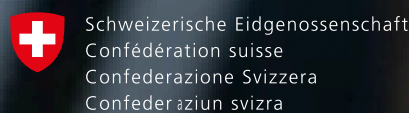


# SMEs in wartime: trends, challenges and needs

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

Commissioned by the EBRD



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation  
Швейцарська Конфедерація



Co-funded by  
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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

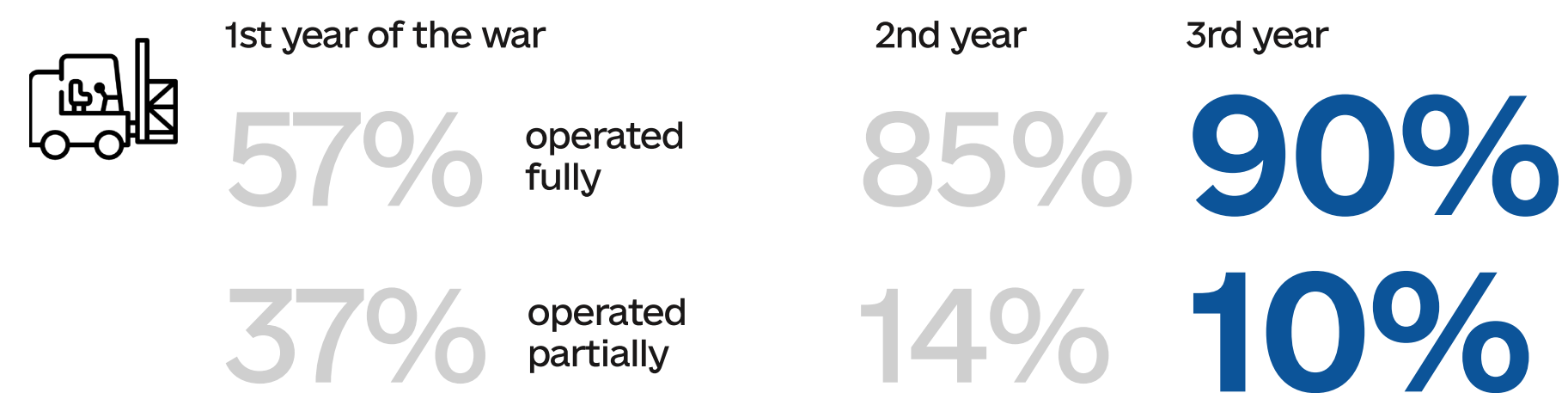
\*Donors contributing to the Small Business Impact Fund: Italy, Ireland, South Korea, Luxembourg, Norway, the United Kingdom, the United States of America, Switzerland, Sweden, Japan and the TaiwanBusiness – EBRD Technical Cooperation Fund

## Contents

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

# Summary

The study shows that SMEs in Ukraine continue to operate under conditions of strategic and tactical uncertainty, focusing on resource preservation and cost reduction.



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



Meanwhile, more SMEs will be looking to diversify or expand their operations if the war continues for another year or more.



At the same time, 25% of enterprises have hired additional staff this year.

In the third year of the war, the perceived difficulty of doing business remained nearly unchanged – 3.4 (“neither difficult nor easy”), compared with 3.5 in the second year. In the first year, it was 2.7 (“difficult”). SMEs’ responses are on a scale of 1 (“very difficult”) to 7 (“very easy”).





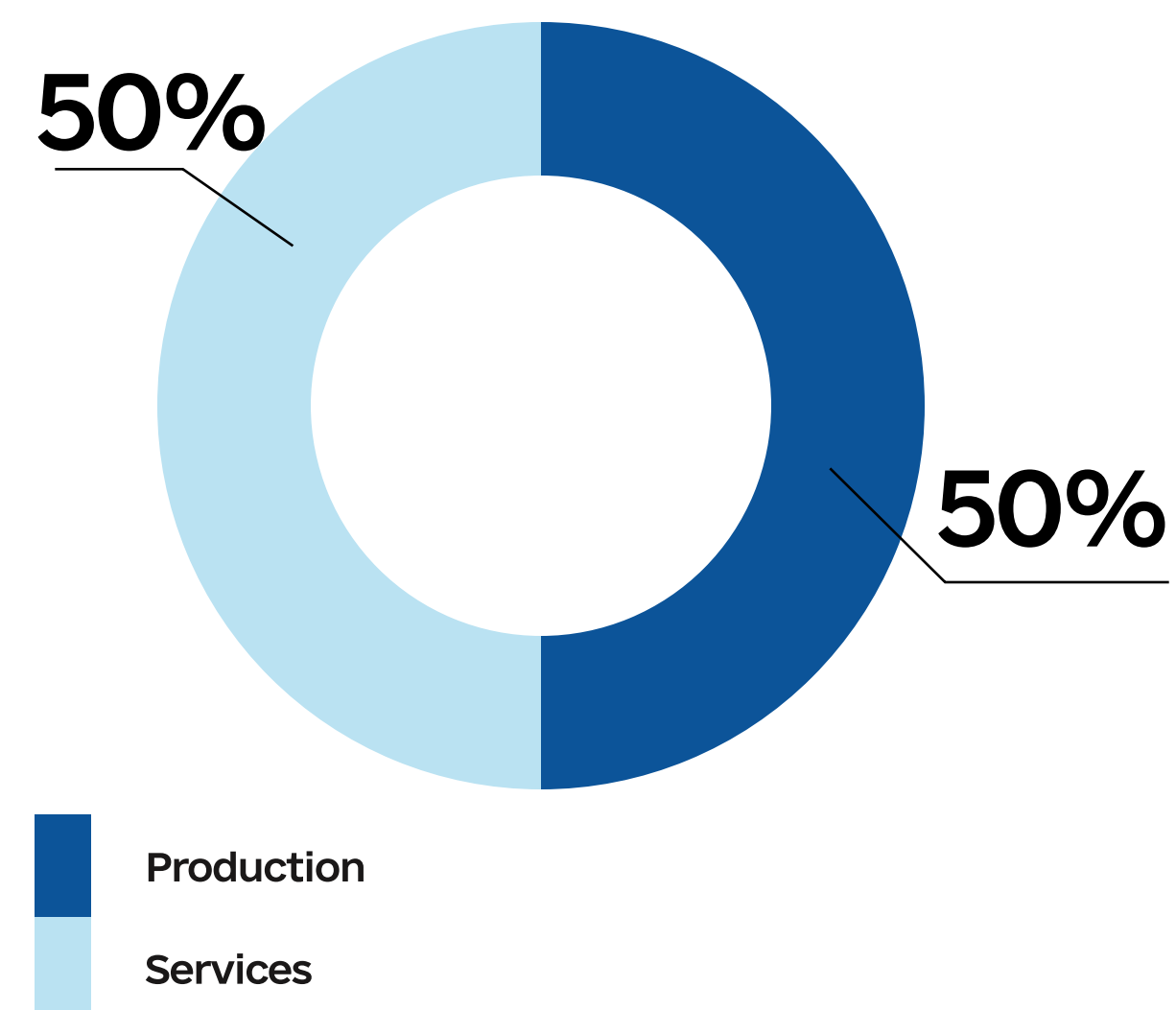
# Assessment of the business environment



