



Agile or irrelevant

2019 Global CEO Outlook in Ukraine

KPMG in Ukraine

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Introduction

Welcome to KPMG Ukraine's second annual CEO Outlook. More than 130 CEOs and business leaders talked to us about their plans for the future, their expectations, the major risks that they foresee, their business strategies and goals, and the key drivers to their businesses in uncertain times. Uniquely, our survey runs alongside a worldwide report, KPMG's Global CEO Outlook, so that you have the opportunity to set the results from Ukraine against a broader international backdrop.

Globally, CEO's report the need for agility as a key ingredient for business in the coming years. Being successful in today's ever-changing and fast moving business environment requires a constant focus on innovation and change management. Businesses that fail to adapt, will not survive, they predict. On balance, the majority of the leaders surveyed feel confident that their business has got what it takes to succeed.

Much like their international counterparts, CEOs in Ukraine are optimistic about the future. They expect to see increasing revenues and organic growth, driven by innovation, new products and capital investment. Companies are increasingly ready to implement digital business transformation, and many have already begun the process.

A key challenge for business leaders worldwide is how to upskill their workforce and develop skills that are in high demand in today's world. Human capital is also very much a concern for CEOs in Ukraine in 2019. Increasingly, they are concerned about the shortage of skilled workers, as the young and educated continue to seek opportunities in the EU and North America. Operational and regulatory risks are also to the fore as business leaders adjust to the incoming administration.

I would like to thank all CEOs who supported this survey and gave up their valuable time to give us their views on the most essential business issues of the day.

Leading a business in times of change is a great challenge for any business leader. However, if you move forward with a clear understanding of potential challenges and global trend and take account of the experience and analysis of some of the world's top CEO's, your chance of success significantly increases. I hope that you will find our survey to be an essential road map to the business environment in 2019.



Andriy Tsymbal
Managing Partner
KPMG in Ukraine

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Key findings

Uncharted waters

Confidence in the global economy is falling – and disruption is mounting

- **Dynamic risk landscape**
Climate change rises up the risk agenda, from fourth in 2018 to the number-one risk this year. In Ukraine, the risk of workforce shortage still dominates in 2019
- **Growth prospects**
92 percent of Ukrainian CEOs are projecting revenue growth over the next 3 years
- **New competitive age**
Today, 63 percent of CEOs say that rather than waiting to be disrupted, their organisation is actively investing in innovations, up from 54 in 2018. In Ukraine, 35 percent of CEOs plan to increase investment in identifying and implementing disruptive technologies in the next three years

Changing from within

To master resilience, CEOs need to drive an organisation-wide digital reinvention

- **Cyber resilience**
In 2019, 69 percent of CEOs say that a strong cyber strategy is critical to build trust with key stakeholders, up from 55 percent in 2018. In Ukraine, just 39 percent of CEOs say that their company is well prepared for cyber attacks, and 31 percent say they find it difficult to assess their organisations preparedness
- **Workforce 4.0**
52 percent of CEOs in Ukraine and more than a third (36 percent) of CEOs globally say that upskilling their workforce is key strategy they rely on to ensure their organisation's readiness for the future. 44 percent of CEOs plan to upskill more than half of their entire workforce, but only 32 percent prioritise workforce investments over technology investments. However, in Ukraine, fully 57 percent of CEOs say they would rather invest in their workforce than in technology
- **Technology 4.0**
Only 16 percent of organisations worldwide have already implemented AI in the automation of some of their business processes. In Ukraine, given low unit labour costs, CEOs consider achieving ROI on AI and process automation as a remote prospect. A third of companies in Ukraine are not currently investing in AI (33 percent) or robotics (32 percent)

Leading in uncertain times

To be resilient, CEOs must apply constant pressure to change and adapt

- **Agility or irrelevance**
More than two-thirds (67percent) of CEOs globally and 91 percent of CEOs in Ukraine say that acting with agility is the new currency of business and being too slow risks irrelevance
- **Innovation disconnect**
84 percent of CEOs globally and 95 percent in Ukraine say they want a culture where it is accepted that errors and mistakes are part of the innovation process. However, only 56 percent globally and 66 percent in Ukraine said their organisation currently has a culture where fast-failing innovation is celebrated

The evolution of the CEO

Resilient CEOs need to be agile, adaptive and willing to challenge the status quo

- **Evolving mindsets**
71 percent globally and 70 percent in Ukraine say it is their personal responsibility to ensure that the organisation's environmental, social and governance policies reflect the values of their customers

Uncharted waters










Dynamic risk landscape

In 2019, environmental and climate change tops the risk agenda, climbing from its fourth-placed position in 2018. This is closely followed by disruptive technology risk and the threats posed by a return to territorialism.

