SECURITY ASSESSMENT: DOING BUSINESS IN UKRAINE
Joint survey
2022 is a year of deep grief and horror for Ukrainians, because of Russia’s full-scale invasion and war of aggression against our country. It conjures up painful memories of countless Ukrainians killed or tortured, and of villages, towns, and entire cities that Russia took over or destroyed.

Millions of Ukrainians were forced to flee their homes, while the nation witnessed the destruction of the country’s energy and logistics infrastructure. It was a time when we were confronted with the reality of genocide in our own nation.

It was a time when the world saw the incredible bravery of the Ukrainian people in the remarkable resistance and a series of stunning victories achieved on the battlefield. In response, Ukraine united and gripped by an unprecedented outpouring of volunteerism. Thousands of businesses, initially focused on survival amid the uncertainty of war, soon became ardent supporters of the Ukrainian military and those in need throughout Ukrainian society.

In 2022, normal business activities such as conducting assessment surveys became impossible. Instead, the focus shifted to volunteering, fighting, fundraising, and providing maximum support to friends and colleagues in the military to hospitals and the elderly. The top priority was to safeguard the nation and ensure every individual’s right to life in safety.

In 2023 we resumed our tradition of conducting an annual Business Security Assessment, as established three years ago. The 2023 Security assessment of doing business in Ukraine is distinctive as it offers unprecedented insights into businesses operating during a full-scale war. The research was carried out by Sayenko Kharenko and SK Security in association with the European Business Association (EBA), supported by the Association of Corporate Security Professionals, ASIS Ukraine, and the Federation of Employers of Ukraine (FEU).

The findings reveal the distinctiveness of the present situation that businesses in Ukraine have to deal with. These involve disruption to ordinary business connections, the challenge to overcome the negative effects of the war, and the necessity to relocate from the east and south of the country to central or western Ukraine. The Assessment also remarks on the experience of Ukrainian businesses in successfully growing into Europe, opening new offices and launching production facilities, exploring logistics opportunities, and entering new markets.

Despite the extremely challenging business environment, Ukrainian businesses have managed to endure and even expand. Some have adapted by finding new markets or working with state institutions to address the needs of the defence sector.

The survey results from businesses in 2023 showed a significant change from the previous years of 2020 and 2021. In 2023, businesses had completely new concerns, with the top three all strongly linked to the war. This change indicates the effect of the war on Ukraine’s business environment.

Thank you to everyone who has found the time during this complicated time to explore the findings of our survey. I also appreciate the EBA team for their work in conducting this survey with us this year. Special thanks to the SK Security analytics team, whose diligent work made it possible to finalize the figures presented here. And lastly, I would like to extend my gratitude to all members of the business community who backed our research and took part in this survey.
The share of companies with in-house security services declined in 2023 compared to 2021: 53% of surveyed companies now operate without such services, compared to 49% in 2021. This may be the result of a decrease in business activity due to new challenges.
49% of respondents negatively assess the business climate in Ukraine: 8% name it as extremely negative and 41% are negative. Nevertheless, the situation is positively characterized by 51% of respondents, among which 45% name the business climate to be acceptable and only 6% consider it positive.

The survey found no correlation between the types of investment and the assessment of the business climate. Representatives of Ukrainian and foreign businesses assess the business climate in the country almost equally: both positive and negative business climate is assessed by approximately the same number of surveyed companies.

At the same time, in 2021, the number of international companies that positively assessed the business climate was 59%, compared to 51% in 2023.
Assessment based on the size of the company

Companies with a security service tend to assess the business climate in the country as more negative: 55% of surveyed companies with a security service assessed it negatively, compared to 44% of those without such a service. At the same time, large companies with 500+ employees tend to assess the business climate more negatively. In contrast, small and medium-sized companies are generally more optimistic: 58% positively assess the business climate, while 48% and 43% have a negative outlook, respectively.

Today, about half of companies have in-house security services. It is worth noting that three years ago, 76% of businesses with foreign investments had their own security service, as opposed to 65% of Ukrainian companies. Three years ago, only a third of Ukrainian businesses (35%) still needed a unit whose main task was to ensure the security of the company’s operations. This issue requires in-depth study, as the reasons for the reduction of security departments may include the mobilization of specialized security specialists, a decrease in business activity, the reduction of security services due to changing circumstances, or other reasons.
Major crises for companies include mobilization (mentioned by 84% of respondents), military operations (67%), and outflow of skilled workers (56%). The most critical situations for companies with or without in-house security services are almost the same.

Having a security service in a company hardly affects how they rank the urgency of crises. However, the proportion of crises in companies without their security service is much lower. This suggests that more expert assistance is required for the early detection of crises and efficient responses.

It is important to note that the most frequent crises are completely different now. The most common situations in 2021 involved unlawful activities of government agencies, unfair competitive actions, and unlawful activities of law enforcement agencies.

The survey revealed that international companies encounter less corruption (35% vs. 40% of Ukrainian companies). However, companies of all investment types reported facing unlawful actions from state authorities. The situation concerning unlawful actions by law enforcement agencies is notably different: 24% of Ukrainian businesses experienced such actions, compared to 16% of companies with international capital. This may be because international companies have more compliance officers and stronger legal support.
The outflow of skilled workers is a major challenge for both small and large businesses (67% and 50% respectively). Meanwhile, medium-sized companies are more sensitive to corruption (47% vs. 46% among large businesses and 27% among small businesses).
Only a small fraction of companies rely solely on external resources to deal with crises. Businesses in Ukraine tend to prioritize internal resources (20% vs. 16%). Most of the survey participants use a mix of internal and external resources to overcome crises.
Businesses are mostly satisfied with their infrastructure security (66% of respondents). However, there is a difference between companies that have a security service and those that don’t. Companies with in-house security services report higher security of their business infrastructure (75% vs. 58%).
Working with local government and military structures is usually seen positively by companies (81% of total respondents). However, companies that do not have a security service rate the collaboration more poorly than companies that have relevant experts (25% vs. 13%, respectively).
Today, many companies are dealing with employee safety issues. The survey findings reveal that 77% of respondents have experienced incidents related to employee safety. Meanwhile, 35% of the companies without in-house security services have not had any employee safety problems, compared to 10% of those who have one. This may suggest that companies are located in safe areas and that with the support of the necessary specialists, they can assess the relevant risks on their own.
Contact information

Sergiy Pogrebnoy
spogrebnoy@sk.ua

Partner at Sayenko Kharenko
Co-Owner of SK Security
Chairman of the Supervisory Board of ASCP
Vice President of ASIS Ukraine
Member of Safe Ukraine 2030 Supervisory Board