



Ukrainian Business Leaders Outlook 2021

KPMG in Ukraine

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FOREWORD

This is the fourth annual report that the KPMG in Ukraine team has prepared, based on information that was very generously supplied in our survey of Ukrainian business leaders. This study examined how the COVID-19 phenomenon has caused companies to adjust their development strategies, and influenced their long-term vision for business growth, their business model, and future investment decisions.

The crisis caused by COVID-19 has shaken the confidence of business leaders in Ukraine in the growth of both the local economy and global prospects as a whole. However, despite operational and regulatory risks, as well as the delta variant of the virus slowing down the expected return to normality, our survey shows that Ukrainian executives and business leaders are extremely confident in the prospect of increased business growth over the next three years. These business leaders expect their companies to grow dynamically, though they understand that they need to take into account new ways of working that were developed during the pandemic in order to adapt their companies to a new post-pandemic future.

I would like to invite you to read about the results of our survey and look at the dynamics of the changing priorities of Ukraine's business leaders, the key challenges and business opportunities caused by the pandemic, and to learn about the strategies for overcoming the global crisis and ensuring further business growth. The structure of the survey is based on questions adapted from the global KPMG 2021 CEO Outlook survey which will let you compare global and local trends. On behalf of the KPMG in Ukraine and KPMG International team, I would also like to sincerely thank all the CEOs who participated in the survey for sharing their opinion in an open and frank conversation about the most important issues they face today.

Andriy Tsymbal
Managing Partner
KPMG in Ukraine



CONTENTS

04

Key findings

21

Digital agility

06

The road to renewal

27

In summary

14

Trusted purpose

28

Methodology and acknowledgments



Key findings

The road to renewal

Trusted purpose

Digital agility

In summary

Methodology and acknowledgments

Key findings

Ukrainian Business Leaders Outlook 2021 is a survey from KPMG in Ukraine that offers a unique overview of the consequences of the COVID-19 pandemic and the prospects business leaders see for economic recovery. The structure of the survey was based on 19 questions, adapted from the international KPMG 2021 CEO Outlook survey, giving you the opportunity to compare global and local trends. During the pandemic, we regularly communicated with executives in Ukraine and CEOs around the world, previously sharing the results of that research in our reports Ukrainian Business Leaders Outlook 2020 and KPMG 2020 CEO Outlook in the fall of 2020.

This report presents the opinions of executives and business leaders in Ukraine on the future of business and the best ways to achieve economic growth.

Business leaders in Ukraine are optimistic and expect their companies to develop dynamically and achieve organic growth by means of innovation, capital investment, new products, and more recruitment. However, global executives are mostly focused on less organic tactics for growth: strategic alliances with third parties, mergers and acquisitions (M&A) agreements, joint ventures, and outsourcing. Respondents in Ukraine also named regulatory risk as the biggest threat to business growth over the next three years, whereas international outlooks identified a three-element bundle of threats to growth: supply chain, cybersecurity, and climate change risks.

Nearly 50 percent of business leaders in Ukraine and two thirds of the world's CEOs see a surging demand from stakeholders to implement Environmental, Social, and Corporate Governance (ESG) principles in their business strategy.

Now that people are returning to work and society is increasingly in need of businesses to get things back on track, senior management are taking a more flexible approach to work organisation by focusing on balancing investments in human capital and digital technology.



The road to renewal

Despite continued uncertainty and the risk of volatility, business leaders in Ukraine are confident and optimistic about the growth prospects of their companies. However, this year Ukrainian executives are less optimistic about the growth of local and global economies.

Rebounding growth

In Ukraine, 47 percent of the company executives interviewed are confident in the growth prospects of the world economy. Globally, a relatively larger percentage of managers (60 percent) are convinced of increasing growth for the world's economy over the next three years. An even smaller share of Ukrainian business leaders (38 percent) are confident in Ukraine's local economic growth.

Leading with purpose

As the public looks to leaders to drive progress to address major societal challenges, 73 percent of Ukrainian business leaders surveyed say their organisation's defining objective is to embed purpose into everything they do to create long-term value for all stakeholders (an increase when compared to 54 percent of respondents in February–March 2020).

Accelerating growth and the digital agenda

In Ukraine, 76 percent of business leaders are confident in the growth prospects of their companies. 71 percent indicate that organic growth will be crucial. An even higher number of global executives (87 percent) are confident in the growth prospects of their companies, though this will be principally through inorganic growth strategies such as M&A deals. M&A will be crucial to stimulate global growth, with 87 percent of worldwide CEOs saying that they plan to enter into M&A agreements over the next three years. In Ukraine, meanwhile, just 11 percent of respondents say that M&A will be the most important strategy for their organisation to achieve its growth goals over the next three years.

Trusted purpose

With increased stakeholder pressure for businesses to build back better, business leaders are embedding ESG in their business strategies.

Demand to increase ESG accountability and transparency

In Ukraine today, 47 percent of respondents said that there was demand from stakeholders (including investors, regulators, and customers) to increase reporting and transparency related to ESG, with 30 percent of respondents describing this request as sizable and significant. Worldwide, 67 percent of executives interviewed say that they foresee a demand from stakeholders to increase ESG accountability and transparency.

Investments to ensure sustainable development

In Ukraine, 24 percent of business leaders plan to invest over 10 percent of their business' income in strengthening sustainable development, while globally this figure is 30 percent.

Connecting ESG strategy with financial returns

Among high-growth organisations, a mere 14 percent of business leaders in Ukraine believe their ESG programmes actually improve financial performance, compared with a global response of 52 percent of CEOs in the worldwide survey. However, these numbers align slightly more when we begin to consider lower growth organisations: 20 percent of all the surveyed Ukrainian executives have greater faith in their ESG programmes, compared with 37 percent of CEOs in the world.

Digital agility

Senior management is developing more flexible approaches to work organisation and are focused on ensuring the current pace of digital transformation.

Building a flexible future of work

CEOs need to decide on an operating model for the future that works for both employers and employees. Only 36 percent of respondents in Ukraine (37 percent worldwide) said that most of their employees would work remotely two or more days a week. At the same time, 29 percent of business leaders in Ukraine and 51 percent globally are considering investment in the creation of shared office space.

