

ASSESSMENT OF THE BUSINESS ENVIRONMENT OF UKRAINE AND STRATEGIC TASKS OF ENTERPRISE MANAGEMENT IN MARTIAL LAW

Olga Komelina*, D.Sc. (Economics), Professor,
Head of the Department of Management and Logistics
Vitalii Krainiev**, Postgraduate Student of the Department of Management and Logistics
National University “Yuri Kondratyuk Poltava Polytechnic”

*ORCID 0000-0001-9297-4985

**ORCID 0000-0002-8961-9058

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Introduction. The armed aggression of the Russian Federation against Ukraine threatened the full existence of an independent European state. All the resources of our country – human, financial, economic, political and social – must be directed to achieve a common goal – Victory. The business environment is changing rapidly and unpredictably, existing business connections, logistics chains, channels and markets for goods and services of Ukrainian enterprises are being disrupted. Many companies are physically losing their means of production due to hostilities, and there has been an unprecedented human movement since the war. Before the leadership of the state, the management of enterprises and organizations becomes an extremely important task of preserving the lives of personnel, production and management of enterprises and the state in general. This requires prompt assessment of the current situation and taking immediate and effective measures to organize resistance to the aggressor and preserve Ukraine’s economic potential.

Overview of recent researches and publications. According to the World Bank, the business environment consists of a set of institutional, regulatory and regulatory conditions under which business operates [1–2]. The state of the business environment determines the opportunities for the formation of social welfare, ensures the territorial integrity of the country and its sustainable development, affects the efficiency of economic processes in the country, creates conditions for business and business relations [2]. Details of approaches to the study of the business environment in Ukraine are disclosed in a number of foreign and Ukrainian publications [1–4]. However, the existing developments and publications on theoretical and practical issues of forming the business environment of the country do not take into account the peculiarities of its functioning in the context of global crisis processes, especially in martial law. Research by Ukrainian scientists on this issue has been almost non-existent.

The aim of the article is to assess the business environment of Ukraine and determine the strategic objectives of enterprise management in martial law.

Basic material and results. It is well known that the state of the business environment determines the dynamics of increasing national wealth and improving the welfare of the population. An important methodological approach to assessing the business environment of countries through the conditions of doing business is the Ease of Doing Business Index (assessment of the business and investment climate in economies around the world), conducted for a long time by the World Bank Group. A new Business Enabling Environment (BEE) approach is currently being developed, which should include a set of selected indicators and resources for users focused on improving the business environment. The new approach will make it possible to assess the regulatory environment for businesses around the world. This approach will include three main components of evaluation that affect the business environment in the economy: starting a business, doing business and closing a business [4].

However, in Ukraine the change of traditional mechanisms to ensure the viability of enterprises in martial law is influenced by fundamentally different political and social factors and is accompanied by significant changes in the functioning of business, which requires the introduction of appropriate legal and economic instruments [2].

Russia’s aggression against Ukraine has led to a colossal impact on the citizens and economy not only of Ukraine but also of the whole World. Such actions and their impact on humanity, as it turned out, no civilized country wanted and could not clearly predict. From February 24, 2022, the russian federation takes away human lives, territories and destroys the economy throughout Ukraine. There is a need to assess changes in the business environment of Ukraine, adjust the basic mechanisms for ensuring the viability of enterprises (institutional, regulatory and regulatory), as well as reviewing the strategic tasks of management in martial law.

Analytical reviews of various sources of information on assessing the scale and consequences of the russian invasion of Ukraine indicate a huge loss of human, financial, economic resources and opportunities, which certainly affects the overall level of its economy. According to Ukrainian and foreign economists, the negative consequences of the war will be enormous. According to the Ministry of Economy of Ukraine, 10 regions of Ukraine where hostilities are taking place account for half of GDP, where the key positions were occupied by the territories of Kharkiv, Kyiv regions, and Mariupol. Ukraine’s economic losses are difficult to estimate, but it is already clear that they will amount to a third to a half of GDP, according to other estimates, they will reach more than \$ 500 billion. According to the IMF, Ukraine’s economy will shrink by 35% due to the war waged by russia [5]. Sources of filling the budget and income from entrepreneurial activity are rapidly decreasing, budget expenditures, expenditures on social support of the population, provision of humanitarian aid, etc. are growing [6].