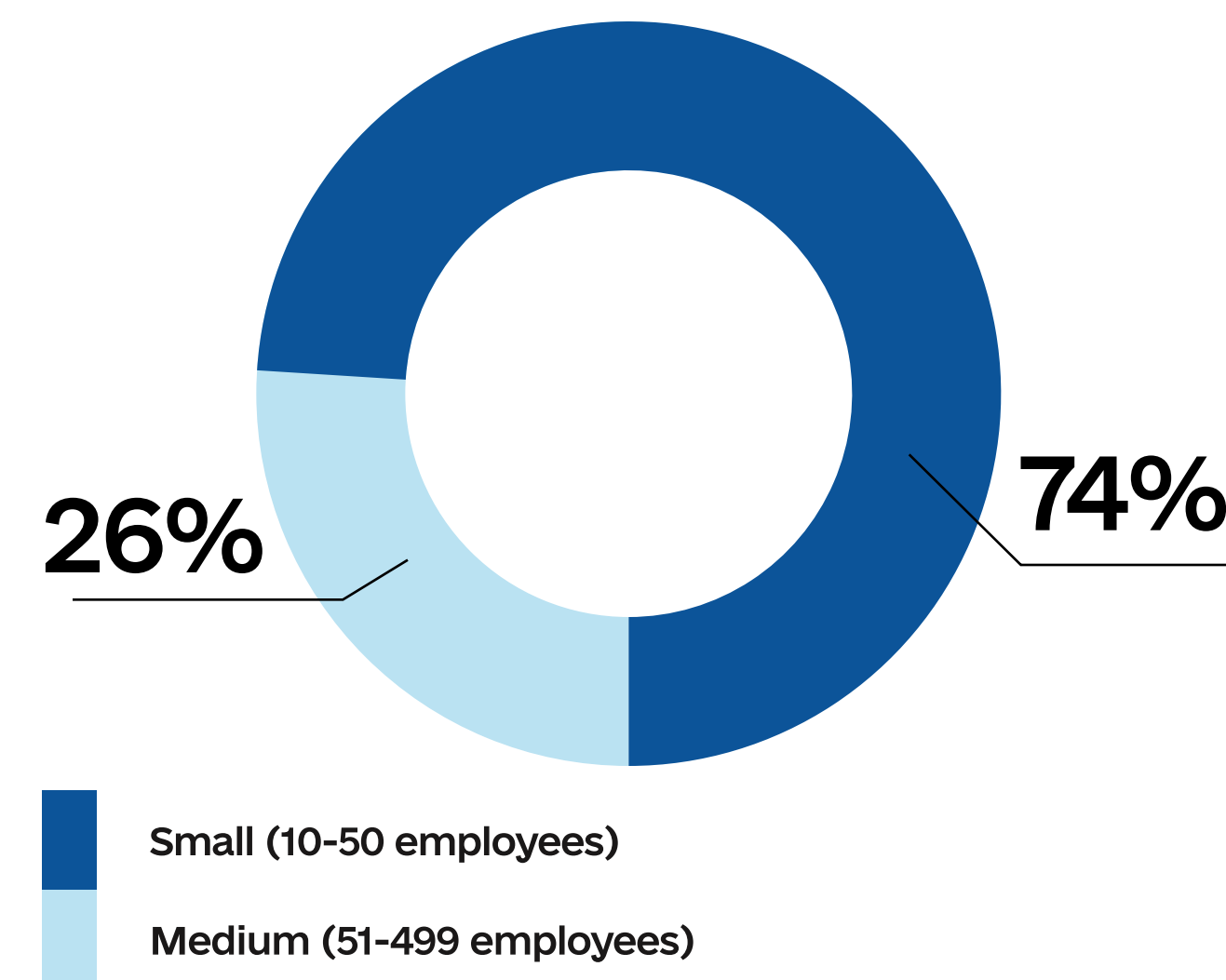
# Enterprises surveyed

Quantitative research

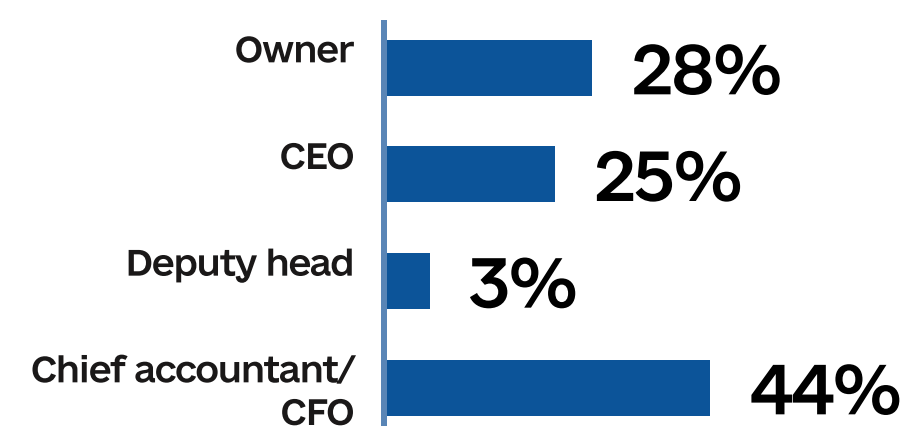
Area of activity



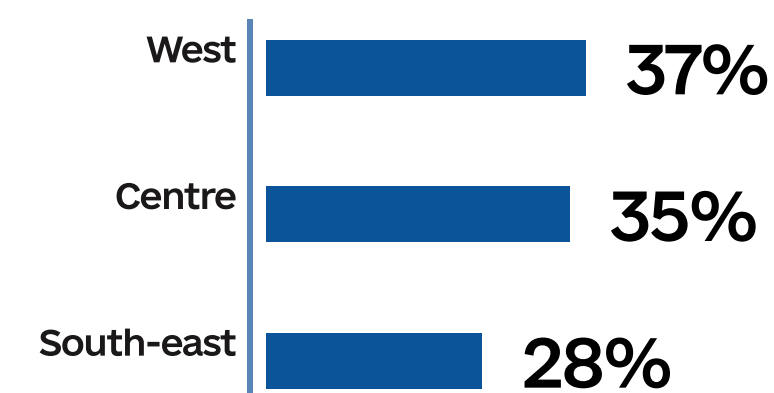
Business size



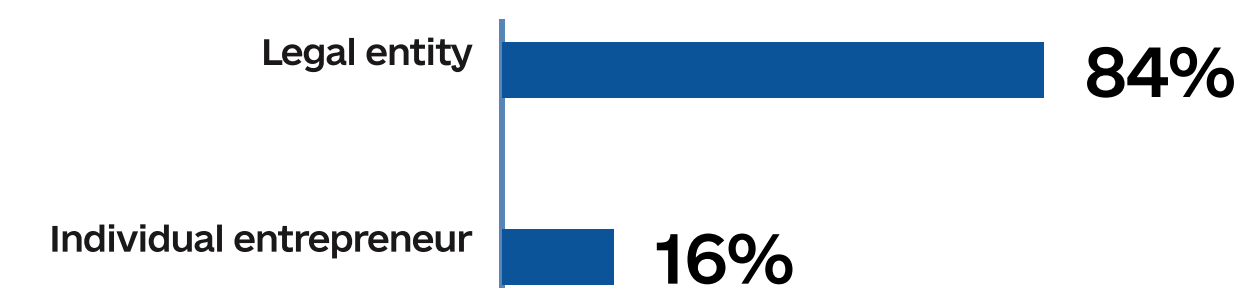
Surveyed employee's position



Region



Business registration

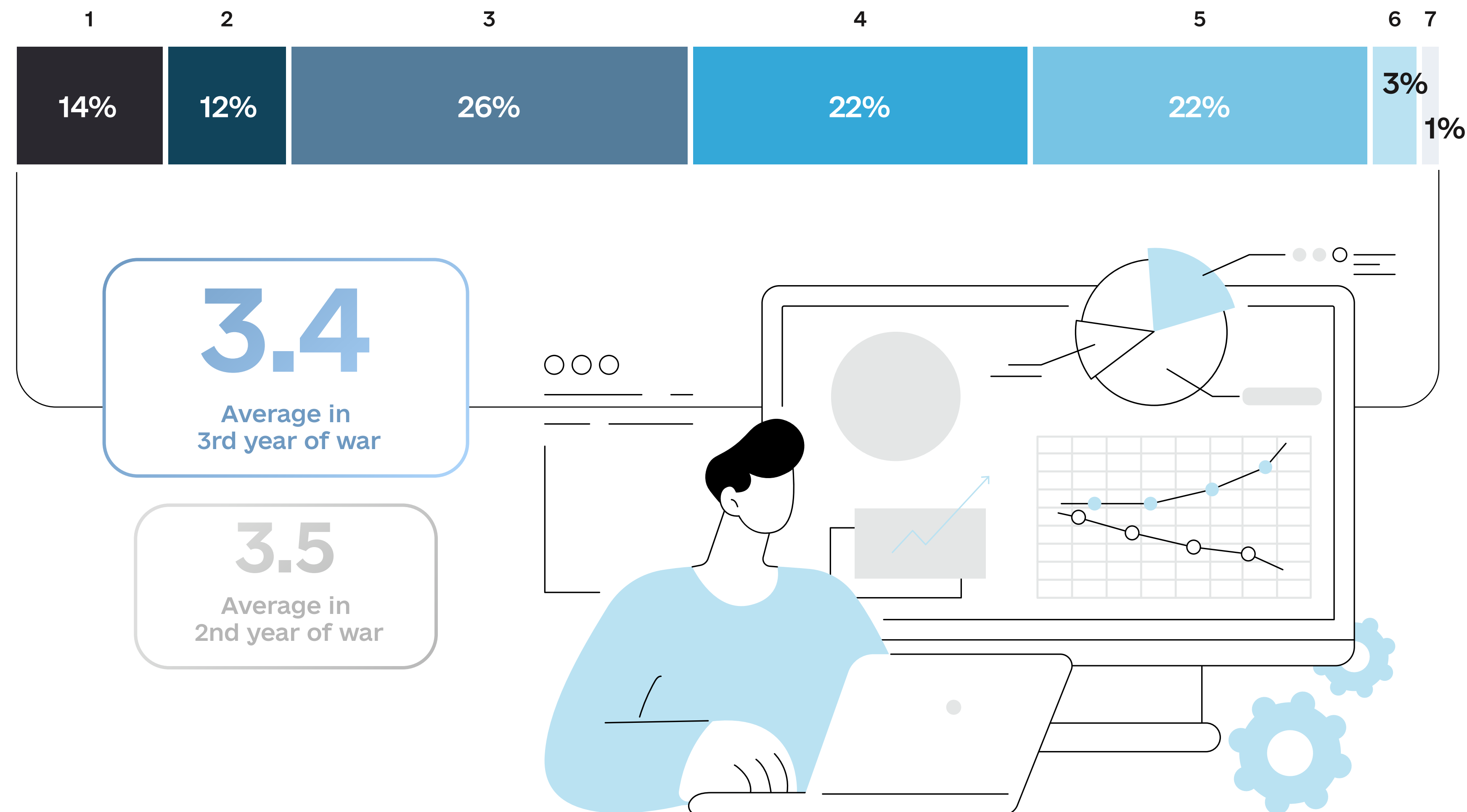




# The perceived difficulty of doing business in Ukraine

Quantitative research

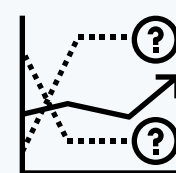
on a scale of 1 (very difficult) to 7 (very easy)





# SME trends

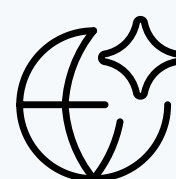
Quality Research



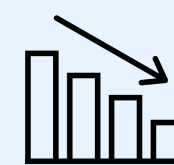
Businesses are operating in a state of **deep uncertainty**. The future depends on the security situation, the state of energy infrastructure, events on the front line and the prospects for negotiations.



**Increased competition for consumers** amid economic instability has led to a rise in negative market phenomena, including a shadow economy and price dumping.



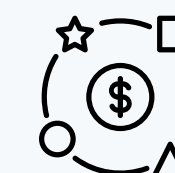
In 2024 the impact of artificial intelligence on the business environment became more pronounced. **AI** automates workflows, displacing some workers and **releasing personnel into the market**. At the same time, it also gradually **absorbs certain segments of the businesses** in question.



Awareness of the prospect of a prolonged war has transformed entrepreneurs' behaviour: they are now focusing on **conserving resources** and **cutting costs**. **Investment activity is weakening**: previous strategies have lost effectiveness, and the formation of new ones is complicated by a high level of uncertainty.



In the context of internal instability, companies are trying **to pivot towards** more predictable **external markets**. There is increasing demand for consulting services related to the establishment of exports, entry into foreign trading platforms and international certification. One notable trend is the diversification of businesses through the **opening of branches abroad**, which helps to reduce risks and expand sales markets.



Businesses remain **economically vulnerable** due to the overall instability, declining purchasing power and the impact of war on seasonal fluctuations in demand. SMEs are really just trying to stay afloat. Entrepreneurs do not expect a quick improvement in the situation and are prepared to operate until their businesses become unprofitable.



The acute **personnel crisis** remains one of the main problems. Increased mobilisation has resulted in the loss of key specialists and associated uncertainty. The shortage of workers is felt even in positions with no experience requirements, forcing small business owners to take on some operational duties themselves or significantly increase the workloads of other employees. This, in turn, is limiting the scope to find new ways of adapting businesses in wartime.



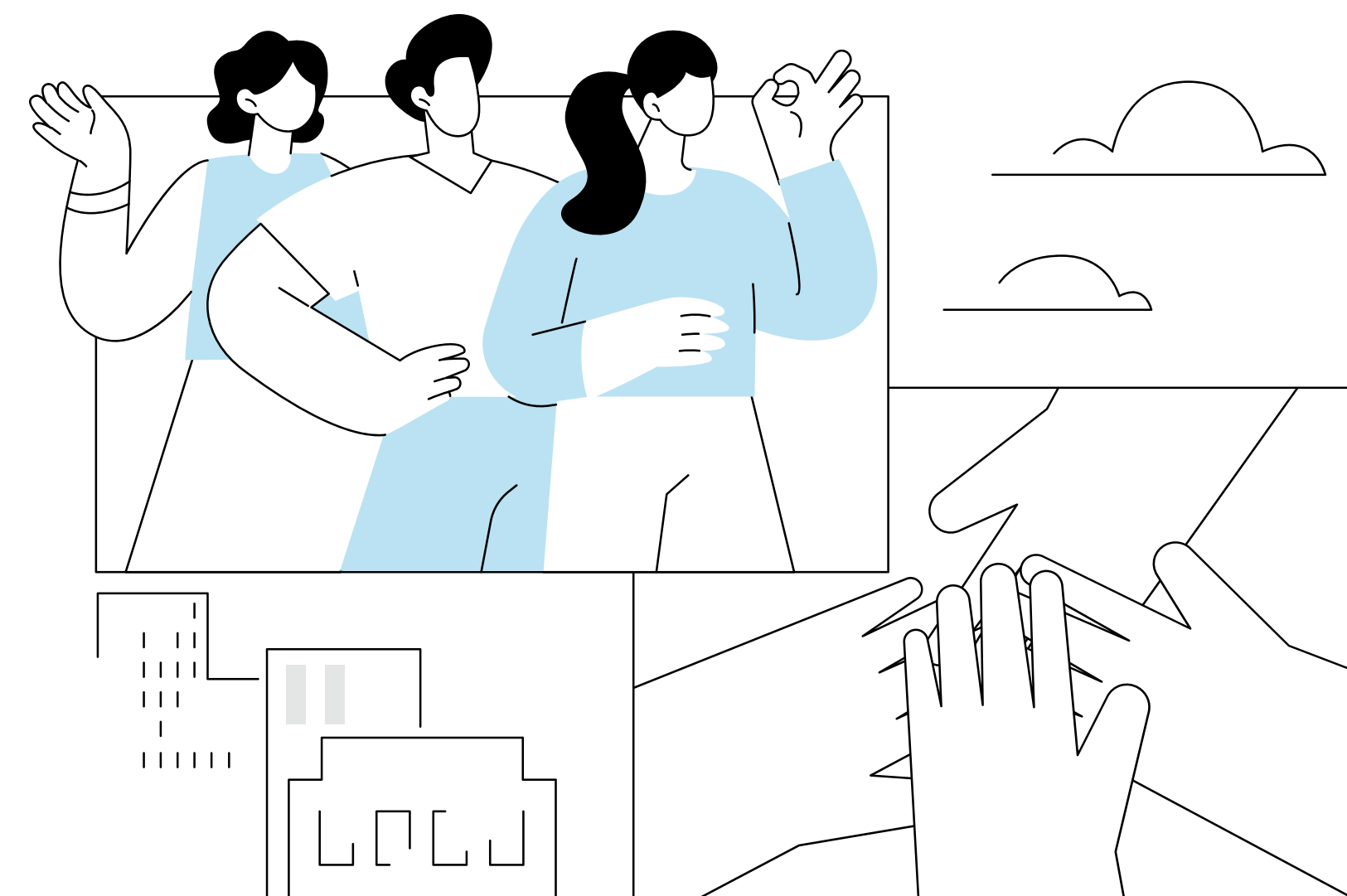
# Top challenges faced by enterprises over the past year

Quantitative research

- Decline in population's purchasing power; reduced demand
- Significant increase in costs (for wages, rent, raw materials, energy carriers and logistics)
- Amendment of the Mobilisation Law: reduction in mobilisation age and intensification of mobilisation measures. As a result, loss of personnel, lack of opportunity for reservation (and outflow of personnel to state-owned enterprises), and reduction in the supply of men in the labour market
- Increase in taxes
- Suspension of funding for some international technical assistance projects
- Power outages (especially in summer 2024)
- Increased competition from the shadow economy
- Shortening of planning horizons; disappearance of long-term contracts

- Suspension of investments
- Logistical difficulties
- Decrease in labour productivity (due to air raid alerts)

“I wouldn't call the situation good. It's a matter of survival – holding on until everything comes to an end. And then, everyone understands that there will be a recovery and there will be work.”  
(medium-sized industrial company)





Despite the upward trend in the first half of last year, the deterioration of the business climate in the second half increased the vulnerability of firms. Strategic uncertainty is growing, holding back development. At the same time, businesses continue to show resilience, operating in a mode of cautious adaptation.

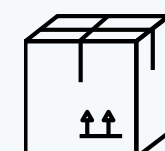
Qualitative research

## Positive aspects (+)



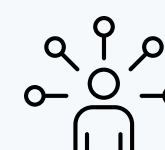
### Scaling-up and rationalisation of the production process

Purchase of new automation equipment for production lines; optimisation of staff; development of growth strategies



### Implementation of additional strands of production (inertia + adaptation)

Diversification of product ranges; search for innovative solutions



### Expansion of AI usage in businesses

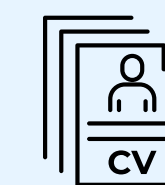
Increase in labour productivity; reduction in overall staff shortages due to the entry of personnel into the labour market who have been displaced by AI



### Acquisition of new clients due to reduced competition from foreign companies

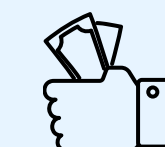
New clients gained in business-to-business (B2B) model

## Negative aspects (-)



### Staff turnover (especially among men)

Increased workloads for existing employees due to staff shortages



### Growth of unofficial employment



### Increase in taxes

Unpredictable tax policy

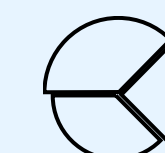


### Increase in administrative pressure

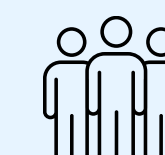
Intensification of business inspections



### Deterioration in employees' mental health



### Increase in cost of goods and services



### Increase in competition for consumers

Price dumping by shadow economy and individual entrepreneurs



### Loss of foreign clients who have withdrawn cooperation due to wartime risks





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



# State of SMEs

Qualitative research

Most businesses that remain in the market have adapted to the conditions of full-scale war and have restored operational stability. However, many have still not managed to return to pre-war levels in terms of staff numbers, sales volumes and profitability. Businesses are actively seeking stable markets, trying to maintain their positions and focusing on resource optimisation.

