



KPMG Review Magazine #8

A new normal

Lenna Koszarny
Horizon Capital

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Darnitsa Group

Olga Ustinova
Vodafone



COVID-19 Special Edition
KPMG 2020 CEO Outlook



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**Andriy Tsymbal****Managing Partner,
KPMG in Ukraine**

1996: Received an MBA from Waynesburg College, USA

1999: achieved the highest worldwide score in the ACCA Financial Accounting (FA/FAA) exam

2006: Progressed from audit assistant to partner, becoming the first local partner of KPMG in Ukraine

2014: appointed KPMG Managing Partner, which has seen over a threefold increase in turnover to date

Married with two sons and two daughters

 **Andriy Tsymbal**

An Open Future as 'The New Normal'

C OVID-19 has complicated all our lives and has required us to reconsider our entrenched formats and methods of work. Before the outbreak of the pandemic, the Ukrainian economy had gradually stabilised. Income growth and reasonable demand provided business with room to manoeuvre and many were able to put on hold essential changes that would have brought benefits to businesses and their customers, as well as to the general public. Today, however, any delays to making changes are no longer possible.

We have stepped into a new world. This is an open future. We could not predict it. We cannot control it. All we can do is focus on agility and stay on the same page with our customers. Explore our own ways to transform and work in the post-pandemic world.

Anyone would agree that the economy has never been in a situation like this, so we should allow for error when making decisions in the new normal. There's always a margin for error when you face challenges you've never faced before; you have to seek out non-standard solutions when business transformations and improvements take place in a completely new environment.

We should also recognise that customers are putting more and more of their trust in artificial intelligence and digital technology as a part of the brand. Such a perception creates new behavioural economics trends and requires a strategic approach to cyber security. We also have to acknowledge that, due to COVID-19, business will be impacted by restrictive measures from governments and other external factors more than ever before, at least in the short term.

This issue of KPMG Review Magazine is entitled 'The New Normal' because we are witnessing first-hand how established business models are being disrupted and becoming outdated. Meanwhile, innovative thinking and agility are becoming an everyday life necessity in this rapidly changing environment. The journey into this new business era will not be easy. We will be different people from who we were before — but how different will we be?

In preparing this new issue of KPMG Review Magazine, we have been seeking an answer to this question together with leaders of companies from various economic sectors.



Far horizons

Lenna Koszarny is a Founding Partner and CEO of Horizon Capital, a leading private equity firm in Ukraine. She spoke with Peter Latos, KPMG's Head of Advisory in Ukraine, in a wide-ranging discussion about the secrets behind Horizon's rapid rise to the top, its response to recent tumultuous events, the impact of new technology and Horizon's forward strategy to address the quickly evolving changes to business and society.

[Teaser interview](#)[Podcast interview](#)



In the space of little more than five years, Horizon Capital has grown into the largest Private Equity firm in Ukraine; with USD850 million under management, over USD750 million invested in 150 companies in Ukraine, Moldova and further afield, and over USD2 billion of capital attracted to the region. But Koszarny has set her sights on a different scale of achievement. She's not content with being in the top flight of firms by margin in Emerging Europe: "We want to be top flight for our investors, and stay there," she says.

There isn't one magic ingredient to Horizon's success, Koszarny stresses, but there are certainly some must-haves — key among which is having the right people and a meritocratic culture. While that means attracting top talent from the region as part of the Horizon team; with MBAs from Harvard, Wharton and other leading business schools, as well as blue-chip consulting or operational credentials, Koszarny is just as passionate about ensuring that the founders of the businesses that Horizon invests in are driven, single-minded visionary entrepreneurs.

Whilst other countries have business incubators and accelerators with government support for new businesses, Ukrainian entrepreneurs are largely on their own and that makes them a special breed, Koszarny feels. "I have enormous respect for Vladyslav and Iryna Chechotkin," she says, "They started Rozetka in an apartment and they are the number one e-commerce champion in the country." She also draws attention to Joooble founders Roman Prokofiev and Yevgeniy Sobakarev: "they built the number two job aggregator in the world. That's amazing." To this pantheon of young entrepreneurs, Koszarny adds Aleksandr Konotopskiy of Ajax Systems, the home security systems

manufacturer. She also notes the accomplishments of Vladimir Mnogoletniy of Genesis, the venture builder which launched Jiji; the leading online marketplace in five African countries, and also BetterMe; one of the fastest-growing health and fitness apps in the world, led by Victoria Repa. Koszarny describes these Ukrainian entrepreneurs who chose to build their businesses even under difficult circumstances as being like "a cactus in the desert: super strong and resilient which makes them perfect to take over the region and the world." Highlighting their resilience, Koszarny even admits that she admires these Ukrainian entrepreneurs "even more than Elon Musk or Jeff Bezos."

Despite the COVID-19 pandemic, Koszarny remains optimistic about Ukraine's economic prospects. The crisis hit at a time when the country was very well placed to withstand it, she says, given the belt-tightening undertaken since 2014 / 2015. "We are sitting on the highest foreign currency reserves

in seven years, we had an extremely low net debt to GDP [ratio] of 52 percent. We had just over 3 percent growth last year." While the second quarter of 2020 saw GDP decline by 11 percent, Koszarny compares this with the Eurozone and the USA which have seen drops of 12.1 and 32.9 percent respectively. "Now we've seen a 4 percent month-on-month increase in June and July. Relatively speaking, Ukraine is in decent shape." But she also warns that although "we've got almost \$30 billion in foreign currency reserves... it's very important that monetary and fiscal stability is there, and it is extremely important to preserve it." And while some of the countries neighbouring Ukraine can spend up to 15 percent of their GDP to stimulate their economy, "we're not in that place." Koszarny warns. "There's no silver bullet," she stresses, "[but] if I'm analysing the Ukrainian government, I would be saying to leave no stone unturned, to ignite structural reforms and to do the heavy lifting that brings investors' confidence in [Ukraine's] rule of law."



As Chair of the American Chamber of Commerce in Ukraine, Koszarny says that the mantra from the Chamber and its members is very clear: “Rule of law, rule of law, rule of law.” She says there is an essential need to ensure a fair and transparent court system, followed by cooperating with businesses based on “trust, transparency and political will.” This, Koszarny says, is what will move the country forward. Investors need to have confidence. And Ukraine needs investors.

Horizon has continued to invest throughout the pandemic. The private equity cycle is 3 to 5 years, followed by divestment. While for many there was a slowdown as people adjusted to a new reality, Horizon Capital continued to pursue deals irrespective of the external situation. Perhaps Horizon is an anomaly, Koszarny suggests, but “for us, there was no slowdown, we continued to invest.” She also has plans, to announce a further deal soon*. Horizon’s most recent fundraising round drew in USD200 million and, according to Koszarny, “we’ve been putting it to work since December 2018.” The focus is on backing “Export Champions and Domestic Champions” she adds. Even in the current downturn, Horizon hasn’t ventured into special situations or distressed assets. “In terms of the thesis supported by our investors [...] we stick to what we’re good at: mid-cap growth equity with a strong tech focus, 70 percent export champions, 30 percent domestic.” This goes beyond IT, including investments in light manufacturing, food processing and other attractive sectors.

Koszarny sees great opportunity in the tech sector. Indeed, around 50 percent of the assets in Horizon’s most recent fund are in this sector. She predicts that we may see over 20 percent growth in tech this year and notes the objective of the Ministry of Digital Transformation to drive the sector to over \$15 billion. The recent financing rounds for Gitlab and Grammarly; two Ukrainian tech businesses that have become household names worldwide, were a great success and perfectly demonstrate the opportunities Koszarny

mentioned. “E-commerce is extremely hot, not only general e-commerce [...] but also niche e-commerce”, she points out. Offering an example, Koszarny adds, “we just invested in a company called MAKEUP that is specialised e-commerce in beauty products.” The business, which operates across 14 countries, was started by Ukrainian entrepreneurs led by Serhii Volobuiev. “They’re not satisfied with only conquering Ukraine, they want to go regional, global and put their footprint far and wide [...] We are very honoured to be the largest financial investor in the capital structure for this company”.

But for Horizon, Koszarny says, it’s not just an issue of identifying an investment target. Great investment opportunities can secure finance anywhere, she believes. Horizon’s USP is the way it contributes to value-add projects and works alongside the business founders to drive growth and capitalise on opportunities. For that, Koszarny explains, you need to build relationships: “You have to be able to keep pace and you have to be respected by them [...] It’s not just: ‘What’s your business model?’ It’s first and foremost about the founder behind the business.” Horizon’s Senior Partner Denis Tafintsev spent 3 to 4 years getting to know the Chechotkins before striking the deal to invest in Rozetka, and Koszarny feels that this kind of working relationship is one of the key ingredients of Horizon’s success. “Without those visionary entrepreneurs and founders who’ve created these companies, we would not be where we are. And we certainly would not be looking to provide them with growth equity.” Beyond this, Koszarny feels this personal touch is necessary on both ends for Horizon and its partners to invest the significant time and effort needed to grow the business together.

Asked how she feels about the move to remote working during the pandemic, Koszarny is upbeat. “In the last year we spent a great deal of time and money making sure that all of our systems and processes were modern. We implemented SAP, we transferred everything to the cloud.



This is a new world, everyone must be digitally savvy, understand how to communicate in various forms, whether it’s a conference through a Zoom call, a message in WhatsApp or Telegram. Keeping up communication is key”





Lenna Koszarny

Founding Partner and CEO of Horizon Capital

Born in Canada, Koszarny has lived and worked in Ukraine for over 27 years

The first woman to chair the American Chamber of Commerce in Ukraine

Koszarny has been awarded the Order of Merit, 3rd Class by the President of Ukraine

Together with her husband, she raises a son and a daughter in Ukraine



Lenna Koszarny

"We were ready." She doesn't see a full return to the office and predicts that, for many businesses, whole functions or departments may never return. In many cases, not just the larger businesses but even individuals themselves will be more productive, Koszarny thinks: "Without having to commute and with the opportunity to focus... remote working is here to stay." Some of Horizon's investors have already told their staff that they will not be coming back to the office until spring 2021 at the earliest. "This is the new world, everyone must be digitally savvy, needs to understand how to communicate in different forms, whether it's a conference through a Zoom call, a message in WhatsApp or Telegram [...] Keeping up communication is key". Horizon set up a regular chat with all of its CEOs; hosted webinars; and asked McKinsey Partners, members of the Ukrainian Cabinet of Ministers and other business leaders to share information. Any material of value to Horizon's business partners can be "instantly uploaded to 20-plus top CEOs throughout the country."

Internally, Horizon has focused on ensuring that all of their team stays in the loop wherever they are; with town hall meetings, weekly coordination calls, partner meetings and investment committee meetings. This way, Koszarny says, "we have been able to stay in touch and communicate, to move projects forward, to keep our finger on the pulse [to know] what's going on around the companies and what's going on with our employees." Based in Kyiv with her family, the choice to stay in Ukraine throughout the pandemic was very important for Koszarny, particularly in this time of crisis. She recognises that, as a leader, she has an example to set. "Everyone has their answer for what [kind of] leader they were during those past months [of the pandemic] and the kind they will be moving forwards [...] Did they show their leadership in terms of wearing masks, insisting on screening and social distancing, and doing everything possible to show

their employees that they were walking the walk, not just talking the talk, and that they cared about them?"

However, Koszarny warns that there are some things you just can't do remotely: "I can't imagine being a CEO of a private property fund being stuck somewhere like London, Connecticut, Moscow or Warsaw and trying to invest in Ukraine. It's impossible [...] it's the people factor. It's the fact that you can't go and kick the tyres." She wonders how it could be possible to consider investing hundreds of millions of dollars without flying in and meeting people. "[Investors] may be able to look in a virtual data room but can they go and sit down to have a coffee with the CEO they want to back in the future and get comfort about the business they're buying?" The benefits of operating locally are clear, Koszarny feels.