The top 5 threats to growth, Ukraine vs globally

Ukraine	Globally
 Shortage of skilled workers	 Environmental/climate change risk
 Regulatory risk	 Emerging/disruptive technology risk
 Operational risk	 Return to economic nationalism
 Emerging/disruptive technology risk	 Cyber security risk
 Return to economic nationalism	 Operational risk

The top 5 threats to growth in Ukraine

2019	2018
 Shortage of skilled workers	 Shortage of skilled workers
 Regulatory risk	 Regulatory risk
 Operational risk	 Operational risk
 Emerging/disruptive technology risk	 Emerging/disruptive technology risk
 Return to economic nationalism	 Cyber security risk

Source: 2018 and 2019 CEO Outlook in Ukraine, KPMG in Ukraine

Contrary to global CEO's who do not recognise the problem, 29 percent of Ukrainian CEOs, highlight labour shortages as the greatest threat to their organisational growth. Instead, global leaders see environmental/climate change risk topping the risk agenda. For Ukrainian CEOs, regulatory risk is still significant, with 19 percent see this risk as the greatest threat. No less than 19 percent of global CEOs and six percent in Ukraine see emerging/disruptive technology as the greatest threat.

Growth prospects

The CEO Outlook finds evidence of plummeting confidence levels in the global economy:

- In four major economies, less than half of CEOs say they are confident in prospects for the global economy – Australia (38 percent), the UK (43 percent), France (44 percent), and China (48 percent)
- The US is an outlier, with confidence rising from 52 percent to 87 percent among CEOs whilst other countries have seen pronounced drops in confidence since last year.

Looking forward three years, 92 percent of Ukrainian CEOs project revenue growth. Of these, 60 percent are very optimistic, projecting revenue growth of 10 percent or more annually. Whilst 99 percent of CEOs globally also predict growth over the next 3 years, a significant majority (64 percent) say this is likely to be less than two percent annually.

Organic growth was identified as the key development process over the next 3 years by 72 percent of CEOs in Ukraine. A further 19 percent spoke about the importance of strategic alliances with third parties, and just three percent expected growth to come through mergers and acquisitions (M&A). Globally, 31 percent consider strategic alliances with third parties the most important growth strategy, 25 percent opted for organic growth, and 17 percent, M&A.

Lenna Koszarna
Founding Partner and CEO
Horizon Capital



In my opinion, in the current environment, Ukrainian companies will be able to achieve their most ambitious growth goals, if they raise capital to finance bold expansion plans within Ukraine or if they transform their businesses from being local Ukrainian leaders into export champions that become regional or international leaders. Traditional lending at very high interest rates will not allow them to realise their ambitious plans and the more visionary among them are well aware of how important for their growth having involvement from an international partner is, both in terms of financing and strategic advice on how to add value to their business. At Horizon Capital, we support this new generation of Ukrainian entrepreneurs who think and act globally, put their faith in their products and services, and understand the benefits of partnership to seize both domestic and international markets.



New competitive age

Resilience requires companies to go on the offensive – disrupting their own legacy strategies and business models. A significant majority of CEOs globally — 71 percent — said that their company's future growth relies on their ability to challenge and disrupt any business norm. In Ukraine, 42 percent of CEOs feel the same way.

Maksym Timchenko
CEO
DTEK



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The competitiveness of any business in the innovation era is assessed by its readiness for change. It is no longer sufficient to simply respond to changes, we must anticipate transformations and be directly involved in them. The ability to create efficient teams, capable of developing advanced business models, is a key role for a present-day CEO. They should be a leader who inspires others to think and act beyond the boundaries of both the company and their specific market, a bearer and transmitter of values that reflect the needs of society, since it is our common values that guarantee the sustainability of business in a changing environment. ”

Leading in uncertain times

The innovation disconnect

In Ukraine, 89 percent of CEOs believe that companies need to improve their innovation processes to ensure growth over the next 3 years. The majority of global CEOs (63 percent) agree.