## The most successful firms are maintaining pre-war performance levels – and occasionally exceeding them – by:

- expanding their geographical reach to European countries/establishing businesses in Europe
- securing government contracts for the supply of essential goods (such as medicines and supplies for the front line)
- implementing creative ideas/products/services

## The most common business adaptation strategies over the past year include:

- |  |   |
|--|---|
|  <p><b>Diversification of activities</b><br/>more profitable activities offset unprofitable ones</p>  |  <p><b>Offering products with higher added value</b><br/>selling finished products instead of raw materials</p>                              |
|  <p><b>Reorienting towards contracts with Europe; development of export strategies</b></p>   |  <p><b>Training existing personnel</b><br/>using existing internal resources (as opposed to hiring ready-made specialists)</p>              |
|  <p><b>Establishment of subsidiary structures in Europe</b><br/>to expand firms' client bases, avoid bureaucratic restrictions on transferring currency abroad for payroll/raw materials, and so on</p> |  <p><b>Expanding the target audience by launching cost-effective solutions</b><br/>offering basic functionality at an affordable price</p> |

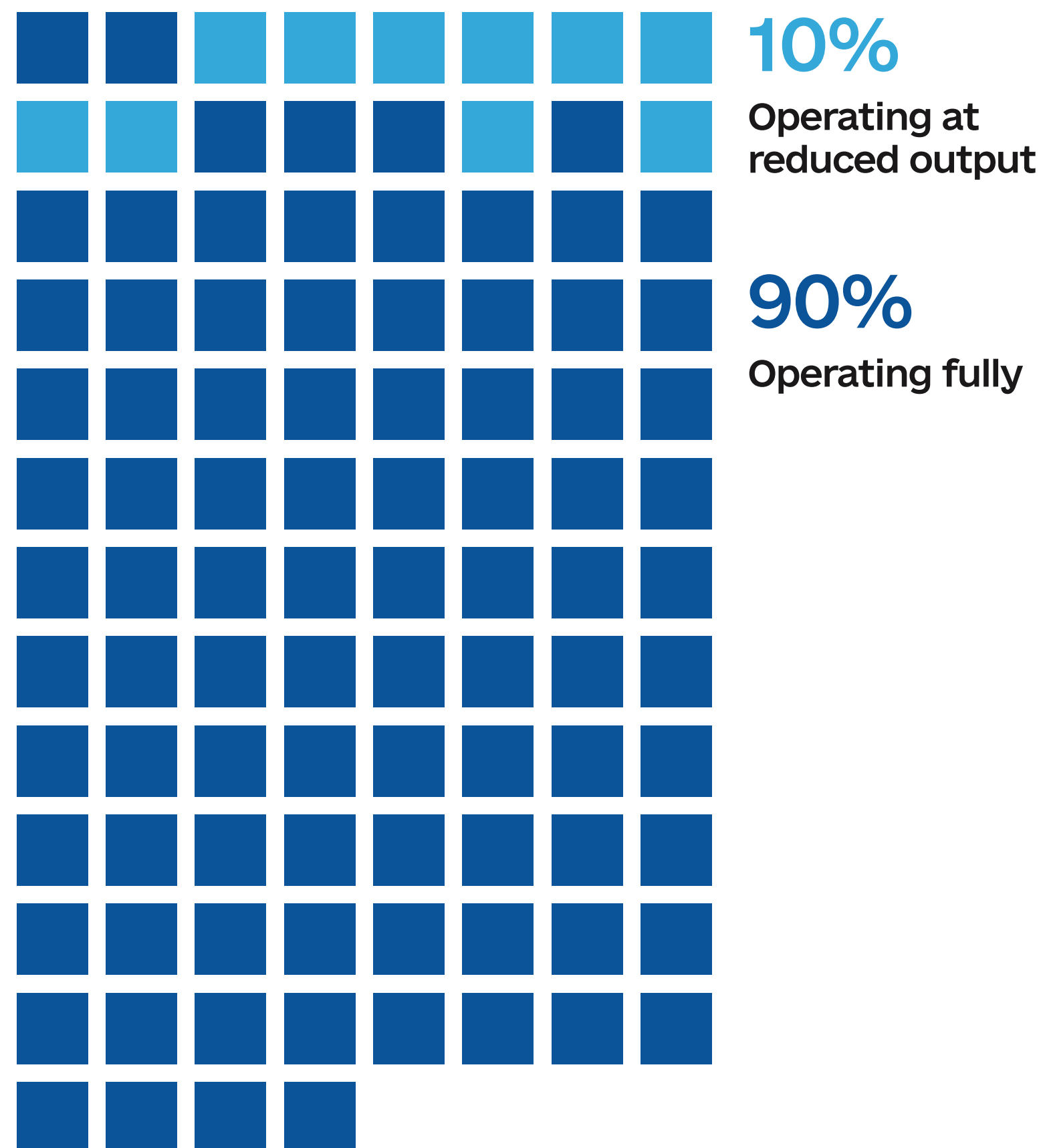


# State of SMEs

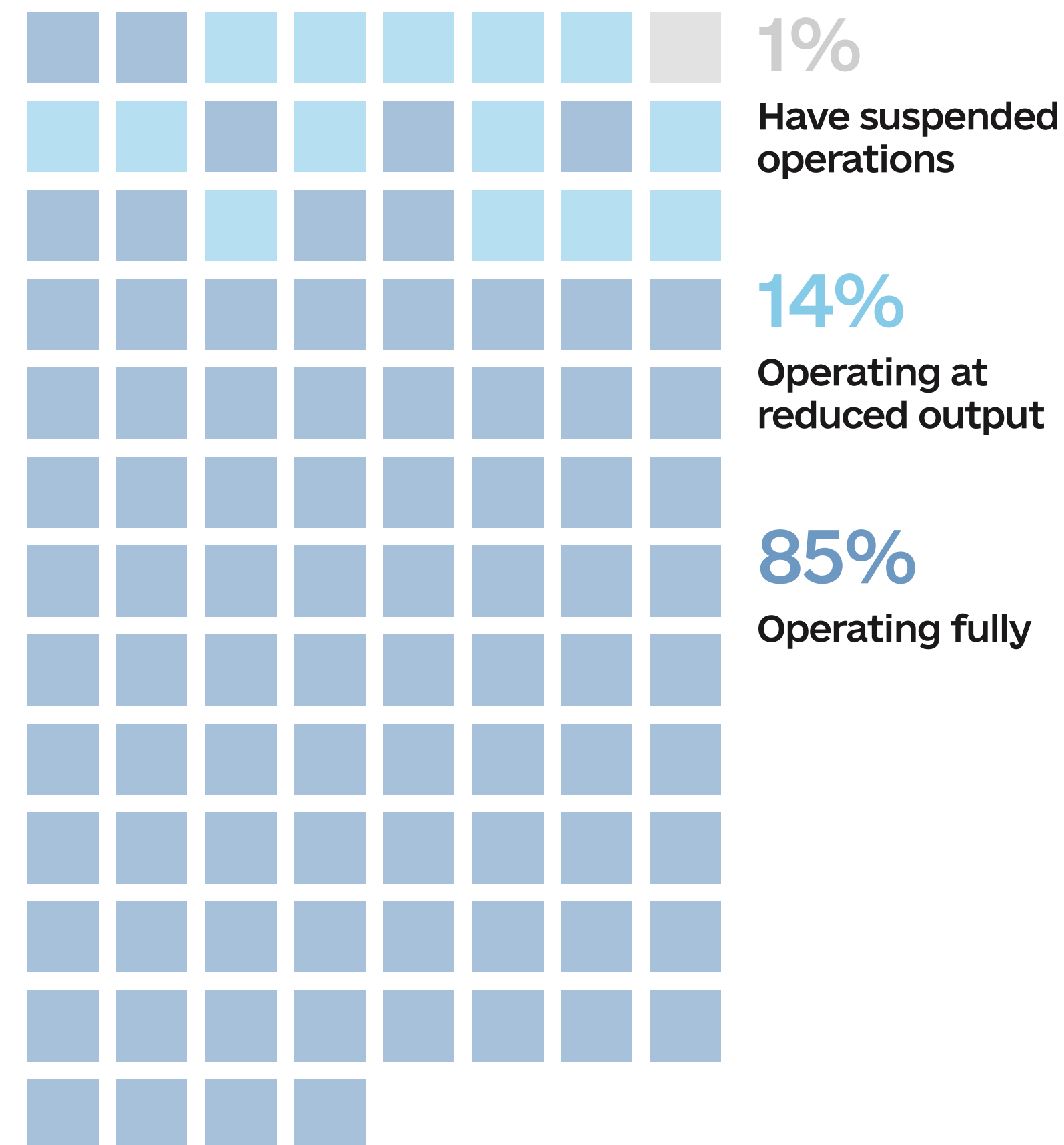
Quantitative research

What is the state of your business?

3rd year of the war



2nd year of the war



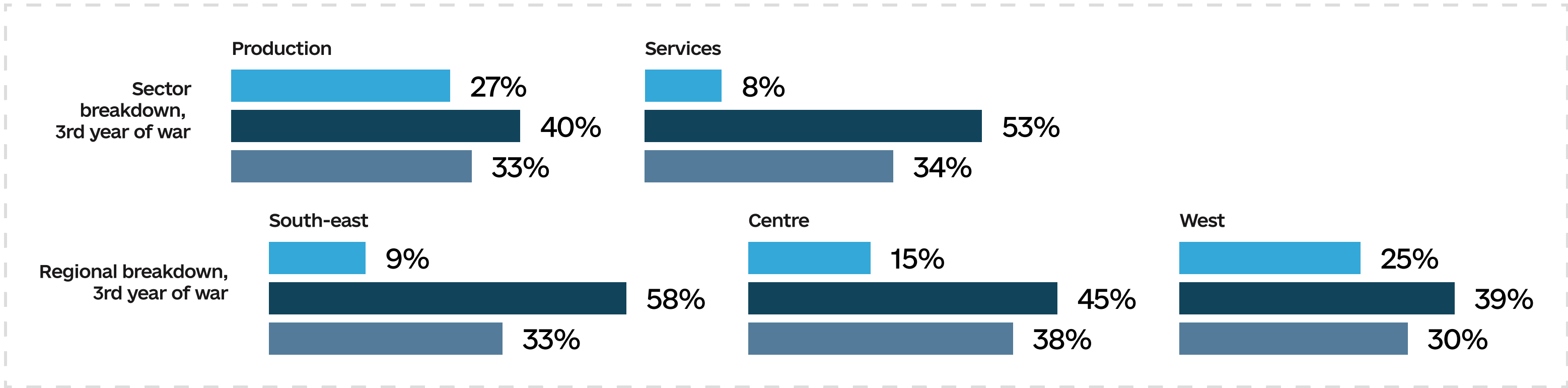
# SMEs' profits

How has your company's profit changed?

2nd year of war



3rd year of war





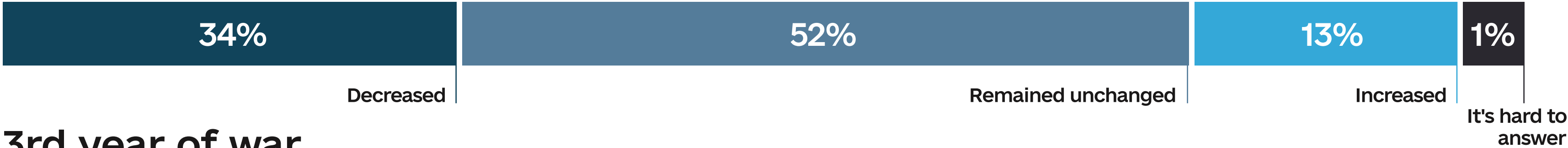
# SMEs' staff

How have your staff numbers changed?

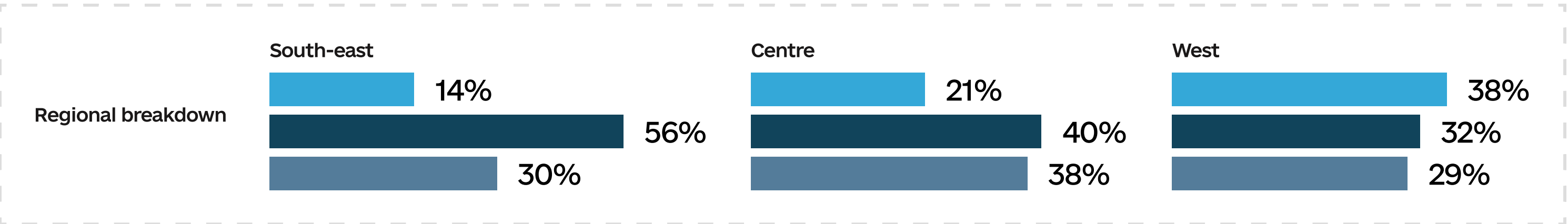
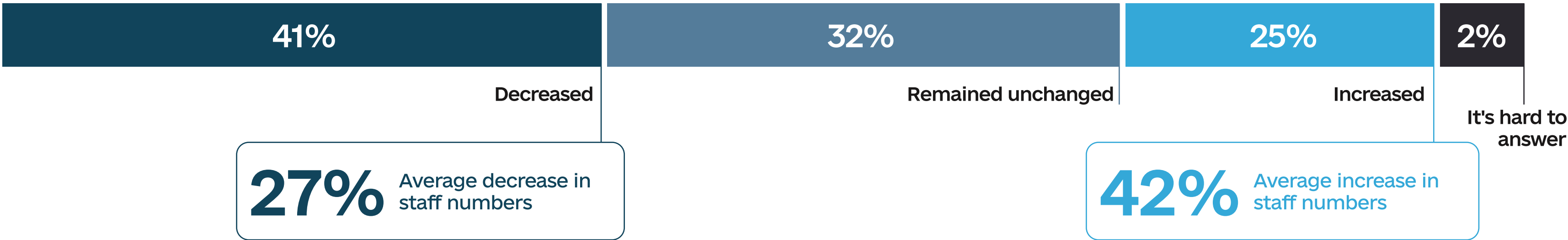