Lenna Koszarny sees continued growth for Horizon in the future: "We are extremely decisive, that is very important [...] Being decisive and trusting your intuition." It's an art and a science in investing, and she affirms that you've got to have both in order to be successful. Horizon's medium-term goal is to manage USD1 billion. "We're looking at this next fundraising, we're already talking about it and what it will include. People are excited that because of the founders' efforts and our efforts alongside them, the companies we currently invest in have grown the top line by over 40 percent across the whole portfolio over the last three years." Horizon's deal professionals are there throughout the business cycle, from sourcing to adding value and exiting, and this creates a huge amount of adrenaline, momentum and inspiration in the team, Koszarny says. "We make sure ambitious goals are always front and centre."

* Just days after we spoke, Horizon announced a new investment into Liki24; a marketplace for medicines and delivery services, aggregating offers from thousands of pharmacies to increase the selection and price transparency for consumers and provide fast reliable delivery or self-pickup options. The Company's vision is to make medicines affordable and available for every client, regardless of his or her location and income level. Horizon Capital's Emerging Europe Growth Fund (EEGF) III invested in the latest equity round to support the Company's ambitious European expansion plans; with Poland being the first international market where Liki24 has recently launched operations.



M&A transactions support

Our access to international and Ukrainian investors, our understanding of their expectations and requirements, will help to attract the financing needed for maintaining and growing your business in the face of uncertainty and rapid change

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A portrait of Dmytro Shymkiv, a middle-aged man with short, light-colored hair, wearing a dark blue suit jacket over a white collared shirt. He is looking slightly to the right of the camera with a neutral expression. The background is a blurred outdoor scene with greenery and a building under a blue sky with light clouds.

Dmytro Shymkiv:
"In hard times, employees,
business and the general
public expect leadership
from top management"

 [Video version of this interview](#)





During the outbreak of COVID-19, Darnitsa (one of Ukraine's biggest pharmaceutical companies) actively voiced its ideas to the public and became one of the first businesses to help Ukrainian hospitals. For Darnitsa, this is a manifestation of leadership and responsibility. What kind of experience did the company's team gain during the quarantine? And how did this understanding of leadership change in times of crisis?

See the answers to these questions in our interview with Dmytro Shymkiv, Chairman of the Executive Board, Darnitsa Group held by Andriy Tsybmal, Managing Partner, KPMG in Ukraine.

The unexpected, incalculable phenomenon of COVID-19 gave rise to global challenges the likes of which we've never seen. What kind of lessons in tenacity and resilience did you and your company take from the COVID-19 crisis and the government's quarantine measures?

Any crisis provides an opportunity to rethink the processes in your company and seek innovative, extraordinary decisions

to help adapt to the new reality. In particular, it was critical to satisfy customers' needs for medicines when the pandemic broke out. At that time, the demand for certain items skyrocketed within just a couple of days so it was important to avoid panic. For most essential medicines, we revised the production plan three times to meet public needs, which resulted in a fivefold increase in production — an absolute record. At the same time, we brought six new (non-COVID

related) products to the market within a six-month period in accordance with our established schedule.

How did we achieve this, despite difficult circumstances? We looked for new opportunities and approaches, and we undertook a partial organisational transformation. And, importantly, digitalisation. In the first six months of the year, our digitalisation expenditures increased from 10 percent to 16 percent of net income. We continued to expand and promote digital processes in the company. As for Darnitsa; innovation, creative solutions and agility are all part of our DNA. We are among the global model for businesses in terms of using digital technologies, particularly enterprise resource planning (ERP). We have achieved significant results in this area, both economic and organisational.

Looking back at our work during the last six months of the crisis, I can say with confidence that our company is ready to respond to the challenges. But can we say that COVID-19 impacted (and will continue to impact) Darnitsa and, in a broader context, economic, business and social processes in Ukraine and around the globe? Definitely, yes. And business is going to evolve as well.

As for the organisation of your employees' work, how did Darnitsa adapt to the pandemic?

We did not halt production, this was just impossible. At the same time, the safety of our personnel became our top priority. We used Microsoft digital technologies to provide medical insurance to all employees, organised safe transportation, and arranged remote psychological counselling on adaptation to this new reality.

The company stockpiled medicines for employees. We strengthened both top- and middle-tier management communication with employees using a variety of formats: video addresses, closed Facebook groups, intranet etc. This allows each employee to quickly obtain up-to-date



information on the company's actions and plans. At the end of Q1 2020, we paid additional bonuses to the employees. All these factors had a positive impact on the efficiency of our work and improved the team's motivation.

Today, we are in a position to facilitate remote work for all eligible employees. Our well-developed IT infrastructure ensures the company's efficient work to the fullest extent.

Did experience gained during the COVID-19 crisis change the company's development strategy?

We realise that a company's strategy is not just established once and remains the same forever in today's world. The circumstances caused by the pandemic created significant

uncertainty. Even assuming that vaccines are created by the end of the year, they will become accessible to the public in the middle of 2021 at the earliest. The uncertainty and volatility of the situation will impact economic and social processes in Ukraine and around the world. For us, in particular, it means further focusing on the Ukrainian market as these new circumstances are hindering exports. The countries to which we want to export our products normally inspect us carefully before providing access to their markets. However, given today's mitigation measures, the inspectors are not always able to visit Ukraine.

We also face problems with access to raw pharma materials under the pandemic due to restrictions imposed by India and China. We've managed to accumulate sufficient stocks to ensure medical supplies to customers in Ukraine and abroad. ►



We are among the global model for businesses in terms of using digital technologies, particularly enterprise resource planning (ERP). We have achieved significant results, both economic and organisational, in this area ”



However, while in the past we dealt with warehouse and inventory optimisation, today things go the other way round as we need to increase our stocks. Such steps are going to affect certain performance indicators but they are necessary to ensure the continuity of our operations.

In general, certain elements of our business strategy have changed but our overall vision remains the same. We have accelerated digitalisation and new technology implementation, continued with R&D processes, and our plan is to release 13 new products by the end of the year.

At the same time, we can see and take advantage of new opportunities — for instance, we launched a new line of antiseptic products in accordance with World Health Organisation (WHO) recommendations.

Today, there is much discussion on how Ukrainian businesses could take advantage of the global supply chain effects of COVID-19 and become alternative suppliers to Europe or the Americas. What is your view on that?

I can only speak from the experiences of the pharmaceutical industry. A number of countries are in real need for medicines but, at the same time, there are a number of requirements the pharma businesses must comply with. We are proud to meet international standards and we are proud to report that the WHO conducts international inspector trainings at Darnitsa. This attests to a high level of sophistication in our processes. At present, we actively cooperate with experts in researching the American market so that we can step in with an offer that would both meet US Food and Drug Administration (FDA) requirements and satisfy customer needs.

Furthermore, resumption of pharmaceuticals and medicines manufacturing appears to be back on the agenda in the US and some European countries. Everybody understands this is a matter of national security and this process will definitely impact the industry.

Today, EEC countries are building stocks of medicine. This provides opportunities to Ukrainian pharmaceutical market.

It would be great if you could tell us about your personal experience gained during the COVID-19 outbreak. Which of your skills were especially useful? What kind of skills does a leader generally need with the onset of the new normal?

We all know about the Kübler-Ross model of the five stages of grief. It's important for a leader to be able to pass through all the stages of this model quickly; that is, to reach the





Dmytro Shymkiv

Chairman of the Executive Board, Darnitsa Group

Member of Kyivstar Advisory Board, member of Supervisory Board of the Ukrainian Startup Fund

Holds certificates in Pharmacology and Physiology from Harvard Medical School

Hobbies: sailing — Dmytro Shymkiv conquered the Antarctic as a member of a crew that sailed 1,200 nautical miles. He also enjoys open-water swimming and has swum across the Bosphorus

Owns unique collections of tin soldiers and Ukrainian graphic arts

Patron of education — supports progressive educational programmes at the Ukrainian Catholic University



Dmitry Shymkiv

“Acceptance” stage as soon as possible and support the entire team in the process

The first thing that happened at Darnitsa with the outbreak of COVID-19 was the decision of the owner and the Board to join forces with the management team. We worked dynamically in close, day-to-day contact to solve employee and operation safety issues.

We have a mechanism based on the UK strategic crisis management principles. I actively implemented this model during the Revolution of Dignity in 2014 when I was CEO of Microsoft Ukraine, and we have also successfully put it into practice in the time of the COVID-19 pandemic. This mechanism consists of four elements that are regularly reviewed and provides the basis for our decisions.

First — our people and their safety. People are our top priority. A leader should be aware of what is going on in the organisation as a whole, as well as with each individual employee.

Second — our business. You should keep an eye on the developments, financial indicators, and various risks: from currency to credit risk.

Third — assets that may be exposed to risk in times of crisis. These include production facilities, logistical centers, and office spaces.

And fourth — communication, both internal and external. I’ve already mentioned the importance of continuous communication within the organisation. At the same time, we actively communicated with our customers and the general public. I’m sure our announcements on the additional production of paracetamol were very important, as they helped to stop panic buying and avoid manipulation of public opinion.

The analysis of the above four factors allowed Darnitsa to take clear systemic decisions and respond to the crisis effectively.

What is your view on how to lead in times of crisis? What kind of lessons should be taken from the COVID-19 pandemic?

In today’s circumstances, what both employees and the general public expect from owners and management is responsibility and leadership. During the pandemic, Darnitsa invested over UAH7 million in socially-oriented projects. We were at the forefront of buying ICU ventilators for hospitals, providing essential medicines to seriously ill children, and supporting people affected by natural disasters. That is to say, Darnitsa has consistently realised its vision of social responsibility. Leaders should always understand challenges and recognise not only the need to act responsibly within their organisation but also ensure the positive social impact of their businesses.

It is important to understand the environment in which our business operates and alter our strategy in response to changing circumstances. What’s happening now will change our approach, our understanding of business processes and, in many ways, directly impact the company’s operations. In my opinion, investing in digital technologies is a top priority today, as digitalisation is one of the key development drivers for any business. Once a customer starts using a digital service provided by some company, the same service will be expected from all other companies in the future. In this sense, the pandemic has had a positive effect as it boosts digital transformation projects.



Organisation efficiency management

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Andriy Tymoshenko

Director, Advisory, Management
Consulting, Strategy &
Improvement of KPMG
Operations in Ukraine

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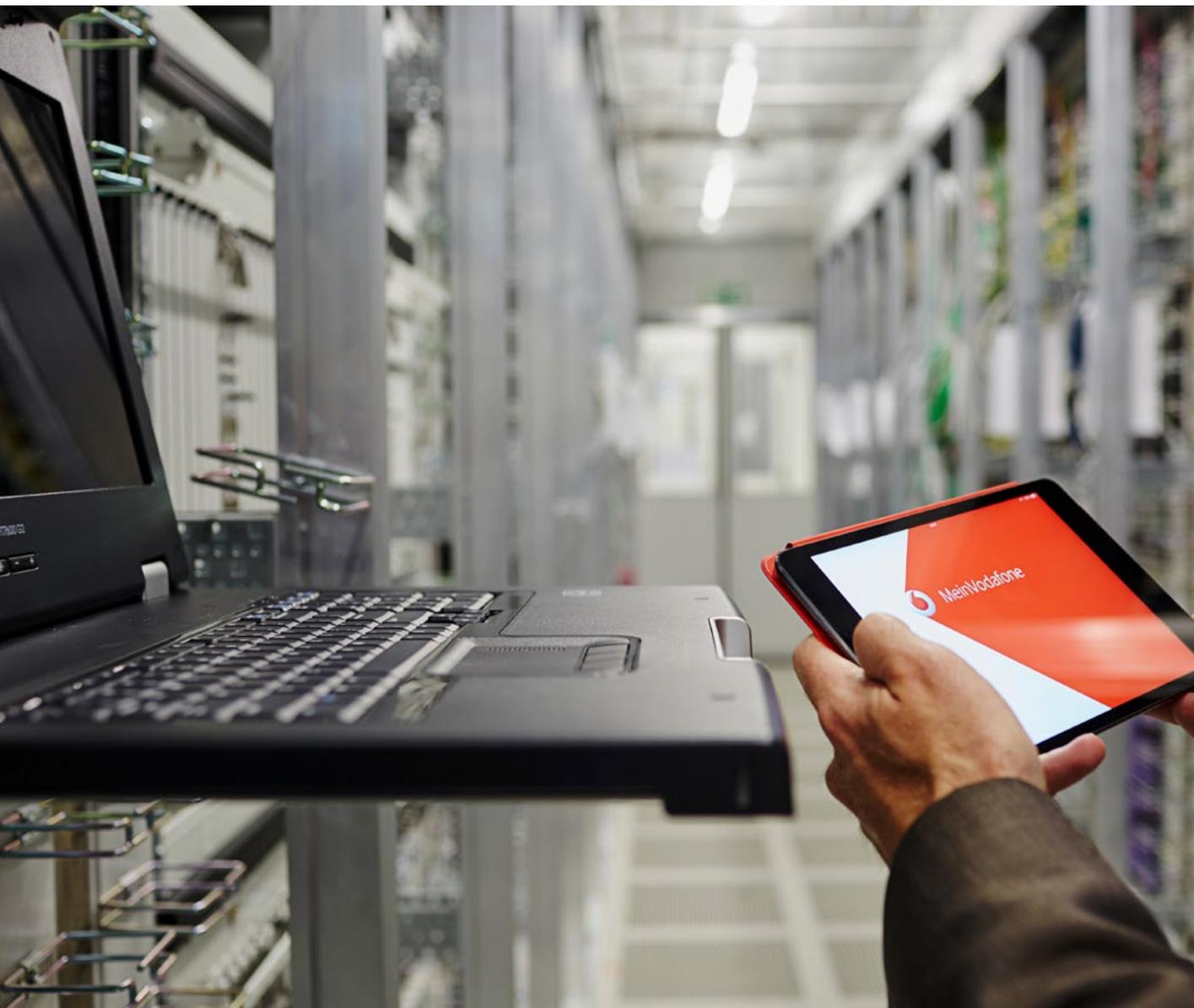
Olga Ustinova: "The new normal requires business leaders to react quickly and think critically"

Has the COVID-19 crisis changed your company's development strategy? What has changed in the long run? Has the pandemic affected your business model and investment decisions? And, if so, how exactly?

