

Progress and challenges in the digital transformation of businesses in Ukraine

- Summary of results -

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Main Messages

- GET conducted a representative survey of 500 Ukrainian companies on the status and challenges of digital transformation.
- Ukrainian companies are relatively optimistic about digitalisation, but mostly feel they are lagging behind their competitors in digital transformation. 92% of companies see digital transformation as an opportunity rather than a risk, but only 17% see themselves as forerunners rather than latecomers.
- So far, Ukrainian companies see only limited competitive pressure from the digital transformation of markets.
- Implementation of digital technologies is concentrated on entry-level tools, too few companies have clear strategies and responsibilities for digitalisation
- From the companies' point of view, the biggest obstacles to digitalisation are a lack of financial resources and the lack of know-how and skilled workers.
- Policymakers should address these obstacles to supporting companies in catching up in the transformation of their businesses and product range.

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1. Introduction

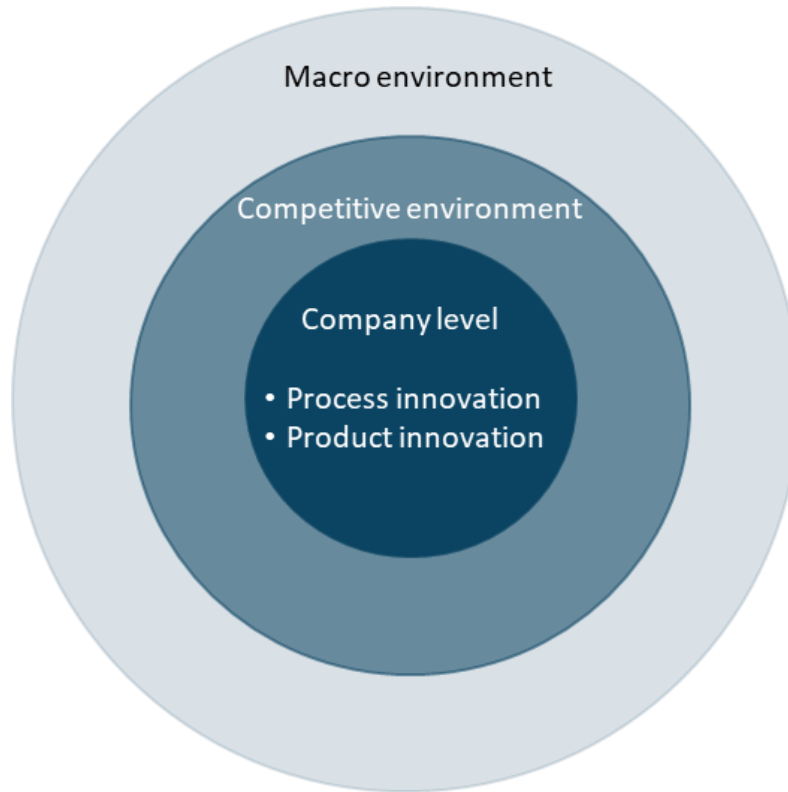
Background:

- Policy challenge: Supporting and guiding the digital transformation of the economy requires understanding:
 - Where do companies in all sectors of the economy stand today?
 - What pressures are companies subject to?
 - How their progress may be facilitated?
 - What challenges and hurdles do businesses face?
- In Ukraine some studies on digitalisation exist
- However: lack of detailed data in Ukraine especially regarding companies beyond the ICT sector

Purpose of this Policy Briefing:

- Support policy makers with results of a comprehensive and representative survey