Quantitative research

## 2nd year of war

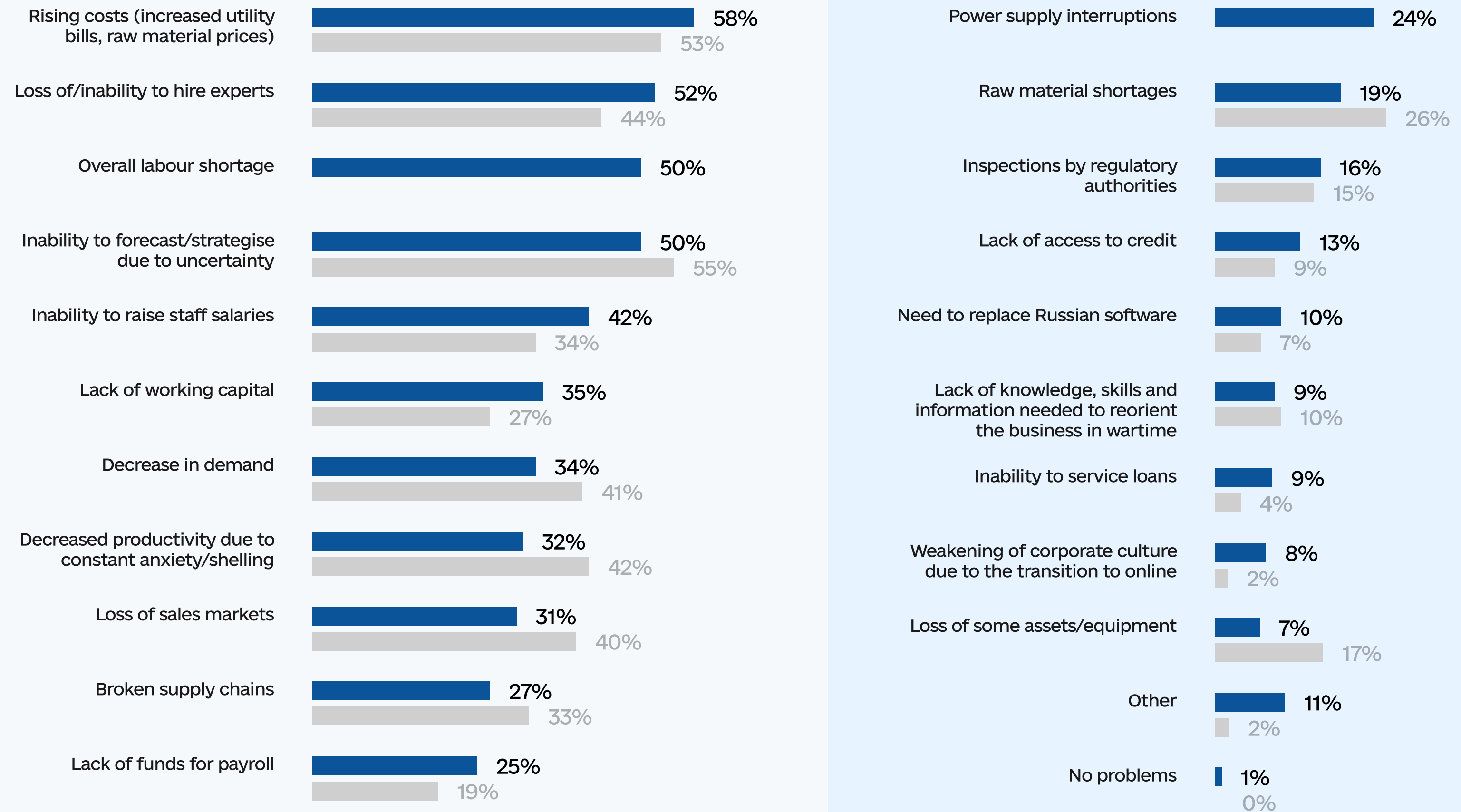


## 3rd year of war



# Key problems for enterprises

Quantitative research

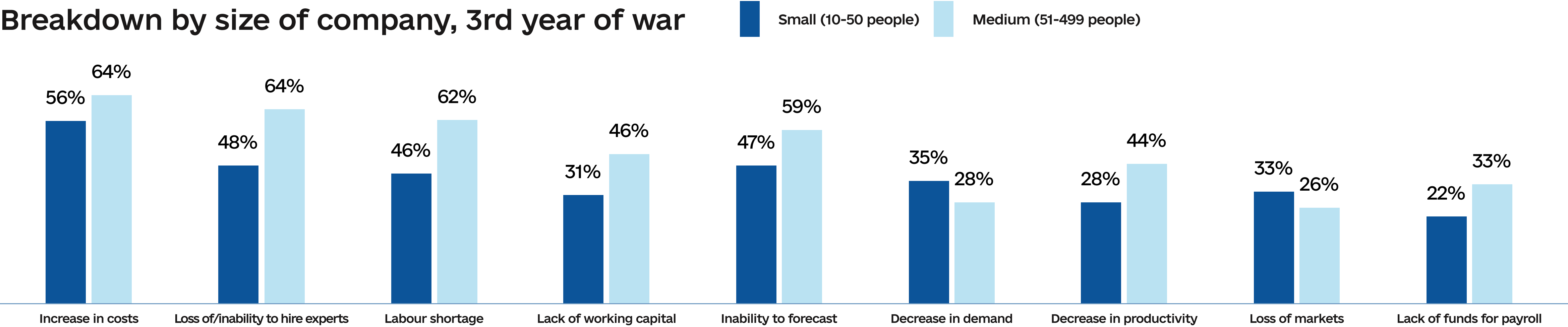




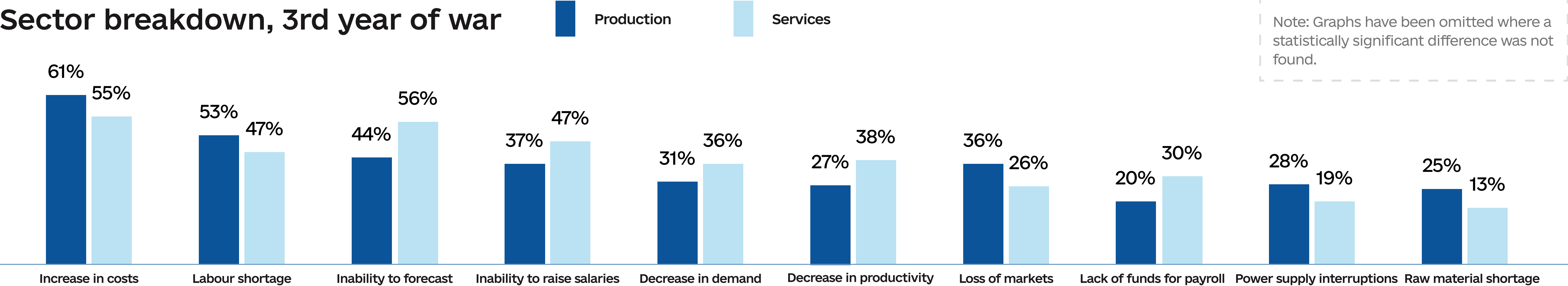
# Key problems for enterprises

Quantitative research

## Breakdown by size of company, 3rd year of war



## Sector breakdown, 3rd year of war



Note: Graphs have been omitted where a statistically significant difference was not found.





# Prospects for SMEs

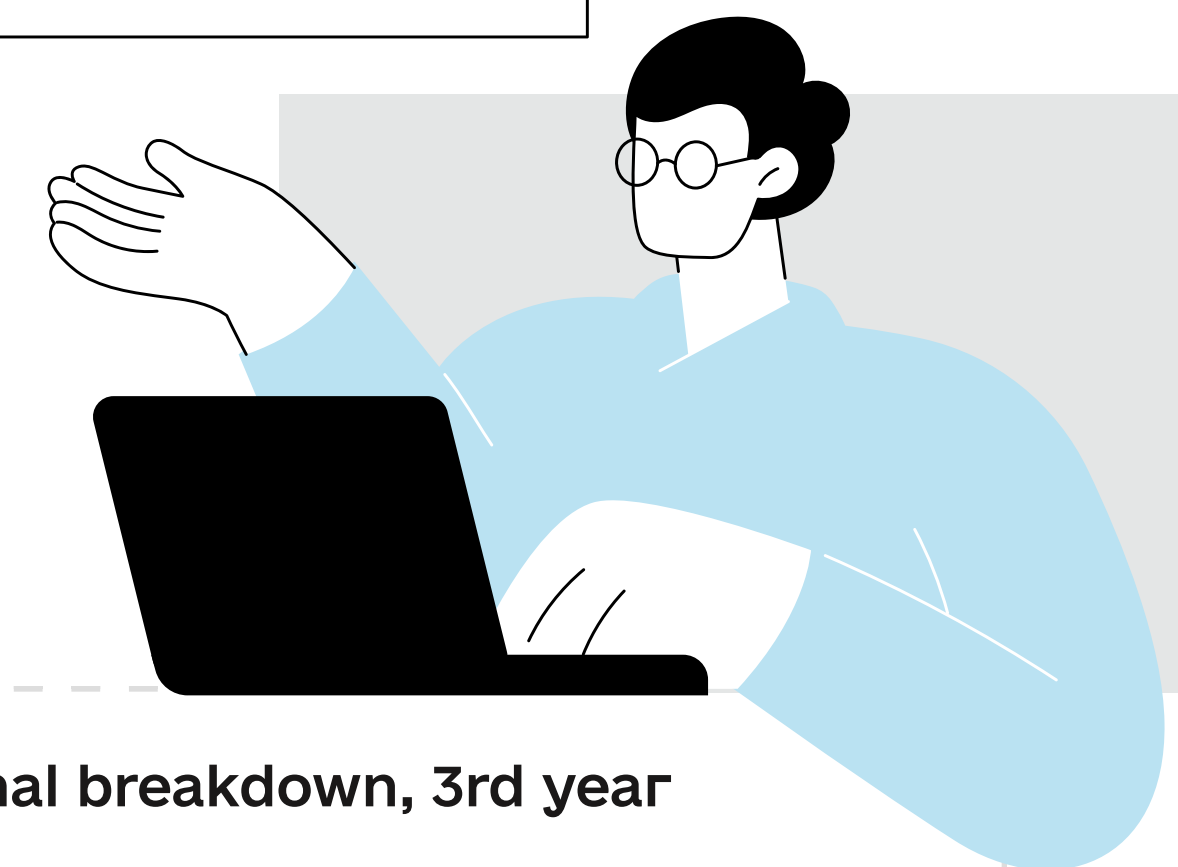
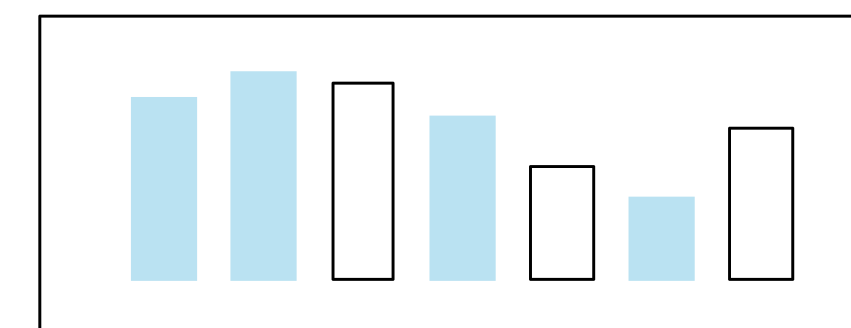
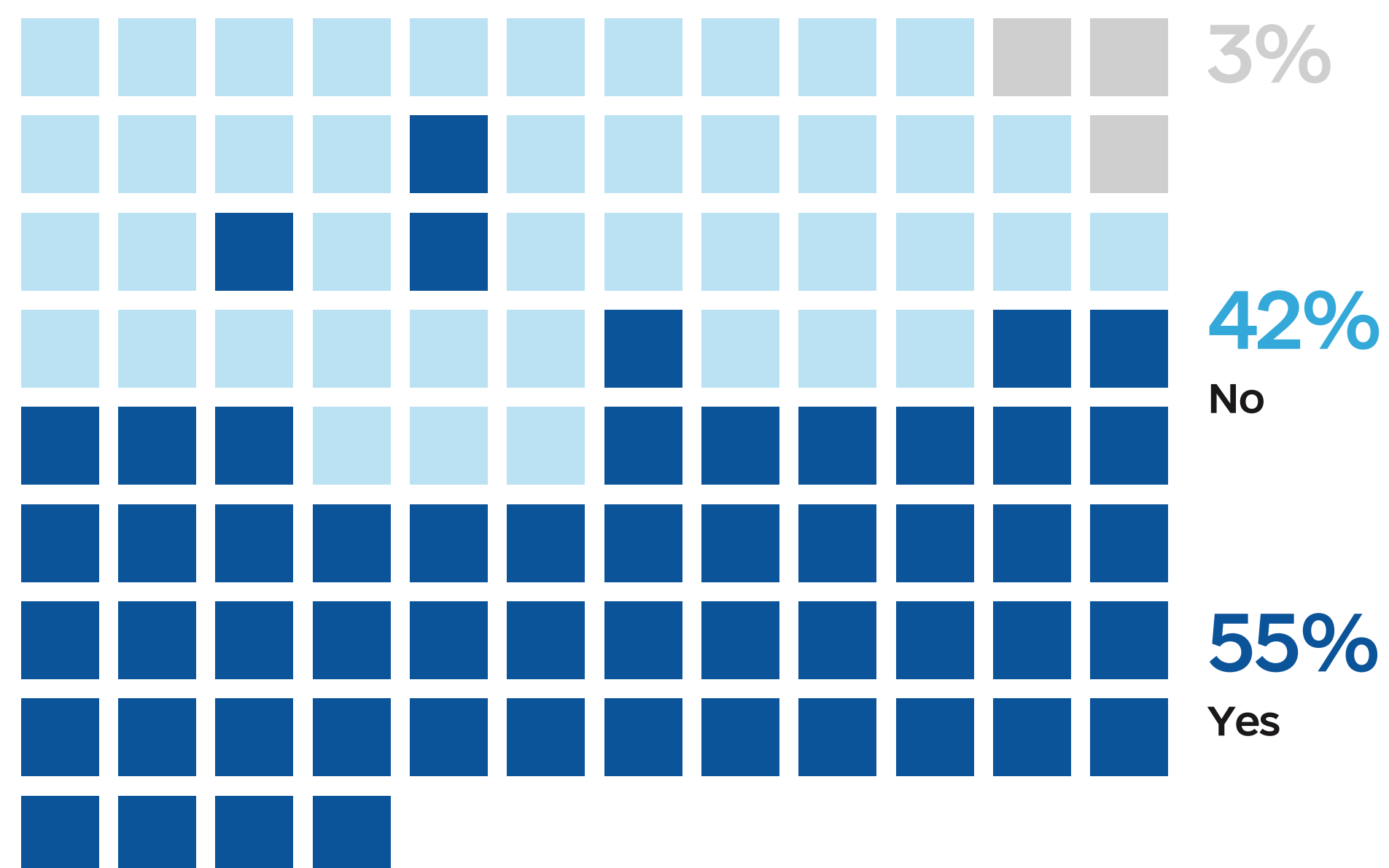