Stimulation of disruptive changes

Worldwide, 67 percent of respondents said they would increase investment in identifying disruptive change and innovation, almost double the number of leaders in Ukraine (36 percent) who plan to increase similar investments.

Partnering for transformation and resilience

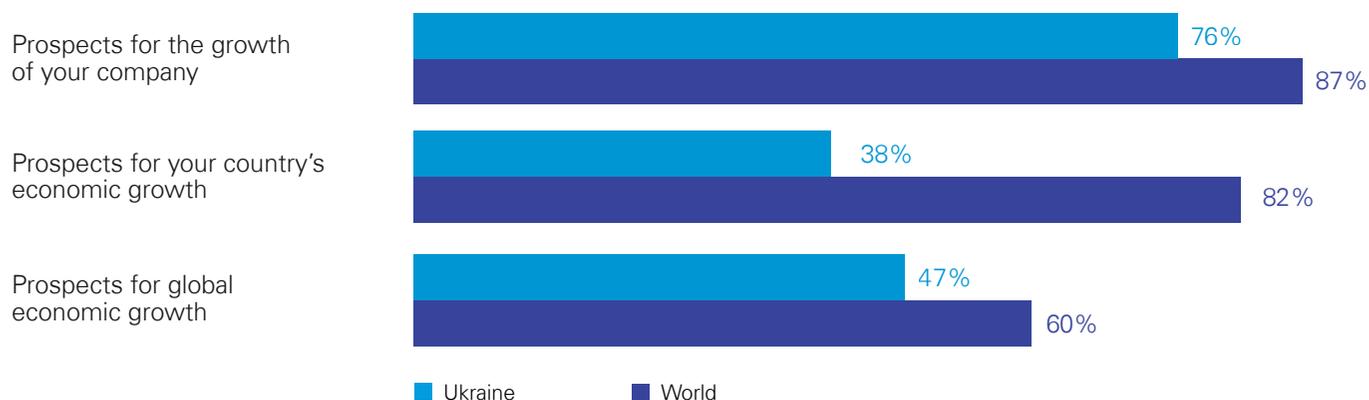
55 percent of business leaders in Ukraine (70 percent globally) say that forging new partnerships will be crucial to ensure the current pace of digital transformation.

The road to renewal

Rebounding growth

In Ukraine, 76 percent of executives say that they are confident in the growth prospects of their companies over the next three years. Internationally this figure is even higher: reaching 87 percent among global respondents. In general, despite the long-standing uncertainty coupled with the COVID-19 pandemic and the delta coronavirus variant slowing down the “return to normal”, global executives demonstrate more optimism about the growth prospects of the global economy and the countries where their companies operate. In Ukraine, only 47 percent of business leaders and executives are confident in the growth prospects of the global economy over the next three years, compared with 60 percent of international respondents. An even smaller percentage of Ukrainian CEOs (38 percent) are confident in Ukraine's economic growth over the next three years.

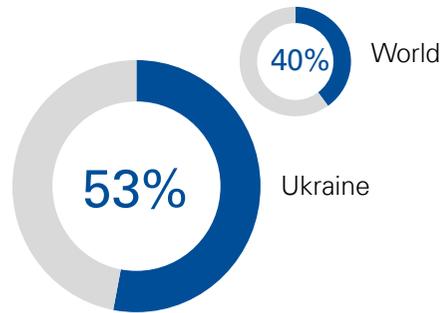
Figure 1: Confidence in growth prospects



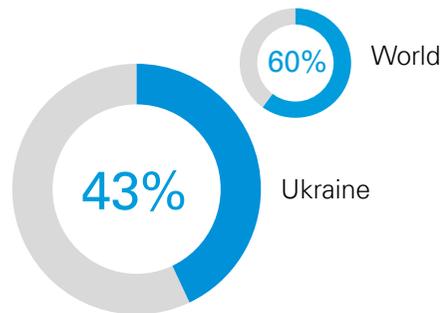
Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

76 percent of executives in Ukraine say they are confident in the growth prospects of their companies over the next three years.

Figure 2: Building talent an increasingly important driver of growth and performance



We are placing more capital investment in developing our workforce's skills and capabilities



We are placing more capital investment in buying new technology

Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

Over the next three years, 94 percent of worldwide executives and 81 percent of those in Ukraine expect their organisation's earnings to increase. To achieve this growth and implement relevant plans, companies need to make sure that they have achieved the necessary level of technological development, as well as employing appropriately qualified staff who possess the necessary skills to implement growth plans. As shown in Figure 2, the gap between the goals of digital transformation and investment in a workforce capable of working in a digital environment has become more narrow.

Figure 3: Changing threats to growth in Ukraine



Most global executives prioritise investment in technology as a part of their efforts to encourage growth, though the number of respondents paying more attention to investment in staff has also increased significantly: standing at 40 percent in 2021, as compared to 33 percent in 2020. In Ukraine, slightly more than half of business leaders surveyed said that they still prefer to invest in the development of human capital, though this number has decreased since 2020 (53 percent in 2021 vs 59 percent in 2020).

In their striving for growth, business leaders also face serious challenges. According to Ukrainian respondents in 2021, biggest threat to business is operational risk. Last year, the executives considered regulatory risk to be their top priority, which took second place this year. Talent risk has also remained on the radar of Ukrainian business leaders for many years in a row. Since the beginning of the pandemic in Ukraine, relevant risks of adverse changes to the supply chain have also gained weight and, according to local respondents, now share third position with talent risk. Based on our survey, 70 percent of Ukrainian respondents are companies that manage their own supply chains, while 65 percent of this group say that their supply chain has been under increasing pressure over the last 18 months. Diversification of supply sources by adding new sources to increase the stability of the supply chain is the core strategy for minimising the impact of supply chain risk with 42 percent of respondents identifying this as an important change. The fourth place, according to Ukrainian respondents, is shared by cyber security and environmental/climate change risks.

In a time of great uncertainty around the world, when assumptions and forecasts are constantly changing and when few things are certain, no specific risk has taken first place among global business leaders. A three-element bundle of threats to growth has been identified: supply chain, cybersecurity, and climate change. They are immediately followed by disruptive technologies, regulatory, and operational risks.