2. Conceptual framework

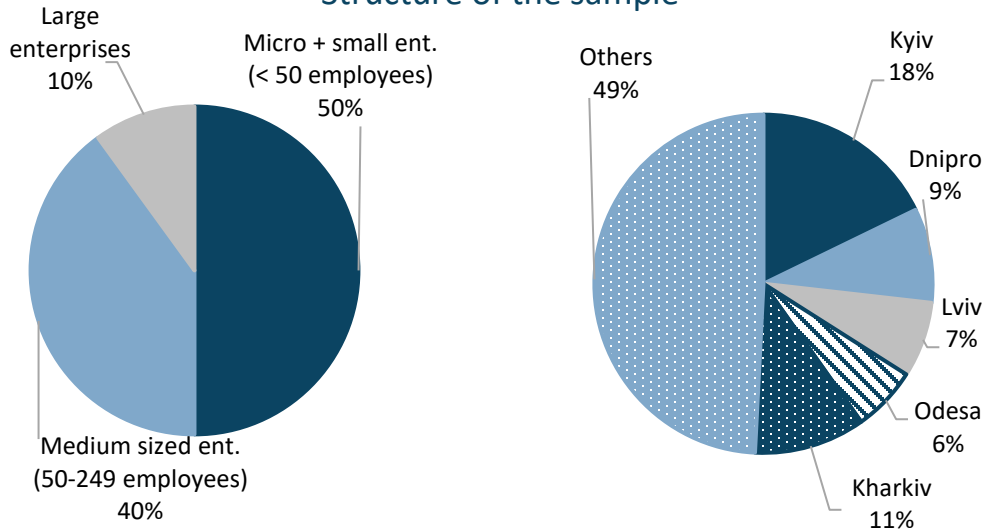


Source: Own illustration following Johnson, Whittington, Scholes et. al.(2017) pp.118, Schreyögg and Koch (2014), pp.77

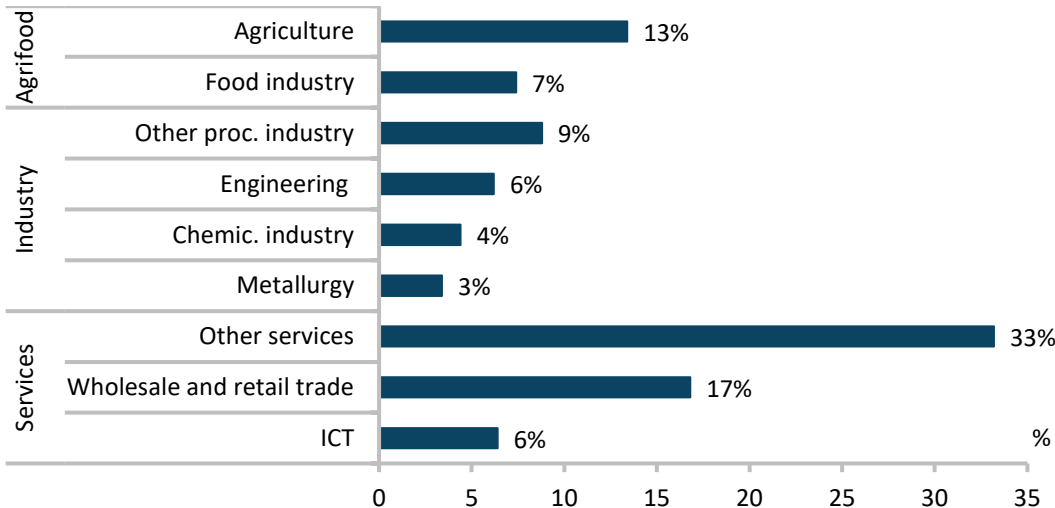
We apply a standard theoretical framework of strategic management as a basis for structuring our analysis.

