



# Survival through purpose: How Ukrainian businesses endured amid extreme uncertainty

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Ukrainian businesses that have survived and thrived in the face of an unforeseen Russian invasion offer lessons in resilience.

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**In the 14 months** since Russia invaded Ukraine, Ukraine's military successes have deservedly captured the world's attention.

No less deserving of attention is the resilience of civilian Ukrainian businesses. Their ability to survive and, in many ways, thrive in extremely difficult situations is justifiably a source of pride and deserves to be recognized and celebrated far beyond Ukraine's borders.

Organizations around the world routinely ask themselves the question: “How do I prepare to respond to the unknowable?” Yet, examples of actual unknowable events are elusive. The Russian invasion, especially the attack on Kyiv, represents a unique class of events: one that had not been a part of any scenario build, gave little clear warning ahead of time, scaled within hours, and had a large, immediate, and irreversible impact on companies across the country. The lessons learned in this situation apply to any company hoping to create a tool kit to deal with true black swans.

To compile data for this article, we surveyed executives across more than 100 Ukrainian businesses, analyzed economic data, and interviewed Ukraine’s top business leaders.

## Impact of the invasion on Ukrainian businesses

To say that conducting routine business in Ukraine has been difficult is an understatement. For more than a year, Ukrainian businesses and citizens have endured a 600-mile front line with territories under regular shelling, energy infrastructure attacks that decreased electricity generation capacity by half, and disrupted fuel supply chains and damaged refineries, the latter leading to hours of waiting in gas station lines to get just ten to 20 liters (2.5 to 5.5 gallons) of fuel.

As we have detailed in [other articles](#), the invasion has ravaged lives and livelihoods across the nation. Beyond the enormous human sacrifices and the many wounded as a direct result of the war, 6.9 million in-country Ukrainians have been displaced,<sup>[1]</sup> with an additional 8.1 million refugees crossing the border into neighboring countries.<sup>[2]</sup> The economy has been ravaged, contracting by 30 percent relative to

prewar levels.<sup>[3]</sup> Unemployment is at an all-time high of 26 percent.<sup>[4]</sup> More than 150,000 residential buildings (that is, more than 1.2 million households), 3,170 educational institutions, and 1,216 medical institutions have been damaged or destroyed—a total impact exceeding \$143 billion as of March 2023.<sup>[5]</sup> Regular shelling of Ukraine's energy infrastructure has reduced Ukraine's electricity generation capacity to half its prewar levels. Disrupted fuel supply chains and damaged refineries have strained logistics.

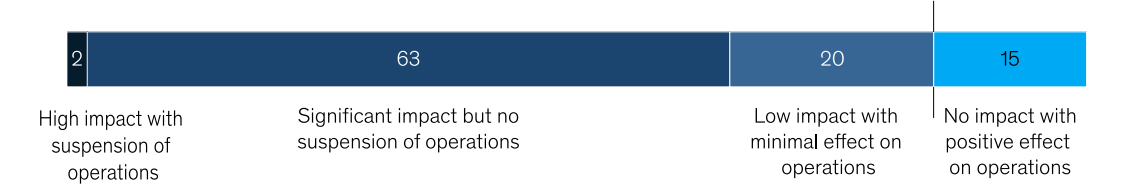
Within this broad environment, Ukraine's businesses have operated with surprising resiliency but saw a wide range of impact on their operations. Of the businesses we surveyed, only 2 percent suspended operations completely, mostly as a result of business-critical facilities being inoperable or inaccessible due to the conflict. Nearly two-thirds (63 percent) suffered a large negative impact in some form, but not to a degree that required suspending operations. About 20 percent of companies experienced little direct impact and continued business as usual. About 15 percent experienced a positive momentum—typically companies in the transportation and banking sectors that were aided by a spike in demand for transportation services (especially truck operators) and favorable government regulation for the banking sector (Exhibit 1).

