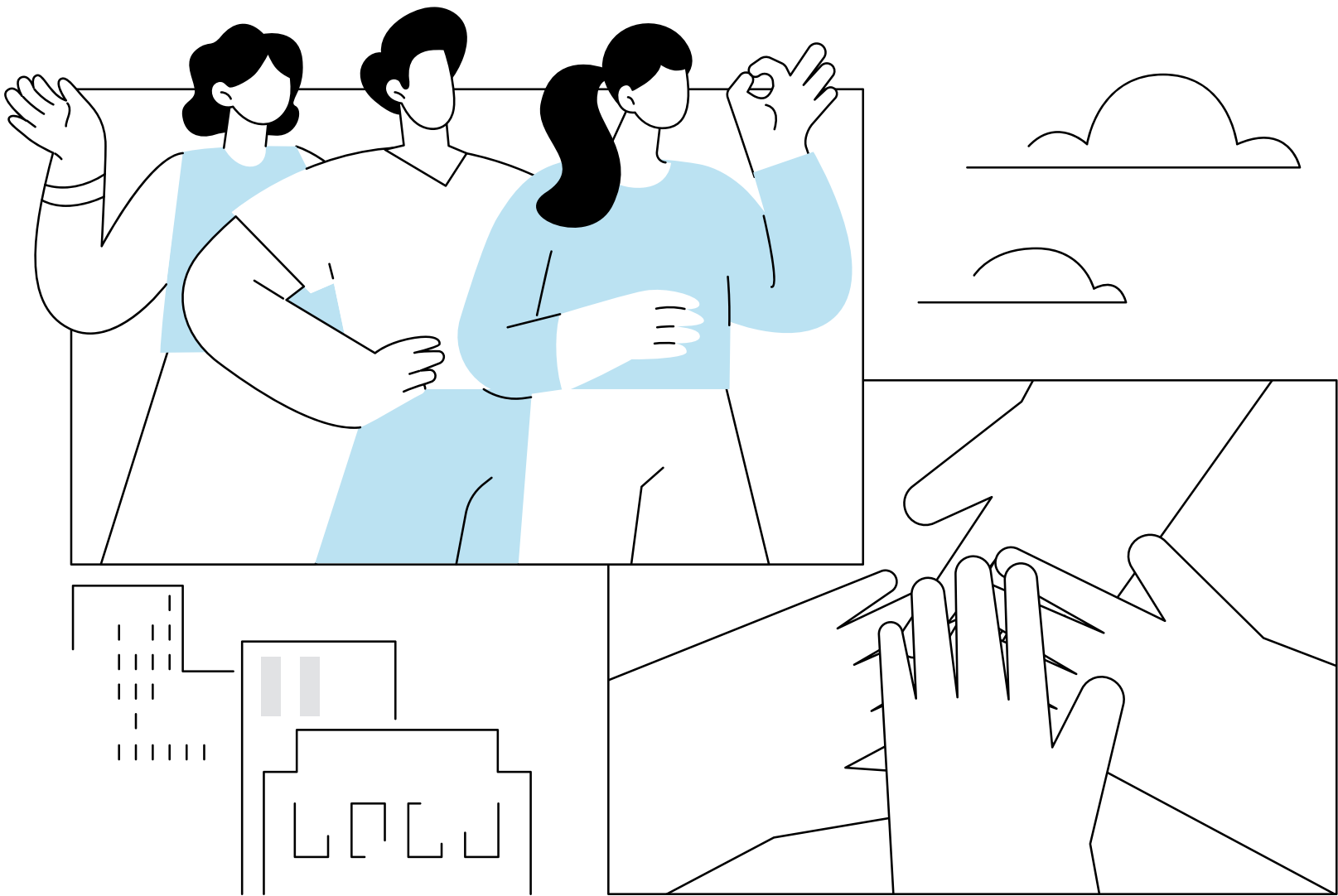
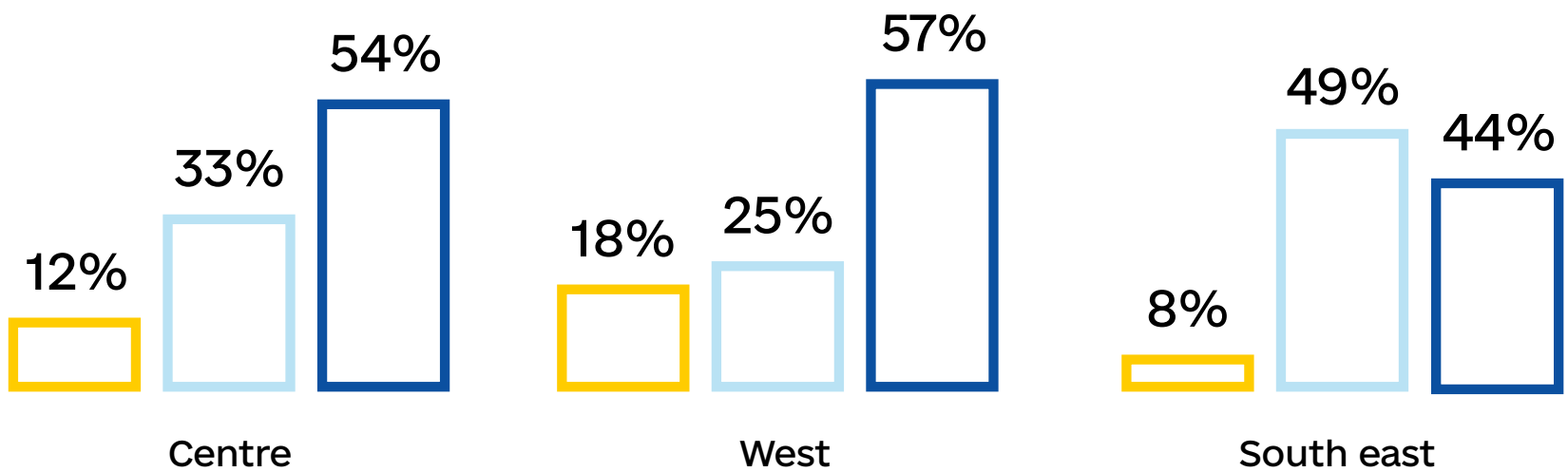