# Are you making any forecasts or doing any scenario planning for the development of your business?

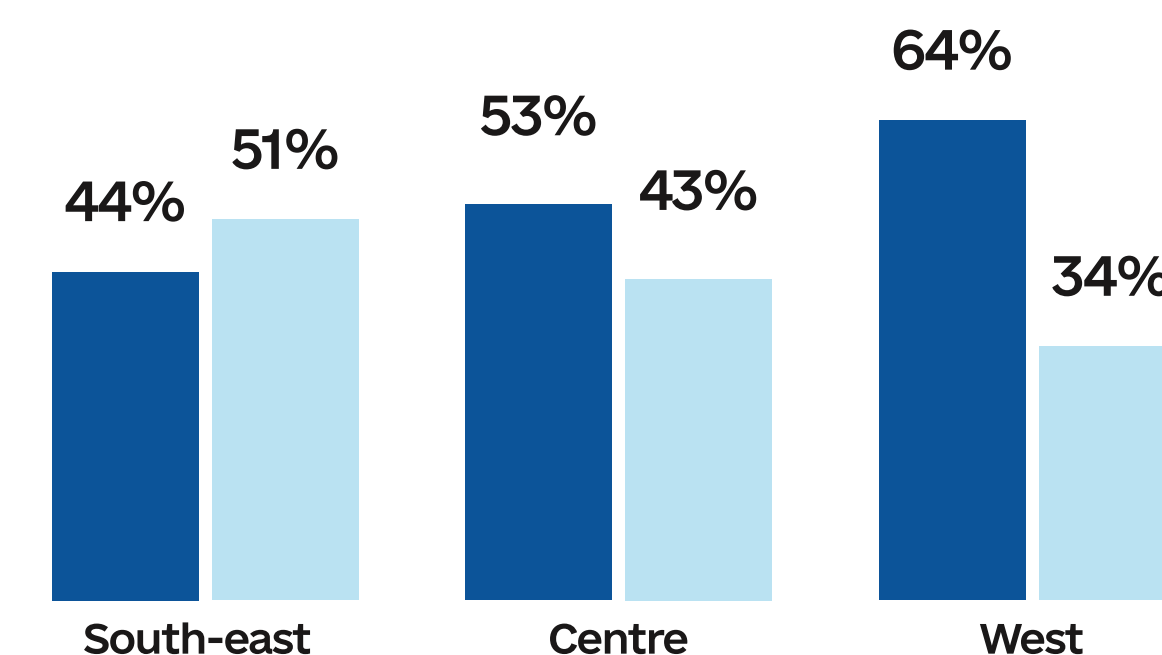
Quantitative research

There have been no significant changes relative to the second year of the war.

## 3rd year of war



## Regional breakdown, 3rd year of war



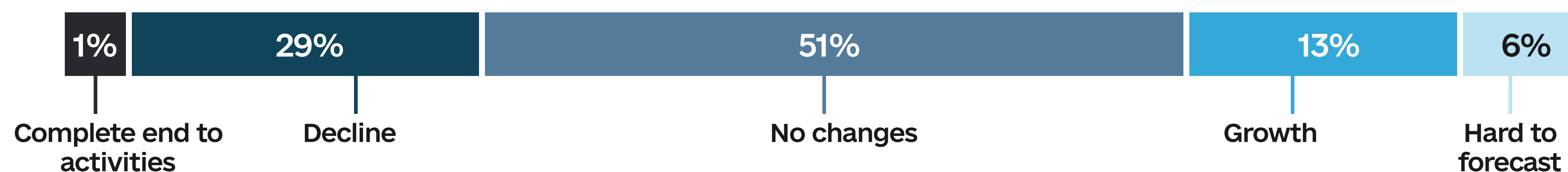


# What is your forecast for the state of your business in the coming year, assuming the war continues?

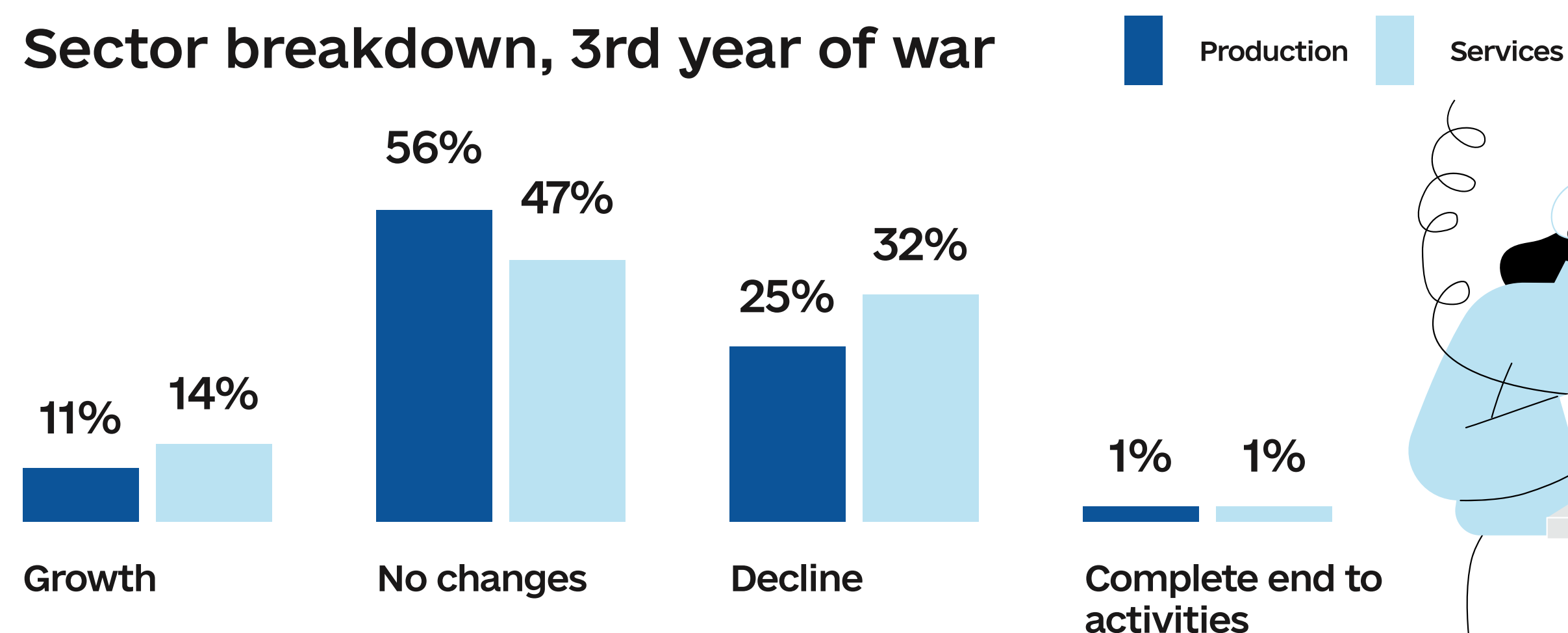
Quantitative research

There have been no significant changes relative to the second year of the war.