3. Survey design, methodology and sample characteristics

Structure of the sample



Structure of the sample by size



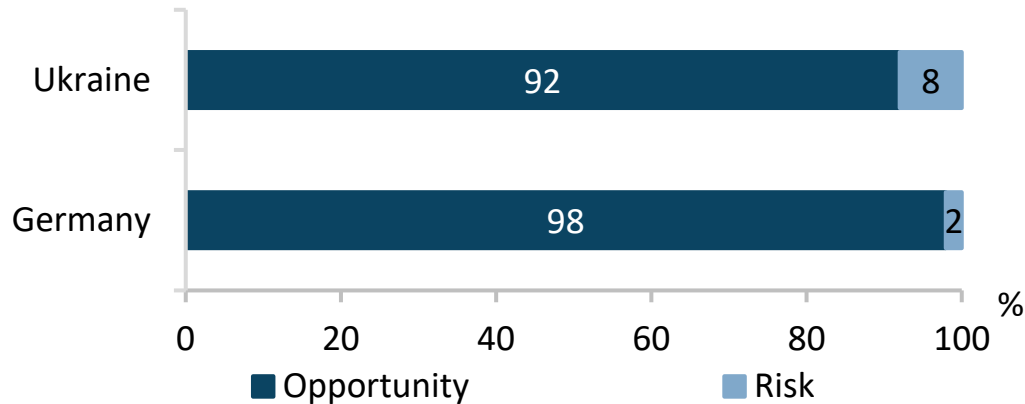
Source: Own survey

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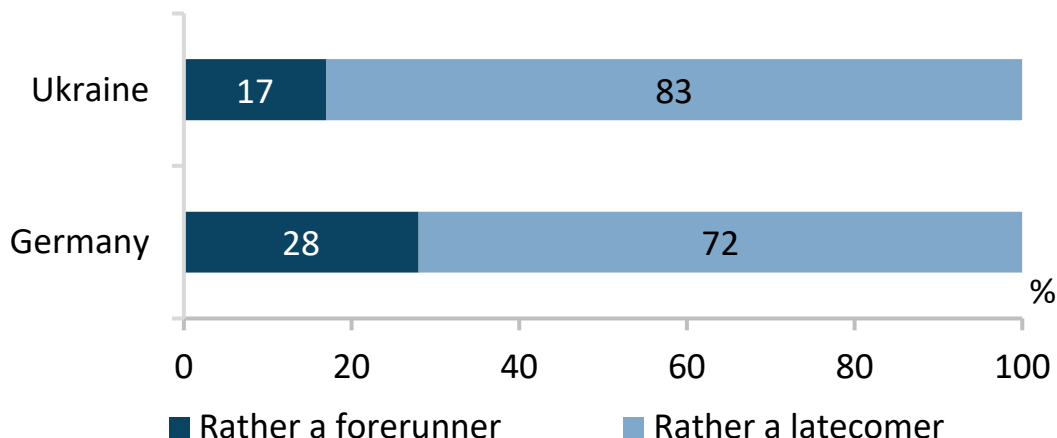
- Method and sample size:
 - Cross-sectional survey of 500 enterprises in Ukraine
 - Representative randomized sample
 - Telephone interviews (CATI) with owners, co-founders, business directors, top managers or high level managers
 - Conducted May to June, 2021
- Focus of questions:
 - Perception of digitalisation
 - Companies' activities
 - Obstacles to digitalisation
- Benchmark:
 - Comparable study from Germany (2020) by Bitkom Research etc.

4. The digitalisation challenge in the competitive environment

How do you assess the digital transformation of your company: Rather opportunity or rather risk