# SME staff in the second year of the war

Quantitative  
research



Regional statistics

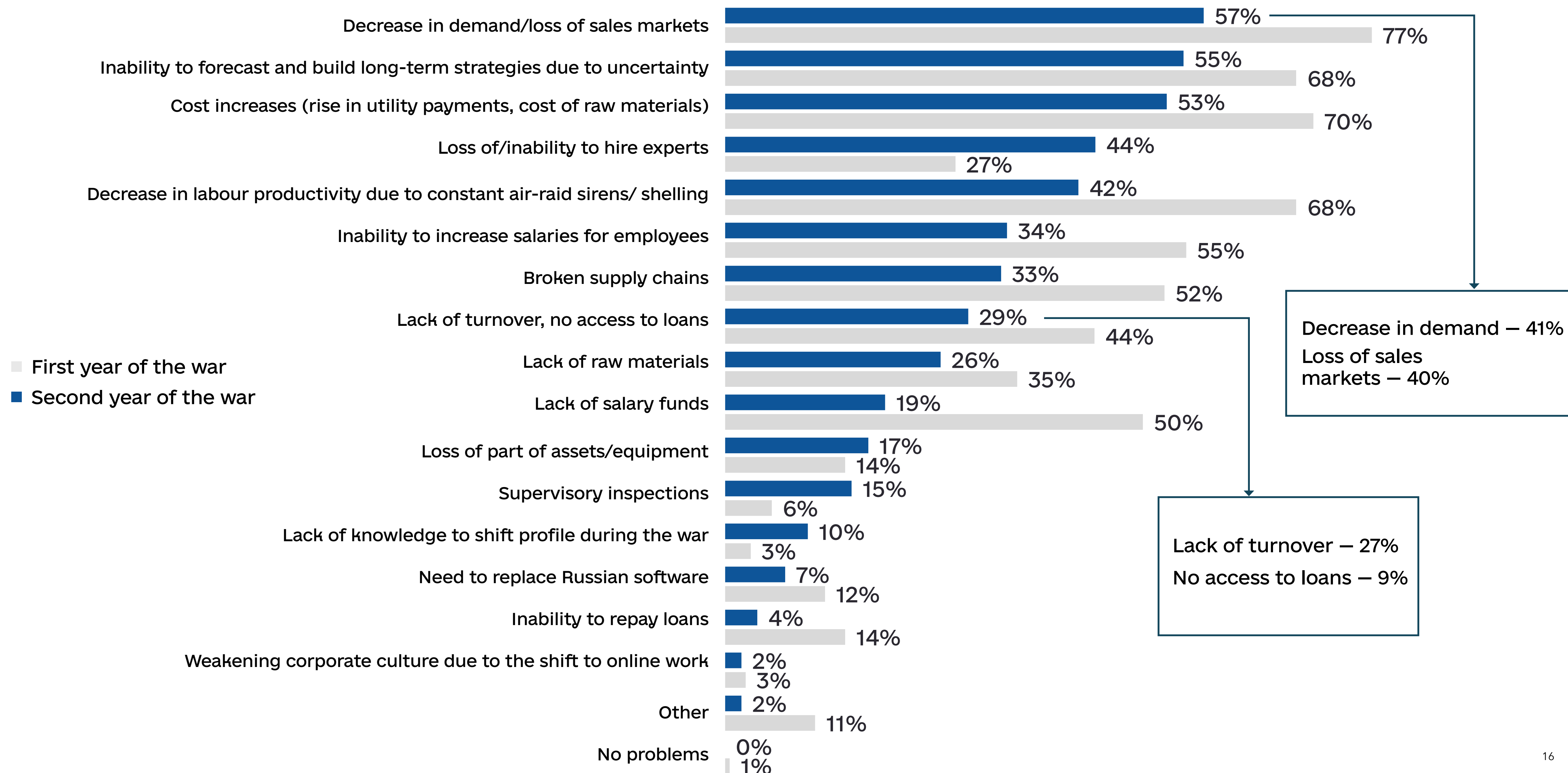


**55%**  
indicated staff reductions in  
the first year of the war



# Key problems for enterprises

Quantitative  
research

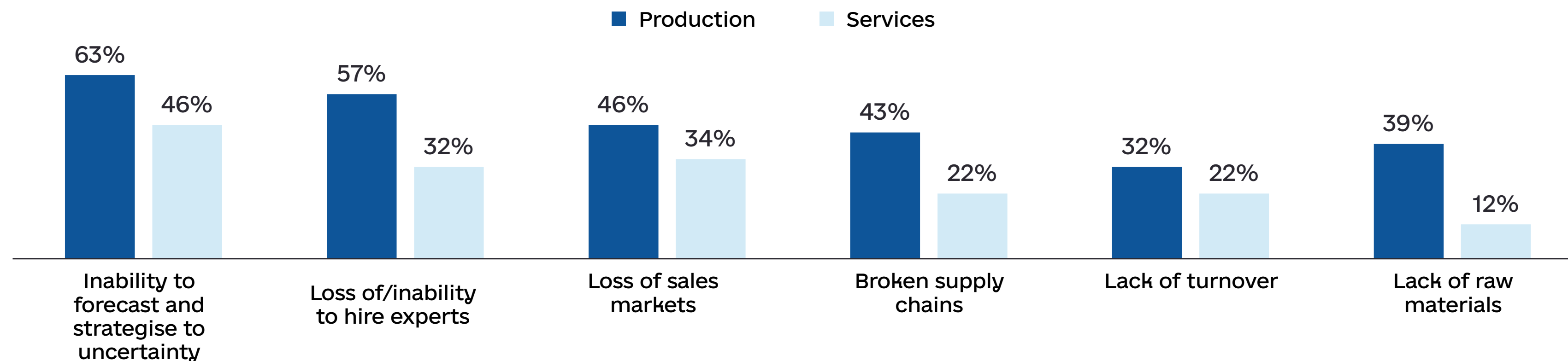




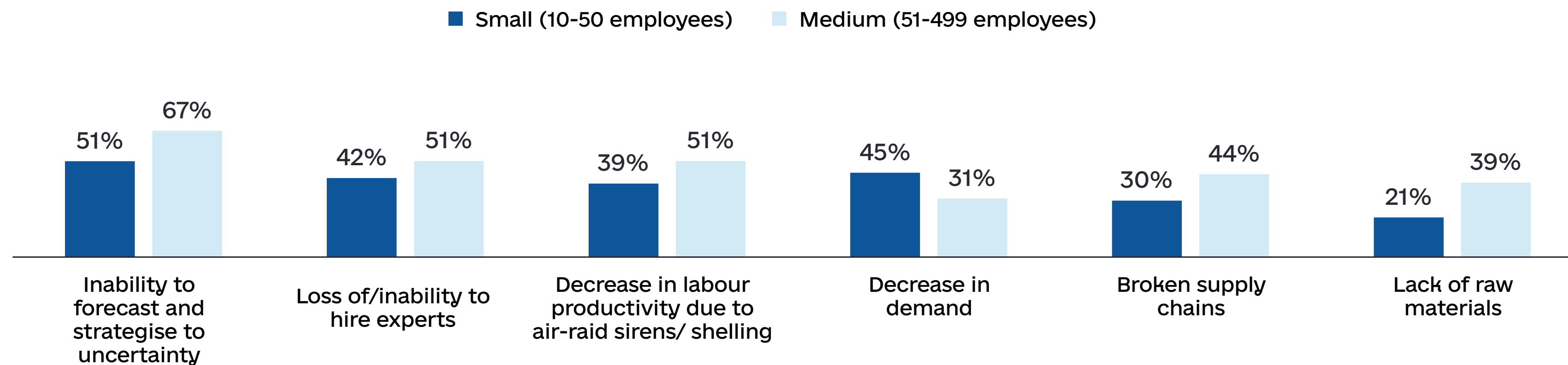
# Key problems for enterprises

Quantitative  