## 3rd year of war



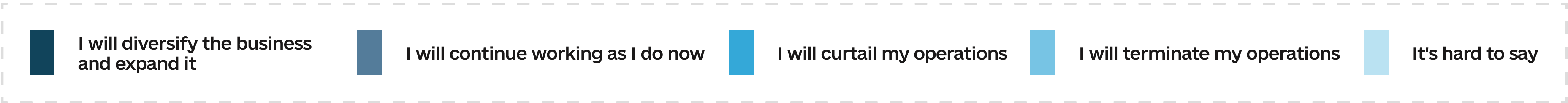
## Sector breakdown, 3rd year of war





# What CEOs will do if the war ends soon

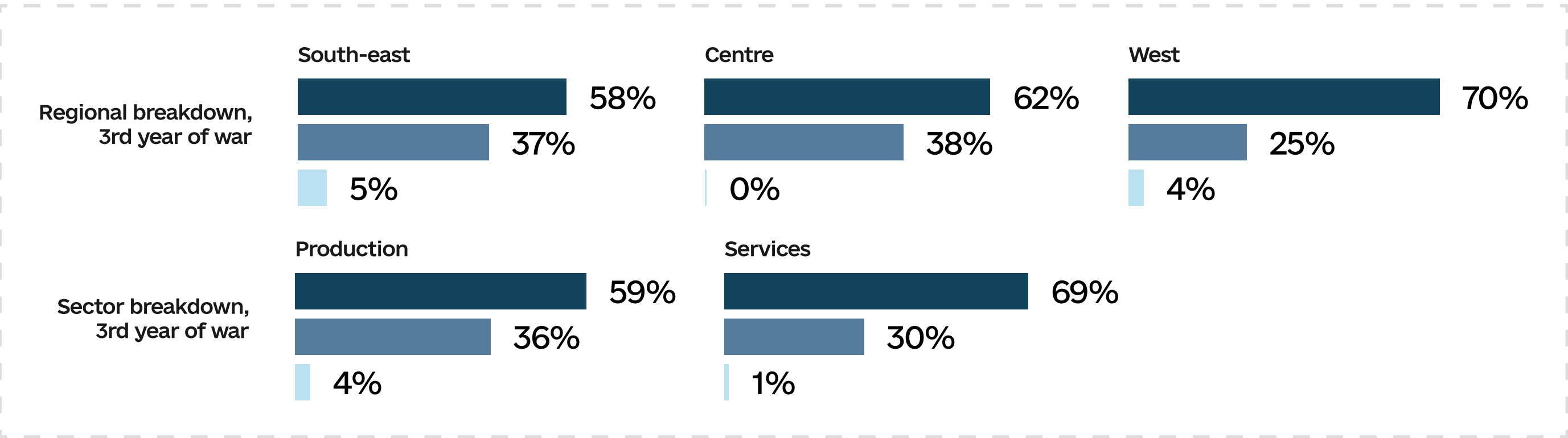
Quantitative research



## 2nd year of war



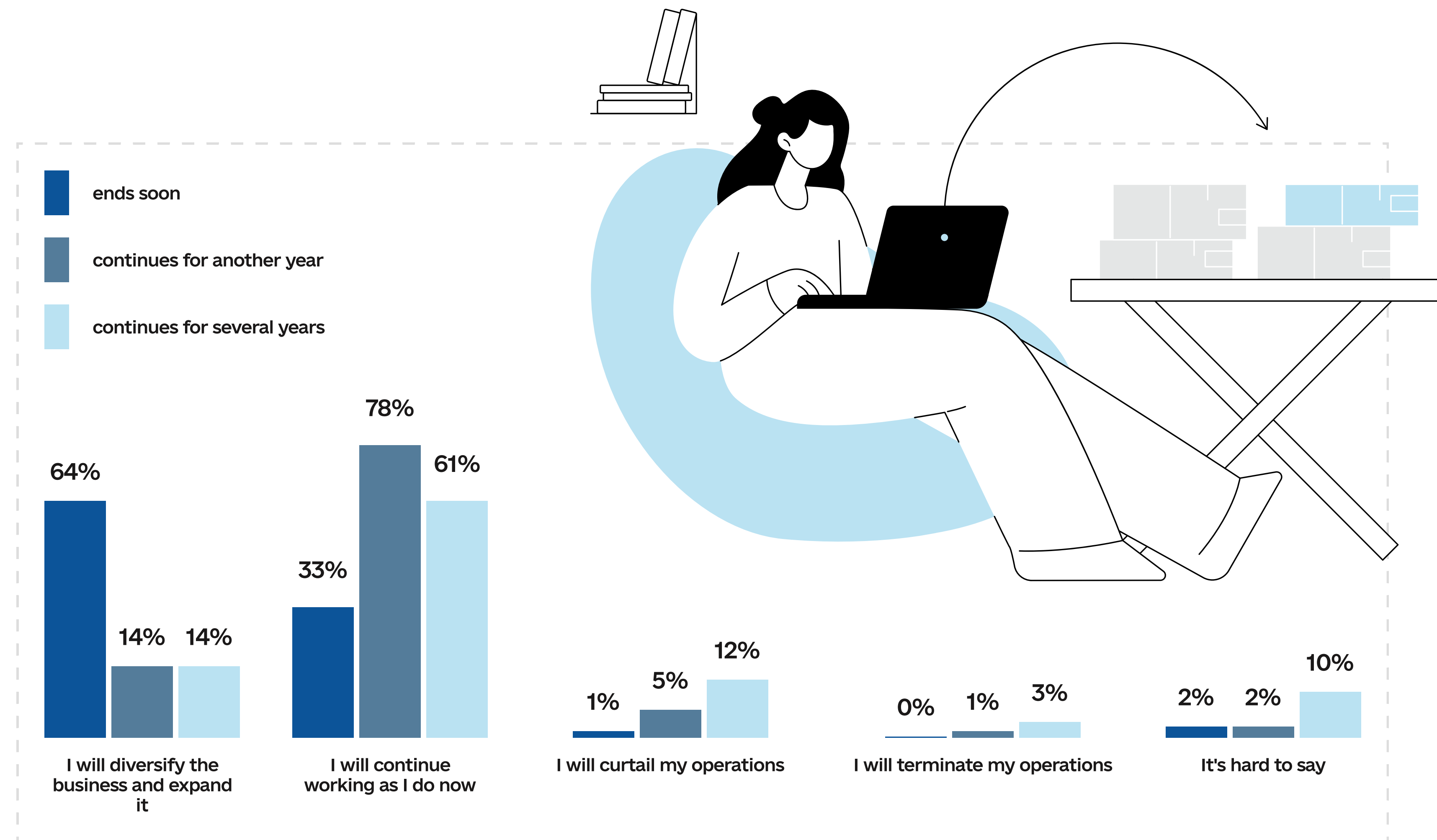
## 3rd year of war





# What CEOs will do if the war...

Quantitative research



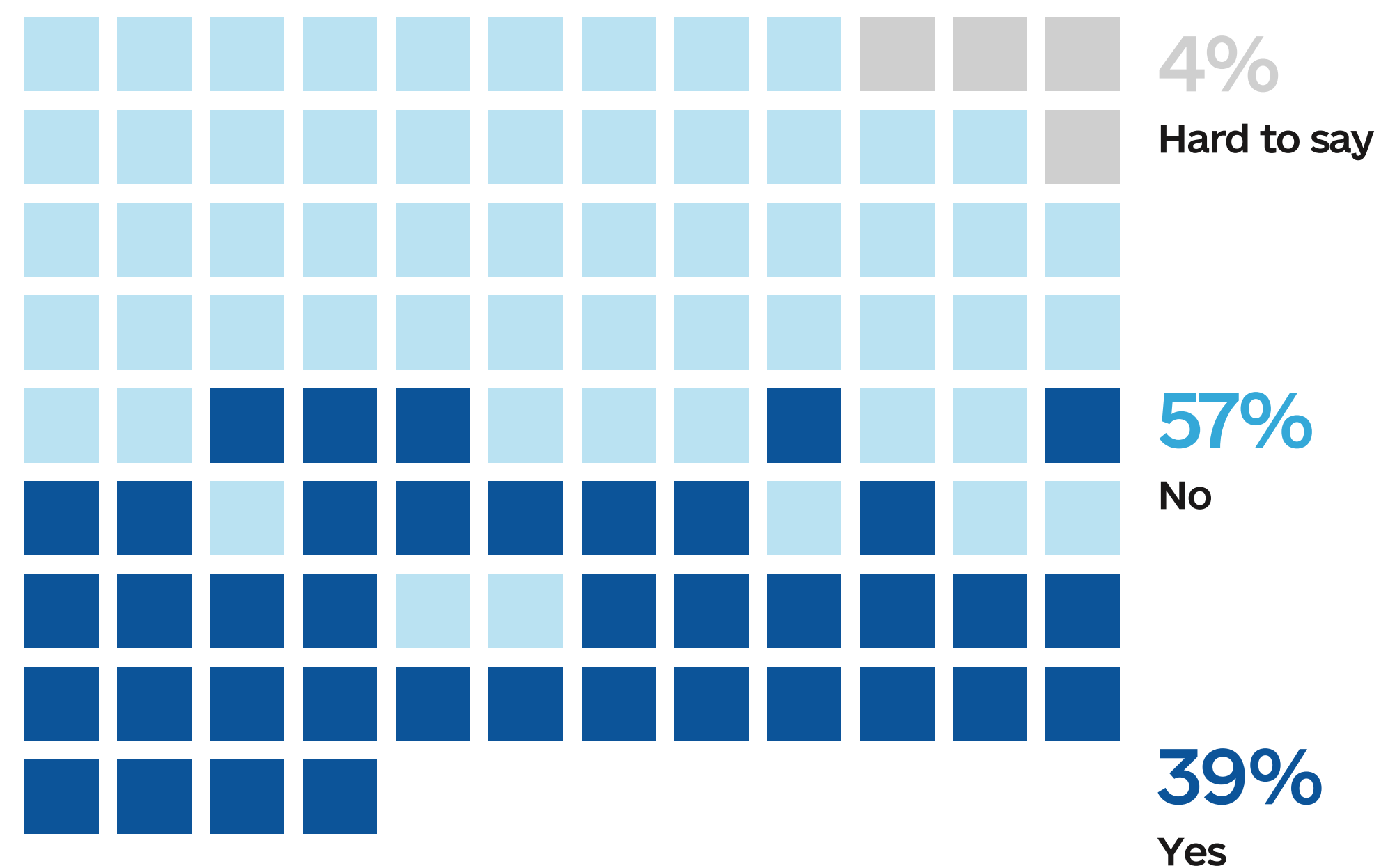


# Investment activity

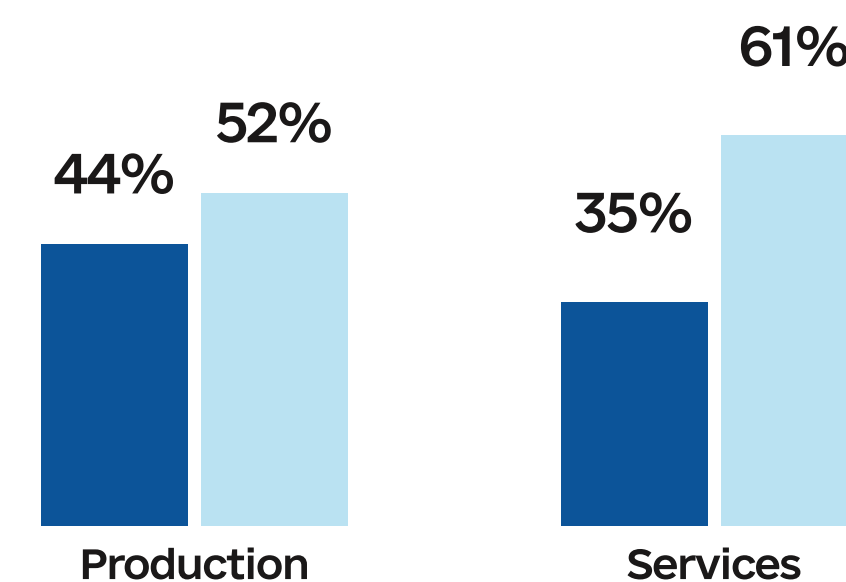
Quantitative research

Is now a favourable time for investment?

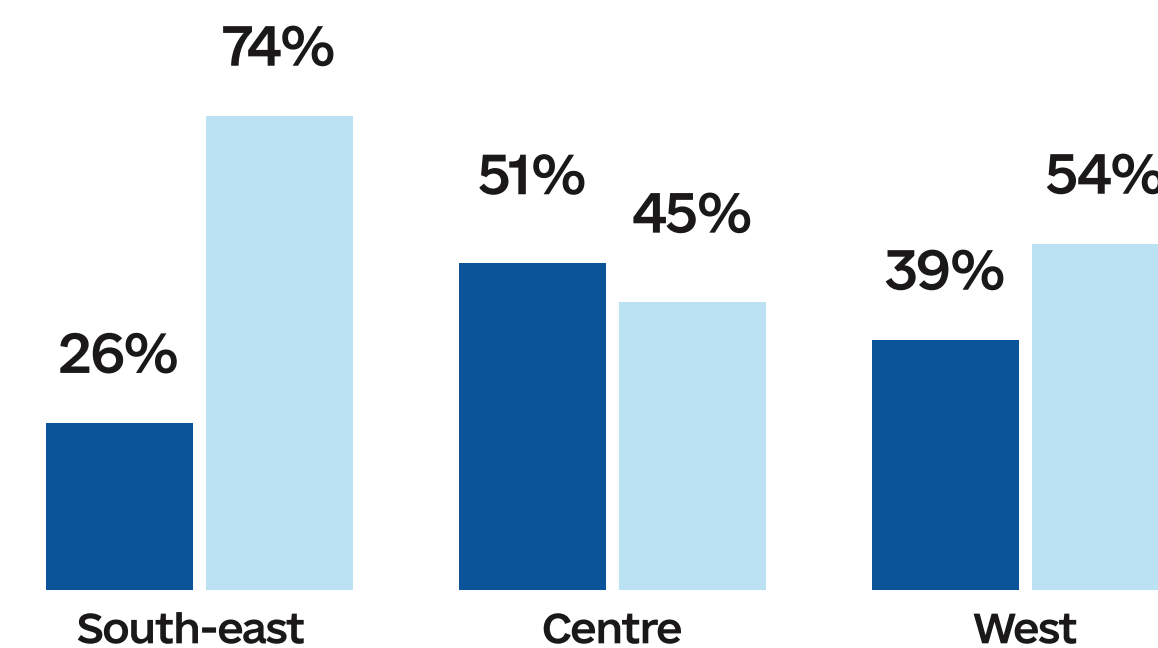
## 3rd year of war



## Sector breakdown, 3rd year of war



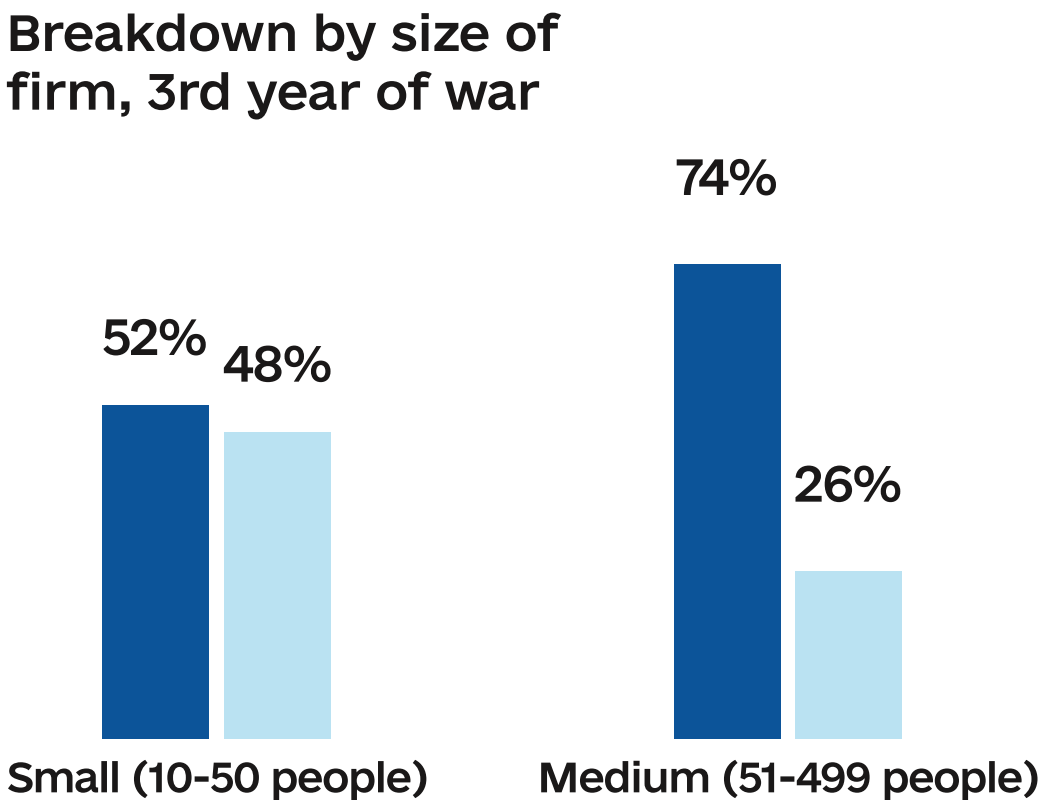
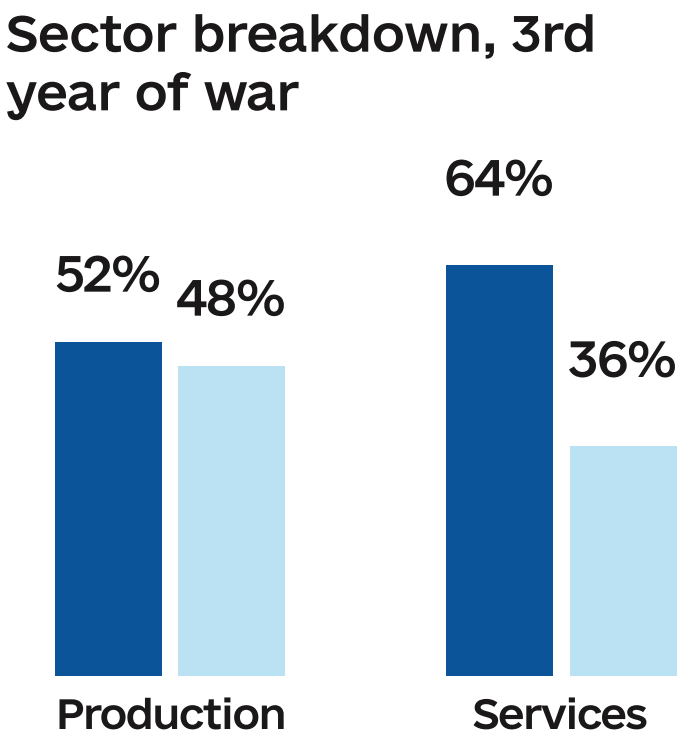
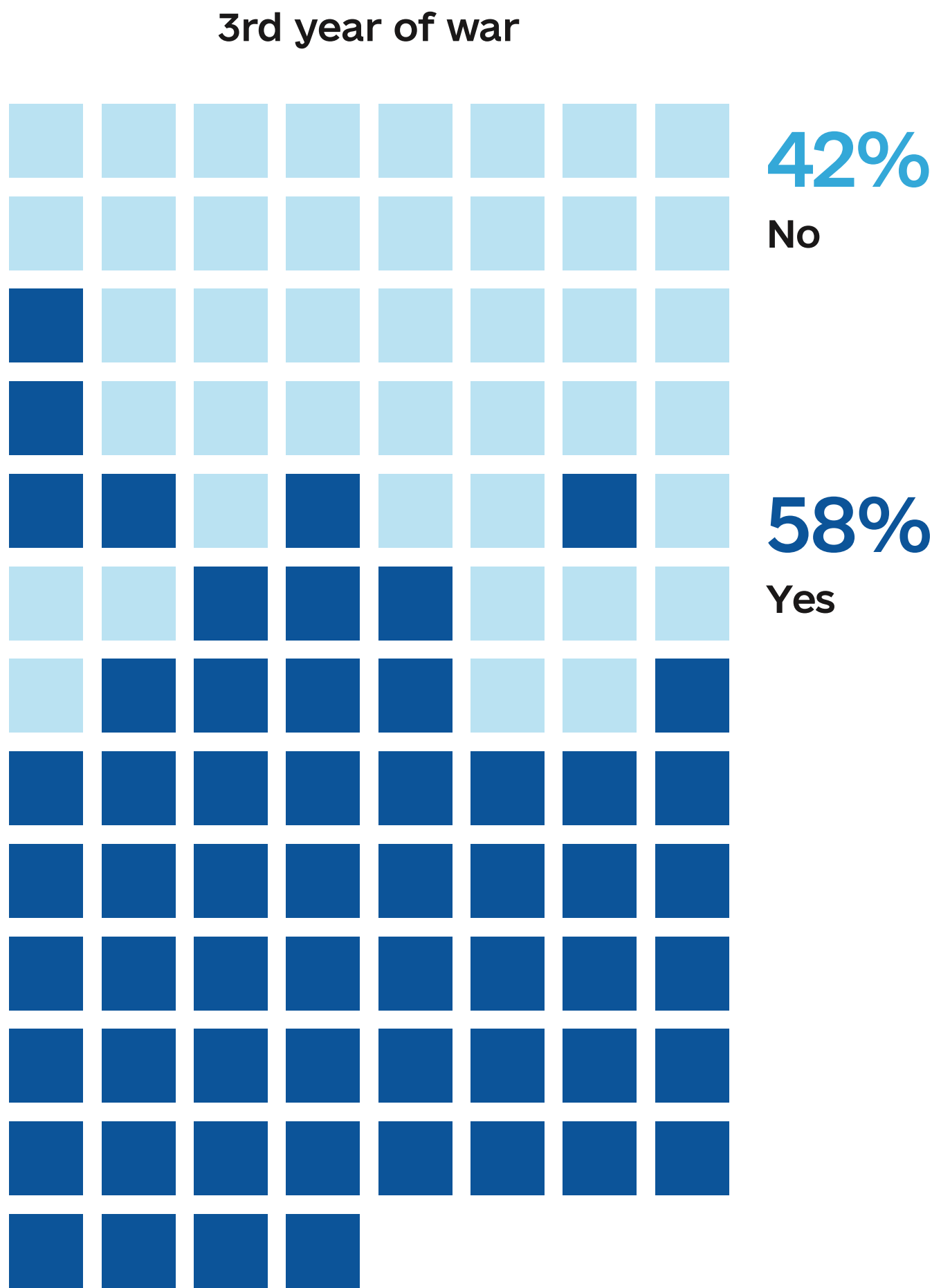
## Regional breakdown, 3rd year of war