Where do you see your company from the perspective of digital transformation

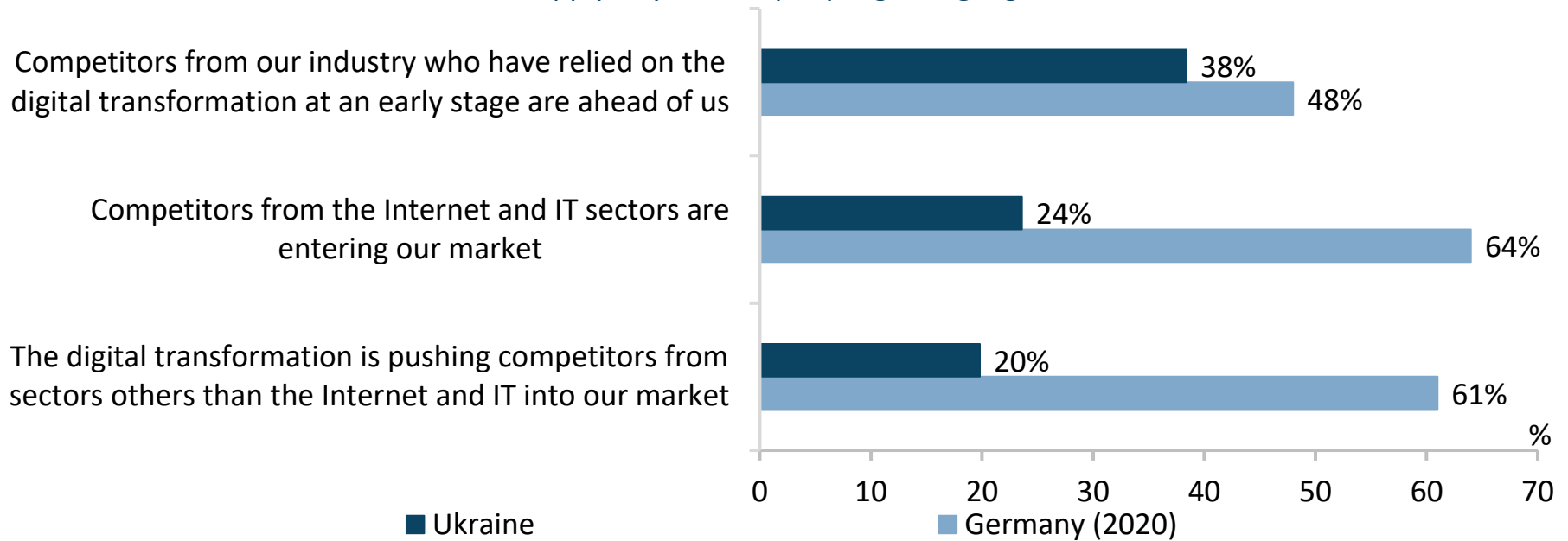


Source: Own survey, Bitkom

- Ukrainian companies are:
 - generally optimistic about digitalisation BUT
 - most see themselves as digital latecomers...
- Similar picture in Germany, slightly more optimistic and more perceived forerunners

4. The digitalisation challenge in the competitive environment

Which statements apply to your company regarding digital transformation?