research

## Area statistics



## Size statistics





# Prospects for SMEs

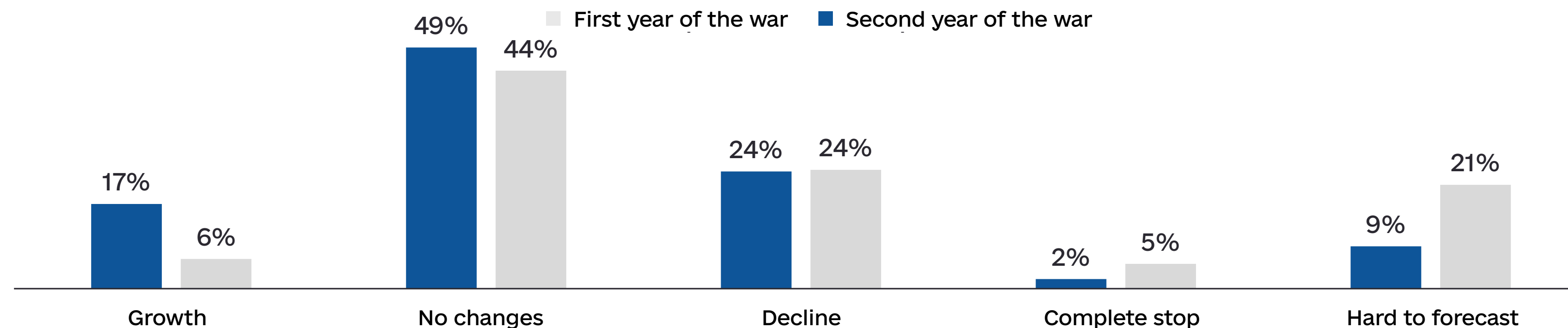




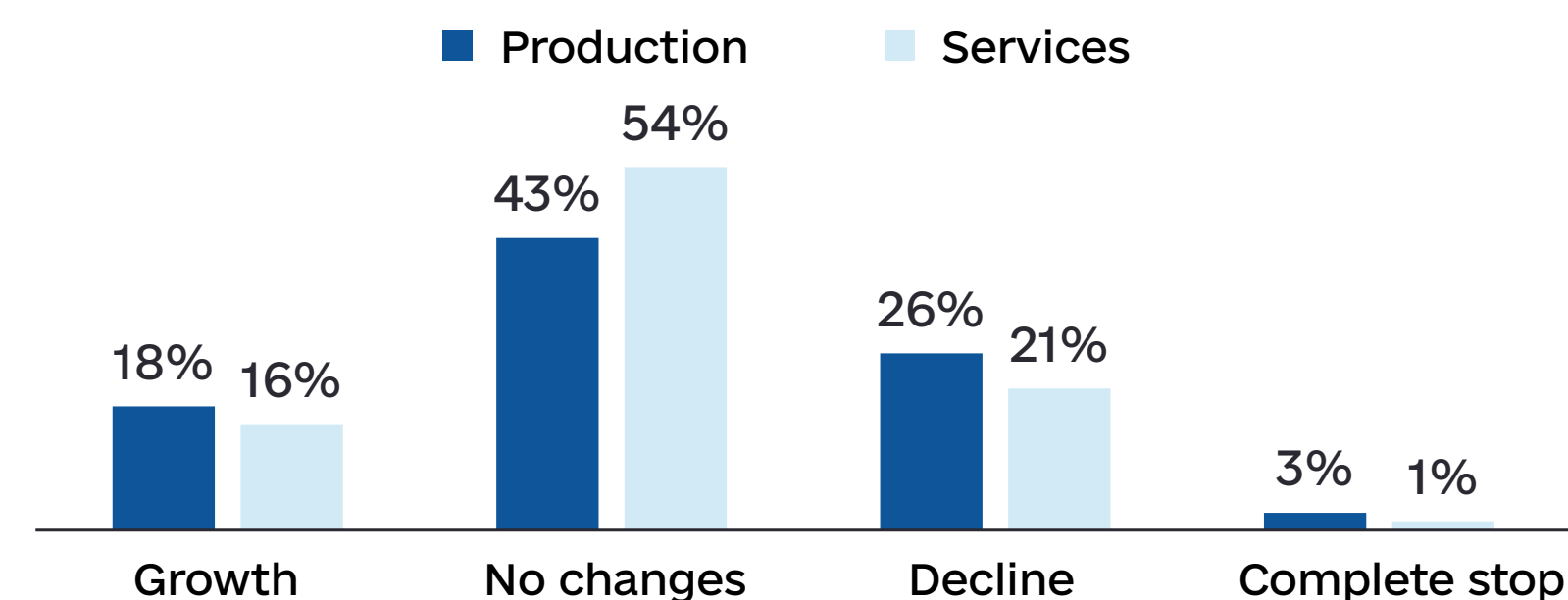
# Projected state of business in the near term\*

Quantitative  
research

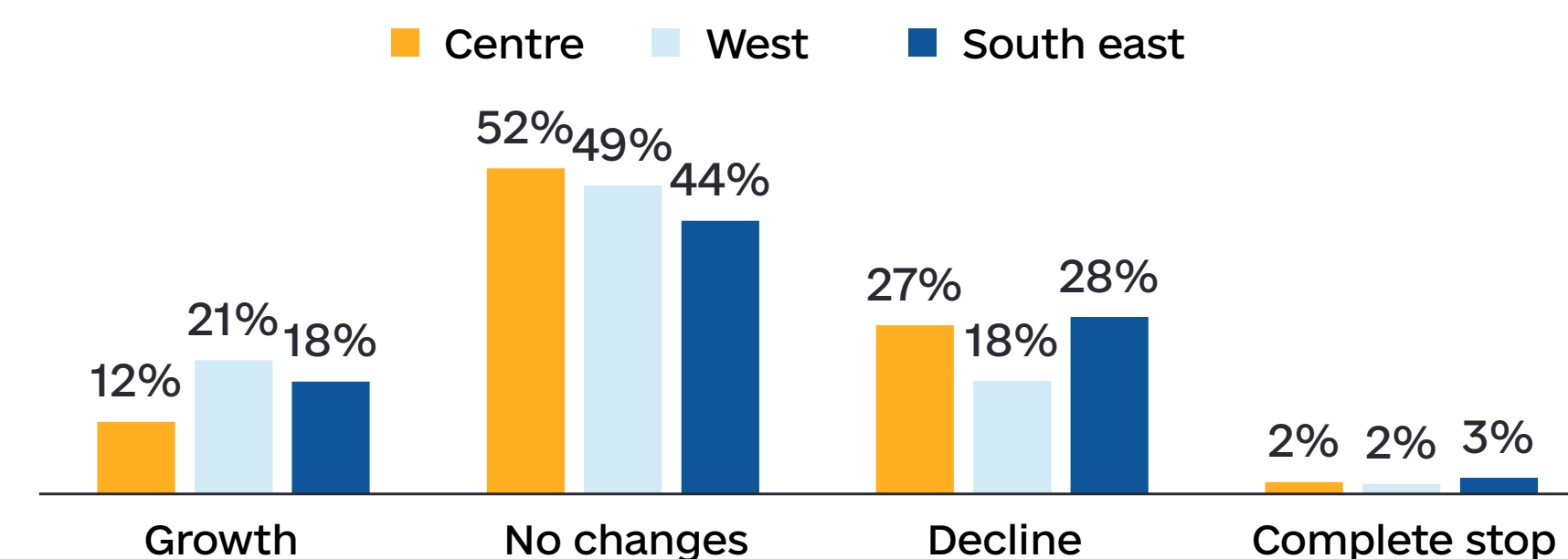
\*in the first year of the war, forecasted for six months; in the second year of the war, forecasted for one year