Exhibit 1

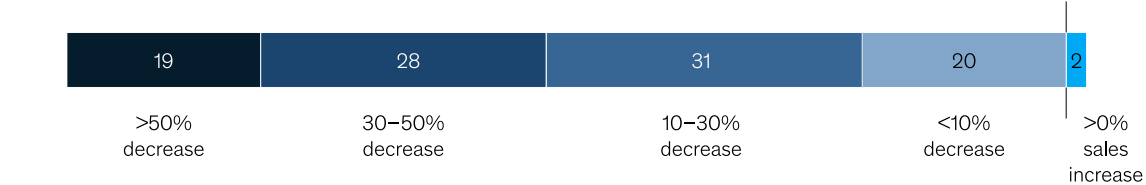
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The impact of the war has varied across Ukrainian businesses.

Impact on operations as a result of the war in Ukraine,<sup>1</sup> % (n = 122)



Impact on sales as a result of the war in Ukraine,<sup>2</sup> % (n = 122)



<sup>1</sup>Question: How has the war impacted your business?  
<sup>2</sup>Question: How has the war affected the sales volumes of your organization?  
Source: American Chamber of Commerce in Ukraine in collaboration with McKinsey

McKinsey & Company

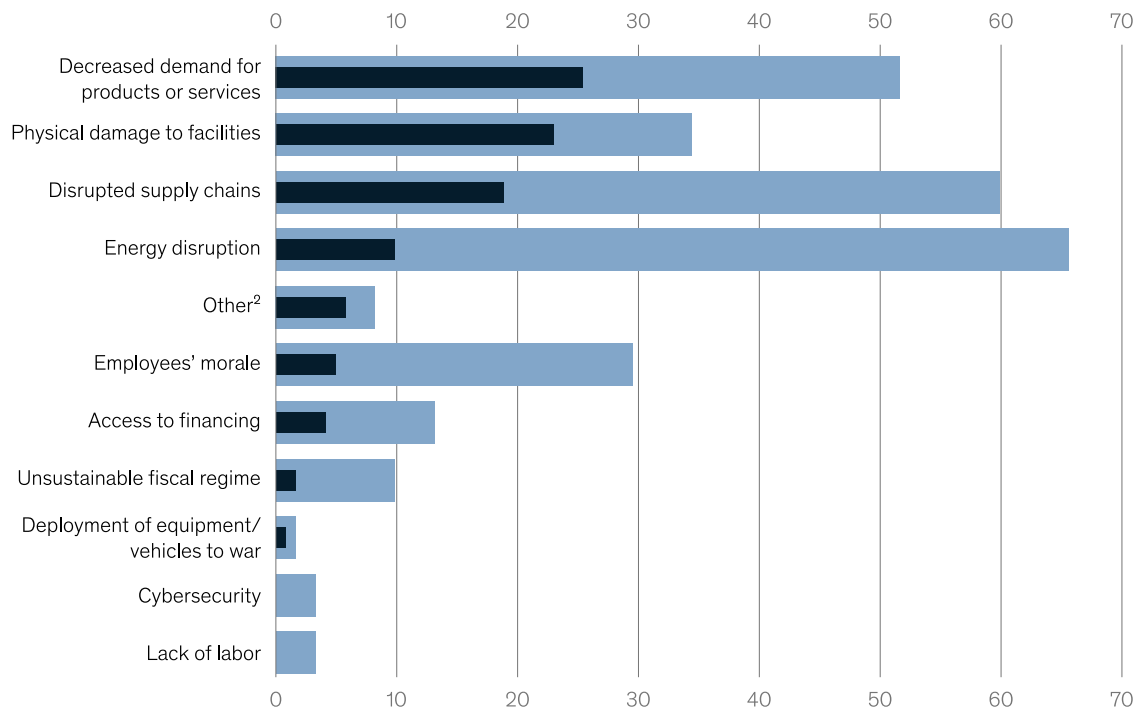
The impact on sales, however, has been extremely deep and wide ranging. One-fifth of companies lost more than half of their sales revenues, and the vast majority of companies (nearly 80 percent) lost more than 10 to 30 percent of their total sales—a heavy impact for any organization. This reduction in demand has been the biggest challenge that Ukrainian businesses have had to navigate—more so than physical attacks on facilities, disrupted supply chains, interruptions in energy supply, or impact on employee morale (Exhibit 2). The reduction occurred for two reasons. First, as real incomes deteriorated, partly due to persistent unemployment, consumer spending suffered. This is likely to remain a major challenge for Ukrainian businesses in the foreseeable future. Second, companies that relied on physical storefronts have seen a large drop in footfall. Sixty-seven percent of retailers, for instance, felt that military attacks on their facilities and stores were the largest threat they faced.