COVID has partially affected our work, but mostly our operational activities. However, we quickly adapted our business processes to these new realities. It was much easier for us to switch to out-of-office work than for other companies because one of the key strategic tasks for us a few years ago was the complete digital transformation of our business which we are continue to do very well.

Regarding the company's strategy, the pandemic had no significant impact on our business. We do not plan to stop or radically revise our investment programme. It is important for us and our shareholders to maintain a high level of network quality and services according to the European standards of the Vodafone Group, and we continue to invest in the development of new technologies. In April of this year, we started implementing another large-scale project to build 4G capacity in the 900 MHz band in villages, which will remain a priority for the next 2 to 3 years. By the end of 2020, we plan to launch the LTE 900 network in all regions of Ukraine and





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The goal for the next 2 years is to withdraw from paper use for 80 percent of all documents: both internal and external”

provide access to high-speed internet for 90% of Ukrainians within the next two years. In general, the telecom industry is the least vulnerable to the risks caused by COVID-19. We have lost some revenue, for example, from roaming services. It is difficult to avoid the challenges and risks posed by such a situation but these are manageable risks. Today, there are many unknowns in the economy and in business. Our business depends more on upcoming economic decisions than on the coronavirus situation.

Your company has been at the forefront of business transformation for a long period. Have you launched any business transformation processes during the pandemic? If so, tell us about these projects and their purpose.

In geometric progression, the volume of electronic document flow has grown and continues to grow. The goal for the next 2 years is to withdraw from paper use for 80 percent of all documents: both internal and external. The remaining 20 percent cannot be digitalised due to legal restrictions.

We had a well-developed system of electronic approvals — almost all company documents passed through it. With the beginning of quarantine, and thanks to introduction of qualified electronic signatures and Mobile ID technology, we have moved to a full cycle for all approval procedures. Moreover, part of this document flow has moved to a new mobile application, the development of our IT specialists, which allows one to sign contracts directly via their smartphone. ►



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Under normal conditions, the digital transformation of a country takes 4 to 5 years. Quarantine has accelerated this process. And this is the positive side of the crisis”

Another important project is the full transition to remote work. The virtual working day has been put into practice by Vodafone before. The pandemic has required the introduction of certain IT tools that allow all employees to work simultaneously from home in the same way as working in the office: with secure access to working documents, reconciliation systems, financial accounting, data storage, etc. We switched to remote mode almost instantly and successfully operated throughout the entire quarantine period without reducing the pace of decision-making or project management. Now, with the resumption of public transport, we use a mixed schedule: part of the week we work in the office, and part of it we work remotely.

The need for increased digitisation and innovation due to the coronavirus creates the preconditions for increasing cyber risks. Today, companies have a dual responsibility. On the one hand, they should ensure the digital security of their companies and customers. On the other hand, they have to be ready for actions of hackers. How is your company coping with this task?

Vodafone has a remote connection infrastructure with all necessary points of control, user protection, and company resources. What has changed, then? Firstly, the number of

remote connections of employees has increased 4 to 5 times over. Secondly, taking into account the fact that our partner contact centres have also been forced to switch to remote work, we have organised remote round-the-clock support for their work.

It was different with attempted external attacks: during quarantine, their number increased 10 to 15 times. At the same time, the 'quality' of such attempts has dropped significantly. Apparently, the 'young hackers' have got a lot of free time during the quarantine, because you don't have to go to school, institutes or offices, and because of that excess of free time they began to resort to such pursuits. We simply blocked all 'attempts' automatically.

We take our responsibility for information security, protection against leaks, and cyberattacks very seriously. We have implemented international information security standards which are mandatory for all Vodafone companies. There is an intelligent protection system that allows us to rapidly detect and stop unauthorized access attempts to financial and personal data. The intelligent platform of the system analyses what is happening in all the important information systems of the company, processing confidential information and the personal data of subscribers.

Various systems are used to protect data: leakage protection systems, privileged access control systems, database transaction control systems, encryption systems for disks and removable media, double control of Internet connections from inside and outside the corporate network. All traffic is in the network double-filtered, even before it gets inside. Outgoing connections are also filtered.

COVID-19 has created a need for rapid and radical changes, and innovation in business. Tell us about your company's innovations during this period.

Aside from the innovations during quarantine that we've already talked about, in general, I can add that the events of recent months have clearly shown the real meaning and importance of online technology. Thanks to the development of technologies (the internet, cloud storage, and secure access to both, electronic signatures, etc.) a quarantine that would have completely paralysed this country only 10 years ago has had far fewer negative consequences. This is because business processes have changed.

We understand that the quarantine and the crisis will end. But the world will no longer be what it used to be. And one thing is for sure: that world will definitely be digital. I expect that our partners, business clients and the state, are now aware of the meaning of implementing digital processes, electronic document flow, etc. If more companies had done this in the past, we would have had fewer accountants and office workers forced to work in offices during quarantine. Of course, after the crisis this situation will be difficult and there will be many losses. But on the other hand, I'm sure there will also be new opportunities. The transition to digital technologies means the improvement of work processes and increases in productivity. This is an open and transparent business. There is more good news, too. Under normal conditions, the digital transformation of a country takes 4 to 5 years. Quarantine has accelerated this process. And this is the positive side of the crisis.

The World Economic Forum emphasised the need to integrate cybersecurity issues into corporate culture. How do you manage to do this? How does it work in your company? What are your plans for this area of activity?

Cyber-consciousness is an important component of our corporate culture. Knowledge of the basic rules of information hygiene is just as important as knowledge of technical equipment. Sometimes the biggest cyber problems occur due to the ignorance and inattention of company employees, as ►



well as due to the lack of an automatic system to prevent the consequences of careless actions. When hiring at Vodafone, each employee undergoes information-security training. The course contains brief information on what to do and what not to do while working with the company's information systems, how not to become a victim yourself, and so on. Given the emergence of new cyber threats, training is repeated periodically.

There is always a tricky question for tech companies: should they prioritise technology investments or human capital? What is your approach?

Technology and technical innovation are created by people. For me, there is never a dilemma between technology or people. It is quite obvious that the more intelligent, creative and motivated employees in the company, the more stable its business and the better the prospects, in terms of innovation in particular. Technologies are indispensable for the automation of routine operations and allow employees to unleash their intellectual potential, applying it more effectively.

If you try to formulate the secrets of successful and high-performance digital transformations for businesses in the current environment, what would they be?

The pandemic has demonstrated the vulnerabilities of businesses, especially in some industries. Not everyone was able to quickly adapt and rebuild according to the needs of the new reality. Our recipe for maximum acceleration in the ever-changing conditions of the outside world is the transition to a digital environment. We have digitalised the maximum number of processes, we put automated the daily work of each employee, and we regularly review and build new formats for employee interaction.

Such a fate awaits almost every market today. The path to increasing efficiency and accelerating development today is only paved through digital transformation and complete

automation of routine processes: everything that can be, should be given to artificial intelligence nowadays, in order to allow employees to maximise their valuable creative resources.

What are the prospects for the deployment of 5G networks in Ukraine?

Today, Vodafone has more than 100 commercial 5G networks in 11 countries. Technologically, we are ready to deploy 5G in Ukraine. But it is necessary to take into account the demand for 5G services, the financial aspects of such a decision, and the possibility of return on investment in the near future. Firstly, not all users need 5G and there is no mass demand for this technology, at least at this early stage because, technologically, LTE absolutely satisfies all the needs of our subscribers. Secondly, 5G is a technology mainly for industrial uses. For example, 5G is used to automate production, control equipment remotely, and monitor hazardous and aggressive environments online. It will be implemented where there is market readiness and where there is a demand from business, industry, and agriculture. So far, there are not many companies in Ukraine that are thinking about 'smart' plants and full robotics.

Is the demand for B2B solutions for telecom operators growing based on big data?

Big data analysis is a relatively new market for Ukraine, which began to develop only a few years ago. So far the revenue from big data analytics services cannot be compared to the revenue from traditional telecom services but they have already undeniably become a full-fledged source of revenue.

Recently, we have seen a significant increase in demand from Ukrainian business. The most popular areas are market surveys and geosegment analytics, where the customer sees the routes and most popular places of consumer concentration, as





Olga Ustinova
CEO of Vodafone Ukraine

Olga Ustinova graduated with honors from the O.S. Popov Odessa National Academy of Communications in 1995, majoring in "Engineer-Economist" studies

25 years of experience in the telecom industry

Winner of the Delo.ua 2016 ranking of top women CEOs

Olga likes to travel and spend free time with her grandchildren

well as traditional spheres like triggered mailings, demographic targeting, and financial and credit scoring.

Which digital services in the portfolio of telecom operators are most in demand today?

We have seen a recent increase in income due to data revenues but in very little time the growth of these revenues will slow down significantly. That is why today we are not only looking for new ways to grow but are also trying to form markets in Ukraine for the development of new directions of growth. The introduction of 4G in Ukraine has given impetus for the development of new technologies and new services based on them; such as the Internet of Things, big-data analytics, and cloud services. We see the demand for these services is growing both among Vodafone's business customers and at the state level.

Is the Internet of Things developing in Ukraine, and what is your approach to this segment?

Vodafone Group is among the world leaders in the Internet of Things: we have been developing our IoT industry for more than ten years, and we have more than 99,000,000 connected devices in different countries, including Ukraine. We approach the development of the Internet of Things in Ukraine strategically: we do not sell individual IoT solutions or products but create a complete IoT ecosystem that contains technology, a network, a platform which provides connectivity around the world. We have a platform of solutions that can scale to any market and any customer. Earlier this year, we integrated Ukraine into Vodafone's global IoT platform. To this day, it is the only international infrastructure in Ukraine customised for the Ukrainian market.

There is even a Ukrainian-language version to meet the needs of local business. We see that there is already demand from customer; these are the first test projects and the first IoT business cases.

What skills must a leader have in this 'new reality' to lead their team and company to achieve goals?

Prompt analysis of information, prompt decisions and a willingness to take responsibility. In the current environment, there is a lack of information to rely on in doing business. When the situation changes every day, it is impossible to even make predictions about the next day: no predictive or mathematical models work anymore.

Only time will tell which decisions were correct and which were not. We are now questioning every decision, analysing information, trying to find a balance between satisfactory business results and adequate security. These are the challenges facing many companies and there are many different problems, situations and solutions being tried in the context of COVID-19. Even companies in the same industry are facing different problems and trying their own unique solutions. I can see this from Vodafone's international reports: it may seem like it's a situation of 'one industry, one problem', but the pandemic hurts each company differently. There is no single solution, there is no universal pill that will help everyone. Every business must adapt in its own way depending on the problems that it singularly faces and solve them quickly and efficiently. In this sense, critical thinking is crucial for managers.