Figure 4: Top threats to growth in 2021

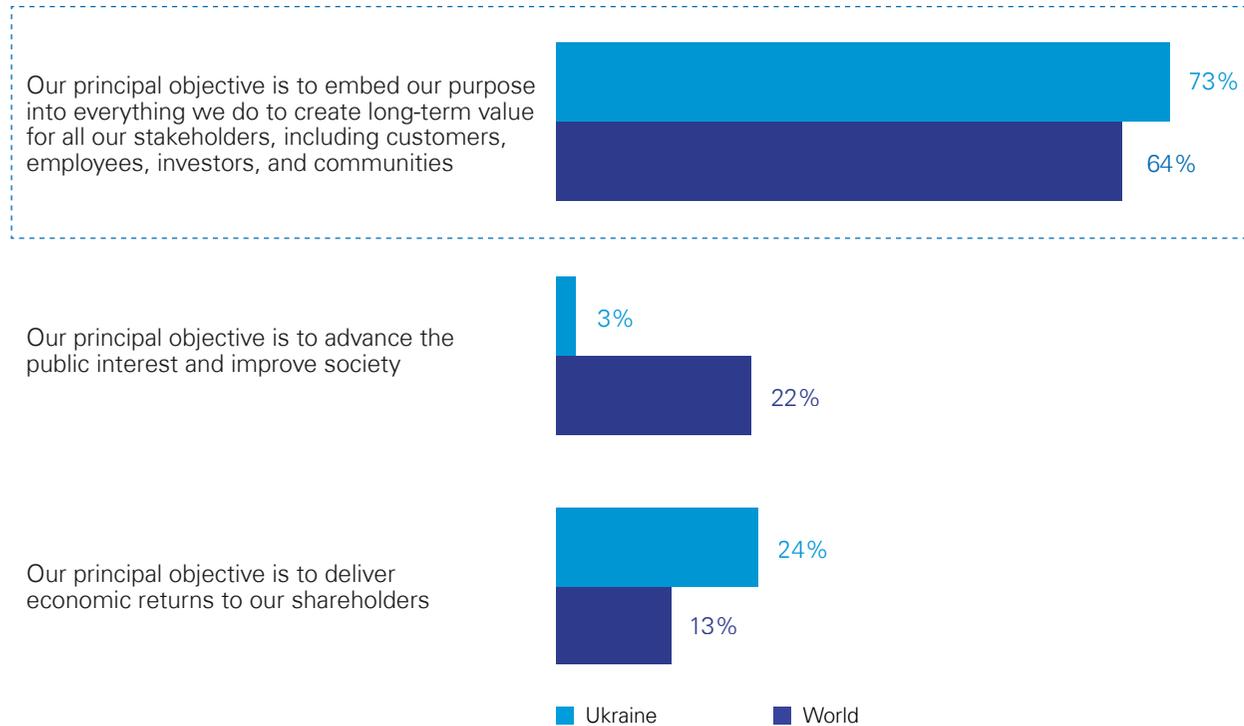


Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

Leading with purpose

Top management executives recognise the importance of company purpose. According to our survey, 73 percent of Ukrainian respondents stated that the principal objective of their organisation is to achieve the company's strategic goals and mission to create long-term value for all stakeholders, including customers, employees, investors, and the community. Globally, 64 percent of respondents support this statement, with a further 22 percent of global respondents saying that their main goal is to promote public interest and improve society as a whole (in Ukraine, this number was a mere three percent). At the same time 24 percent in Ukraine and even fewer executives across the world (13 percent) are focused primarily on providing economic benefits to their shareholders.

Figure 5: Majority of respondents say purpose is the defining business objective



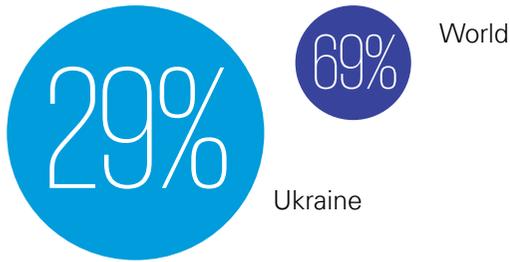
Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021



of business leaders said that "trusted purpose" will have the greatest impact on strengthening employee engagement. "Building customer relationships" was also universally recognised as having a significant impact by 90 percent of Ukrainian respondents (88 percent globally).

Accelerating growth and the digital agenda

Optimism is high: 76 percent of respondents in Ukraine and 87 percent worldwide are confident in the growth prospects of their companies. 71 percent of respondents in Ukraine indicate that organic growth will be decisive. Across the globe, even more executives (87 percent) are confident in the growth prospects of their companies, though they anticipate this will take place through inorganic growth.



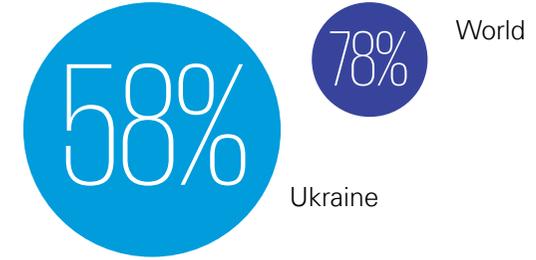
claim that they will mainly use *inorganic* tactics: strategic alliances with third parties, M&A agreements, joint ventures, and outsourcing.



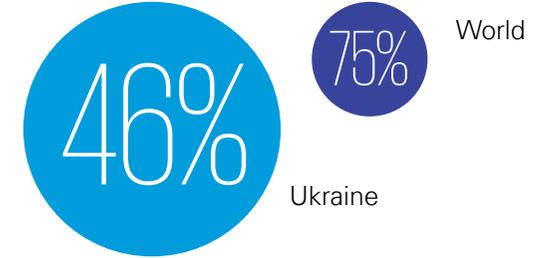
say *organic* growth (like innovation, capital investment, new products, and recruitment) are their main path to growth.

In Ukraine, only 11 percent of respondents interviewed (24 percent worldwide) said that M&A will be the most important strategy for their organisation to achieve growth goals over the next three years, with 14 percent of business leaders in Ukraine and 29 percent internationally claiming that they plan for growth via strategic alliances with third parties.