Exhibit 2

## Ukrainian businesses cite decreased demand, physical damage to facilities, and disrupted supply chains as main challenges of war in 2022.

Main challenge of war on business in Ukraine,<sup>1</sup> % (n = 122)

■ Top challenge ■ Among top 3 challenges



<sup>1</sup>Question: What were the most challenging impacts of the war? (Please pick and rank top 3)

<sup>2</sup>Other challenges (eg, staff safety, relocation of staff and production site, inflation).

Source: American Chamber of Commerce in Ukraine in collaboration with McKinsey

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## How Ukrainian business responded, and what worked well

How did companies that faced a large reduction in sales, attacks on their facilities, and extreme shortages in energy and their supply chains respond? Our interviews with several business leaders across Ukraine provided some consistent themes.

The initial reaction was surprise. While the 2014 Crimea invasion and breakout of the war in eastern Ukraine had trained most business leaders to be aware of the speed with which issues could escalate, the scale of the recent invasion, and the bombing of most of Ukraine's

biggest cities, Kyiv in particular, was not something many expected. Of the leaders we interviewed and surveyed, none had prepared for an invasion of this scale. Nonetheless, businesses responded quickly—and largely successfully—in four critical areas.

## Providing people with safety and purpose

For businesses, the focus on people meant both providing safety for employees and maintaining their morale and motivation. The early emphasis, almost universally, was a focus on safety. The mechanics of obtaining employee head count, ensuring employee relocation to safer locations, and structuring outreach to families quickly became an urgent, nontrivial task. Within the first week, however, the focus shifted. As companies' assets were bombed and critical infrastructure came under recurring attack, initial concerns about safety evolved into maintaining operations despite the extreme situation.

This push worked. Ninety percent of companies that suffered physical damage to facilities remained open (or reopened quickly). Many of these companies had to close, relocate, or find work-arounds for parts of their operations, but the company operations overall remained up and running. While this outcome seems almost natural in hindsight, motivating employees to return to workplaces during ambiguity and under dangerous working conditions required significantly more than just monetary reimbursement. In the context of war, employees working in companies that placed a significant emphasis on values and purpose, beyond pure financial incentives, were much more likely to continue to show up to work, as they understood the importance of their work to a broader society.

Partly because of this focus, Ukrainian businesses retained most of their employees. Two-thirds of companies have maintained more than 90 percent of their workforce a year into the conflict.

## **Nerve center: A shift to a wartime operating model**

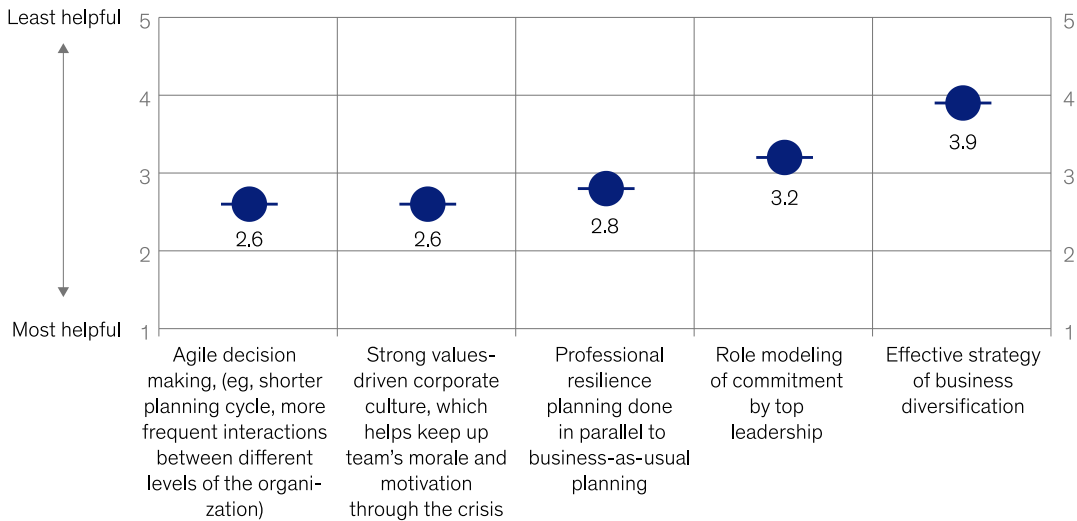
Given the constantly shifting reality of the situation, ensuring continuity required flexible problem solving on a near-hourly basis across all levels of organizations. This was particularly important as initial assumptions turned out to be incorrect and had to be changed quickly. For instance, shortly after the start of the invasion, many business leaders assumed that the first impact would be on communications. They started to put in place work-arounds to address this. A communications breakdown, however, never materialized in a meaningful way. The first major infrastructure problem (in the areas not directly affected by conflict) turned out to be a debilitating lack of fuel. As companies started to resolve the fuel issue, the energy infrastructure was affected. The response to this called for an organizational ability that could not be achieved through normal operations. It required standing up some version of a “nerve center”—a specific organizational architecture that allows institutions to navigate fast-moving disruptions. Decision making moved, for instance, to cross-silo teams focused on specific outcomes, and interaction among different parts of the organization occurred in a more fluid way.