## Area statistics, second year of war



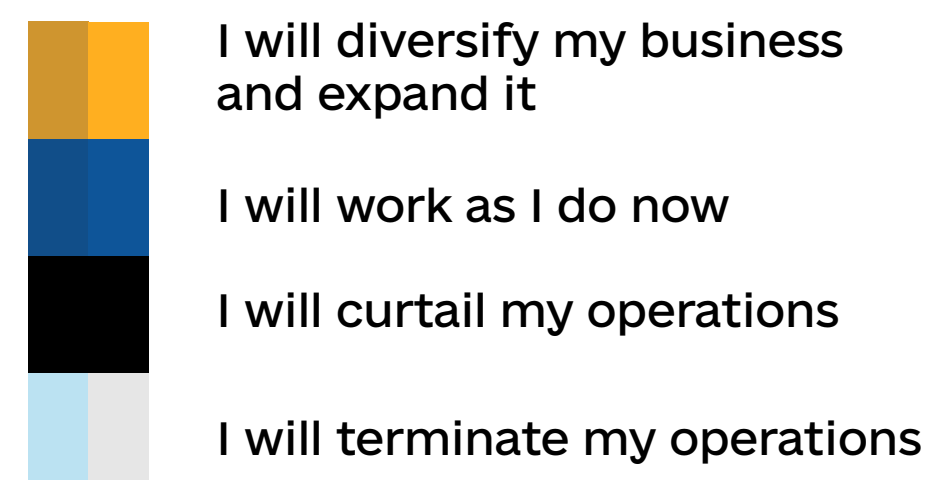
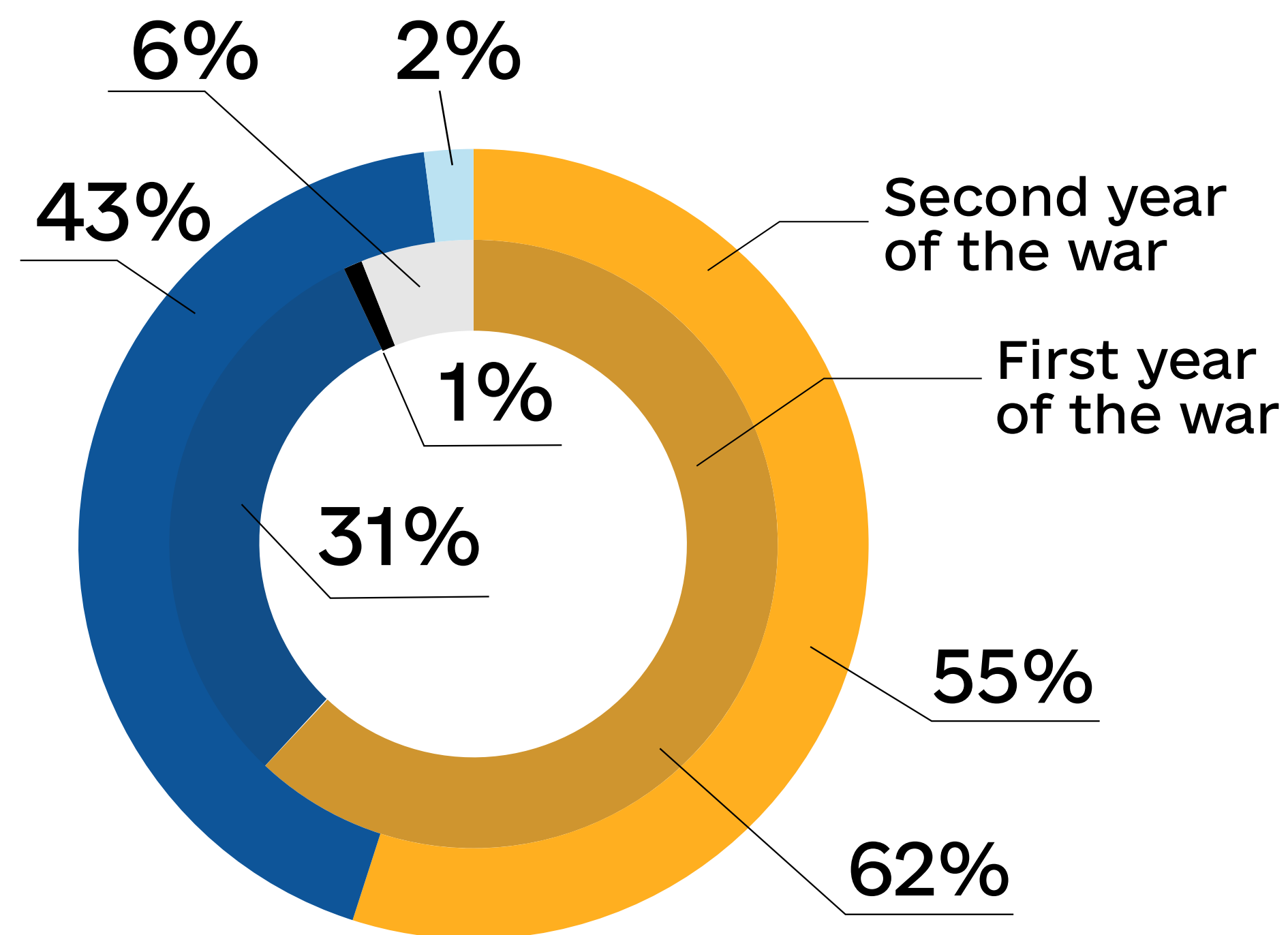
## Regional statistics, second year of war