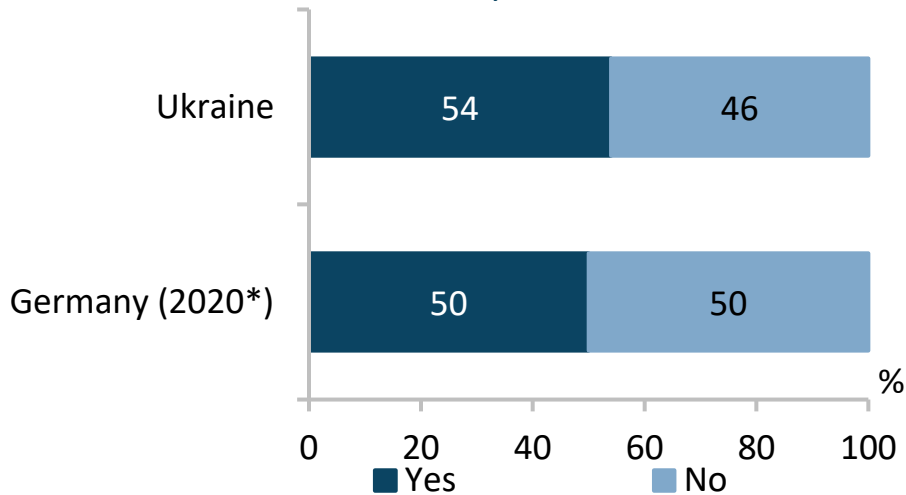


Source: Own survey, Bitkom

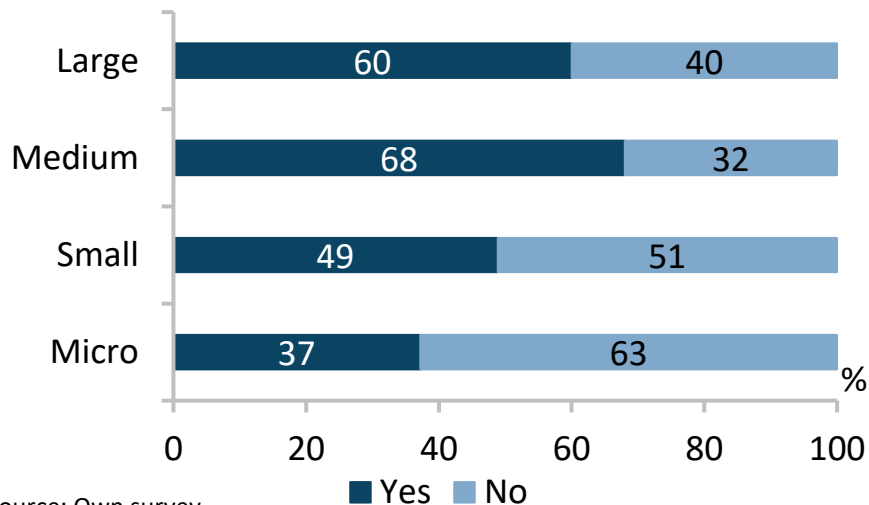
- Expectation: Digitalisation is changing market structures; new entrants are challenging incumbents
- In Ukraine, competition so far mainly within traditional sector domains
- Pressures will rise in future – tech disruptors will not pass by Ukraine forever

5. The state of digital transformation at company level

Has your company invested specifically in the digital transformation in the last two years?