# Investment activity

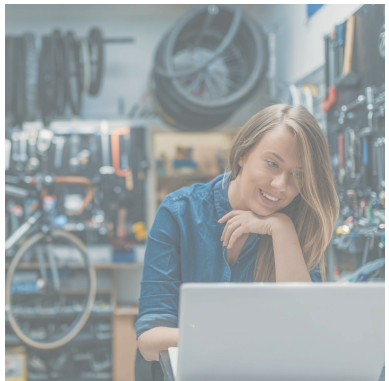
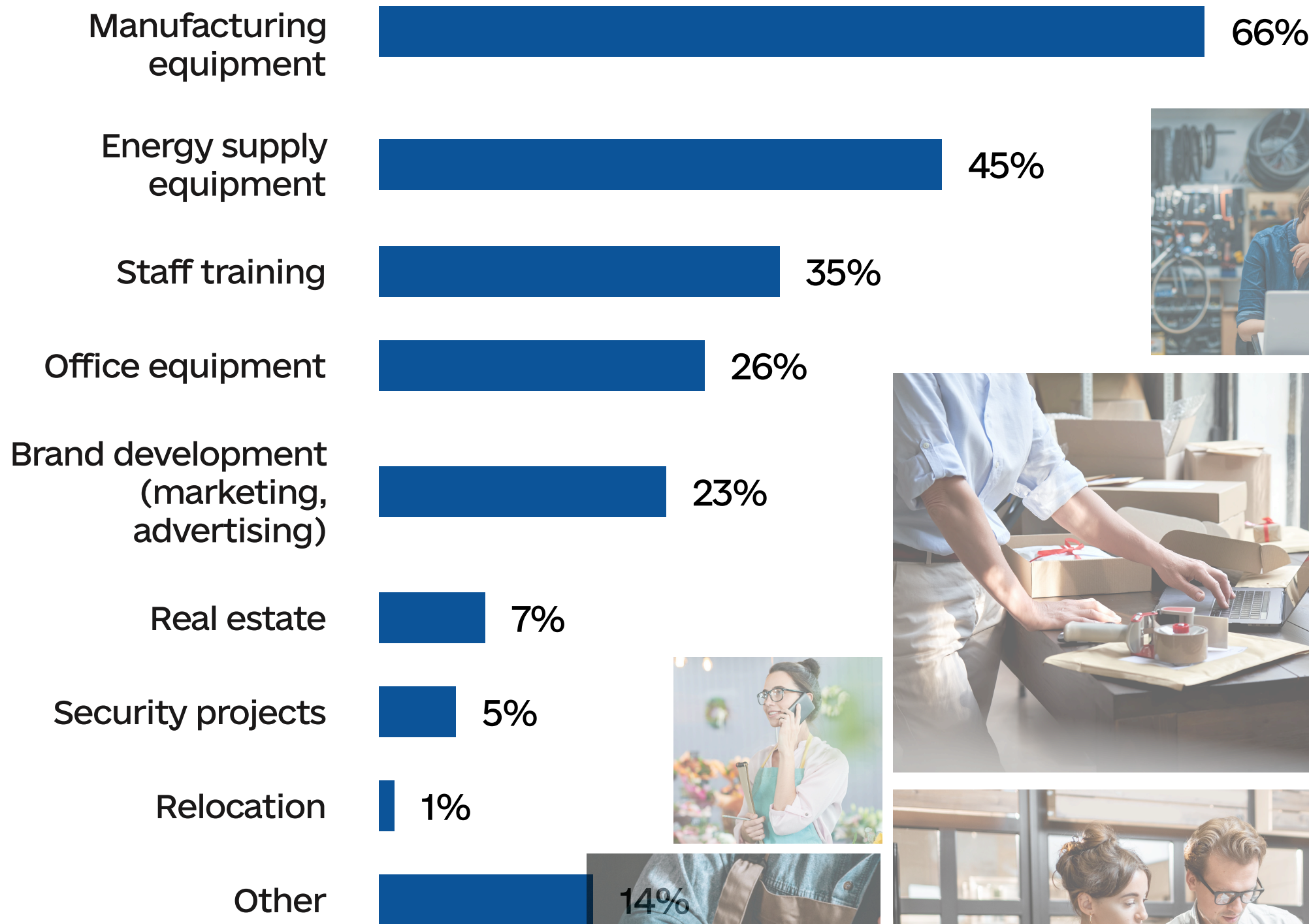
Quantitative research

Have you invested money in your business during the war?



## In what exactly?

Among those who invested in their own business





# Business climate development forecast

Qualitative research

The forecast for the business climate is fairly negative. **SMEs expect a slight economic decline**, but still **believe that conditions will recover** if there is no significant deterioration on the front line.

The current state of business can be described as survival in difficult circumstances, with a **focus on maintaining** current profitability and workload.

In light of the realities of a protracted war, the optimal strategy for maintaining business levels involves **entering more predictable international markets**.

“

“I am currently working three times harder just to survive. So, if things get worse, I am not sure we will make it.”

(small service company)

“

“We will adapt to the situation that develops in other markets. Another small crisis, a slight downturn, which we will survive, and the market will develop.”

(medium-sized service company)

“

“As long as the war continues, things will not improve in the domestic market; they will only get worse. Additional clients abroad are the only thing that can keep any business afloat today.”

(medium-sized industrial company)



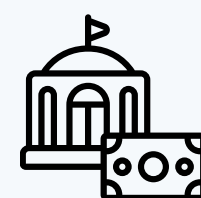


# Needs of SMEs



# SME needs in Ukraine: financial and administrative needs

Qualitative research



## Grant support

(for procuring equipment, replenishing working capital, rent compensation, payments to experts)

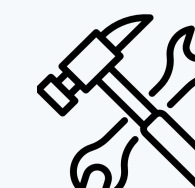


## Concessionary loans

(3-5% in foreign currency)

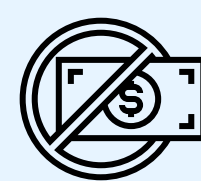


## Grant funding for study tours and trade fairs



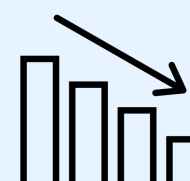
## Assistance with modernisation of production facilities

(industry only)



## Measures to tackle corruption

(at customs/smuggling)

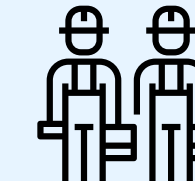


## Reduced taxes, tax benefits

(for companies with low profit margins)



## Help with setting up import/export logistics



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



## Forecasted price for fixed-rate electricity

(for firms fulfilling government contracts)



## Reduction in administrative pressure; abolition of tax inspections



## Simplification of reporting procedure for controlled foreign companies (CFCs)



## Acquisition of used equipment from Europe

(at reduced prices)

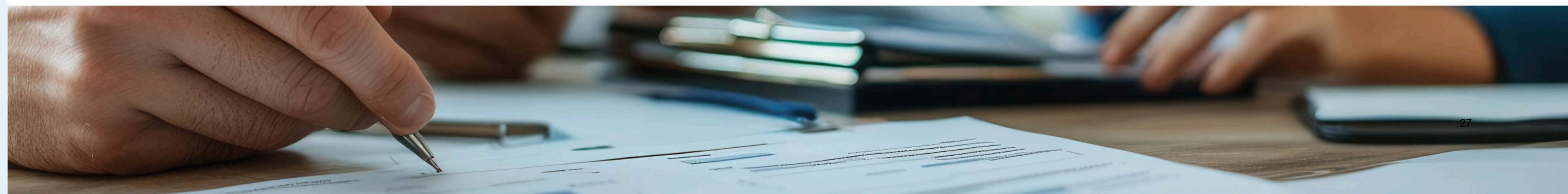
# Non-financial needs

Qualitative research

SMEs in the industrial and service sectors have very similar needs. Most needs relate to the expansion of sales markets (through entry into foreign markets, as the domestic market is close to being exhausted) and measures to tackle skills shortages. Assistance with the modernisation of firms is also needed.

## Assistance with establishment of export activities

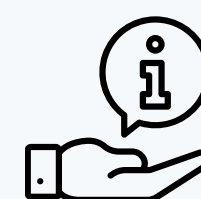
- Help with European Union (EU) certification procedures
  - Help with finding clients and developing algorithms
  - Promotion of Ukrainian businesses in foreign markets
  - Creation of a state export risk insurance fund for international clients
- Assistance with building an export model
  - Establishment of collaboration/networking with foreign businesses and facilitation of participation in exhibitions and communication events
  - Expansion/protection of export logistics routes
  - Advice on how to open branches abroad





# Non-financial needs

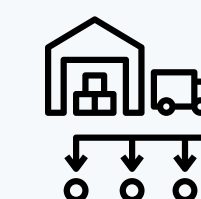
Qualitative research



Information on grant opportunities for SMEs and help with preparation of grant applications



Development of a government labour programme to attract migrants from third countries



Internships for staff at European enterprises (experience exchange)



Organised training for women in traditionally "male" jobs



Access to management software (in particular, CRM systems)



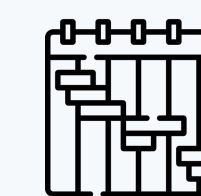
Online resource with verified contact details for foreign SMEs by sector



Outsourcing of grant administration



Affordable marketing services and assistance with setting up targeted advertising



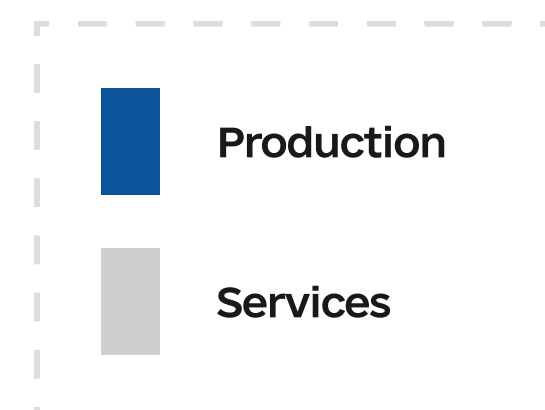
Advanced courses for business leaders (on production management, for example)



# Non-financial needs

Quantitative research

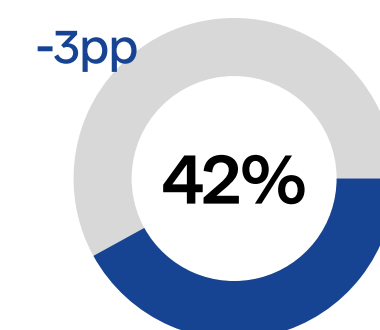
Which types of support would you like grant funding for or free access to?