Organisations must have a culture that nurtures innovation and creativity to thrive in an age of unpredictable, high-impact change. Without this, they will struggle to adapt quickly enough to changes in customer demand, respond to technological disruption, or shift internal perspectives on how the organisation creates value.

Jan Peter de Jong
Country Manager
Microsoft Ukraine



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Digital transformation can only start when we change our culture. It is not an IT exercise, it's a people's journey, built on leadership, culture change and technology. New technologies such as cloud, data analytics, and AI enable companies to transform and grow quickly, and improve competitive performance. But organisations should be aware that they need deep insight and a credible partner to embrace digital transformation.”

However, we see some disconnect in the innovation space. Although 84 percent of CEOs globally and 95 percent of CEOs in Ukraine said they want their employees to feel empowered to innovate without worrying about the possibility of negative consequences, only 56 percent and 66 percent, respectively, said their organisation currently had a culture that celebrated fast-failing innovation.

Agility or irrelevance

CEOs recognise the danger of being too slow and cumbersome in a fast-moving age. Over two-thirds (67 percent) of CEOs globally and 91 percent of CEOs in Ukraine believe that acting with agility is the new currency of business and that if they are too slow they will become irrelevant. This is up 8 percent since last year and signals the need for a change of mind-set.

Implementing agile approaches at an individual project level is relatively straightforward, but one-off initiatives will not have an enterprise-wide impact. This requires a more fundamental rethink of the company's operating model. By combining advanced technologies — such as the cloud — with operational redesign, CEOs can build customer-focused, connected enterprises.

Cloud-based solutions will be key to addressing fragmented digital infrastructures, made up of a range of bespoke, on-premise computing infrastructure. The cloud offers scaled capabilities and advanced technologies that can transform the way we work today with legacy IT. CEOs are embracing these technologies wholeheartedly. A significant majority, 79 percent of CEOs globally and 72 percent of CEOs in Ukraine, said that they were more confident today about increasing their organisation's use of cloud technologies than at any point in the last 3 years.

Kira Rudik
CEO
Ring Ukraine



I think it is critical now to act with agility. When you do not know what to expect in the future, you must be able to quickly adapt to the market at any time. Therefore, every unit of the company should also act with agility.



Changing from within

Cyber resilience

The ability to integrate digital innovation is key to unlocking long-term growth. However, concerns over cyber security can put a brake on those ambitions. Organisations need to ensure that these threats do not undermine the growth potential of digital.

Globally, 68 percent of CEOs say their organisation is prepared for a future cyber attack, 17 percent more than in 2018. Interestingly, publicly traded companies feel more prepared for a possible attack than those that are privately held. In Ukraine, only 39 percent of CEOs say that their company is well prepared for a future cyber attack, and 31 percent say they find it difficult to assess their organisational preparedness for cyber attacks.



Kostiantyn Karpushyn
Partner, Head of Innovation & Technology
KPMG in Ukraine and CIS

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Transformation goes beyond yesterday's very specific technological and innovation-related software. We must implement leadership that stimulates real change for a new era. True transformation requires a precise, consistent roadmap. To add real value to an enterprise, we must focus on business results, not on separate technologies. It is necessary to develop strategic, enterprise-oriented programmes for the future, to develop talents and support a culture of innovation. Leaders should realise that they are on the verge of unprecedented opportunities and new threats to their success and survival. ”

Workforce 4.0

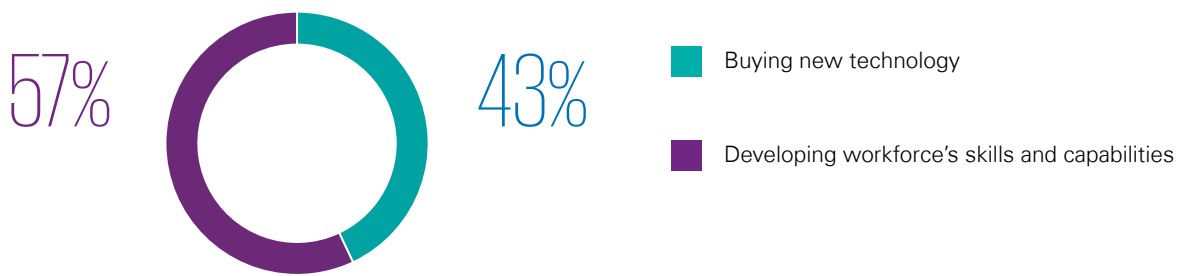
Disruptive technologies — from artificial intelligence to virtual reality — have the potential to transform the world of work. Many roles and skills are becoming outdated, or evolving, in our machine age.