Source: Own survey, Bitkom, * pre-pandemic



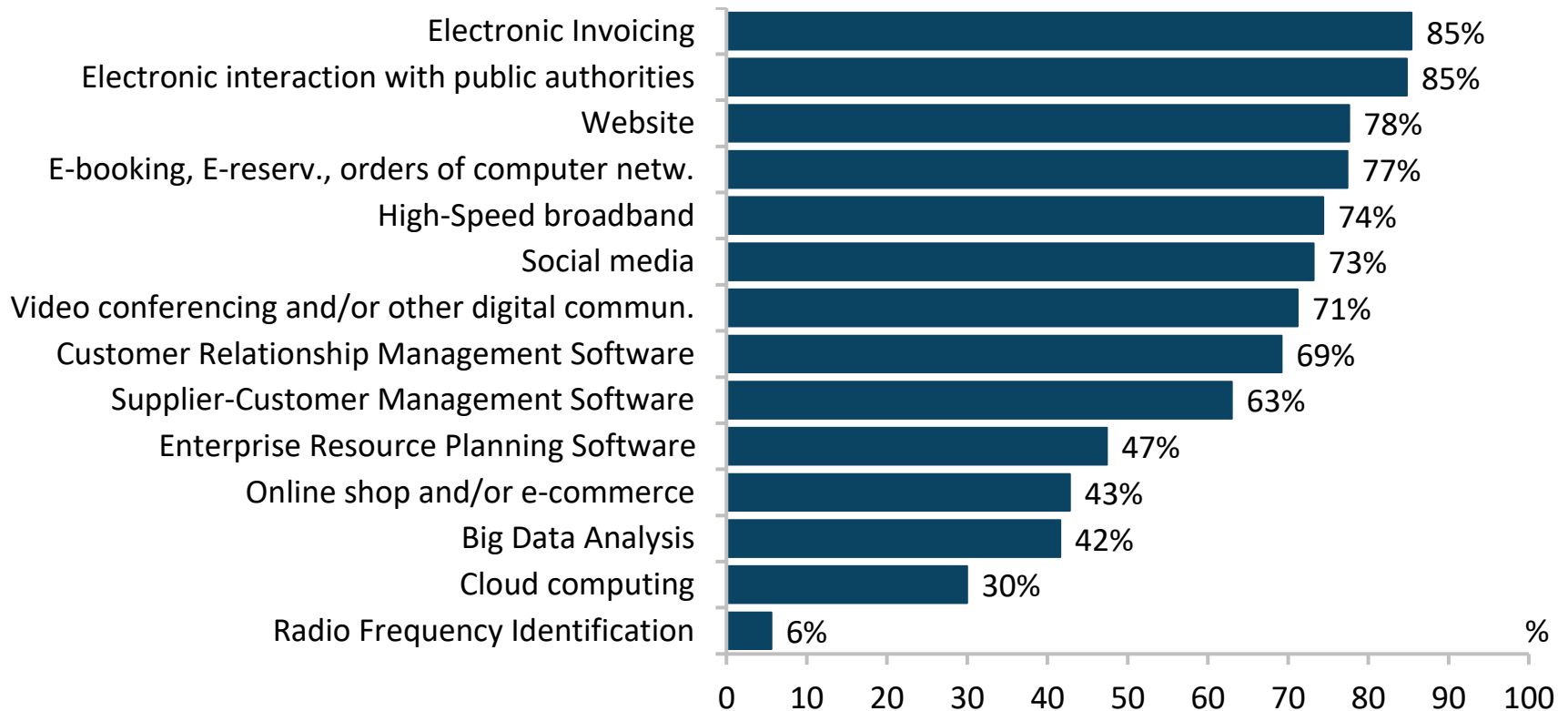
Source: Own survey

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- More than half of companies in Ukraine have recently invested
 - But how much?
- Important correlations:
 - Companies that have invested see digitalisation as an opportunity
 - Companies that have invested see themselves rather as forerunners
- Medium-sized enterprises invest most actively, followed by large enterprises.

5. The state of digital transformation at company level

What digital tools and technologies does your company already use?