It is also important to make decisions in a prompt manner, sometimes in a matter of five minutes. For example, when it became clear that the coronavirus situation had worsened and the number of patients was growing exponentially, it took us a few minutes to send home all our staff over the age of sixty with full salary pay because they were in a special risk group.



Digital transformation and cybersecurity

Keeping up with the transformation required by our modern world

The COVID-19 pandemic posed unprecedented challenges to company CEOs. The right approach to IT and cybersecurity allows organisations to react to change quickly, invest in transformational opportunities and manage technological risks.



Digital transformation



Introduction of modern business management systems



Cybersecurity



Building an Agile organisation

Alexiy Yankovsky

Partner, Head of IT and Cyber Advisory,
KPMG in Ukraine

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Contact us



A look into the new normality

We asked leaders in Ukraine to express their opinion on the impact of the pandemic on the future of their businesses

“

The development of any business is the identification of a weak point and its elimination. I believe that companies that are aiming for development are definitely not waiting for a 'post-epidemic world'. That's because the leaders of those companies clearly understand that there will be no watershed in-between. A new reality is already here, a reality that has adjusted for certain difficulties. Yes, this resilience test is somewhat different from other crises in this country but the nature of the process is still the same. So if you consider the crisis as an opportunity to identify the weakness of your business or businesses and you manage to find the right tool to make it right, you will be able to grow. It will not be easy but it is possible. And this country has witnessed plenty of examples, proving its resilience throughout a whole history of crises ”

Vitalii Antonov

Founder, OKKO Group



“

The pandemic has affected many aspects of consumer lives: the importance of various products and services, means of shopping and delivery, and the forms of communication have all changed. Businesses have all directly experienced the impact of these changes on their sales and operating processes, to a greater or lesser extent. However, the long-term impact of the pandemic should not be overestimated. This is not the first (and not the last) quarantine in human history, although it is the first one in the digital world. It has undoubtedly accelerated the processes of digital transformation, contactless shopping, and the overall transition to online communication.

But while we've seen an acceleration the development of these technologies, the value of a human contact has not radically changed and has been emphasised rather than diminished. Respectively, business models aimed to ensure resilience should be adjusted to the new conditions: adaptation of existing business processes, revising investment strategies to reflect their expected efficiency under the current circumstances, and take measures to ensure the safety of employees and the consumers of your products and services. And you should be ready to the resumption of sales, to breakthrough innovations, and to the accelerated digitalisation of processes ”

Tatiana Lukinyuk

CEO, Red Bull Ukraine



“

As an international company, GlobalLogic cooperates with industry leaders from all around the world. It helps us to see change taking place not just locally but globally as well. Now, we see that the pandemic and the associated recession are further intensifying digital transformation and digital disruption. Although those transformations may look similar, they are different by nature. Digital transformation is about improving existing business processes with technology, while digital disruption is about creating new business models that take advantage of IT.

In today's reality, companies have several strategies for development — to undertake one of the following: digital transformation, disruption, or a combination thereof. Our clients from many industries have implemented those practices and achieved positive results. I am sure that other businesses can follow that example as well ”

Ihor Beda

Senior vice-president,
Managing director, GlobalLogic in CEE



“

A crisis is a test for strength and readiness to change, a time to find new opportunities and become more powerful. This crisis has already demonstrated which companies turned out to be able to tailor their business to the new post-pandemic realities as soon as possible. We see that the companies that had the most important advantages (namely, the digital transformation of business processes previously implemented before and a habit of communicating online with employees and customers) have successfully managed to realise all the opportunities that have emerged due to the crisis. Those who have failed to do all those things yesterday have been forced today to rapidly change and restructure their business processes and approaches within their companies. At the same time, it has been important to keep a focus on business efficiency and to work towards the following results: to learn about the new post-pandemic habits of your consumers or customers, become more flexible, and master new digital tools in everyday work. Thanks to modern solutions based on Internet technologies, many companies have stayed in touch with their teams and built business communication in an online format”

Mykhailo Shelemba

General director, Datagroup



“

A company's development strategy during the crisis is not very different from its strategy during the period of stability. Theoretically, the recipe for success is simple: you find a demand, a problem in the market, and then determine what tools should be used to address it and what amount of capital is needed. You should try to figure out if you can address it on your own or if you need a partner. And then you go and do it!

In practice, though, everything is much more complicated. People are involved at all stages of the process and people tend to make mistakes. It's difficult to insure against this in any way. Therefore, contracts for acquiring assets or building them from scratch do not usually follow a defined plan. However, if you have a strong team, the members of which complement each others' competencies, then mistakes can be made good and in the end you will get a positive result that will satisfy investors.

There are two aspects that distinguish a crisis year from a regular one: the value of asset valuation and the availability of capital for development.

When capital is available to the company for development during the crisis, everything is as simple as possible: the number of high-quality assets available for purchase at a fair price will encourage market growth. Owners are ready to act quickly and constructively to attract new shareholders to capital (growing their equity) or exit completely from an asset.

The main limitation here is time. I am talking about the time it takes to review all the opportunities because it is impossible to do everything at once. It is important, therefore, to clearly define your priorities and work well on each case. For this purpose, the additional professionals that you may need to bring on to your team will be an important factor that will significantly expand your opportunities ”

Andriy Gorokhov

CEO, UMG Investments



“

I am sure that the social component has always been important for business. And during the pandemic, the responsibilities for both business and government have grown significantly, as well as opportunities for partnership. This trend is typical for the whole world. In Ukraine, social partnership plays an important role in overcoming the pandemic crisis. For example, business is actively involved in meeting the strong demand for specific equipment and medicines for public hospitals. Farmak, together with Zhebrovsky Charitable Foundation, has allocated UAH10 million to mitigate the impact of coronavirus. The government, in turn, simplified the registration process for drugs needed to combat the pandemic, introduced a zero rate of excise tax on alcohol, and simplified the procedure for importing anti-coronavirus drugs. The pandemic has demonstrated that it is strategically important for each country to have its own domestic pharmaceutical industry. And for us, providing people with the necessary medicines was, and still is, the main task. Thus, because of the coronavirus there has emerged an acute demand for drugs used for concomitant treatment of the patients with COVID-19. Farmak was able to export relevant related medicinal products to Sweden, the United Kingdom, Israel and other countries due to a simplified registration procedure and because our production is certified under the European quality system. This is a good example of social responsibility and partnership in the name of a common global goal ”

Volodymyr Kostuk

Executive director, JSC Farmak



“

If, in the last few years, there has been a clear trend in business to develop competence related to rapid and effective organisational transformation, then the pandemic has become a real catalyst for resetting and transforming companies. In a situation that has increased the uncertainty aspect of the VUCA world, leaders need to have Vision, Understanding, Clarity and Agility to combat this. It is important to understand that in cases of high volatility, it is necessary to keep a 'short' position while at the same time understanding and respecting your client. Meanwhile, working ahead, it is not enough to understand the client needs; you have to anticipate and shape their expectations. Companies with a healthy corporate culture, built on strong values are ones where people are the core of companies. Ones where the approach to business involves disruptive, innovative solutions, continuous improvement, and lifelong learning for everybody with no exception. Digitalisation and openness to rapid change and experimentation, where mistakes are seen as new opportunities for development and growth, will make a difference in companies' ability to avoid 'turning on' 'crisis management' and make them successful instead. Finally, most importantly, all the previously mentioned areas of focus are the personal responsibility of the CEO ”

Anton Yakovenko

General director, Agrii



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M&A as a solution for growth in the new reality





The crisis caused by COVID-19 is slowing down the organic growth of business. Industries dependent on political factors, trade disputes between countries, and other geopolitical changes have suffered the most. Given that consumers tend to postpone purchasing decisions in times of crisis, it is becoming increasingly clear that profit growth will be a challenge. Growth may also be constrained by difficulties in attracting talent or a lack of investment in innovation. In both cases, especially for companies with limited capital, the solution may be M&A.

Another trend worth noting is the increasing importance of M&A deals for business survival. Although interest rates in Ukraine have fallen sharply, questions remain over the ability of many companies, including SMEs, to service or refinance existing debt and access affordable new debt as a means of financing working capital. It is likely that we will see some lenders raise interest rates to offset the estimated increased lending risk in certain sectors, or freeze lending to some sectors (such as renewables) altogether. This will mean that for some companies it will be necessary to raise funding through M&A deals.

In any event, sellers must be well prepared; both to attract an investor and for the transaction itself. They should:

- **Rethink their company's strategy**

We should not go back to what we did before but instead sum up real results and ask ourselves if they make sense in this new reality. In today's challenging environment, where fears of viruses, travel restrictions and economic shocks prevail, it is very important to adjust your company's strategy and its communication with customers.

- **Protect their main income and take care of their customers now**

You need to listen to your main customers and meet their needs. This crisis offers a unique opportunity to build trust with customers and build a business around their needs. It also means understanding how they want to buy and receive a product or service. The ability to quickly adapt existing goods, offers, and services to new consumer needs becomes increasingly important.

- **Accelerate digitalisation**

Those companies that have the necessary digital infrastructure and experience in organising online business processes will be best suited to fully enter into the era of the new reality. Your IT infrastructure should allow you to switch to remote operations in one day without losing efficiency.

“

Industries dependent on political factors, trade disputes between countries, and other geopolitical changes have suffered the most”

- **Transform the process of personnel development management during remote work**

Employers have realised that they could effectively manage remote teams and saw the potential to reduce real estate costs. This hastened the arrival of a long-awaited trend: the separation of human resources from the physical office location.

- **Adjust to / refocus on new niches – the digital economy**

People still need food, clothing, equipment and entertainment and business must meet these needs. The new way of life will probably require some adjustments but it will not eliminate our needs. Only the types, methods and approaches to consumption will change. Most companies are refocusing on new niches and it may be worth thinking about creating such niches from scratch.



Peter Latos

Partner, Head of Advisory, KPMG in Ukraine

Peter joined KPMG in 2001 and has worked on over 170 deals in the UK, Europe, Asia, and both the North and South Americas

Peter holds an MBA, specialising in Mergers & Acquisitions, from ENPC MBA Paris

He is a great fan of Tottenham Hotspur football team

Peter is fond of cycling, covering 4,800km by bicycle in 2018 alone



Peter Latos

The most important factors that affect the success of a deal in the post-Covid era remain exactly as they have always been:

- 1 Reasonable price expectations.** If the seller's and the investor's expectations diverge significantly, the deal won't be consummated. Pricing a business within the market range greatly improves the chances of concluding a deal. To better understand the principles by which investors will evaluate your business, you should turn to external consultants. They will also help identify the strengths and weaknesses of the business that could affect the price range in today's market environment, helping to structure the deal to maximise the value of the business to the seller.
- 2 Data consistency.** During the 4 to 6 months of the M&A process, an investor needs to see the figures, send messages and receive answers to questions so it is vitally important that none of this information is contradictory. To achieve this, it is necessary to collect and process a huge amount of information about the company, analyse it in detail, and conduct cross-checks for reasonableness and consistency. In our experience, without consultants the operational workload and lack of relevant skills and / or experience mean that it's impossible for your existing team to do it alone.
- 3 Quality of marketing materials.** There are usually three key documents that are prepared during the transaction: an advertising teaser, an information memorandum and a presentation for management. Each of them has its own specific purpose. A teaser is needed to draw investors' attention to the most important information: the key financial, operational and market information. The purpose of the information memorandum is to present the financial aspects in a logical and convincing way; operations, business and prospects of each aspect of the company. This helps the investor to make an non-binding offer.
- 4 A management presentation** is a document that helps management prepare the groundwork to convince investors in a face-to-face meeting that a business can achieve even better results and have a brighter future, with or without the help of an investor. The preparation of these documents requires significant effort, an understanding of what investors are looking for, and an ability to present the information comprehensively, logically and in an easy to follow document. This task should be delegated to consultants with relevant experience and a proven track record.
- 5 The right investor base.** Knowing the right investors and having proper access to interested parties with the most potential is of paramount importance for generating maximum interest in your business. Creating appropriate competition ultimately leads to a higher selling price. Experience has shown that if you do not have access to investors, your teaser will often end up in the wrong mailbox and will be ignored or deleted immediately. Consultants, especially from global firms, can be an essential asset here; as they have built and maintained longstanding relationships with key executives at both financial and strategic investors in different countries.
- 6 Preparation for scrutiny by the investor.** No-one buys a business without a comprehensive due diligence review. So whatever problems a business might try to hide, there is every chance that an investor will find them. Knowing in advance what risks and vulnerabilities such a comprehensive analysis may reveal can allow business owners to have time to develop a strategy to reduce or eliminate risk. At the very least, it can help sellers understand how these risks could potentially affect the value of a business, and how best to explain them to investors if and when they need to. The role of a consultant in this matter is to help the seller identify these potential risks by, for example, conducting a vendor due diligence review of the seller or providing vendor support services.