Top management is aware of the importance and effectiveness of technology for growth, with 38 percent of business leaders in Ukraine and 49 percent internationally planning to make products and services available via an online platform provider, 36 percent of respondents in Ukraine and 67 percent internationally planning to increase investment in disruptive ideas and innovations, and 23 percent in Ukraine and 46 percent internationally planning to co-operate with innovative startups. Our research also shows that executives around the world have an increasingly comprehensive understanding of the need to expand the digital potential of their businesses.



say "we need to be quicker to shift investment to digital opportunities and divest businesses that face digital obsolescence".



say "we have an aggressive digital investment strategy, intended to secure first-mover or fastfollower status".



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The post-COVID reality has quite clearly given rise to several universal and unconditional requirements for all players in the business ecosystem. In other words, these are the new rules of survival that we are forced to follow if we want to claim a certain role, let alone achieve business growth.



For example, one of the relatively big surprises of the post-COVID reality was the emergence of strong demand peaks which, as a domino effect, had a deleterious impact on certain manufacturing and service industries, triggering a wave of inflation in goods and utilities which, in turn, affects all of us.



Add to the mix some more political games in Europe's energy sector and natural disasters in Central America that have both contributed to a rapid rise in energy prices, and the high level of variability and unpredictability of the world we live in becomes obvious, but also how interdependent we are regardless of where we are on the planet. This interdependence affects all aspects of our social interaction across a world which is increasingly acting more and more as a single organism, highlighting that ESG is on the agenda and making it a top priority for all.

Flexibility in reacting to ever-changing circumstances and prompt decision-making in response to these changes are therefore probably the most powerful challenges experienced by both organisations and individuals. We are already taking a lot of measures to ensure the mobility and dynamism of our business and these transformations have affected almost all areas of our activities. Careful attention is paid to models of team interaction to increase efficiency and make the chain of decision-making shorter. We are also rethinking our products, offering more and more innovation in the sphere of health and opening new formats of interaction with our key customers and consumers, as well as in our dialogue with communities, by implementing more and more new initiatives in area of sustainable development. These concerns will remain a priority for us in the near future, as we are convinced that they will create a reliable springboard for joint development in terms of partnership and co-operation. ”

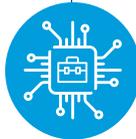
Adrian-Valentin Pascu
General Manager
Danon Ukraine



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We in Eldorado have adopted a new development strategy for our team which is now one of our top priorities. I am convinced that investing in human capital will be a determining factor for our company’s growth and development.



At the same time, when it comes to technology and staff, there is no either-or for Eldorado. Technology is impossible without people. We see that technology is evolving extremely fast and people often can’t keep up. Our priority, therefore, is to invest in the development of staff who not only master new technologies, but also help other Ukrainians to master them. We are the first Ukrainian retailer of home appliances and electronics to say that appliances are important but that that's not the main point. The important thing is the people and the moments they live.

Technology unfolds around a person, and not the other way around. The staff in our retail operations are very important and I think that will be the case for a long time, so long as our clients continue to need advice and face-to-face human contact.”

Vira Vitinska
CEO
Eldorado.ua



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No business development or transformation would be possible without the on-going, comprehensive involvement of all staff. That's why at UFuture we rely on people as the main engine and tool for development and transformation. It is our people who find, develop, and implement the technologies and innovations that subsequently change our business and our lives. To this end, we are constantly learning and even created UFuture University; a comprehensive corporate training programme which any employee can join that covers a variety of areas and topics. Our goal is to gradually create the educational ecosystem of the future.

However, learning alone is not enough either. After all, without the active and systematic application of new knowledge in practice, any knowledge or technology will atrophy and disappear. That is why today UFuture Holding and our portfolio of companies and projects live as a single ecosystem, often co-operating with each other, sharing experience, expertise, and opening new markets, opportunities, and ideas with each other.

Communication is also one of the key levers. We make sure that everyone feels like they are involved and participating in the big ideas and projects we implement every day. Everyone needs to understand the company strategy; why and for what reason some changes take place, certain technologies are introduced, or priorities are updated. Furthermore, effective communication helps to better understand each other and this is vital for conquering new markets, and making competitive breakthroughs or outstanding discoveries.”