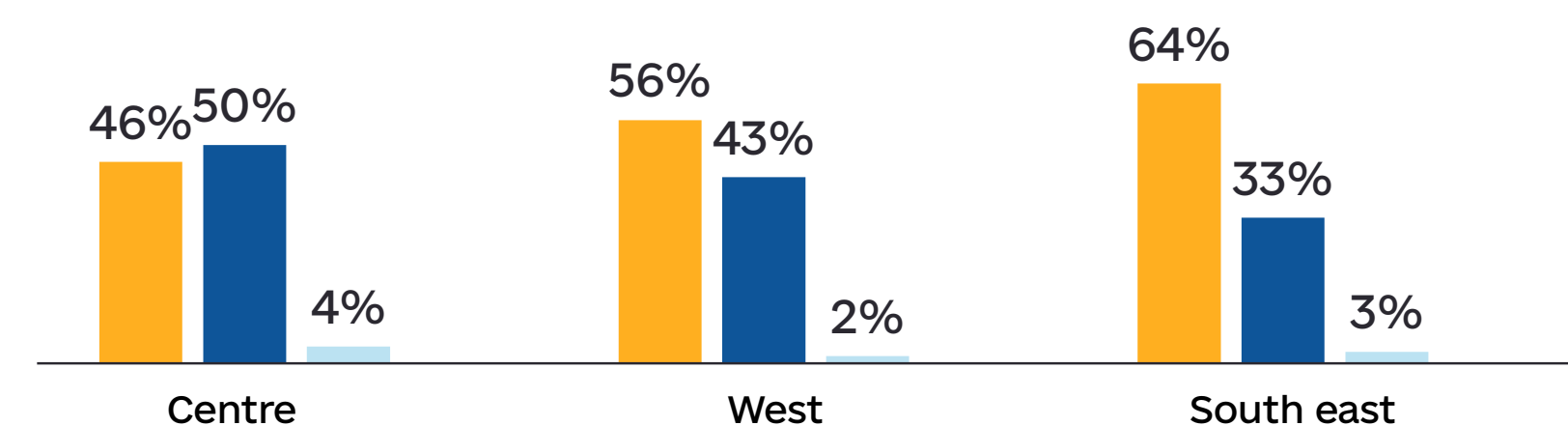


# What CEOs will do if the war ends soon

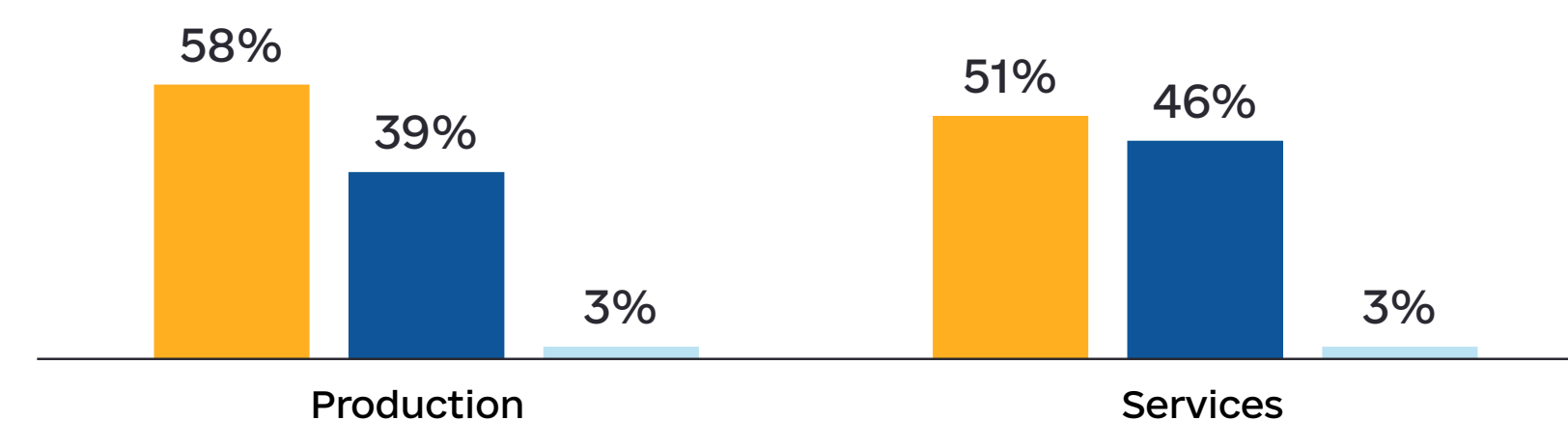
Quantitative  
research



## Regional statistics, second year of the war



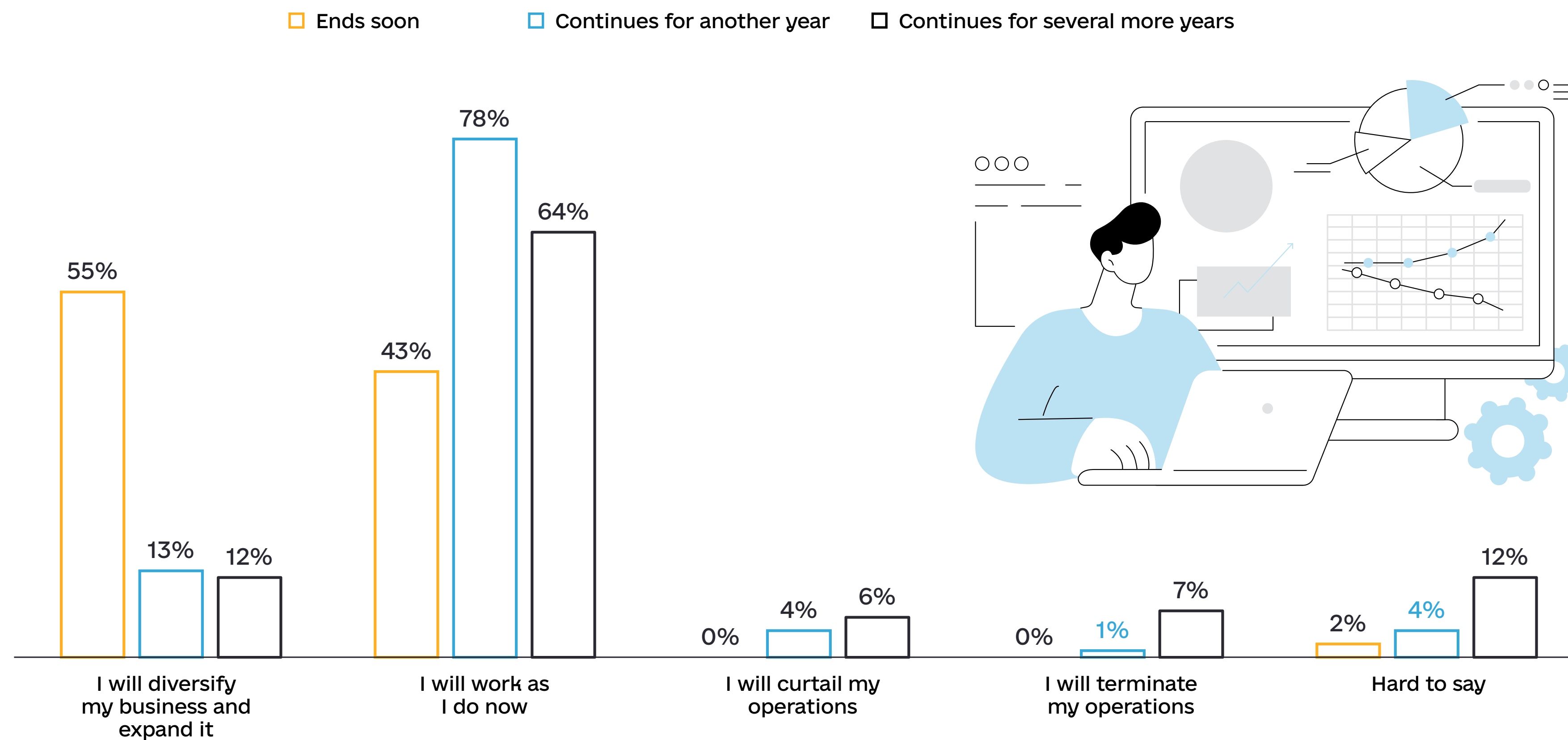
## Area statistics, second year of the war





# What CEOs will do if the war ...

Quantitative  
research



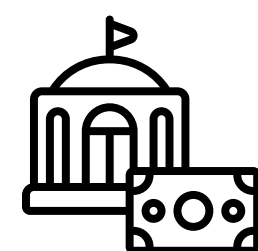


# Needs of SMEs

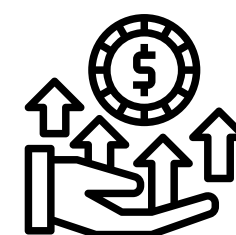




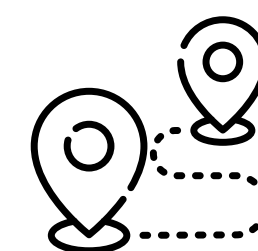
# SME needs in Ukraine: financial and administrative needs



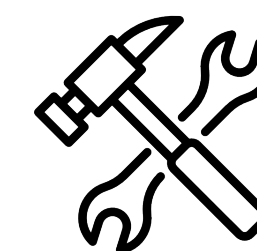
**Grant support**  
(for procuring equipment  
and replenishing working  
capital)



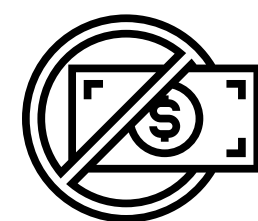
**Concessionary loans**  
(more relevant to industry  
than services)



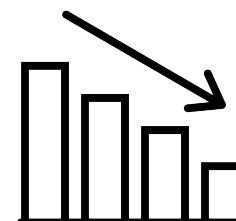
**Grant funding for  
study tours and trade  
fairs**



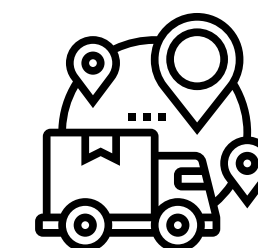
**Assistance with  
modernisation of  
production facilities**  
(industry only)



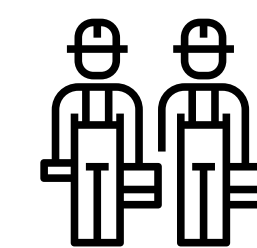
**Overcoming  
corruption at  
customs/smuggling**



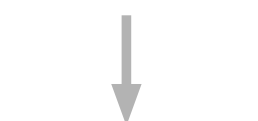
**Reduced taxes,  
tax benefits**  
(for companies with low  
profit margins)



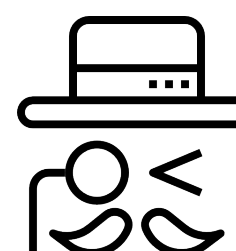
**Help with setting  
up logistics into/  
from Ukraine**



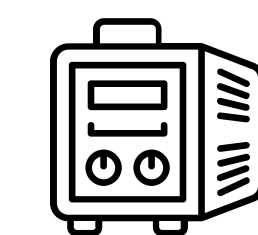
**Possibility of  
exempting employees**  
(at least niche specialists)  
**from conscription**