Prepare for a 'new normal'





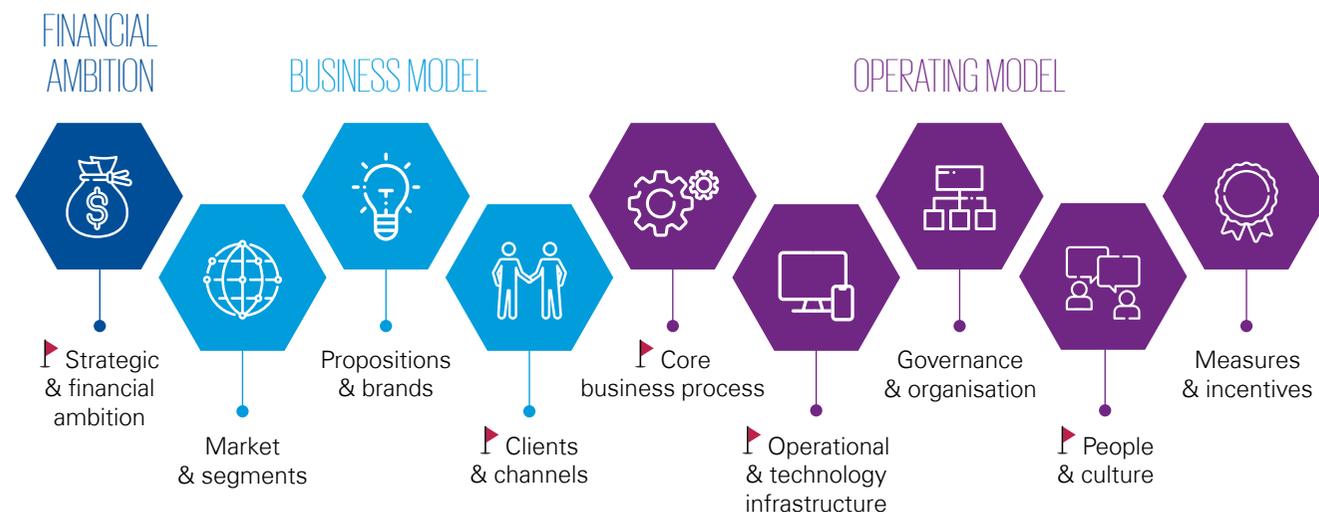
Moving from reactive short-term measures to a recalibrated strategy for the long term

The rapid outbreak of the coronavirus presented an alarming health crisis that the world is still grappling with. In addition to the human impact, there is also a significant economic impact being felt globally. More than 50,000 listed companies worldwide lost around EUR19.4 trillion in value in the six weeks between 19th February and 2nd April 2020 (a decline of 24 percent their overall value)*. This decline is historically unprecedented for such a short time period.

If there's a lesson to be learned, it's that the next devastating but as yet unnamed outbreak is not so much a matter of 'if' but 'when'.

The impact on customer behaviour is only a part of what companies will experience as a result of the economic shock from this global health crisis. Firms can also expect their current business and operating models to be questioned in the face of the 'new normal' that will prevail in a post-COVID environment.

KPMG's Global Strategy Group's framework — the 9 Levers of Value — is designed to help Board members and senior leadership align challenging financial ambitions with the core elements of a sustainable business model and their aspirations for operational excellence and resilience.



Levers which are most significantly impacted by a crisis

*Handelsblatt, "Der Corona-Crash vernichtet 19 Billionen Euro an der Börse", 02.04.2020

● What to aim for

- Do I need to engage in emergency liquidity measures?
- Are my financial goals still realistic in the mid-term?
- What options do I have to strengthen my ability to withstand the impact on liquidity, income and assets in a crisis situation?
- Does this crisis change my strategic goals?

● Where to play

- Has this crisis changed my view on attractive business models?
- What possibilities are there for me to implement a digital-first business model to reach my customers more effectively?
- Will my offerings still be attractive in a post-crisis world?
- Are there any new offering opportunities due this crisis?
- Has this crisis altered my view of which markets / geographies are attractive?

● How to win

- Which of my core business processes need to be changed to increase resilience?
- How did our technological infrastructure fare during this crisis?
- Have my people been able to thrive and flourish during this crisis? What needs to be changed to enable them to do so?
- Has our organisation and governance proven to be effective during this crisis?
- Do I need to change the incentives for my people to keep them motivated during a crisis and in the 'new normal'?



Responding to disruptions in demand

Practical steps to maintain and protect commercial resilience

Events like the COVID-19 pandemic can have a lasting impact on market dynamics. Beyond immediate actions, organisations can use such a disruption as an opportunity to reflect on their ability to understand and meet rapidly changing customer demand and behaviour. Businesses should consider taking the following actions to increase responsiveness and resilience.

	 Financials	 Markets	 Proposition & brands	 Customers & channels
Short-term	<ul style="list-style-type: none"> – Set up a robust 13 to 17 week short-term cash flow and reconcile with monthly financial forecasting, incl. profit and loss, balance sheets and funds flow – Assess impact of cash flow scenarios on reserves, facility headroom and financial covenants — revisit weekly – Evaluate funding strategies, options, lenders and other sources of capital 	<ul style="list-style-type: none"> – Assess how anticipated political interventions, incl. travel restrictions, border closures, and new regulations and policies will impact market access – Decide which activities to stop, start and continue based on the most impacted market / geographies, as well as the competitive landscape 	<ul style="list-style-type: none"> – Track patterns to identify which products and services are subject to increasing or falling demand in various scenarios – Review commercial arrangements (pricing, sales & service requirements) considering specific customer segments, needs and expectations 	<ul style="list-style-type: none"> – Empathetically understand customers and their immediate needs – Identify and segment customers in response to immediate changes in demand and buying behaviour – Ensure demands of your key customers are met and establish mitigating measures for the others – Review your go-to-market and strengthen online / digital channels for reaching out to customers
Mid / long-term	<ul style="list-style-type: none"> – Run risk appetite analysis: assess and prioritise investment portfolio according to new market environment – Establish a balanced cash management culture that values cash vs profit – Establish a sustainable strategic working capital program to ensure liquidity is optimised under normal and stressed conditions 	<ul style="list-style-type: none"> – Assess impact of crisis on market trends and regulations in the short / mid / long-term across your top geographies – Identify future drivers of competitive advantage – Identify markets / geographies that are likely to recover quickly and remain attractive 	<ul style="list-style-type: none"> – Review product and service portfolio, assessing the implications of sustained demand disruption across markets, segments, products and services – Identify where new demand is emerging and how existing resources and capabilities could be transferred, while also assessing the impact on current business 	<ul style="list-style-type: none"> – Design a dynamic pricing and sales response model to adjust prices rapidly and identify new value drivers for different customers – Advance ability to model and predict consumer behaviour – Develop new digital marketing and communications platforms to engage customers directly – Review channel strategies and enable the business to respond to new needs

Implementing operational resilience to withstand shocks and capture emerging opportunities

The maturity of an organization’s operational resilience has the potential to dictate whether an organization will survive crisis situations. The ability to withstand operational shocks and continue to deliver core business processes in such situations must be seamlessly integrated into the pursuit of delivery excellence, cost efficiency and operational effectiveness.