Mykola Tymoshchuk
CEO
UFuture Holding



Key findings

The road to renewal

Trusted purpose

Digital agility

In summary

Methodology and acknowledgments

Trusted purpose

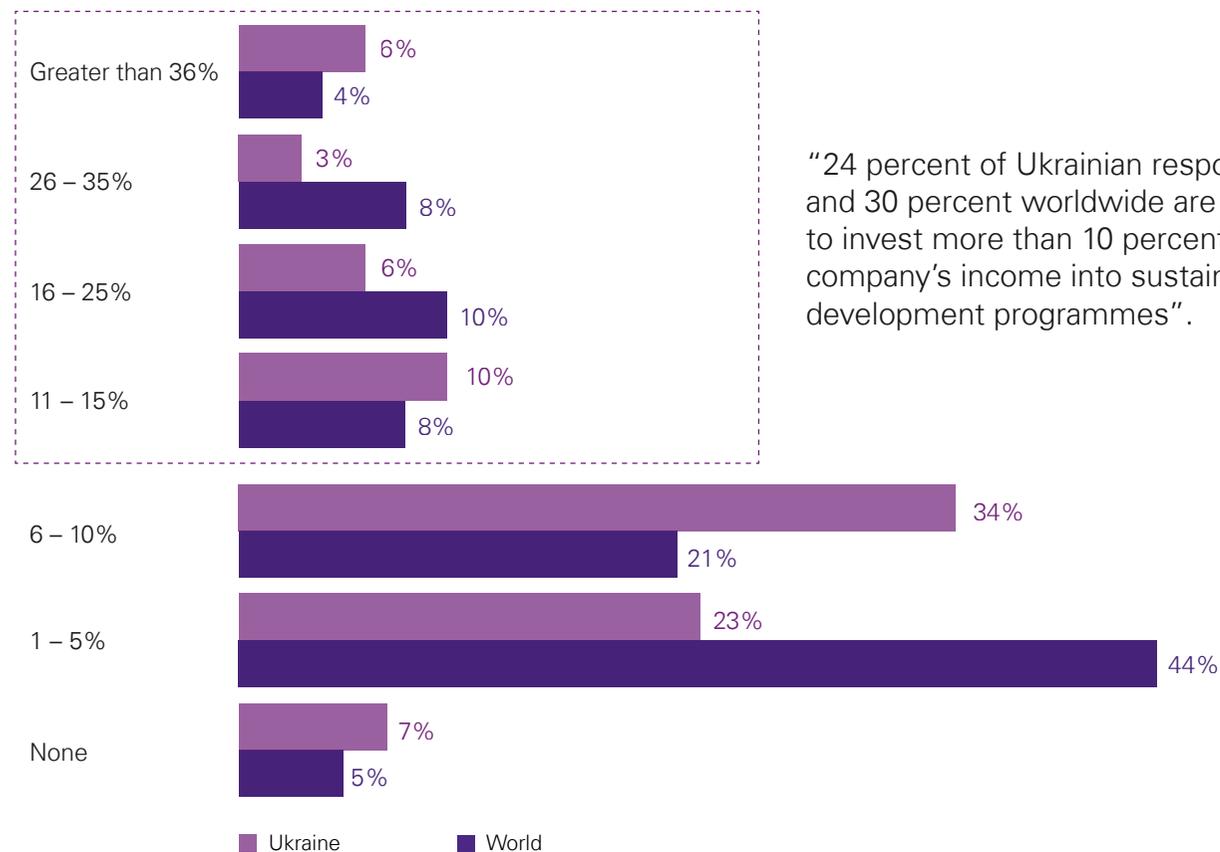
Stepping up on social issues

CEOs see a growing demand from stakeholders to implement ESG principles in their business strategy. Almost half of the respondents in Ukraine (47 percent) and over two-thirds worldwide (67 percent) are talking about the demand from stakeholders (including investors, regulators, and customers) for increased ESG accountability and transparency. 30 percent of Ukrainian respondents and 58 percent worldwide characterise this demand as significant and important; noting that the greatest demand and pressure is seen from institutional investors, according to 67 percent of respondents in Ukraine and 52 percent globally.

Investments to ensure sustainable development

To make progress on sustainable development, including climate change and decarbonisation of the economy, executives plan to devote significant capital to becoming more sustainable; with 24 percent of Ukrainian respondents and 30 percent worldwide planning to invest more than 10 percent of their company's income into sustainable development programmes.

Figure 6: Percentage of revenue that business leaders expect to invest in sustainable development programmes



“24 percent of Ukrainian respondents and 30 percent worldwide are planning to invest more than 10 percent of their company's income into sustainable development programmes”.

Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

Connecting ESG strategy with financial returns

There is great public demand for integrating ESG policies into companies' business processes. Company executives believe that social and environmental priorities are important, though they are less confident about the relation between ESG programmes and financial performance.

Within high-growth organisations, 52 percent of global executives believe that their ESG programmes will improve financial performance, a stark contrast to a mere 14 percent of Ukrainian executives from high-growth organisations. However, in a wider sample of organisations, the figures align more closely (though are still pessimistic) with 37 percent global executives and 20 percent of Ukrainian respondents seeing financial benefits in ESG programmes.

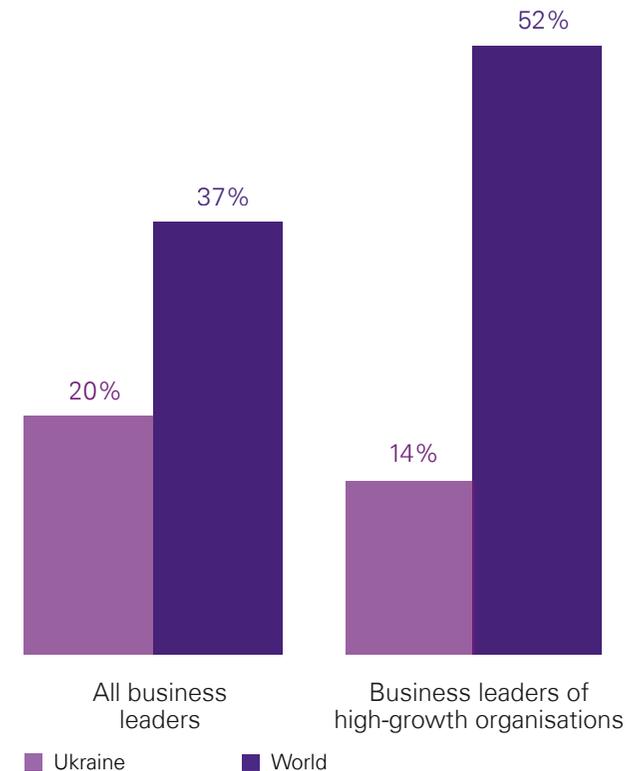
Almost a quarter (24 percent) of the surveyed executives worldwide say that the implementation of ESG programmes could lead to a decrease in financial results, while just three percent of Ukrainian business leaders agree. 77 percent of Ukrainian managers, meanwhile, consider the impact of ESG implementation to be neutral or to have an insignificant effect on their companies' financial results.

Preparing proper reporting will be essential as investors' attention to ESG activities is on the rise: 58 percent of global executives and 30 percent in Ukraine face increased ESG reporting requirements from stakeholders; including investors, regulators, and clients.



business leaders face stronger demand from stakeholders (including investors, regulators, and customers) related to ESG reporting and transparency.

Figure 7: Global high-growth companies are more likely to find that their environmental, social, and corporate governance (ESG) programmes contribute to better financial results.



Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021



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Today, sustainable development is not just an unalterable path for all mankind but a business imperative. Accenture studies show that between 2013 and 2019, companies with consistently high-quality ESG programmes demonstrated lower volatility and almost five-times higher operating margins than those with less investment in ESG.



Indeed, let's take Danone as an example. How can we talk about stable output of high-quality food products without providing favourable conditions related to care for the animals that provide the raw materials, without efficient co-operation with communities, or without fair working conditions and other important components?

After more than a century of business development worldwide, Danone has no less ambitious plans for the future. In 2017, we synchronised our strategic business goals with the UN Sustainable Development Goals. The goals are quite specific and cover three clear areas: the organisation of our business model, the model of brand building, and the model of trust.