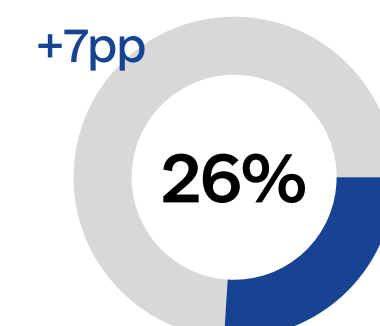
# SME requests for consultancy services

Quantitative research



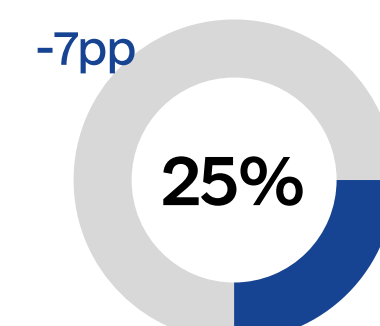
## Marketing

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



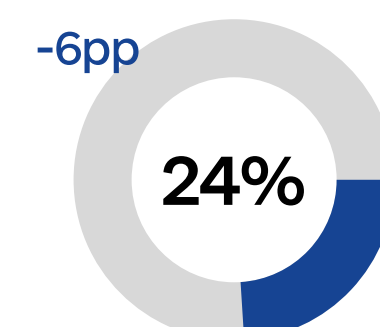
## Operational efficiency

(optimisation of business processes, logistics solutions, and so on)



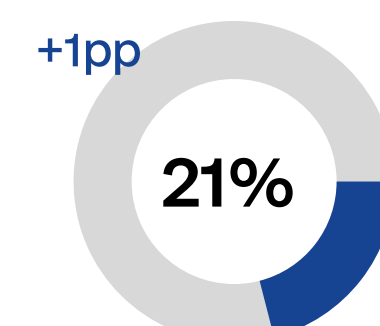
## Strategy

(planning and development of business plans and export strategies)



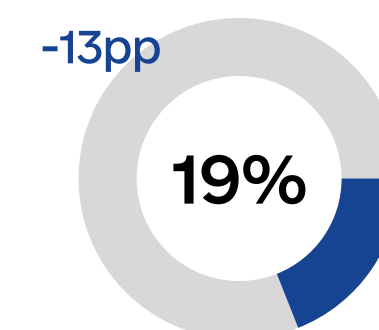
## Information technologies

(development of IT systems, accounting systems, CRM, and so on)



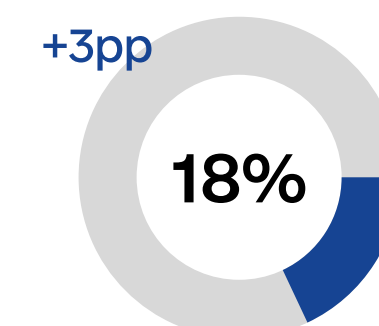
## Quality systems

(certification according to international standards, food safety, occupational safety, and so on)

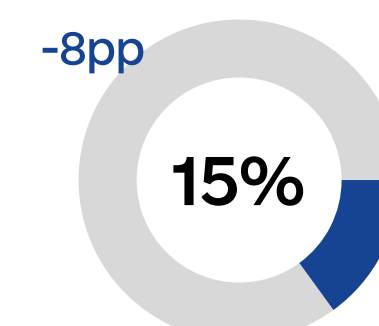


## Financial management

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

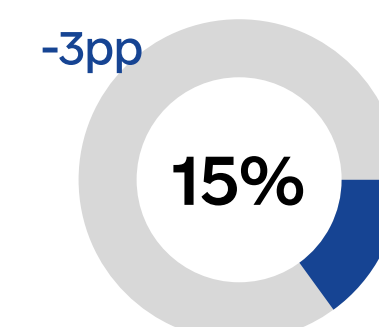


## Energy efficiency and environmental protection



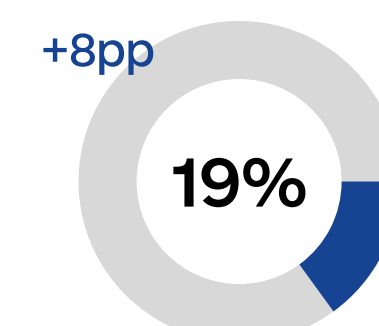
## Organisational development

(organisational structure, personnel efficiency, and so on)



## Engineering solutions

(technical documentation, architectural and infrastructure projects, and so on)



## I do not need information

Production companies have higher levels of interest than service companies when it comes to quality systems (20% vs 9%) and engineering solutions (28% vs 14%).

Medium-sized companies have more interest than small companies when it comes to financial management (33% vs 14%) and quality systems (36% vs 16%), but are less interested in marketing (33% vs 45%).



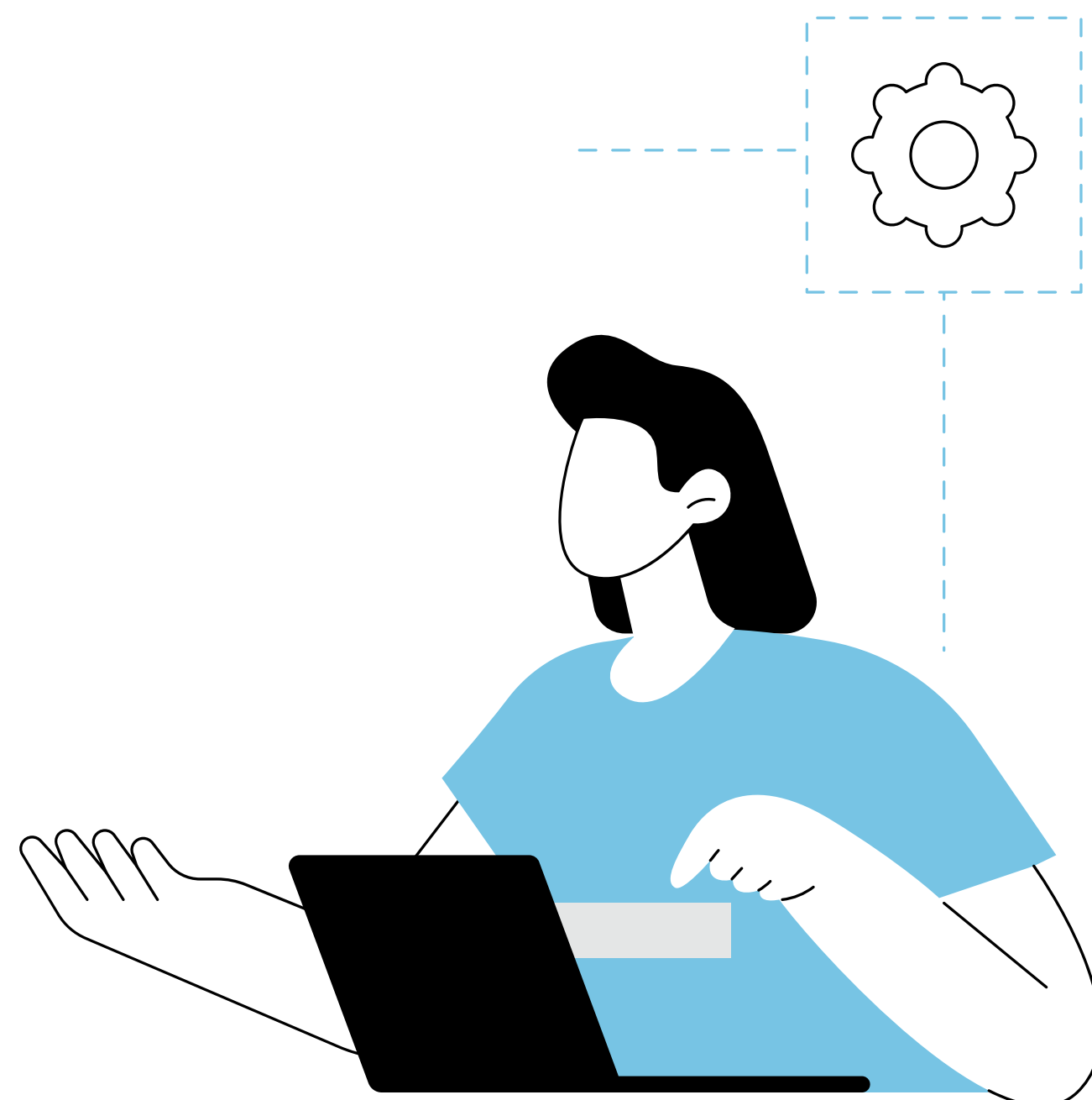
# Research methodology and geography



# Methodology

## Qualitative survey:

- **16 expert interviews** with owners/ CEOs and senior executives of production and service sector SMEs
- **Dates:**  
May-June 2025

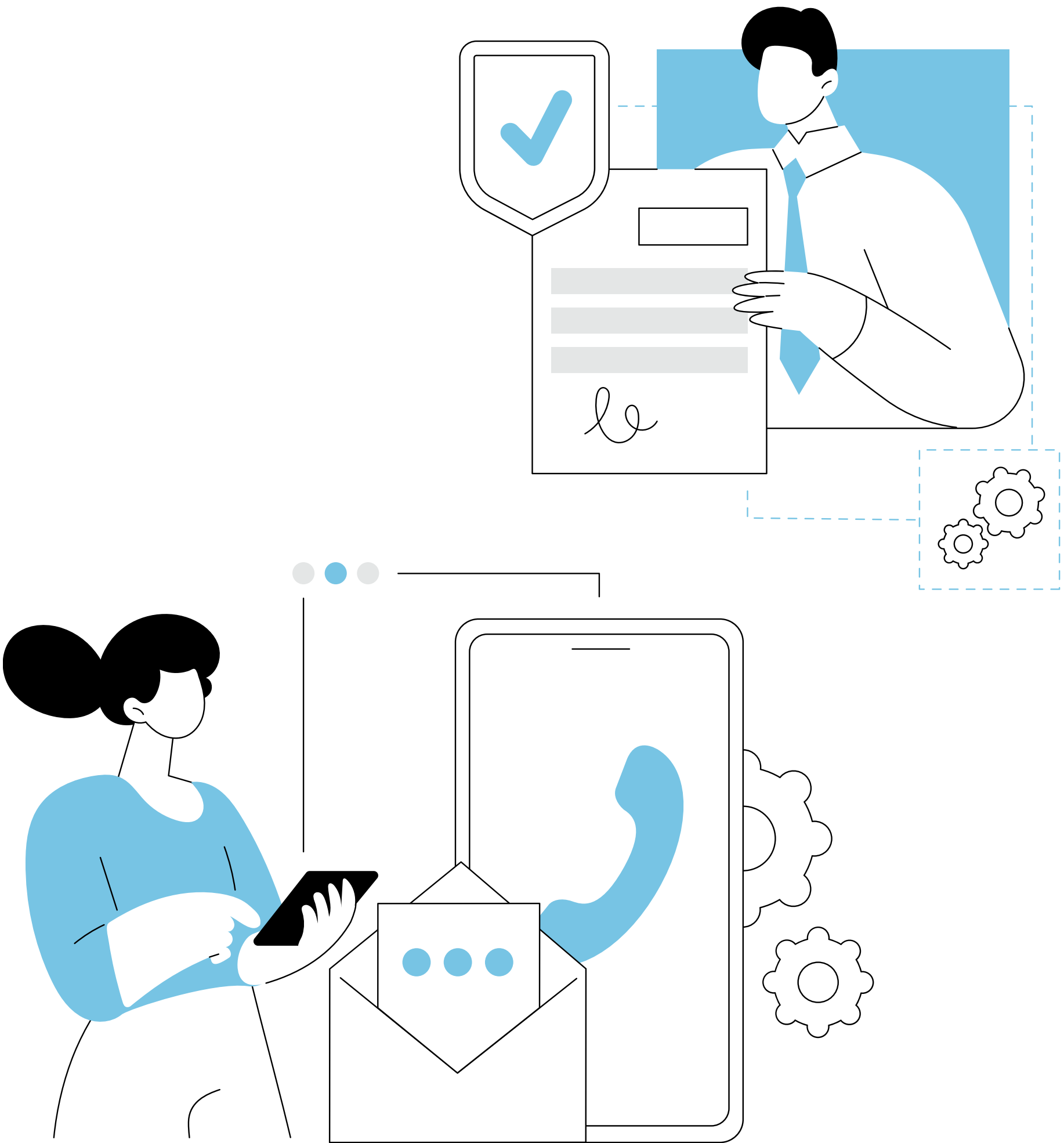


## Quantitative research:

- **152 questionnaires** (production and service sector SMEs that are operating or planning to resume operations in the near future)
- **Method:** 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) were arranged by EDRPOU code (in descending order) and the selection of enterprises (number of enterprises/per sample) was determined.
- **Error:** +/- 8.2 per cent
- **Dates:**  
May-June 2025



# Regional breakdown



Regions

Centre

- Vinnytsia
- Zhytomyr
- Kyiv
- Kirovohrad
- Poltava
- Sumy
- Cherkasy
- Chernihiv

West

- Volyn
- Zakarpattia
- Ivano-Frankivsk
- Lviv
- Rivne
- Ternopil
- Khmelnyskyi
- Chernivtsi

South-east

- Donetsk
- Dnipropetrovsk
- Zaporizhzhia
- Mykolaiv
- Odesa
- Kharkiv



## Read the news on the EBRD's Facebook page:

@EBRD: advice for small businesses in Ukraine  
<https://www.facebook.com/ebrdbasukraine>

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

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