This sense of purpose, combined with an operating model that emphasized agility, proved to be the two most powerful forces that allowed companies to navigate the crisis (Exhibit 3).

Exhibit 3

Businesses in Ukraine view an agile operating model as the most helpful factor in navigating the war.

Techniques most helpful in addressing the impact of the war in Ukraine,<sup>1</sup> rank (1 = high, 5 = low)



<sup>1</sup>Question: Which of the below was the most helpful in addressing the war's impact?  
Source: American Chamber of Commerce in Ukraine in collaboration with McKinsey

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# Leveraging contingency plans and risk mitigation strategies

The third area where Ukrainian companies responded quickly and successfully was in their resilience or contingency plans—even though these plans did not anticipate anything close to dealing with a full-scale war. It turned out that several elements of the contingency plans already in place were universally helpful, allowing organizations to respond faster than they otherwise might have done.

Successful Ukrainian businesses often use diversification strategies to address “Achilles’ heels” such as vulnerable business lines and overdependence on single revenue sources, suppliers, and locations.

Contrast that approach with diversification outside of war. For many, it is a strategic choice frequently implemented in a cautious way—a so-called no regret move—in the hopes of avoiding significant losses to the potential earnings in a business-as-usual scenario.

But diversification of the “core pain points” suggests prioritizing strategic resilience over potential marginal earnings. Companies can invest in resilience, even if it is not economically attractive or it means giving up some growth opportunities.

## Personal commitment

Senior leaders gained new appreciation for their position as role models. Their decision to be present, communicating early and sincerely, also appeared to play an important role in setting employee aspirations on presence and continuity, inspired in part by the actions of the country’s leaders.

## Future focus, and what businesses are hoping to do differently

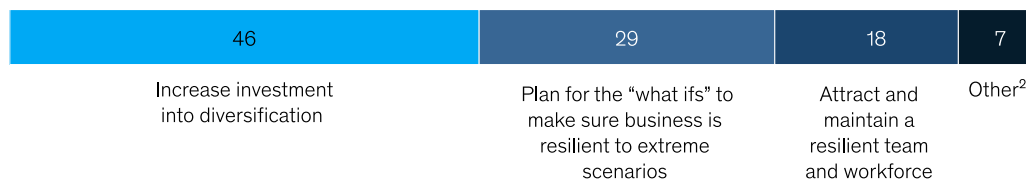
Inevitably, navigating such an extreme, uncertain situation for so long meant that businesses faced more than their fair share of disappointments. Based on this experience, there are three areas that leaders are focusing on moving forward (Exhibit 4).

Exhibit 4

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## Going forward, businesses in Ukraine see diversification of supply chain and revenue sources as a key priority.

Planned changes to business after war is over,<sup>1</sup> % (n = 122)



<sup>1</sup>Question: Looking forward, what would you change the most about your company after the invasion?