According to Hugs.fund, as of April 3, 2022, in January-April 2022, the budget deficit of Ukraine amounted to almost 147 billion or about \$5 billion. In March, contributions to the budget amounted to 103 billion, and in April – 76 billion. The main source of filling the state budget are indirect taxes (VAT, excise duties, revenues from import and export duties), domestic and foreign borrowing. At the same time, 135 billion was spent from the state budget to service Ukraine’s public debt in January – April 2022; during the war the state budget received 123 billion from external sources, as well as 144 billion – from the placement of domestic government bonds. The total accumulation of public debt amounted to 267 billion.

The structure of Ukraine’s main sources of funding (about \$7.5 billion) since the beginning of the war is shown in Figure 1 [7].

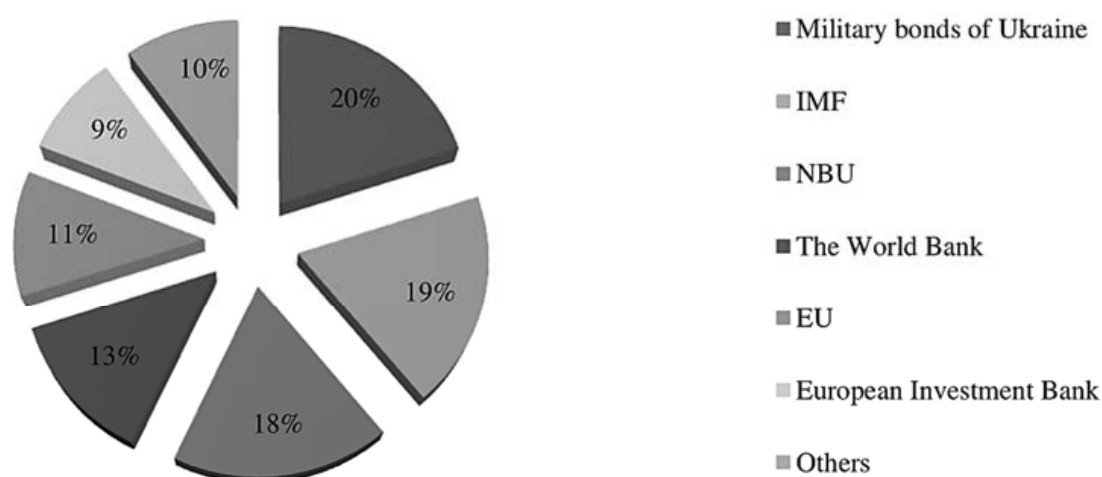


Fig. 1. Sources of funding for Ukraine under martial law

But the economic situation in Ukraine’s political partners, which bear enormous costs for Ukraine’s military and economic support, restructuring the economic system in the face of global challenges, is also affected by military events in Ukraine as a result of strong large-scale sanctions against russia and sanctions imposed on the economies of these countries.

Understanding the changes in the business environment, which is being actively transformed under the influence of new unprecedented challenges in the martial law of Ukraine, is important for defining modern tasks of enterprise management.

According to a study by the consulting company Advanter Group, as of April 13, 2022, the business environment in Ukraine was characterized by the following: 21.6% of enterprises completely stopped working; 34.3% – almost suspended their activities; 19.1% – work partially; 10.6% – reduced the amount of work. Against the background of such trends, it should be noted that 5.9% of enterprises have not changed their performance; 4.7% of enterprises increased the volume of work; in 3.8% of enterprises the volume of work increased significantly (Figure 2). The survey was conducted among 276 enterprises and CEOs of small and medium-sized businesses from the beginning of the war to mid-March 2022 [8].