Operational model



Core business processes



Technology & operational infrastructure



Governance, structure & risk



People & culture

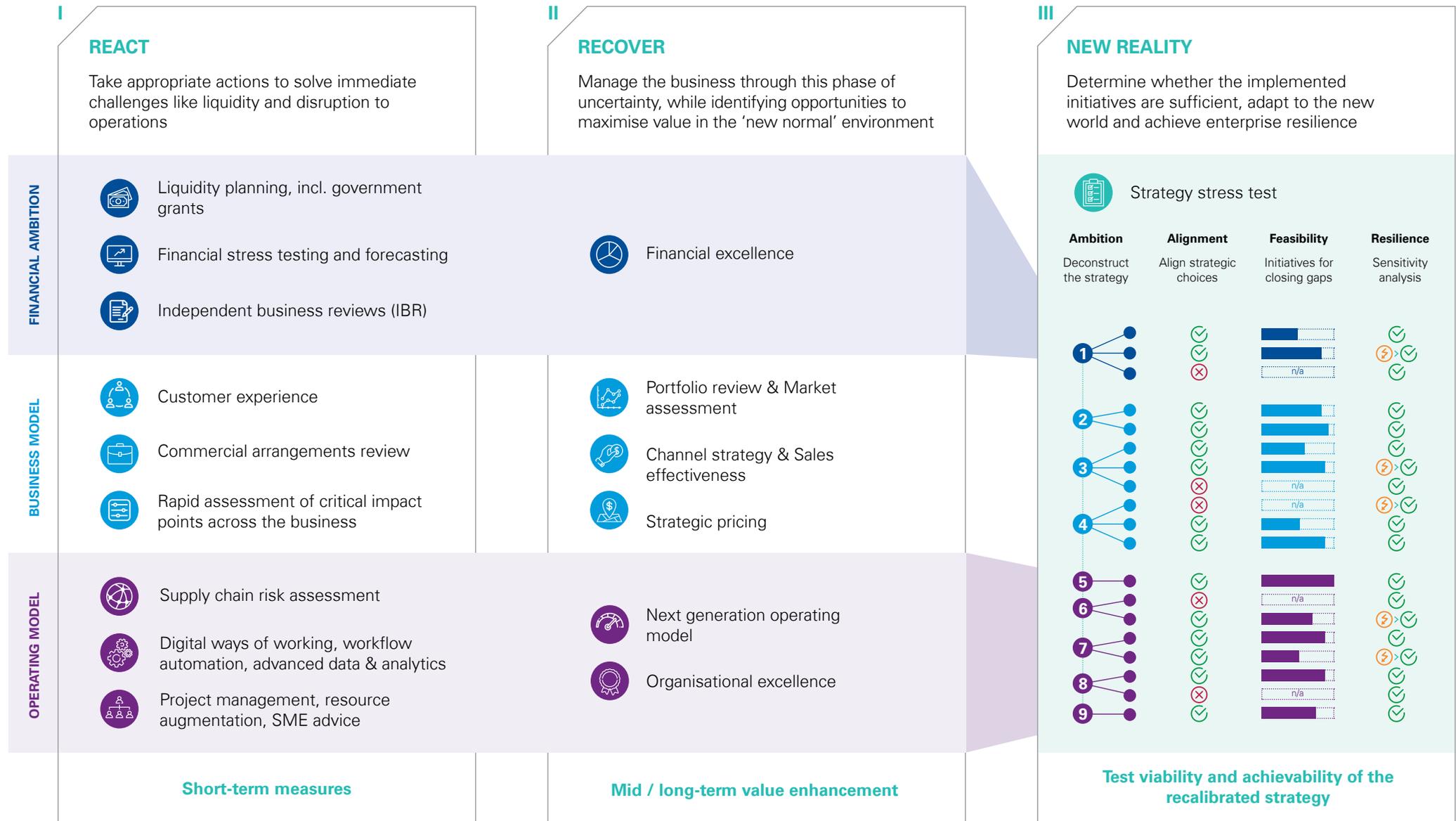


Measures & incentives

	Core business processes	Technology & operational infrastructure	Governance, structure & risk	People & culture	Measures & incentives
Short-term	<ul style="list-style-type: none"> – Identify minimum viable operating model and determine core processes – Map criticality of sourced components and raw materials to high-value revenue streams – Understand contracts with critical suppliers – liability, contingency, continuity clauses and other liabilities – Determine business exposure by identifying current / buffer inventory 	<ul style="list-style-type: none"> – Enable remote working and equip data centre, help desk and system managers with the capacity to meet revised business needs – Review implications for data security, including compliance and regulatory frameworks, to ensure data integrity along with data security 	<ul style="list-style-type: none"> – Create a governance structure to allow the management team to maintain a strategic and cross-functional approach in crisis situations – Recalibrate risk management capabilities, foster awareness and the application of standards to ensure a solid understanding of digital risks 	<ul style="list-style-type: none"> – Proactively drive communication with leadership and employees to provide business updates and manage expectations – Prepare communication and guidelines for the first day back 	<ul style="list-style-type: none"> – Establish an interim control set across critical value chain functions starting with people, crisis and incident management protocols, but also considering cyber risks
Mid / long-term	<ul style="list-style-type: none"> – Reconfigure global and regional supply chain flows, incl. evaluation of nearshore / in-house options to shorten supply chains and substitute suppliers – Develop a transparent supply chain to have a complete view of all participants – Foster collaborative relationships with critical suppliers – Digitise core processes wherever possible to enable remote operation 	<ul style="list-style-type: none"> – Re-evaluate strategic technology investments and accelerate programmes which actively support resilience – Enhance usage of intelligent automation and robotic process automation – Consider cyber security as part of the business and acquisition strategy 	<ul style="list-style-type: none"> – Shift from role-based to skills-based organisational design – Build internal workforce management capability – Implement a communication plan with a regular rhythm, established Q&As and help sites for all employees 	<ul style="list-style-type: none"> – Establish e-learning and a collaboration platform to promote new ways of working and maintain employee engagement – Define leadership that ensures teams do not work in silos and are aligned to the new and updated agenda 	<ul style="list-style-type: none"> – Communicate on employee bonus policy and promotion guidelines to decrease uncertainty – Reset incentive payouts to keep the sales team motivated



Embedding resilience in three phases





Fine-tuning depreciation

Fast, efficient and long-lasting effects



Early detection and
elimination of tax risks

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Identification of
unused tax assets

Maxim Zavalny

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Control over compliance
with changes in tax laws





Ukraine's 2020 CEO Outlook: COVID-19 Special Edition

KPMG in Ukraine

home.kpmg/CEOoutlook





Foreword

The new normal

This is the third annual report prepared by KPMG Ukraine's team, based on the results of our survey of local business leaders. This year, we have prepared a special edition, dedicated to COVID-19 related issues. The pandemic has presented business leaders with unprecedented challenges, many of which change every day and which significantly affect the future of organisations, corporate strategies and the ability to achieve business goals, creating a 'new normal'.

The crisis caused by COVID-19 shook the confidence of business leaders in Ukraine. When it comes to their own businesses, executives are more confident about prospects for growth over the next three years. In part, this is because they have more control over the levers that determine growth.

I invite you to review the results of the survey and explore the changing priorities of Ukrainian business leaders, the key challenges and business opportunities offered up by the COVID-19 pandemic, and take the opportunity to learn their strategies to overcome the crisis and ensure further business growth. The structure of the survey is based on the questions from the global survey, KPMG 2020 CEO Outlook, which will allow you to compare global and Ukrainian trends.

On behalf of the KPMG team in Ukraine and KPMG International, I would like to sincerely thank all the leaders who participated in the survey for their insights into the most important issues of the day.

Andriy Tsybal

Managing Partner
KPMG in Ukraine





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Key findings

Overall, three key themes emerged from this year's survey which we characterise as Purpose, Prosperity, and Priorities.

Purpose

In the midst of a health and humanitarian crisis, business leaders are focused on creating trusted, purposeful organisations.

● **A renewed sense of purpose**

In Ukraine, 74 percent of respondents noted a renewed focus on the strategic goals and purpose of their companies during the pandemic and this crystallised their approach to interaction with stakeholders. 70 percent of Ukrainian, and **79 percent of respondents around the world, say they have felt a stronger emotional connection to their organisation's purpose since the crisis began** and that they are even more inspired by strategic goals.

● **From empathy to action**

16 percent of respondents have had their health or the health of one of their family affected by COVID-19. Worldwide, 39 percent of respondents have had their health or the health of one of their family affected by COVID-19. 55 percent have changed their strategic response to the pandemic as a result.



Prosperity

As well as crisis response, business leaders are positioning their businesses for long-term growth and prosperity.

● Growing in adversity

Today, most business leaders in Ukraine (78 percent) say they are less confident now about prospects for long-term global economic growth than they were at the start of the year. However, globally just a third of respondents (32 percent) say they are less confident about prospects for long-term global economic growth than they were at the start of the year. **In Ukraine, 79 percent of business leaders are also less confident about prospects for long-term national economic growth than at the beginning of the year.**

● Accelerating digital growth

In Ukraine, **more than one third of respondents say the pandemic has accelerated digital transformation** with the biggest advances in digital operations (39 percent), and the creation of new digital business models and revenue flows (36 percent).

On a global scale, progress has been significantly more intense: **80 percent of respondents say that the pandemic has accelerated digital transformation**, with the biggest advance in digital operations where 30 percent of business leaders say that recent progress has put them years ahead of where they would have otherwise expected to be.

● The talent premium

In Ukraine, talent risk was identified as the number 4 threat to long-term growth. **However, 59 percent of business leaders say they prefer to invest in the development of human capital compared with technologies.**

On a global scale, with the onset of the crisis, talent risk moved up from 11th to top the list of threats to long-term growth.

Priorities

Business leaders are fostering further transformation to take advantage of the new opportunities and to be able to address the post-Covid challenges.

● Leaning to ESG (environmental, social and governance issues)

In Ukraine, 38 percent of respondents said they wanted to lock in climate change gains made as a result of the pandemic. 26 percent note their response to the pandemic caused a shift in focus to the social pillar of their ESG programme.

This indicator scores significantly higher on a global scale: **71 percent of business leaders say that they want to lock in climate change gains made as a result of the pandemic** and 63 percent talk of their shift in focus to the social component of their ESG programme.

● Future of work

88 percent of respondents in Ukraine, and 77 per-cent around the world, say they will continue to develop the digital cooperation and communications tools that were implemented as a consequence of the pandemic. 73 percent of global leaders, and 39 percent in Ukraine, are confident that remote working has widened their available talent pool.

● Customer-centric supply chain

Nationally, 43 percent of respondents say they have had to rethink their supply chain approach given the disruptive impact of the pandemic. Globally this figure is 67 percent. The change is driven by a desire to become more agile in response to changing customer needs.



Purpose

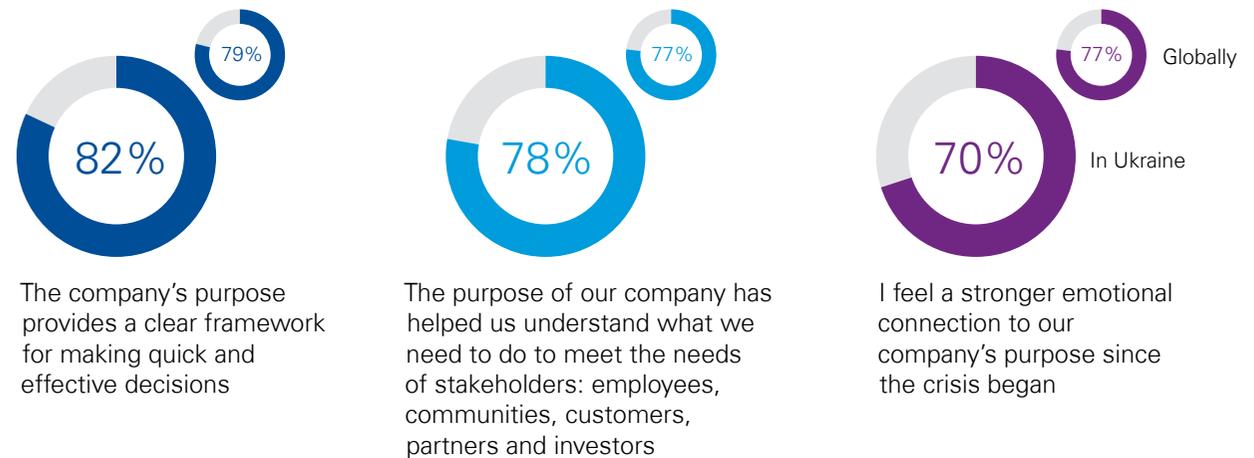
39 percent of respondents in Ukraine, and 79 percent around the world, have had to re-evaluate their company's purpose as a result of COVID-19 to better address the needs of their stakeholders.

The profound consequences of the pandemic on people's health and livelihoods — and its impact on the future of companies and industries — has presented business leaders with the greatest possible test of their leadership abilities and personal resilience, forcing them to revise their businesses' strategic goals.

A renewed sense of purpose

During the pandemic, as Chart 1 shows, purpose helped business leaders understand what needed to be done to meet the needs of stakeholders during the crisis, from employees to communities.

Chart 1: In light of the pandemic, business leaders believe that a deeper understanding of their company's business purpose is more necessary and relevant than ever



Sources Ukraine's 2020 CEO Outlook: COVID-19 Special Edition
KPMG 2020 CEO Outlook: COVID-19 Special Edition

**Oleh Popov**CEO
JSC SCM

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Strategic investors, such as SCM, usually make assessments and investment decisions for at least 5 years into the future. Our businesses, which are largely industrial assets, invest heavily in modernisation and new capacity. Investments like this usually require long-term planning. For us, long-term benchmarks are the cornerstone of our activity.

Today, it is impossible to produce long-term forecasts and make investment decisions, which means we have to live and work purely in today's environment. This applies both to us as an investor and to our assets as a business. And for an investor, this is probably the most difficult thing — to invest in conditions of global uncertainty.

But we have learned to work efficiently in the new environment and the future is gradually becoming clear, particularly with regard to the impact of our decisions and the actions taken to implement them. Firstly, we have restructured operational processes with a focus on the health and safety of our employees. Where possible, we transferred them to remote working. Secondly, we have focused on the most efficient projects which provide a quick return.

At the same time, we have not stopped investing, even for a second, and it is this continuous investment in industrial businesses that has already formed the foundations for future growth of the economy as a whole. This way, big business creates the 'destination of the future' for all society, creating jobs and generating salaries for our people, and taxes for the state budget ”



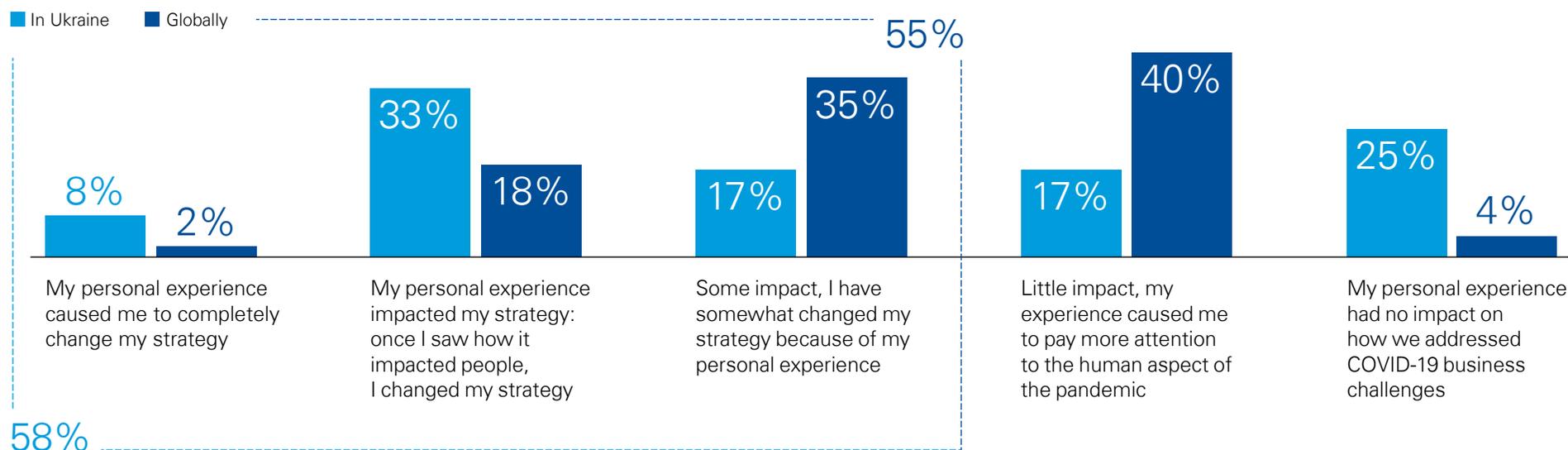
Purpose has become a central pillar for business leaders: 70 percent of respondents in Ukraine, and 77 percent around the world, said they felt a stronger emotional connection to their corporate purpose since the crisis began. At the same time, however, the massive disruptive impact of the pandemic has caused many business leaders to question whether their current purpose really meets the needs of stakeholders. In fact, 39 percent of business leaders in Ukraine, and 79 percent around the world, said that they have had to re-evaluate their purpose as a result of COVID-19.