During the [COVID-19] crisis, we were able to achieve effective practical results from the above strategy, quite possibly for the first time. For instance, the trust model consolidated our team to counter the threat of the pandemic and we managed to achieve uninterrupted production. Our model of brand building, where health has always been paramount, has made our useful and functional products even more relevant and in strong demand by our consumers. And our business model, where quality, innovation, and growth laid a solid foundation for work, has allowed us to maintain a foothold even in the most turbulent times.”

Adrian-Valentin Pascu

General Manager
Danon Ukraine



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We at Eldorado have identified the need to include ESG elements in our corporate strategy over the next three years, in line with our new philosophy. Eldorado strives for constant growth by improving our interaction with customers and employees. Therefore, we are especially focused on the development of vertical and infrastructural solutions for sustainable development. For the Ukrainian business community, at least for companies operating solely in the Ukrainian market like ours, ESG is an entirely new area. It will take more than a year for its full acceptance and formation.



However, Eldorado already pays considerable attention to implementing sustainable development approaches. We understand that where clients previously used to be satisfied with choices that served their direct functional needs, now most clients are already starting to think about the emotional and social impact of their consumer choices. Customers expect companies to conduct socially responsible business practices so ESG is gaining popularity in the financial market. Primarily, there is demand from immediate consumers. Competing at the level of a wide shelf and the lowest price point is no longer possible today. This is a matter of the future, and the future is about the client's emotions, about their commitment to certain types of companies. Going further, customers clearly understand why they love some specific company and why they enjoy its services. It's not solely about the fact that the customer came, bought something at a good price, and left.”

Vira Vitinska
CEO
Eldorado.ua



Key findings

The road to renewal

Trusted purpose

Digital agility

In summary

Methodology and acknowledgments



“



Sustainable development is not just some abstract goal but a specific strategy for companies operating in the global market. Environmental protection has become a trend over the past few years, setting a vector for both business and public policy. This is only natural, as environmental problems have matured step by step since the times of total industrialisation. This is what will radically change the economy over the next 20–30 years.



Tectonic changes have already begun. We are talking about the approved European Green Deal, about the intentions of dozens of major powers to build a carbon-neutral economy. As an industrial company and a large Ukrainian exporter, we have already received requests from customers from Europe and the United States to confirm more information than the usual queries about the technical characteristics of our products or our financial reliability, but also environmental audit information about suppliers. Many of our clients have decarbonisation goals and our customers are concerned about what our company is doing in this area.

One thing is for certain, and that's that we keep up with the times. In 2012, our company opened the Interpipe STEEL electric steel plant, built from scratch, which is already on par with the leading European companies and is a benchmark for CO₂ emissions in the field of steel production. In addition, the plant is equipped with modern gas cleaning and sound insulation systems, as well as a closed water supply system, i.e. the company has no industrial discharges, all water is reused in its production processes. However, we will continue to move forward by taking into consideration the environmental component, and implementing new projects.”

Fadi Hraibi
CEO
Interpipe



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METRO has always been a socially responsible company and has invested in environmental and social initiatives. We have doubled our budget for sustainability for the next two to three years in order to implement initiatives faster and develop new areas that emphasise our long-term view and responsible attitude to our products, our planet and, above all, our customers and employees.



Indeed, we are currently witnessing a growing focus on ESG. Firstly, we are not just talking about climate change as something distant and illusory; we can see the reality of things in different parts of the world, including extreme temperatures, fires, heavier snowfall, etc. Unless something is done now, all of these will have a significant impact on the global economy sooner or later.

It will be simply impossible to live in some parts of the world due to adverse climatic conditions, leading to mass migration. There are doubts that countries with suitable living conditions will have sufficient capacity to accept "migratory" populations and, accordingly, this will trigger difficulties with employment, pressure on social benefits, housing, infrastructure, and so on.

The same climate changes will entail shortages of agricultural products that will directly affect the economies of countries, enterprises, and corresponding living standards, as well as affecting the purchasing power of different populations.



All of this taken together will entail the loss of some markets for international players and, for both international and local companies, potential shortages of raw materials, drastic changes in the supply chain, and reduced turnover.

Therefore, it is extremely important for us not to take the position that "it doesn't matter to me, it's not happening to me, it's not happening here." Humanity and business need to unite and start actively implementing proactive initiatives!

ESG is also a social responsibility, first and foremost, to a company's employees. It is impossible to build a long-term, profitable business with employees who are not satisfied with their job or who quit their job often. Only a happy employee will be the most efficient and able to make the customer happy. The need to maintain the well-being of a company's employees manifested itself quite vividly during the pandemic when, in conditions of uncertainty, the level of involvement and, consequently, efficiency began to decline.



METRO carries out research on the involvement of its employees on a regular basis, implementing the most efficient tools to boost team spirit. We adhere to the principles of diversification and inclusion so that each employee understands their value, sees their contribution to the success of our business and our customers, and knows that they will always be heard and their opinion will be taken into account.”

Olena Vdovychenko
CEO
METRO Cash & Carry



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Our priorities have stayed the same. SOCAR is a customer-centric company and we see that as a source of growth. First of all, this customer-centric philosophy manifests itself in the level of service and quality we provide, which are unparalleled among other fuel market players of Ukraine. That is why our strategy does not focus on aggressive expansion. This is not necessary for the premium segment in which we operate. In our opinion, rapid growth is not compatible with preserving a high quality of service and an individual approach. It is much more important for us to increase our expertise as a hub that provides everything you need for a comfortable trip around the city and beyond.

Responsibility is an integral part of any successful business. Investing in social capital is just one aspect of this process. The world is moving towards greater awareness and responsibility for our actions. Naturally, it is becoming impossible to develop further without taking into account the shared interests of the environment and business. It is good that social initiatives have found support at the government level as well. Analysts say that companies supporting ESG principles have much higher growth potential. Time will tell how viable this strategy is for Ukrainian realities, but we have definitely chosen that vector of development for ourselves here at SOCAR.