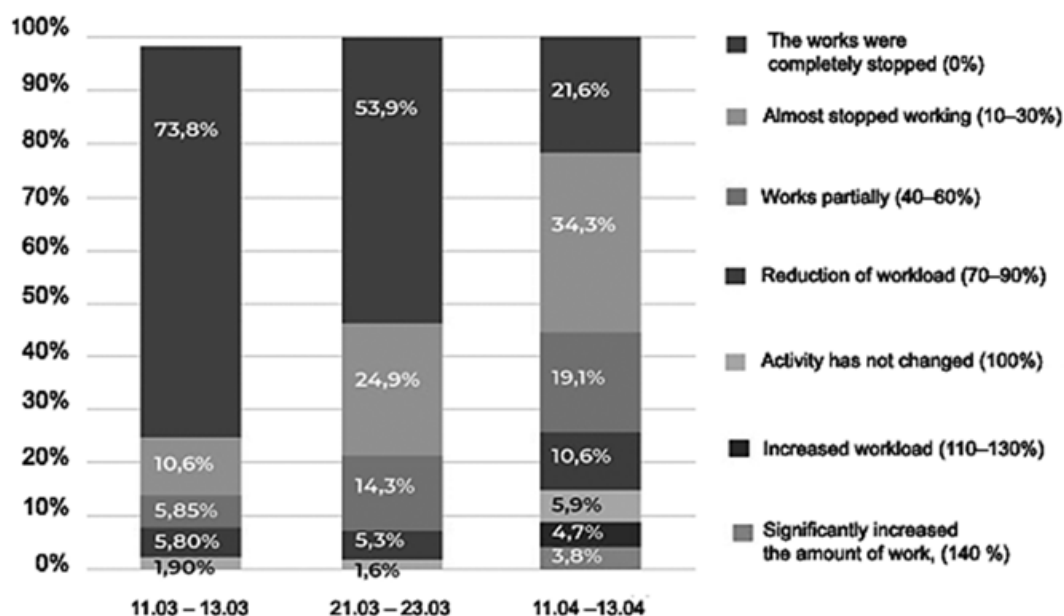


Fig. 2. New aspects of business functioning in Ukraine in the conditions of military aggression (23.02.2022 – 13.04. 2022)

Thus, the problems of restructuring the management of enterprises require considerable attention and the search for new business models adapted to the radically new requirements of wartime. Changing partnerships, new conditions of competition in domestic and foreign markets significantly change the conditions of business in martial law. The general dynamics of business activity of business structures in Ukraine during the war changed rapidly even within one month (March-April 2022). This information suggests that despite the significant deterioration of the business environment and the destruction of domestic cooperation under the influence of military actions, the occupation of some territories of Ukraine, there is an active search for mechanisms to counteraction these factors at micro, meso and macro levels, appropriate adaptation of the management of the state, territories, enterprises to new challenges.

This makes it possible to find new solutions in difficult conditions to maintain economic activity and adapt existing business processes to changes in the business environment by introducing new regulatory requirements. For example, the requirements and deadlines for submitting statistical, financial and tax reporting have been changed. There have been significant changes in the country’s banking and tax legislation, the system of state regulation of prices and pricing, etc.

The results of estimating the direct losses of small and medium-sized businesses in Ukraine since the beginning of the war and during February-April 2022 [8] are presented in Figure 3.

One of the most significant losses for the small and medium-sized businesses is the loss of 1.2 million people (reductions due to the difficult economic situation in enterprises). At present (from April 23, 2022 to mid-April 2022), 33% of the total number of employees were laid off, 42% of employees work on the basis of reduced wages or transition to part-time employment, 34% of staff sent on vacation [8]. During this time, 42% of employees or 275 thousand people were laid off at micro-enterprises, 24% or 387.8 thousand people at small enterprises, and 18% and 540.2 thousand people at medium-sized enterprises. It is clear that this will complicate the recovery of the economy as a whole in the postwar period.