From empathy to action

This increasingly personal and emotional connection to business purpose during the pandemic reflects the fact that business leaders face similar health and family challenges to their employees and communities. In fact, well over a third of business leaders (39 percent) around the world, and 16 percent in Ukraine, have had their health or the health of one of their family affected by COVID-19.

The pandemic will be remembered by many as a defining moment for this generation. Business leaders are clearly determined to learn from the pandemic and their own personal experience to recalibrate and make well-informed decisions. As Chart 2 shows, out of those who were personally affected by the health implications of the crisis just 25 percent of respondents in Ukraine and only 4 percent globally say that they made no change to their approach to the pandemic. In all, 58 percent in Ukraine, and 55 percent of worldwide respondents, changed their strategic response either completely or to some degree. Other business leaders, while not changing their strategy, did pay more attention to the human aspect of the pandemic.

Chart 2: How business leaders changed their response to the pandemic as a result of their health, or that of a member of their family, being affected



Sources Ukraine's 2020 CEO Outlook: COVID-19 Special Edition
KPMG 2020 CEO Outlook: COVID-19 Special Edition

Note: Total adds up to 99 percent due to rounding.

**Petro Mykhailyshyn**

CEO

Epicentr K

“

Every crisis is both a challenge and an opportunity. Epicentr K has always followed this rule and even tried to boost its development during crises. Last year, we invested more than UAH 9.5 billion in the economy of the country, including in the construction of elevators, purchase of equipment, construction of new shopping centres and completion of a ceramic tile plant. COVID-2019 did not stop us, but did partially change our priorities. The coronavirus pandemic has changed the habits of Ukrainians and that is why a business that wants to remain relevant in the 'new reality' must very quickly adapt to new customer preferences.

It's true that during quarantine Ukrainians have become used to buying online, and there is no way back. The share of online sales in our business tripled during quarantine from 3 percent to 10 percent. This has significantly accelerated the introduction of various online services that will help improve the shopping experience in our omnichannel ecosystem. We are actively working to increase our own capacities, particularly with the construction of logistics complexes that will serve not only shopping centres but also online trade.

Import substitution remains our No.1 issue. With each crisis, the share of our imports has been decreasing. We started with 25 percent of imports, now it is 11 percent. Domestic manufacturers have been increasingly requesting that we give them samples of products [we buy] from China, saying they will make the same products cheaper. The crisis has only accelerated this process.

Today, everyone is talking about Western investment as a panacea for the Ukrainian economy. However, at the same time, there is a shortage of Ukrainian products in almost every segment. And I believe that the future of Ukraine is in the development of domestic production. We only need to muster up the courage to invest in creating domestic products ”



Prosperity

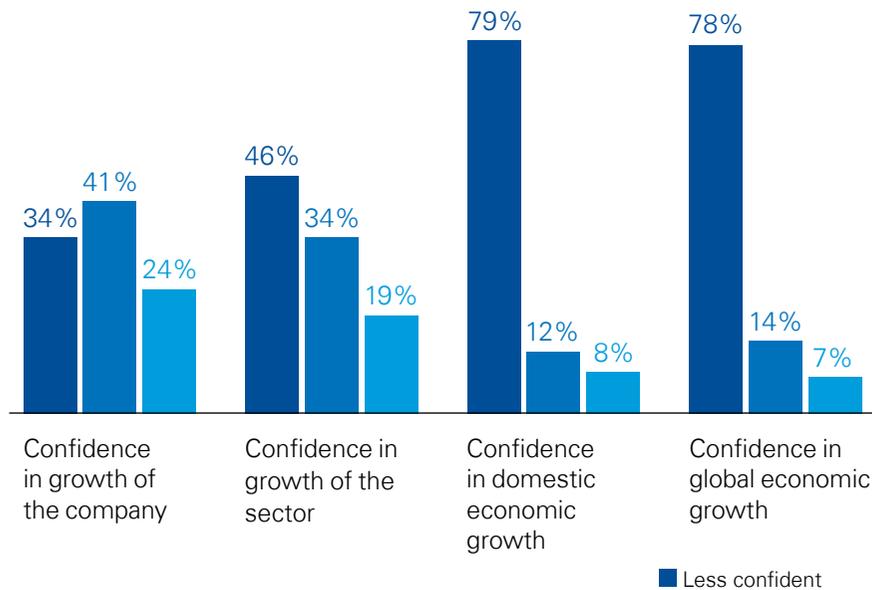
39 percent of business leaders in Ukraine, and 81 percent worldwide, believe that the pandemic has accelerated digitalisation of operations and the creation of a next-generation operating model

Prosperity under adverse circumstances

The survey shows that the COVID-19 crisis has shaken managers' confidence in the growth of the world economy. Today, the majority of business leaders in Ukraine (78 percent) and about one third of respondents around the world (32 percent) say that they are less confident in the prospects for global growth in the next three years. Similarly, 79 percent of Ukrainian business leaders are less confident in the prospects of long-term growth in the national economy than at the beginning of the year.

However, both in Ukraine and around the world, business leaders show more confidence in the future of their own companies: **just 34 percent of Ukrainian business leaders, and 17 percent around the world, say that they are less confident about the future of growth in their own business.** Business leaders are undoubtedly more confident about the prosperity of their companies as they have more control and access to the levers of influence in this area. In Ukraine, 72 percent of respondents expect their organisation's profits to grow to some extent over the next three years.

Chart 3: Confidence of business leaders in Ukraine in economic growth over the next 3-years



Source: Ukraine's 2020 CEO Outlook: COVID-19 Special Edition

Chart 4: Confidence of business leaders around the world in economic growth over the next 3-years



Source: KPMG 2020 CEO Outlook: COVID-19 Special Edition

Accelerating digital growth

Interestingly, business leaders are more confident in their own businesses' growth prospects over the coming 3 years. In part, this is because they have greater control over the levers that will determine this growth. One of the most critical levers they can control here, and a major growth driver, is digital acceleration. With commerce increasingly taking place online because of factors such as physical distancing, companies are having to rethink what customers want and how to deliver it. In Ukraine, over a third of respondents said that the pandemic had accelerated digital transformation with **the best results achieved in the area of operational digitalisation (39 percent), and design of new digital business models and revenue flows (36 percent)**. Respondents acknowledged that progress had accelerated during the pandemic.

“ Business leaders are more confident in the prosperity of their own companies as they have more control and access to the levers of influence ”

**Viktoria Mykhailo**

Chairman of the
Management Board
Alfa-Bank Ukraine

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I really like the quote from Lewis Carroll's Alice in Wonderland: “My dear, here we must run as fast as we can, just to stay in place. And if you wish to go anywhere you must run twice as fast as that.”

The pandemic has demonstrated to us how fragile our world is, for all its structured nature, and the seriousness of the decisions that are made every day by the heads of countries, businesses, heads of families and by each of us. Of course, the coronavirus has changed the priorities and behaviour of our customers as well. Along with the demand for easy-to-use technological solutions, our customers are increasingly demonstrating the need for empathy, an individual approach, and high-quality personal communication. The desire to anticipate and meet customer needs, as well as leaving a good impression — these are our competitive advantages in the banking sector, where it is difficult to stand out with a unique product these days. However, it is really important and necessary to be unique in our approach to working with clients ”

Chart 5: Accelerated progress on digital customer experience in Ukraine



■ Progress has sharply accelerated, putting us years ahead of where we expected to be ■ Progress has accelerated by a matter of months ■ Progress is the same as before the pandemic ■ Progress has lapsed

Source: Ukraine's CEO Outlook 2020: COVID-19 Special Edition

Chart 6: Accelerated progress on digital customer experience worldwide



Source: KPMG 2020 CEO Outlook: COVID-19 Special Edition

“ Companies need to understand whether COVID-19-related changes are simply the result of a temporary pandemic effect ”

We have found that 36 percent of managers in Ukraine, and 75 percent of managers worldwide, believe that the pandemic has accelerated the creation of uninterrupted digital customer service. Charts 5 and 6 illustrate the dynamics affecting digital technologies in all areas. Worldwide, progress has been even more intense: 80 percent of respondents report that the pandemic has accelerated digital transformation, the most successful of which has been the digitalisation of operations. 75 percent of respondents acknowledge that progress in this area has accelerated, with 22 percent going so far as to say that this progress has sharply accelerated putting them years ahead of where they expected to be.

When we asked leaders in Ukraine to name the biggest problem they faced amidst increasing digital transformation, it turned out to be a "lack of capital to accelerate progress" — with 22 percent of Ukrainian leaders reporting this to be an issue (compared with only 7 percent of respondents from elsewhere in the world). According to leaders around the world, the biggest challenge is to focus efforts and investment in areas that will become promising in the future, while avoiding areas that may only be experiencing a short-term positive response to the pandemic.

Therefore, the **biggest challenge in accelerating digital transformation, according to 33 percent of company executives around the world, is the "lack of understanding of future operational processes."** Companies need to understand whether COVID-19-related changes (such as changes in consumer behaviour) imply a continuing trend or if they are simply the result of a temporary pandemic effect. In Ukraine, 14 percent of managers acknowledged the "lack of understanding of future operational processes" as their main challenge.



Shifting risks

According to the respondents of our survey, the biggest threat to business in Ukraine in 2020 is regulatory risk. Last year, managers considered talent risk a priority. This risk remains on their radar but has shifted to fourth place.

As business leaders plan their path to long-term growth, they recognise that there have been new challenges to contend with during lockdown. A potential second wave of COVID-19 in their key markets would likely deepen these concerns, with further adverse consequences in terms of retaining key employees, hiring talent, and keeping their workforces productive.

Since the beginning of the pandemic, talent risk around the world has risen in the rankings and is now recognised as the greatest threat to business; overtaking disruption to the supply chain, the threat of a return to territorialism, and environmental climate change risk. In terms of major strategic threats, supply chain risk ranks second around the world and fifth in Ukraine. Leaders agree that building resilient, flexible supply chains — ones that can withstand shocks and offer the agility to pivot to new opportunities — will be critical for organisations to drive growth and build a competitive advantage post-COVID. Leaders are aware that increasing territorialism — which now ranks third in terms of risk — could make the transfer of goods both more difficult and more costly.

Chart 7: Changing threats to growth in Ukraine



Source: Ukraine's 2020 CEO Outlook: COVID-19 Special Edition

Chart 8: Changing threats to growth around the world



Source: KPMG 2020 CEO Outlook: COVID-19 Special Edition



Ievgen Osypov
CEO
Kernel

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Timely response and systematic work on risk management guarantee any company's financial stability, liquidity, and sustainable development in the face of any external conditions. All possible risks to any company can be identified and placed into 5 categories: strategic, operational, financial, regulatory, and risks in the area of sustainable development. We consider the reduced harvest in Ukraine in 2020 and low world prices for agricultural products to be major risks this financial year. We also see key operational risks in issues related to the management of our trading position and investment projects, fraud, and information security. And this is not an exhaustive list.

Nobody foresaw the coronavirus pandemic. Despite all the potential risks associated with it, our entities have implemented a set of preventative measures and kept working on a full-time basis without any staff reductions, salary cuts or placing our employees on unpaid leave. We were among the first businesses in the country to introduce a work-from-home model for employees not involved in continuous production. In addition, our company allocated UAH150 million for the emergency purchase of medical equipment, medicines, personal protective equipment and disinfectants for hospitals in the regions of Poltava and Kirovograd.