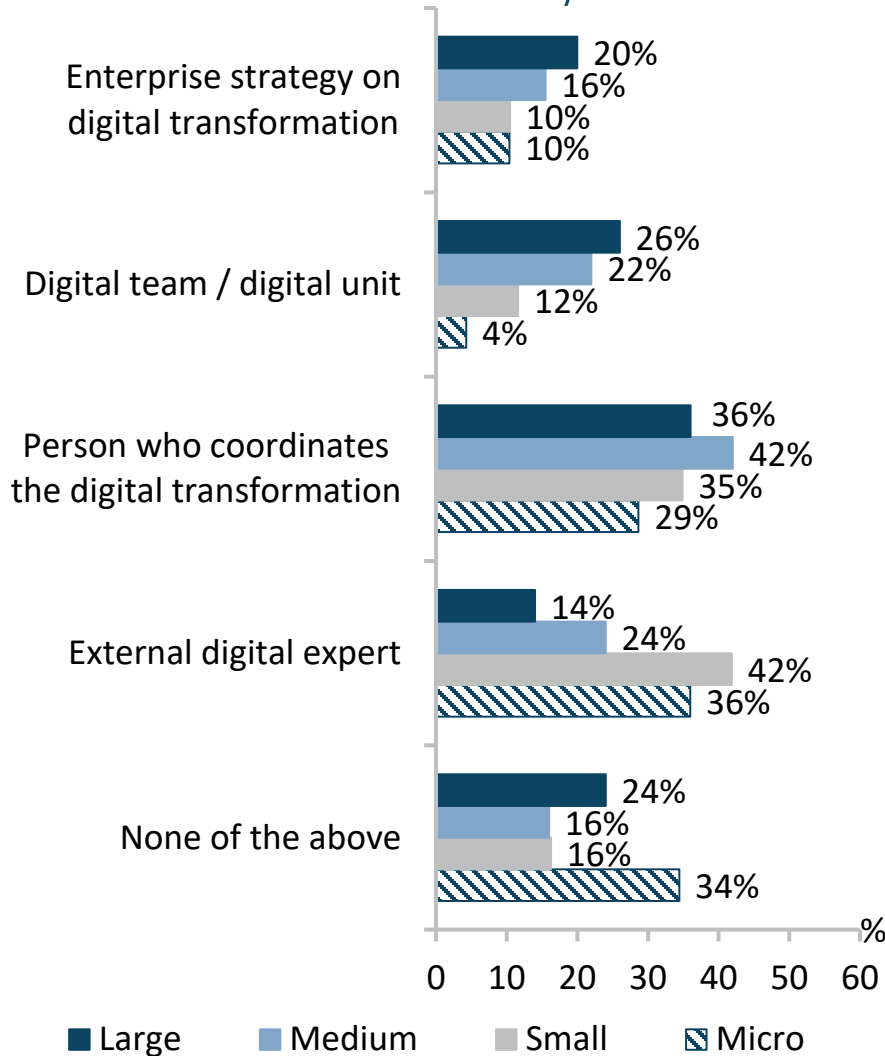


Source: Own survey

- Adoption rates for entry-level tools are high
- For state-of-the-art technology the adoption rates are low
- Breakdown for enterprise size reveals: low adoption rates for even large enterprises

5. The state of digital transformation at company level

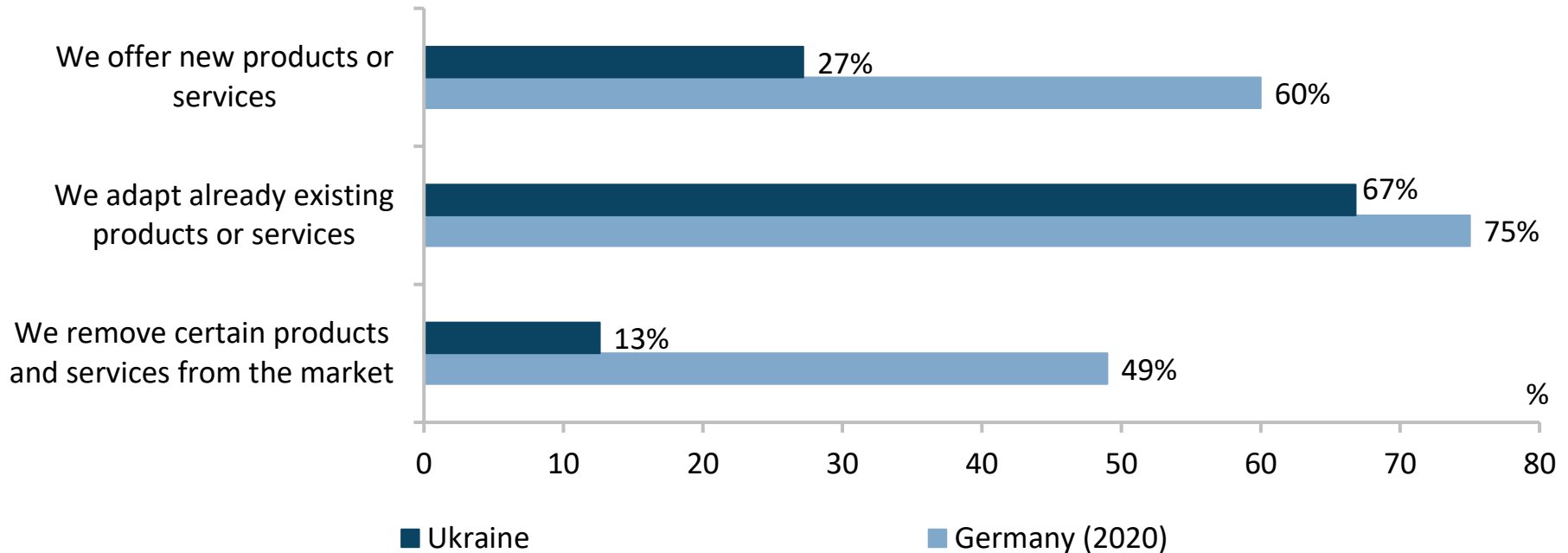
Which organizational measures for the digital transformation have you taken?



- Only one fifth of large enterprises have a digital strategy. In the SME sector, this proportion is even lower.
- Few large and medium-sized enterprises have reasonable digital HR.
- Correlation analysis shows: Companies that have internal digitalisation coordinators or digital units were more likely to invest.
- Micro and small enterprises rely mainly on external experts.

5. The state of digital transformation at company level

Which statements apply to your company? As a result of the digital transformation...