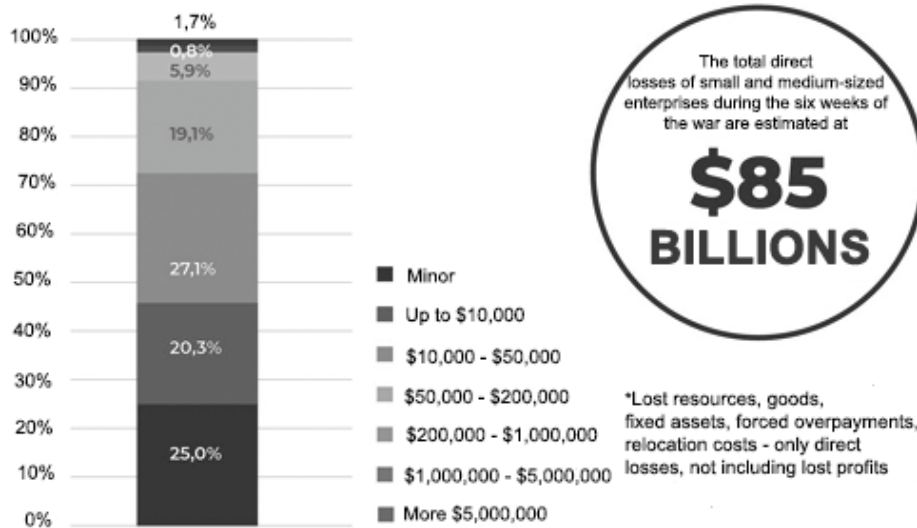


Fig. 3. Differentiation of small and medium enterprises of Ukraine according to the results of direct losses (as of April 13, 2022)

The situation with staffing in Kyiv has a pronounced local character: 18% of employees remained in the workplace; 27% of employees work remotely; do not work (evacuation, occupation) – 55% (Figures 4–6).

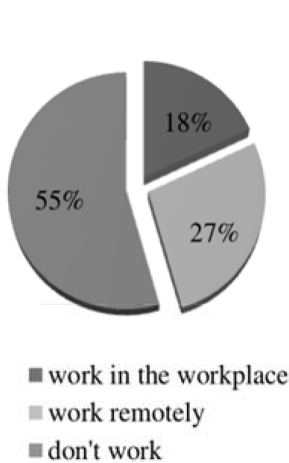


Fig. 4. Percentage of employees

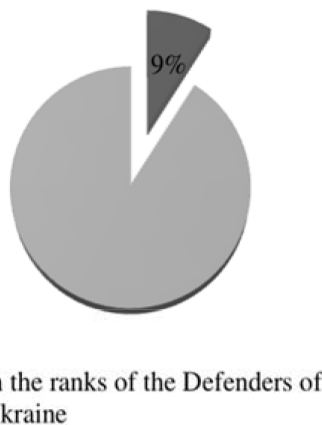


Fig. 5. Percentage of employees in the ranks of defenders of Ukraine

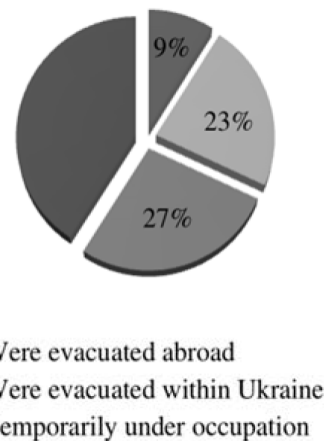


Fig. 6. Percentage of workers in evacuation and occupation

New challenges in employment are imposed on the trends of population decline, its migratory activity for various reasons. According to the Office of the United Nations High Commissioner for Refugees, of the total number of Ukrainians living in Ukrainian-controlled territory (36.492 million as of June 30, 2021), 13.4 million fled their homes due to the war: 7.7 million Ukrainians are internal refugees, 5.7 million Ukrainians went abroad (as of May 6, 2022) [9].

Under martial law, the management of both economic entities and the system of state and regional government needs significant changes. The activities of state executive and legislative bodies and institutions, private enterprises, self-employed persons should be united as much as possible in a single pool for the sake of successful provision and victorious conduct of hostilities. At the same time, the management of enterprises whose main activity is not directly aimed at ensuring the tasks of state defense, should make every effort to continue their activities.

The main tasks of modern management of Ukrainian enterprises in martial law can be reduced to the following:

– first – maintaining the control of the enterprise in the conditions of disruption of communications with employees, contractors, government regulators through the introduction of martial law, changing the level of accessibility of logistics routes and restricting the mobility of people, destruction of transport infrastructure. This factor becomes the main factor in maintaining the “viability” of the enterprise and restructuring its activities in new conditions. As the practice of enterprise management in martial law has shown, it is necessary to quickly determine the most important short-term priorities in the enterprise management system: ensuring financial and economic stability, organization of clear effective communication channels, operational arrangement of jobs outside the main location (relocation), the situation regarding the activities of the enterprise and the possibility of fulfilling obligations under contracts; understandable sound management actions aimed at preserving human resources and optimizing activities.