**Assistance  
with relocation**  
(financial, logistics)



**Reduction in  
administrative  
pressure, abolishing  
tax inspections**

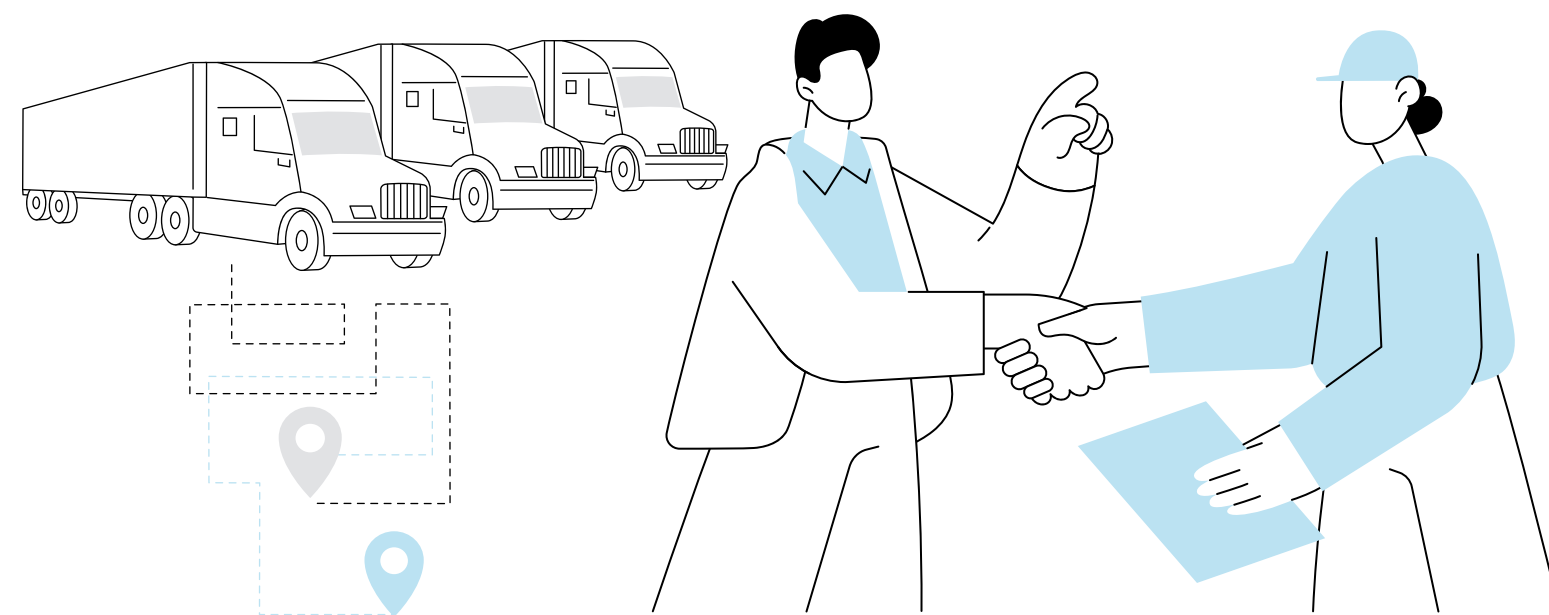


**Compensation for  
generator fuel costs**  
(small industry)

**!** The inability to exempt  
employees from conscription  
is a key challenge for companies  
during the second year of the  
war. Some employees have  
already been mobilised and  
it is highly challenging to  
hire new ones, as people are  
afraid of having to meet with  
representatives of military  
drafting centres.

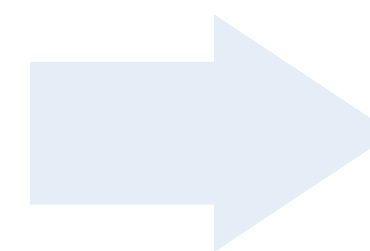


## Non-financial needs (1/2)



Companies in the SME, industry and service sectors have very similar needs. Most commonly, they mention expanding sales markets (by entering foreign markets or promoting products domestically) and setting up logistics for the import of raw materials. Getting help with modernisation is also important to many enterprises. Other needs were mentioned rarely or just once:

### Assistance in setting up export activity, such as through an export support programme



### Assistance in expanding the domestic markets

- Help with European Union (EU) certification procedures
- Help with finding clients, proper algorithms for action
- Promoting Ukrainian businesses on foreign markets
- Expanding/protecting export logistics routes/unblocking borders; logistics in Europe
- Creating collaborations with foreign businesses, networking/facilitating participation in trade fairs and communication events
- EU market analysis
- Training on how to sell through international platforms (Amazon, e-Bay)
- Consulting on how to open branches in the EU

- Advisory on how to expand sales markets and search for clients
- Promotion of local entrepreneurs by local authorities
- Promotion of business-to-business companies in business communities, on digital platforms
- Advisory/training on marketing
- Networking for business owners, creating partner relationships
- Opening marketplaces within local communities



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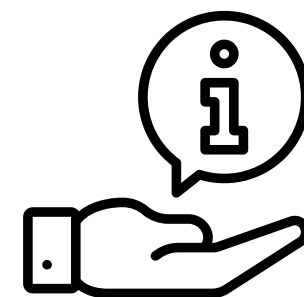
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## Non-financial needs (2/2)

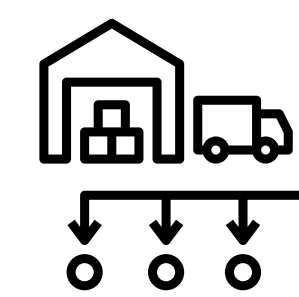
Qualitative  
research



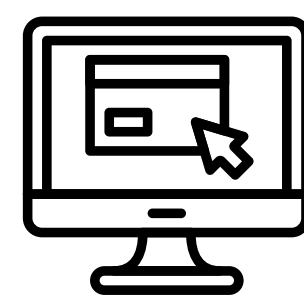
**Getting information  
on grant opportunities  
for SMEs, helping  
to prepare grant  
applications**



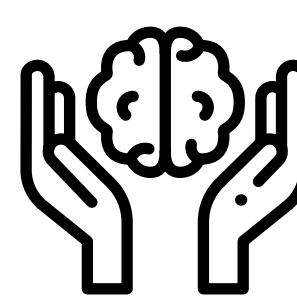
**Attracting foreign  
investors to Ukrainian  
markets**



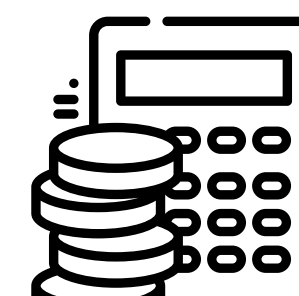
**Internships/  
traineeships at  
EU enterprises  
(exchange of  
experience)**



**Organising on-the-  
job training for new  
employees/online  
training for employees  
in the service sector**



**Access to  
management  
software (in  
particular, CRM  
systems)**



**Selecting the correct  
software for business  
processes (accounting,  
management  
processes), in  
particular, finding  
alternatives to Russian  
software**