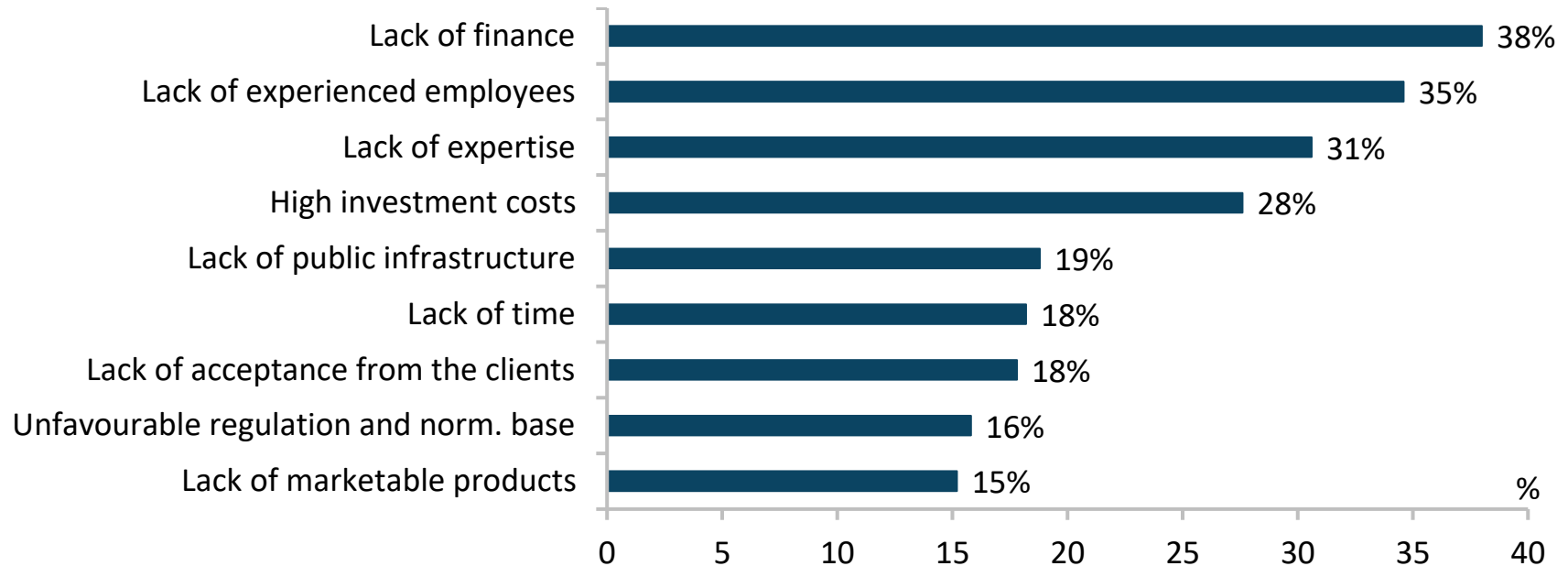


Source: Own survey, Bitkom

- The majority of Ukrainian companies have so far taken a rather incremental approach to digitalisation
- ... whereas German companies report more substantial changes in their market strategies.

6. Company views on obstacles to digitalization

What do you see as the biggest obstacles to the digital transformation of your company?



Source: Own survey

- Finance is a general issue for businesses in Ukraine
- Lack of skills and skilled staff is the main specific obstacle to digital development
- Remarkable: large companies complain least about financial obstacles, but invest less than medium-sized companies

7. Policy implications

Short term

- Increasing the available skills base in the economy
- Strengthening awareness for the necessity of digital transformation, esp. in large companies
- Addressing gaps in regulation and e-government facilities
- Consideration of usefulness of increasing broadband internet coverage
- State support for medium-sized enterprises to access expertise and knowledge
- (Improved) state financial support for medium-sized enterprises for digital investment

Medium and long term

- Increasing the available skills base in the economy
- (Improved) state support for micro and small enterprises to access expertise, knowledge and finance

About the German Economic Team



Financed by the Federal Ministry for Economic Affairs and Energy, the German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

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