The company's management determines and evaluates the potential impact of risks and develops risk management measures to minimise them, which are then implemented systematically. For example, to neutralise the impact of low world prices for agricultural products, we hedge our grain prices. The sale of the new harvest begins only after a preliminary analysis of production costs, taking into account the margin in the entire value chain. No less important here is a detailed analysis of the world market for agricultural products.

A similar integrated approach is applied to each identified risk. We monitor and assess the situation on a regular basis, thus keeping the impact of risks to a minimum and ensure we meet the company's strategic goals ”



Human capital will be the key to both long-term growth and the development of an organisation capable of prospering in the new post-COVID reality.

Managing talent risk requires managers to focus on both their urgent needs and long-term perspectives. Business leaders around the world today are aware that human capital will be the key to both long-term growth and the development of an organisation capable of prospering in the new post-COVID reality.

A new digital generation of employees will be needed to meet the changing needs and behaviours of customers. As a result of increasingly automated production processes, advanced training and retraining will be crucial for continued employment and employee efficiency. People's willingness to constantly learn and their ability to adapt will become increasingly important. An extremely important step will be the development of new curricula and their virtual presentation.

The pandemic and the transition to remote working have demonstrated the efficiency of virtual interaction between people. Managers will have to make complex personnel decisions and prioritise their investments in either technology or talent.

With the development of analytics, artificial intelligence, process automation, and the Internet of Things, the companies of the future will be completely different: simplified, digital, and with a completely different workforce. There will be fewer employees but they will have new skills needed for this new working environment.

We found that today's business leaders are taking bold and ambitious steps towards digital transformation. **When we asked business leaders around the world which area they invest in more — technology or talent — 67 percent said they were investing more in new technologies, while only 33 percent said they were investing more in the further development of staff skills and capabilities.** In Ukraine, the distribution of this investment differs: 59 percent of business leaders surveyed said that they prefer to invest in the development of human capital rather than in the acquisition of new technologies.

“ A new digital generation of employees will be needed to meet the changing needs and behaviours of customers ”



Priorities

Commitment to ESG (environmental, social and governance issues)

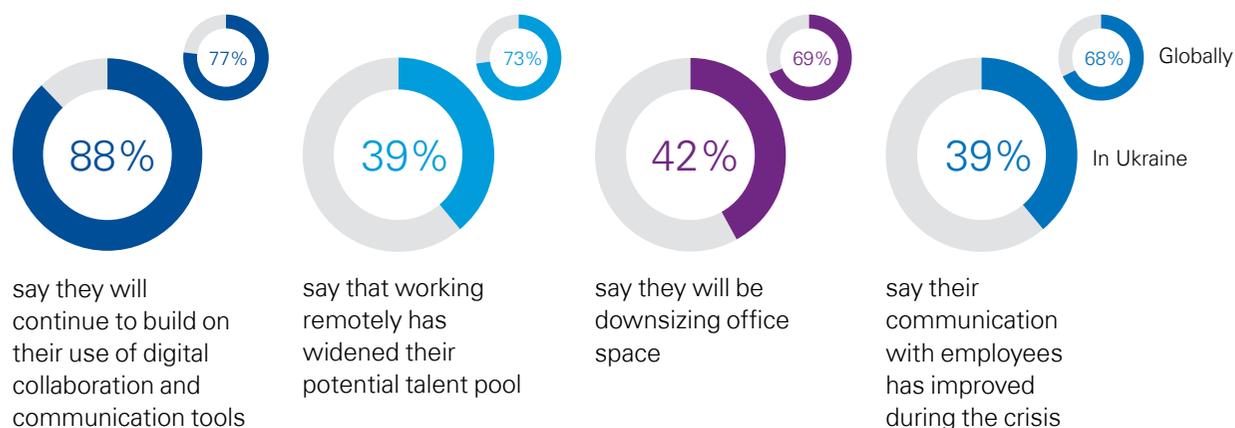
In Ukraine, 38 percent of respondents said that they wanted to continue to move towards combatting climate change and 26 percent of respondents said that the pandemic had shifted their focus to the social component of their ESG programme. Elsewhere in the world, these percentages were much higher: 71 percent of respondents said they want to consolidate progress in the fight against climate change and 63 percent said they were changing their focus to the social component of their ESG programme.

Work in the future

COVID-19 has effectively forced many organisations to radically experiment with how work is done. For many organisations, virtual working kicked in literally overnight.

Given how the pandemic is transforming the labour market, 88 percent of respondents in Ukraine and 77 percent of respondents from elsewhere in the world acknowledged that they would have to continue to develop the tools for digital cooperation and communication that they use today. Worldwide, 73 percent of respondents said that they were convinced that remote work had broadened their access to the talent pool. In Ukraine, just 39 percent of respondents agreed.

Chart 9: Business leaders see the pandemic as an opportunity to rethink the way they work and communicate



Sources Ukraine's 2020 CEO Outlook: COVID-19 Special Edition
KPMG 2020 CEO Outlook: COVID-19 Special Edition



Oleksandr Komarov

President
Kyivstar

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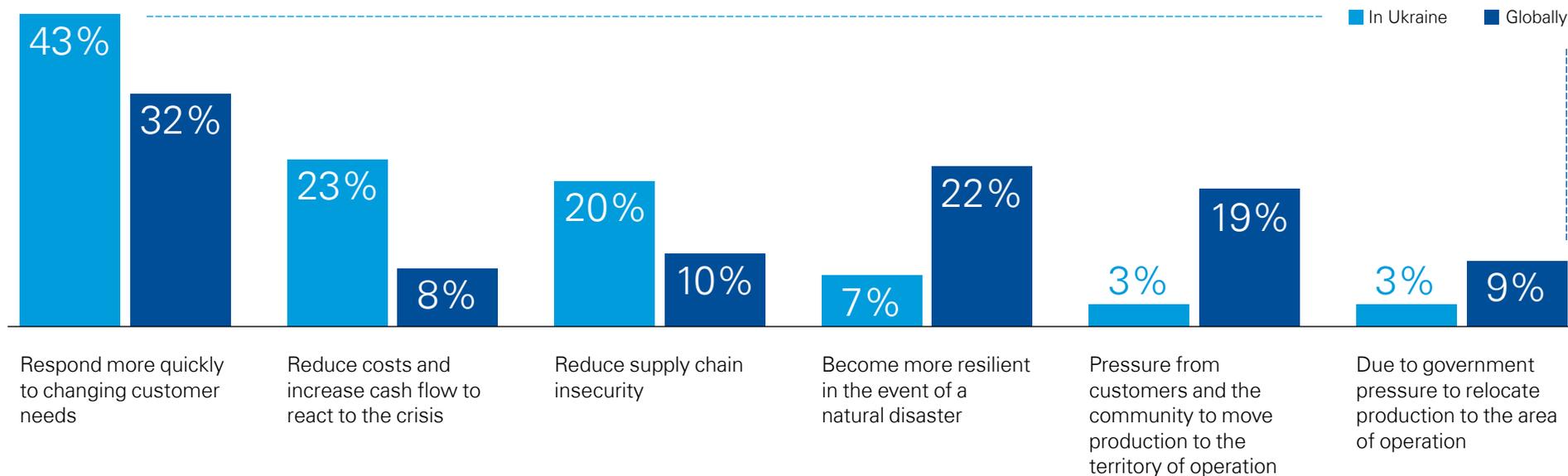
Business has not been quarantined. Especially when it comes to communication: not only have people and companies not stopped using our services but, on the contrary, the need for communication increases significantly in times of self-isolation and remote work. Whatever the circumstances, clients must be provided with first-class service because they are counting on us. This is our basic principle. Therefore, now more than ever, our company needs to remain super-fast, flexible, and resilient, and we must trust and support our team.

For us, this remains the number one task. Today, when more than 80 percent of our employees are working remotely, you value your team as never before; our shared values, support and trust. Therefore, the ability to listen to your employees as you would a client, to adapt to their needs and the requirements of this new reality — this is what helps companies to move forward.

Of course, no one was ready for the changes we have faced this year. What our company had managed to build in advance of this crisis, the way we set up processes and the speed with which we have been able to respond to challenges and adapt to these new conditions; all of this demonstrates our capacity to react to new challenges, the ongoing viability of our business and confidence in the future ”



Chart 10: Reasons why managers are rethinking supply chains



Sources: Ukraine's 2020 CEO Outlook: COVID-19 Special Edition
KPMG 2020 CEO Outlook: COVID-19 Special Edition

Note: Due to rounding, the total amount is 99 percent.

A customer-oriented supply chain

It is clear that supply chains have been severely affected, causing businesses to rethink their operating models: 43 percent of respondents in Ukraine, and 67 percent of respondents around the world, admit that they have had to rethink their supply chains. However, managers are using this opportunity to think about how to turn their supply chain into a competitive advantage in the conditions of our new reality. When managers in Ukraine and around the world were asked what prompted them to reassess their supply chain, they named the need to become more flexible in response to changing customer needs as the main reason.

“ The main reason to rethink supply chains is the need to become more flexible in response to changing customer needs ”



Conclusions

Business leaders in Ukraine named regulatory risk the biggest threat to company growth. In Ukraine, regulatory and operational risks have always been seen as one of the biggest threats to business. However, this is the first year that they have overtaken talent risk for the number one spot. The risk of a return to territorialism, which now ranks third, will also affect supply chains if the situation worsens.



In Ukraine, more than a third of respondents report that the pandemic had accelerated digital transformation. Managers are aware that increasing digitalisation is one of the main factors in the development of their organisations. Companies have had to rethink what customers want and how to implement it. However, a lack of capital and the lack of a coherent view of key technological trends are the biggest challenges when accelerating digital transformation.



The majority of company executives in Ukraine (78 percent) were less confident in the long-term growth prospects of the world economy than at the beginning of the year. A similar number (79 percent) were less confident in the long-term domestic growth prospects. However, this loss of confidence was not as dramatic when it comes to business leaders' views on the future of their own companies: only 34 percent of respondents in Ukraine said there is a decrease in confidence. Managers are undoubtedly more confident in the well-being of their companies because they now have more control and leverage. In Ukraine, 72 percent of respondents said they expected some increase in profits at their organisations over the next 3 years.



For business leaders, the pandemic has been the most serious test of their leadership skills this year, forcing them to reconsider their companies' strategic goals. Executives noted that a company's purpose served as a guide for quick and effective decision making and as a guarantee of trust for all stakeholders. Human capital will be the key to long-term growth. A new generation of employees will be needed to meet the changing needs and behaviours of customers. 59 percent of managers in Ukraine said that they preferred to invest in the development of human capital than in the acquisition of new technologies.





Methodology and acknowledgments

This report, Ukraine's 2020 CEO Outlook: COVID-19 Special Edition, presents the views of business leaders on entrepreneurship and economic growth in Ukraine. The survey offers an insight into how business leaders' thinking has changed as a result of the global pandemic.

The survey involved **74 managers working in various sectors of the economy**.

This survey was conducted in Ukraine from 15 July to 31 August, 2020. The structure of the survey was based on 16 questions adapted from the international survey, KPMG 2020 CEO Outlook. The above executives work across more than 10 key areas, including agriculture, asset management, the automotive industry, banking, retail, energy, transport, insurance, pharmaceuticals, manufacturing, and technology.

Of the 74 organisations' managers, 34 business leaders represent companies with revenues of up to EUR 8 million; 18 represent companies with revenues from 8 million to 40 million; and 22 represent companies with revenues of over EUR 40 million. We compared the data published in this report with the results of the KPMG 2020 CEO Outlook global report.

KPMG Ukraine would like to thank the leaders who took part in the survey, and particularly all those who shared their views with us:

Oleh Popov, CEO, JSC SCM

Petro Mykhailyshyn, CEO, Epicentr K

Viktoriya Mykhailo, Chairman of the Management Board, Alfa-Bank Ukraine

Ievgen Osypov, CEO, Kernel

Oleksandr Komarov, President, Kyivstar

Note: Due to rounding of numbers, in some cases the amount will not be 100 percent.



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