<sup>2</sup>Eg, foster collaboration in the leadership team, foster resilience in workforce, provide infrastructure to ensure safety of employees, increase digitization and agility, ensure IT independence.

Source: American Chamber of Commerce in Ukraine in collaboration with McKinsey

McKinsey & Company

## Increased diversification of supply chain and revenue sources

After the attack on Crimea in 2014, Ukrainian companies that were exposed to Russian markets and markets in east Ukraine suffered a sharp fall in revenue. As a result, many Ukrainian companies originally pursued active attempts at diversification across geographies and the sector.

However, for many companies, this push on diversification lost steam after some initial moves, as other business priorities, the passage of time, and optimism bias crowded out that initial focus. Reinstating this focus has become a priority for many businesses. Forty-nine percent of respondents listed this as their top priority to get right, especially after the invasion and even at the cost of additional investments.

## Injecting imagination into resilience and scenario planning

A consistent theme among leaders is how to inject more imagination into scenario planning. One way that businesses are considering approaching this is to pick examples of historical issues, including ones that never became major crises, and use “what if” thinking to review the different ways in which they could have become far larger challenges. They would then test their strategic plans against these hypothetical outcomes and ensure that they are robust. Twenty-nine percent of leaders across Ukraine listed scenario planning as their top priority moving forward.

## **Building a resilient workforce**

As the war enters its second year, business leaders are especially focused on the question of how to maintain momentum as initial adrenaline wears off and the challenges of prolonged conflict mount. They are focused on building greater resiliency in their workforce through several mechanisms: formal capability building that emphasizes flexibility, greater situational awareness and problem-solving, establishing escalation mechanisms and protocols, regular use of tools such as premortems, and continuing to build trust within their teams.

## **The lessons that Ukraine’s businesses can teach leaders globally**

Some of the lessons that Ukrainian businesses can teach us are ones that we have already learned from other contexts. Nerve centers and agile operating models, for instance, were critical enablers of fast response during the COVID-19 pandemic. Yet, as the sense of urgency faded, many organizations around the world found it tough to sustain

that momentum. Ukraine serves as an important reminder that shared purpose, hope, and personal commitment during a major disruption can sometimes do what traditional levers cannot. It also serves as a reminder of how easily hard-won lessons (for instance, on scenario planning and testing Achilles' heels) can be lost as a major disruption fades from memory and smaller day-to-day challenges take its place.

These experiences also offer some surprises that are not commonly discussed in traditional resilience planning. The focus on building resiliency in supply chains and navigating geopolitical shifts over the past few years has reduced the attention management teams give to revenue diversification. It is entirely possible that, if the macroeconomic environment continues its shift toward lower consumer demand, having such revenue diversification will be one of the dimensions that shapes future success. It also offers an important perspective on the need to build a resilient workforce—a challenge that isn't unique to Ukraine. Many companies today struggle to ensure the right balance of judgment, situational awareness, and proactive action orientation in their workforce at all levels. They also struggle with enabling leaders at every level to dust themselves off after a setback and recommit to the path forward. The tools that Ukrainian businesses are using, from providing purpose and hope to creating tangible tool kits to enable escalations of protocols, could become important sources of insight for businesses around the world.

Above all, Ukrainian businesses, civilians, and soldiers are collectively showing the rest of the world how quiet resolve and determination—to persevere, survive, and thrive as a free society—can shape remarkable outcomes.

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☆☆☆☆☆

1. "The number of internally displaced persons in Ukraine is increasing again, according to the IOM," International Organization for Migration in Ukraine, September 1, 2022.
  2. Operational Data Portal: Ukraine Refugee Situation, UN Refugee Agency, accessed March 2023.
  3. The Ministry of Economy preliminarily estimates the drop in GDP in 2022 at the level of 30.4 percent, Ministry of Economy of Ukraine, January 5, 2023.
  4. *Inflation Report, January 2023*, National Bank of Ukraine, February 2, 2023.
  5. "The total amount of damage caused to Ukraine's infrastructure due to the war has increased to almost \$138 billion," Kyiv School of Economics, 24 January 2023.
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