Whether or not a business is environmentally friendly is also expressed in its willingness to innovate and digitalise its own processes. This does not run counter to the need to invest into staff development, but rather complements this need. The ultimate goal of these processes is to maintain and enhance the level of quality of service companies, in order to meet the requirements of our customers. ”

Elchin Mammadov
CEO
SOCAR Energy Ukraine



Key findings

The road to renewal

Trusted purpose

Digital agility

In summary

Methodology and acknowledgments

Digital agility

Building a flexible future of work

As people return to workplaces, CEOs need to decide on an operational model for the future that will work for both employers and employees.

Only 35 percent of Ukrainian respondents (37 percent worldwide) said that most of their employees would work remotely at least two or more days a week. However, CEOs rely on flexibility. Nearly one third of Ukrainian respondents (29 percent) and over half of global respondents (51 percent) are aware of the needs of future workforces and seek to invest in shared office spaces to allow for increased flexibility. In addition, 42 percent of global business leaders and only 13 percent of Ukrainian executives indicate they will look to hire talent that works predominantly remotely, seizing the opportunity to expand their reach into a wider pool of talent.

Disruptive change stimulation

Executives recognise that digital technology is at the heart of how companies can create new sources of value. When we asked what measures business leaders plan to take to achieve their growth goals, over two thirds of global respondents (67 percent) said that they intend to invest in disruptive technologies and innovation, whereas in Ukraine just 36 percent of managers plan such investments. Overall, as can be seen from Figure 8, executives from across the world show a much greater willingness to co-operate and invest into innovation.

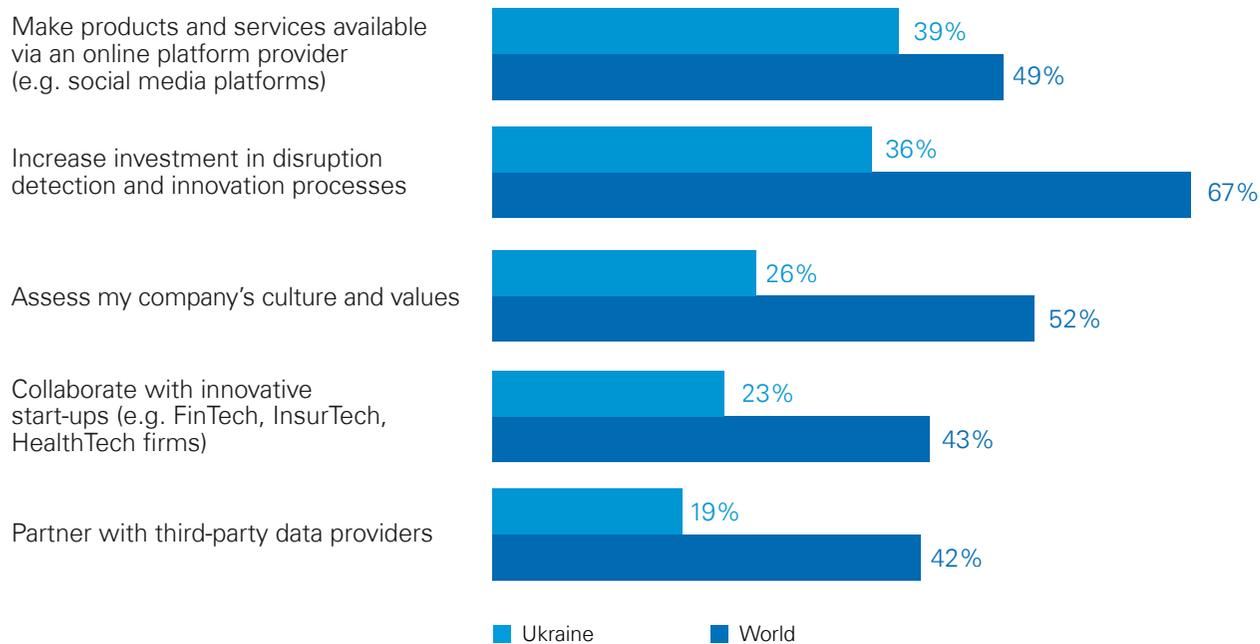
Partnering for transformation and resilience

Companies around the world work as part of digital ecosystems to improve operational performance, identify new sources of digital revenue, and gain compelling digital experience when working with customers in IT sphere. To meet their organisation's goals, companies co-operate with partners, suppliers, and even competitors. Company executives recognise the importance of co-operation and an adaptive approach to transformation, with 55 percent of managers in Ukraine and 70 percent worldwide saying that new partnerships will be crucial to ensure the pace of digital transformation.

Over two thirds of global respondents (67 percent) said that they intend to invest in disruptive technologies and innovation, whereas in Ukraine just 36 percent of executives plan such investments.

As partnerships require systems to interact with digital technologies and share data with partners, business leaders need to make sure that such systems and data, especially customer data, are secure. Cybersecurity threats limit growth and create barriers to digital development and interaction. Only 58 percent of the organisations surveyed globally and 49 percent of those in Ukraine said they felt well prepared for a cyber attack.

Figure 8: Actions that the company plans to take over the next three years to achieve its growth goals



Source: KPMG 2021 CEO Outlook and Ukrainian Business Leaders Outlook 2021

In Ukraine, 55 percent of executives and 70 percent of worldwide respondents say that new partnerships will be crucial to ensure the pace of digital transformation.



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We are automating operational processes on an on-going basis and investing in technology accordingly. We invest in technologies that will improve the speed of work and the speed of customer service at all sites. We channel a significant share of investment into technology to ensure the comfort of customers and employees. On average, the investments of companies in such technologies generates a fivefold return thanks to increased productivity, organisational flexibility, and customer satisfaction.”

Vira Vitinska
CEO
Eldorado.ua



Key findings

The road to renewal

Trusted purpose

Digital agility

In summary

Methodology and acknowledgments



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The Ukrainian IT market is very hot right now. The industry is developing very quickly and everything implies that this trend will continue in the coming years.

The need for businesses to digitalise process will only grow. Even large companies that were once entirely analogue are now beginning to digitalise and create their own products by establishing in-house IT departments.

In addition, the heritage of COVID-19 will stay with us forever: the format of working from the office that reigned supreme before will no longer be relevant. Most companies will operate in a hybrid format in a way that is most convenient for professionals and acceptable to companies.