Nearly six in ten CEOs (59 percent) globally said it is a challenge to find the workers they need, and CEOs in Ukraine believe that labour shortages present the greatest threat to the growth of their organisation. Tellingly, modernising their workforce was the top strategy CEOs selected when asked how they were ensuring their organisation is ready for future challenges.

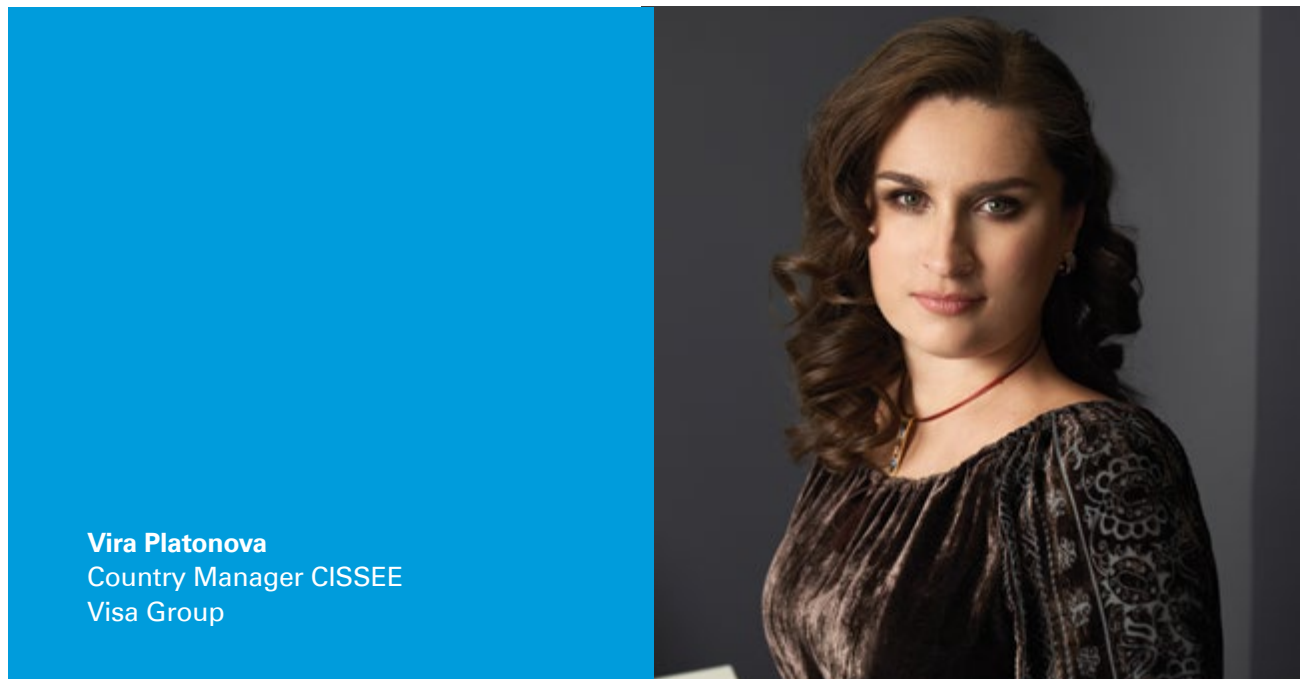
More than half (52 percent) of CEOs in Ukraine and more than a third (36 percent) of CEOs globally say that modernisation of their workforce (cost efficient, reasonable automation, with emphasis on skills and capabilities in high demand) is top strategy to ensure their organisation is future ready.

We also asked CEOs how they are prioritising their capital investment and we see a tension between the changes they know they need to make to their workforce and the investment that is required in technology. Specifically, we asked whether they are putting more capital into developing people's skills or into buying new technology. The majority — 68 percent — said technology. In Ukraine, the findings were almost completely opposite.