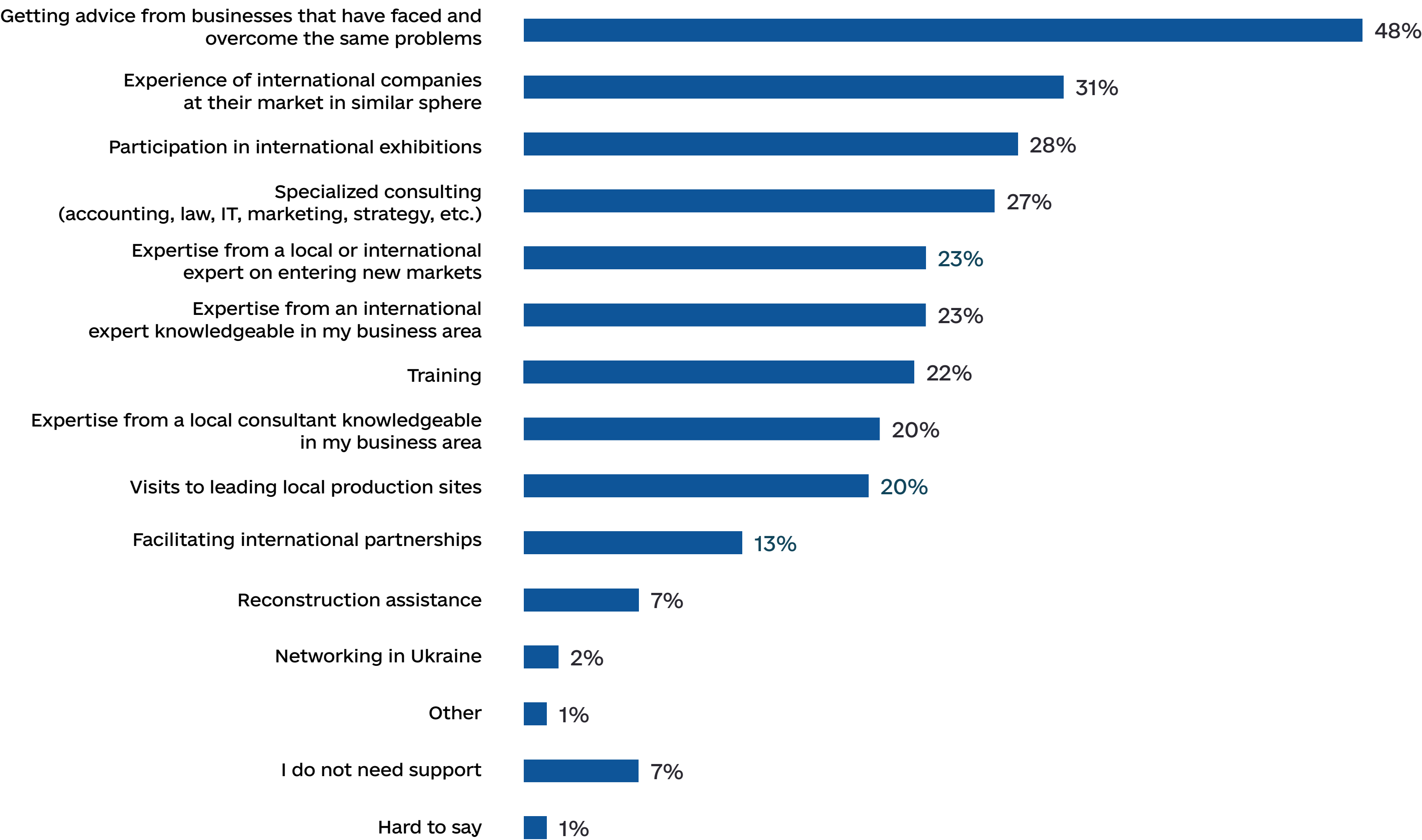




# Hierarchy of SME needs

Кількісне дослідження

## What kind of grant or free service support could be helpful?

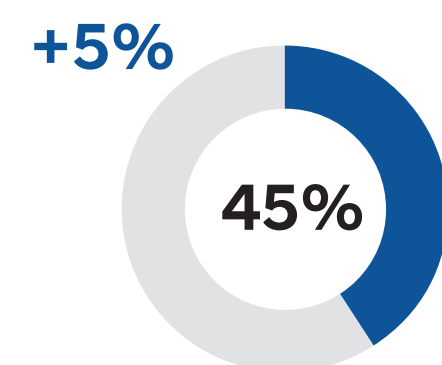




# Request for SME consulting

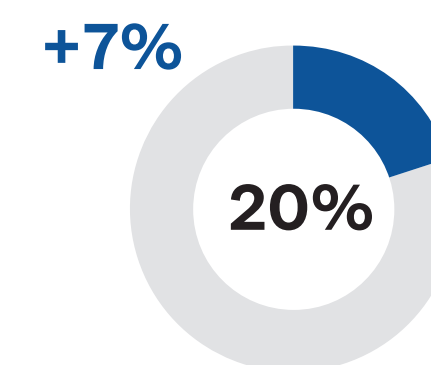
## Consulting services companies are interested in

Quantitative  
research



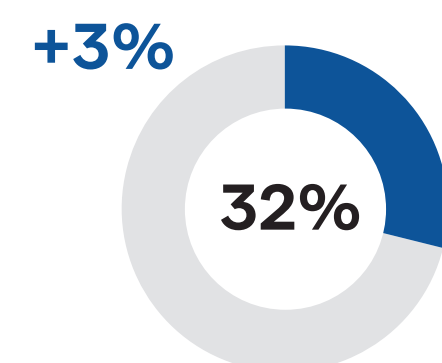
### Marketing

(market and consumer research, branding, and web-based solutions)



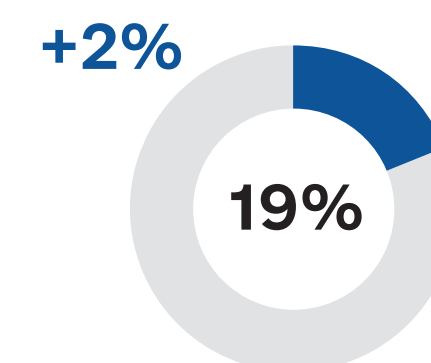
### Quality systems

(certification according to international standards, food safety, occupational safety, etc.)



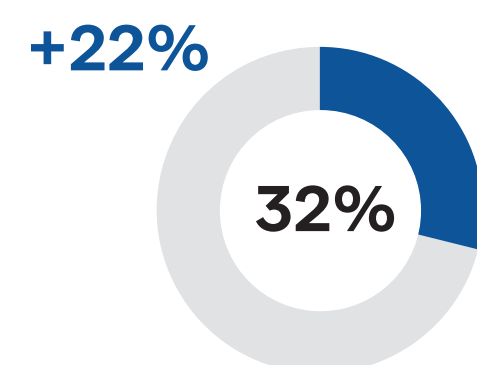
### Strategy

(planning, development of business plans and export strategies)



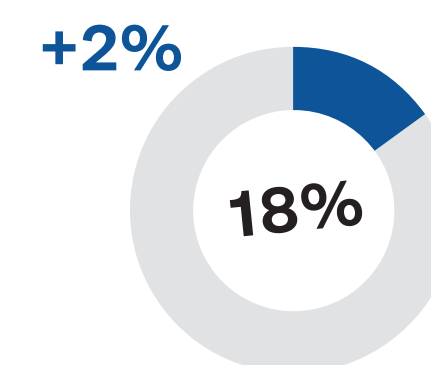
### Operational efficiency

(optimisation of business processes, logistics solutions, etc.)



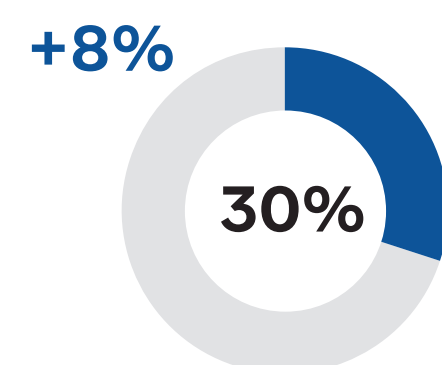
### Financial management

(improvement of management accounting, transition to International Financial Reporting Standards)



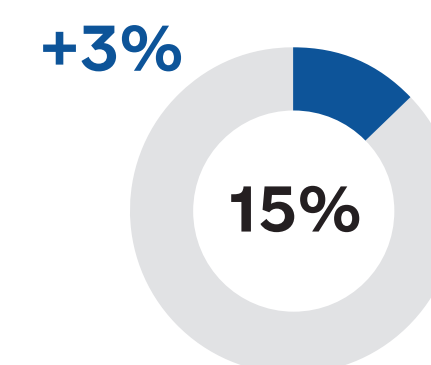
### Engineering solutions

(technical documentation, architectural and infrastructural projects, etc.)

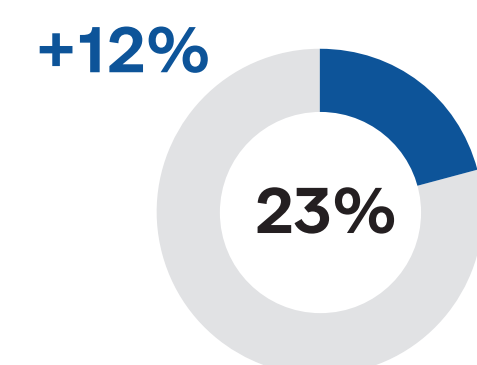


### Information technologies

(development of IT systems, accounting systems, CRM, etc.)