In order to remain a market leader, you will need create the best climate for a hybrid team to work at all levels: in terms of working conditions and organisation of all processes. Current approaches will therefore need to be reviewed.

The key priority for us is still people, their all-round development, comfort, and equal opportunities. In a rapidly evolving world, we will rest upon our fundamental values centred on professionals and their talents.”

Olena Samborska
Managing and HR Director
Luxoft Ukraine





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As always, the key priority of METRO Ukraine will be the development and success of our business customers, and meeting the needs of our end users. Our goal is to provide customers with affordable products and services and create added value for our customers, no matter whether they buy our products directly in stores or order them on a website offering home delivery which has already become everyday reality.



We will keep on developing and investing in the hotel and restaurant business market by providing our HoReCa clients with business solutions, namely; product-specific, financial, and digital tools, as well as educational programmes.

In order to efficiently fulfil the task we set ourselves, we are going to invest a significant part of our resources into digital transformation. On the one hand, we will digitise routine processes to free up team time for creative solutions that will be part of our value proposition to customers, such as the development of products under their own brands that offer quality at the best price.



On the other hand, we will invest into solutions for customers which will make their customer experience easier and more interesting, reduce the time needed for purchase transactions, and increase the time for satisfaction with products and ready meals.

Systems and technologies cannot exist without people. Even the so-called AI [artificial intelligence] which is the marketing name for Big Data cannot be implemented and work effectively without professionals to operate it. Only qualified professionals can tell where, what process, and how data should be analysed, automated, and which systems should be connected to bring the level of efficiency that a company expects.

We will therefore equally invest into the purchase/development of digital solutions, and increase the capabilities of our team. Sometimes we attract staff from the market directly, specifically for industries where we did not have enough experience at first or when this was a new area for us. However, in most cases we prefer to develop and improve the knowledge of our in-house employees.



This strategy has always enabled us to maintain a high level of team involvement which manifests itself in terms of our market share, which is growing steadily despite the fact that we have not opened new stores.”

Olena Vdovychenko
CEO
METRO Cash & Carry



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For Farmak, as the leader of the Ukrainian pharmaceutical market, the only strategic priority is to improve our portfolio of medicines to meet the needs of Ukrainian patients for quality, affordable medication. That is why we are investing on an on-going basis into the modernisation of our enterprise; constructing new production sites, advanced IT technologies, and staff development.

Traditionally, we reinvest 90 percent of our profits every year. The expansion of our business also contributes to the creation of new, prestigious jobs and the strengthening of the Ukrainian economy. Today, Farmak's staff includes 3,000 employees and many more of them are busy in related industries. In addition, we are the largest taxpayer among Ukrainian pharmaceutical manufacturers. In 2020 alone, we paid over UAH712.1 million in taxes and fees to central and local budgets.

Overall, Farmak has invested about USD250 million into new technologies and new production facilities over the past 15 years. The resources of our existing research centre are no longer sufficient, so we plan to open an innovative R&D centre in Kyiv's Podil district in 2023 to develop modern medicines. This will be vital for the company to keep expanding its product range and enter new, foreign markets. In 2020, we increased exports by 40 percent and plan to expand even further in the coming years.”

Volodymyr Kostiuk
Executive Director
Farmak



Key findings

The road to renewal

Trusted purpose

Digital agility

In summary

Methodology and acknowledgments

In summary

Business leaders in Ukraine are optimistic and expect their companies to dynamically grow: 76 percent of Ukrainian respondents and 87 percent of global respondents are confident in the growth prospects of their companies. In Ukraine, 71 percent of respondents say that their main path to growth will be via organic means, while 69 percent of global executives say that they will mostly use inorganic tactics.

Ukrainian respondents name operational risk as the biggest threat to local company growth over the next three years, but regulatory risk, talent risk, the risk of supply chain disruption, and cyber threats also remain on their radar.

Company executives aim to stimulate growth and prosperity through digital technology by combining investment into technology with investment in human capital development, and are working to balance new ways of organising work developed during the COVID-19 pandemic and adapt their companies to a new post-pandemic future. In Ukraine, 55 percent of executives and 70 percent global respondents said that forging new partnerships will be crucial to ensure the current pace of digital transformation.

47 percent of Ukrainian respondents and 67 percent global business leaders foresee an increase in demand from stakeholders to implement ESG principles in their business strategies. 24 percent of Ukrainian executives and 30 percent of global respondents plan to invest more than 10 percent of their income in their companies' sustainable development programmes.

Methodology and acknowledgments

This KPMG report presents the views of Ukrainian business leaders in Ukraine about their companies, business as a whole, and global and local economic growth. The survey offers a unique look at how executives' thinking is changing because of the global COVID-19 pandemic.

The survey involved 70 business leaders and executives whose companies operate in various sectors of the Ukrainian economy. This survey was conducted in Ukraine from July to October 2021. The structure of the survey was based on 19 questions adapted from those used in the international survey KPMG 2021 CEO Outlook. The above executives work in more than 11 key areas, including the asset management sector, the automotive industry, banking, retail, energy, transportation, insurance, pharmaceuticals, manufacturing, and technology. Of the 70 executives, 30 represent companies with revenues of up to EUR8 million; 14 of them represent companies with revenues ranging from EUR8 million to EUR40 million; and 26 represent companies with revenues of over EUR40 million. We compared the data published in this report with the results of the KPMG 2021 CEO Outlook global report.

NOTE: Some figures may not add up to 100 percent due to rounding.

KPMG in Ukraine would like to thank all the business leaders who joined in our the survey, as well as all those who shared their thoughts with us:

- Adrian-Valentin Pascu, General Manager, Danone Ukraine
- Vira Vitynska, CEO, Eldorado.ua
- Fadi Hraibi, CEO, Interpipe
- Olena Samborska, Managing and HR Director of Luxoft Ukraine
- Olena Vdovychenko, CEO, METRO Cash & Carry
- Elchin Mammadov, CEO, SOCAR Energy Ukraine
- Volodymyr Kostiuk, Executive Director, Farmak
- Mykola Tymoshchuk, CEO, UFUTURE Holding



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