– secondly – the preservation of human resources in connection with the war and the real reduction of staffing, which ensures the sustainability of the enterprise and the implementation of key business processes and the introduction of new ones. The threat of losing professionals (highly skilled workers) with a high probability leads to the closure of any enterprise, even in peacetime. In addition, the psychological human condition during the war makes people, above all, worry about maintaining their health and the lives of their families. The management and administration of the enterprise must take into account such factors, make every effort to maintain the normal psychological human condition of employees, with an understanding approach to limiting their ability to work or inability to perform their duties for a certain period of time, control threats at the location and take action to inform employees about future and existing threats.

Adherence to such positions in the context of changing the situation regarding the selection and training of personnel is an important condition for the creation of modern and improvement of existing business processes.

– third – adaptation and updating of business processes. The war brings a lot of suffering and losses, but in the conditions of enormous support of the Ukrainian people by the world community, a “window of opportunity” has opened for Ukraine. There is an unprecedented development of new business ties with Western countries, mastery of advanced European and global models of enterprise management, opening access to logistics, production, information and economic capacity of the European Union.

Thus, the tasks of introducing innovation management in enterprises in order to implement innovations, find optimal solutions, re-evaluate existing and search for new business opportunities in the war and after the Victory are relevant.

Conclusions. The formulated strategic tasks of the management of enterprises in martial law determine the general approaches that must be specified for each individual enterprise, taking into account the specifics of the manifestation of these challenges. Any wartime management model that will allow the enterprise to continue to operate should be considered acceptable.

In such circumstances, the management of the enterprise in martial law requires a review of existing tools, where a special role is played by information and communication (various information technologies, approaches, tools and measures), the use of which aims to overcome the crisis or mitigate its consequences provoked as military actions on the territory of Ukraine, and their global manifestations.

At the same time, the State must create favorable conditions for the implementation of these strategic objectives for business and together bring the Victory closer. The introduced tools of state management in Ukraine at the beginning of the war provided income (NBU), payment of dividends by State banks, taxes on business activities, which allowed to provide VAT refunds, social benefits, debt service, etc. Restructuring the State Budget of Ukraine in this period is the most difficult issue and requirement of the time. At the same time, the Government of Ukraine initiated the introduction of a mechanism to support Ukrainian business, mainly through tax deferrals. But this mechanism must be detailed taking into account the peculiarities of the functioning of different sectors of the economy.

To this objective, the Office of the President of Ukraine and the Cabinet of Ministers of Ukraine presented the Economic Recovery Plan of Ukraine, the solid foundation of which should be its full membership in the European Union. The declared vectors of implementation of this plan should be specified later through the mechanisms of their implementation in peacetime. To do this, the necessary tasks in the field of State management are the further development of the philosophy of relations with business, because it is business that fills the State budget, creates economic and social benefits, and the State acts as a regulator in this process [10].

Strategically new opportunities for enterprise development and their integration into world trade chains in the context of facilitating access to the markets of the European Union, Great Britain and the G7 countries are

noteworthy. At the same time, this should be accompanied by the task of restructuring the country's economic system with new strategic priorities, which will include:

- first, the development of the domestic military-industrial complex, where military-tech will be a driver of development for the civilian sectors of the economy;
- secondly, structural modernization of the economy with clearly defined priorities for the development of the processing industry, reduction of resource and energy intensity of the economy, development of industries with a high level of added value, realization of existing export potential in agricultural and industrial spheres;
- thirdly, optimization of the country's logistics infrastructure and logistics potential, taking into account new global and domestic logistics routes;
- fourth, ensuring a sufficient level of energy independence by increasing domestic gas production, developing nuclear and green energy, moving to the principles of the “green economy” model (climate modernization).

At the same time, the principles of sustainable development must be unchanged and taken into account when developing a strategy for the development of the state, territories and enterprises. The implementation of such strategic objectives requires the further implementation of effective economic mechanisms based on deregulation and liberalization of relations with business both in martial law and at the stage of economic recovery. It is advisable to investigate the effectiveness of alternative approaches to the effectiveness of mechanisms: taxation during wartime; simplification of doing business not only for enterprises operating in the territories where hostilities are taking place, but also throughout Ukraine, as well as estimating losses and loss of profits of enterprises in order to quickly determine and generate reparations to the Russian Federation after the Victory of Ukraine.