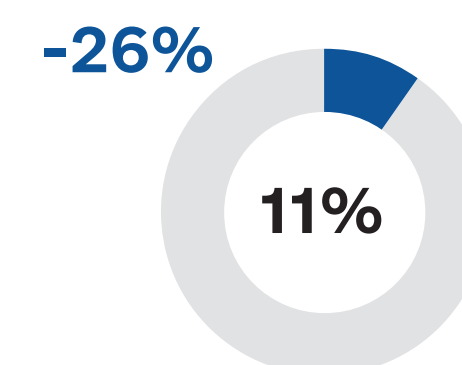


### Energy efficiency and environmental protection



### Organisational development

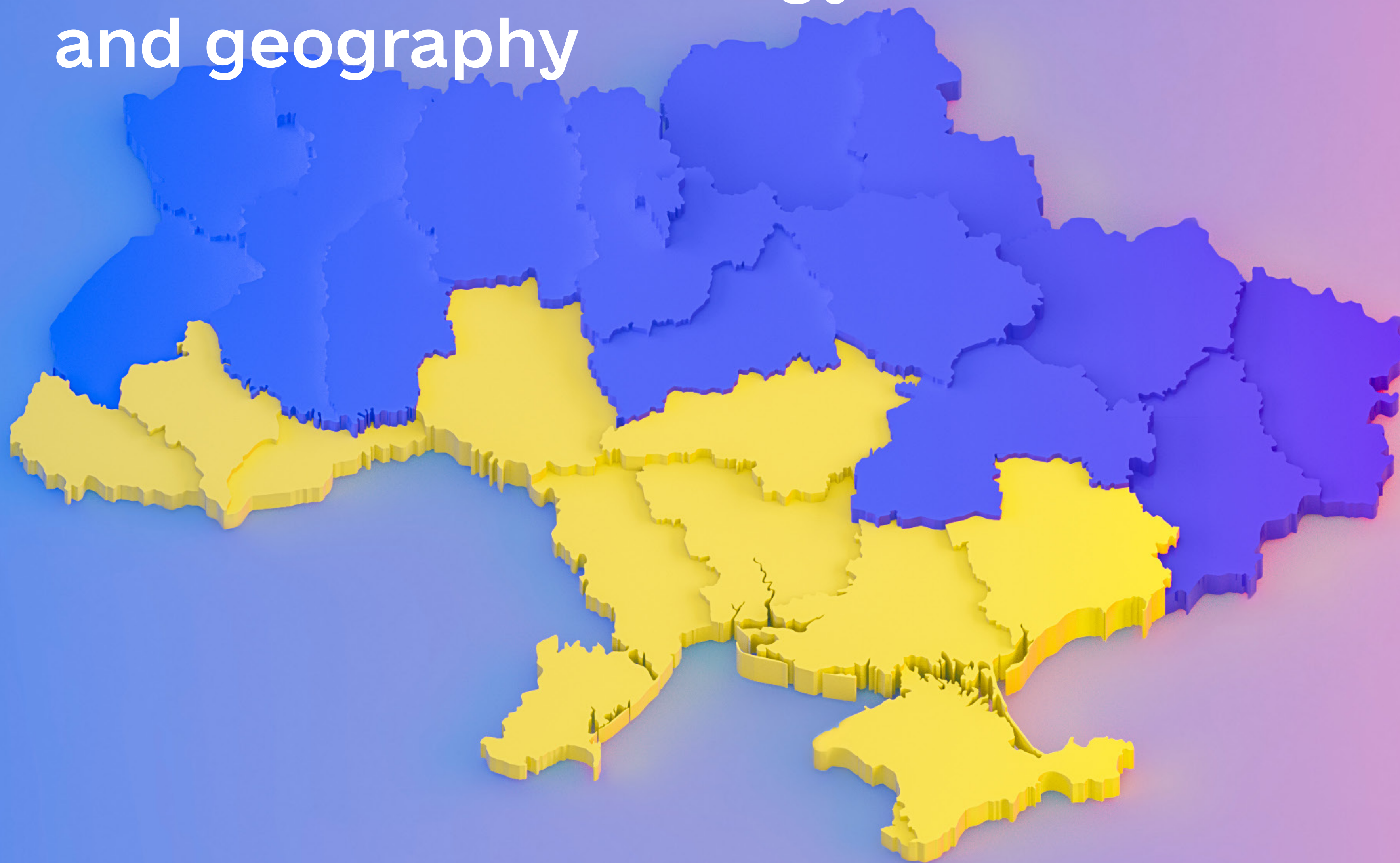
(organisational structure, personnel efficiency, etc.)



### I do not need information



# Research methodology and geography





# Parameters

## Qualitative survey

- **16 expert interviews** with owners/CEOs and senior executives of production and service sector SMEs
- **Dates:** March-April 2024

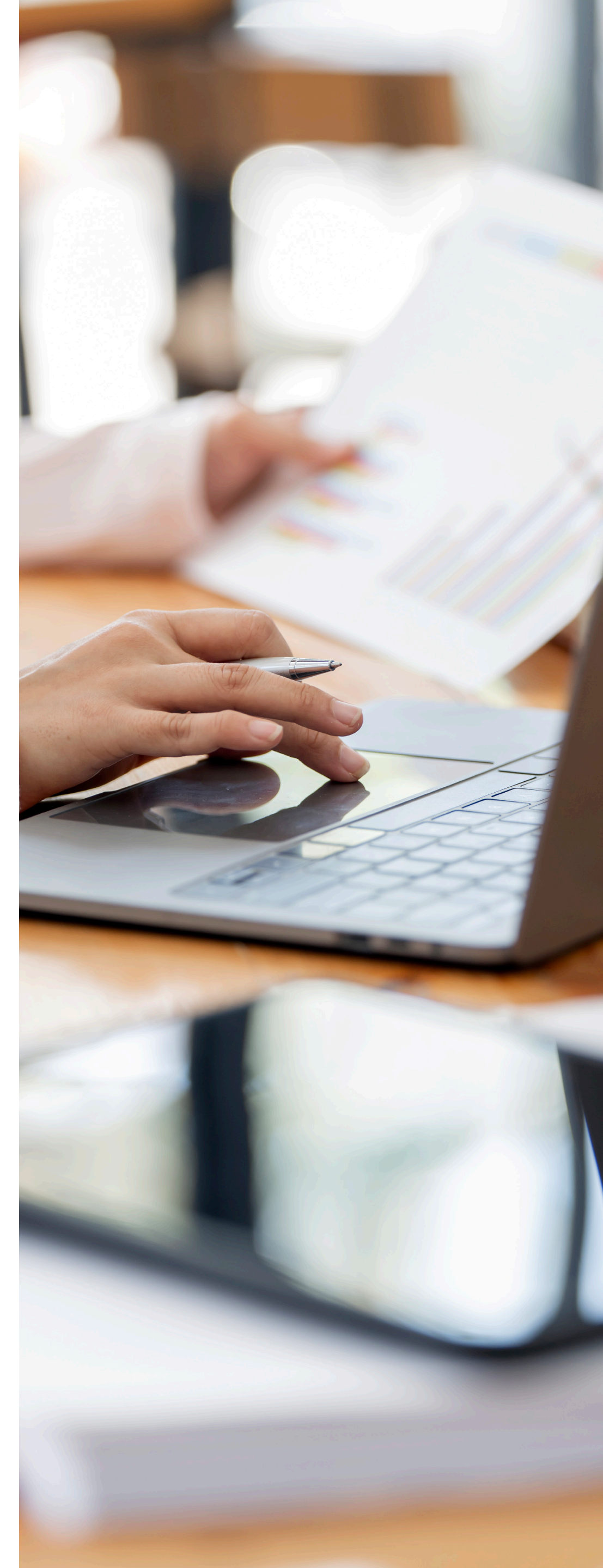


## Quantitative research

- **150 questionnaires** (production and service sector SMEs that are operating or planning to resume operations in the near future)
- **Standardised telephone interview** using the CATI method
- **The sample is random** (mechanical method of selection – by step)

The principle of sampling: two databases of SMEs (production and service sectors) by EDRPOU code (in descending order) were arranged, and the selection of enterprises (number of enterprises/per sample) was determined. Additionally, 10 relocated enterprises were interviewed by the booster.

- **Additionally, 10 relocated enterprises** were interviewed by the booster.
- **Error +/- 8.2 per cent**
- **Dates:** March-April 2024





# Methodology

## Region



### Centre

Vinnytsia  
Zhytomyr  
Kyiv  
Kirovohrad  
Poltava  
Sumy  
Cherkasy  
Chernihiv

### West

Volyn  
Zakarpattia  
Ivano-Frankivsk  
Lviv  
Rivne  
Ternopil  
Khmelnyskyi  
Chernivtsi

### South east

Donetsk  
Dnipropetrovsk  
Zaporizhzhia  
Mykolaiiv  
Odesa  
Kharkiv  
Kherson



## Read the news on the EBRD Facebook page:

@EBRD: Advice for Small Businesses in Ukraine  
<https://www.facebook.com/ebrdbasukraine>

## The EBRD and international donors are providing support to:

**merezha** LTTBusinessGuide

<https://www.merezha.ua/>

<https://businessguide.ebrd.com.ua/>



Business Ombudsman Council  
<https://boi.org.ua/>