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UDC 338.22.021.4

JEL O20

Olga Komelina, D.Sc. (Economics), Professor, Head of the Department of Management and Logistics. **Vitalii Krainiev**, Postgraduate student of the Department of Management and Logistics, National University “Yuri Kondratyuk Poltava Polytechnic”. **Assessment of the business environment of Ukraine and strategic tasks of enterprise management in martial law.**

The current state of the business environment of Ukraine from February 24, 2022 to April 2022 has been developed. The state and sources of filling the budget of Ukraine, the problems of functioning and loss of Ukrainian enterprises during the war are considered. Data on migration and employment of the population of Ukraine are given. The main strategic tasks of the management of enterprises in martial law to preserve their activities are formulated.

It is stated that the main strategic tasks of the management of enterprises in martial law should be to maintain the manageability of the enterprise, preserve the human resources of the enterprise, and rapid adaptation and updating of business processes of the enterprise for war. Emphasis is placed on the special role of information and communication tools (various information technologies, approaches, tools and measures) in resolving enterprises from the crisis or mitigating its consequences, including due to the war. The main postulates of the Plan of Economic Revival of Ukraine, developed and proposed by the Office of the President in order to consolidate the citizens, enterprises and society of Ukraine to fight the aggressor and restore the country after the Victory.

Key words: business environment, evaluation, management, strategic tasks, enterprise, martial law.

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JEL O20

Комеліна Ольга Володимирівна, доктор економічних наук, професор, завідувач кафедри менеджменту і логістики. **Крайнів Віталій Миколайович**, аспірант кафедри менеджменту і логістики, Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Оцінка бізнес-середовища України та стратегічні завдання менеджменту підприємств в умовах воєнного стану.**

Досліджено актуальний стан бізнес-середовища України, починаючи з відкритого вторгнення країни – агресора 24.02.2022 року, по квітень 2022 року. Розглянуто стан бюджету України та джерела його наповнення в указані терміни, проблеми функціонування та втрати підприємств малого та середнього бізнесу України під час війни. Наведено дані стосовно зовнішньої та внутрішньої міграції населення України та стан зайнятості у березні – квітні 2022 року. Сформульовано та наведено основні стратегічні завдання менеджменту в умовах воєнного стану для збереження діяльності підприємств України. Вказано, що головними стратегічним завданнями менеджменту підприємств в умовах військового стану мають бути, по-перше, збереження керованості підприємством. Необхідно оперативно визначити найважливіші найближчі пріоритети в системі управління підприємством. Друге завдання – збереження кадрового потенціалу підприємства. Керівництво та адміністрація підприємства повинні враховувати докладати максимум зусиль для підтримки нормального психологічного людського стану працівників, з розумінням ставитися до обмеження їх працездатності або неможливості виконувати свої обов'язки на певний період часу, контролювати загрози на місці та вживати заходів для інформування співробітників про майбутні та існуючі загрози. Третє завдання – швидка адаптація та оновлення бізнес-процесів підприємства для діяльності в умовах війни. Війна приносить багато страждань і втрат, але в умовах величезної підтримки українського народу світовою спільнотою для підприємств України відкрилося «вікно можливостей» щодо максимальної інтеграції в сучасні світові бізнес-процеси. Наголошено на особливій ролі інформаційно-комунікаційних засобів (різноманітні інформаційні технології, підходи, інструменти та заходи) при виході підприємств, що працюють в умовах військового стану, із кризи або послаблення її наслідків, в тому числі безпосередньо із-за війни. Вказано, що державні регуляторні органи мають підтримати діяльність підприємств України в умовах війни зниженням податкового тиску шляхом відтермінування або скасування податків, зборів або інших платежів до державного бюджету. Наведено основні постулати Плану Економічного відродження України, що був розроблений та запропонований Офісом Президента в травні 2022 року з метою консолідації громадян, підприємств та суспільства України для боротьби з агресором та відновлення країни після Перемоги.

Ключові слова: бізнес-середовище, оцінка, управління, стратегічні завдання, підприємство, воєнний стан.