Investing in new technology vs. workforce upskilling in Ukraine



Source: 2019 CEO Outlook in Ukraine, KPMG in Ukraine



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At Visa we feel that building an environment in which each employee can make use of their individual experience and competencies and work together with others, is essential. This contributes to team, office, and regional performance, and, globally, to company and brand performance. It is vital to have employees that are talented and diverse and keen to develop. To be sure that we continue to be a leader in our industry, we pay special attention to the development of leadership skills, the ability to make efficient decisions and importantly, the application of new approaches to task and teamwork implementation. ”

Technology 4.0

AI-based technologies and their applications, from intelligent automation to voice recognition, offer an opportunity to transform organisational performance. They can be used to uncover insights from huge repositories of structured and unstructured data, improving the speed and quality of decision-making. It is now possible to execute processes and tasks that used to be undertaken by employees, with significant speed and accuracy, leaving the workforce free to tackle higher-value tasks.

However, our research shows that most organisations worldwide are not yet applying artificial intelligence in the automation of their processes. Only 16% of CEOs said they had done so, with close to a third — 31% — still at the pilot stage and around half — 53% — undertaking limited implementation. In Ukraine, many CEOs do not yet see that they will achieve suitable ROI on AI and process robotisation. Roughly a third of companies in Ukraine are not currently investing in AI (33%) or robotics (32%).

Fadi Hraibi
CEO
Interpipe



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I don't see Revolution 4.0 and digital disruption in industry as a risk to Interpipe. On the contrary it's an opportunity to address some of the business risks that we are facing, like cost inflation, the significant growth in labour costs in Ukraine and a talent deficit.

Implementation of innovations will drive increased productivity and competitiveness. Our digital strategy focuses on three areas: increasing efficiency of production processes through big data analysis, especially in predictive maintenance and production planning; improving maintenance processes and shop-floor operations by implementing IoT devices, and maintaining and growing technical know-how within the company, by implementing expert systems and machine learning.

We believe that implementation of innovations will drive increased productivity and enhance Interpipe's competitiveness.

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The evolution of the CEO

Evolving mindsets

To drive innovation and change, CEOs need to be prepared to take their organisations in entirely new directions. This will require a leadership mindset where CEOs are prepared to question long-held assumptions and beliefs — challenging the status quo, if this is holding back progress.

Yuriy Antoniuk
Vice President, CEO CEE
EPAM



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It is important to be confident that you can succeed. Without confidence, you will achieve nothing. You have to burn bridges behind you and press ahead to achieve your goal, with no plan B. You need to be professionals and work with a team you can trust. Today, the key to business success is implementation of new technologies, even if they currently seem to be unnecessary. This is essential for business development. Another critical issue is that these new technologies are produced domestically, otherwise no internal market for IT will emerge.

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Vyacheslav Klimov
Co-owner
Nova Poshta



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You have to be aware that you operate in a very competitive environment. Accordingly, you have to continuously learn and communicate with both experienced business leaders and newcomers to the industry. I often meet entrepreneurs who are still starting up, but who have innovative ideas. Any of them could become my major competitor tomorrow. So you must either learn from your potential competitors and change your company, or become irrelevant.

”

Leaders need to be closely connected to their customers, maintaining a dialogue and understanding their changing values and needs. For example, CEOs recognise that customers want to know where leaders stand on key issues in contemporary society. 71 % of CEOs globally and 70% of CEOs in Ukraine said that they feel it is their personal responsibility to ensure that the organisation's environmental, social and governance policies reflect the values of their customers.

The key motivation for CEOs in Ukraine (53%) is to capitalise on the opportunities to secure long-term business success. Among CEOs worldwide, this was a key motivator for just 12%, much more focus (21 %) placed on short-term growth of their organisation.



It is essential to be consistent in decision-making. Business is successful in Ukraine, if it accepts political volatility as an invariable factor. Once a company incorporates this into its business strategy, it immediately becomes more resilient to the stress associated with changes in the political authorities, the economic situation, and other key influences. This is important for any business. ”

Conclusions

For the second year in a row, CEOs in Ukraine say that the shortage of skilled workers is the greatest threat to their companies' growth. Ukrainian business is increasingly willing to invest in the up-skilling of their workforce, but is less prepared to commit to investments in new technologies. Business leaders believe that this approach will allow them to better adapt to the evolving business environment. The risk of cyber attacks, although not perceived as one of the top five threats in Ukraine, still remains among their major challenges.

For the most part, CEOs in Ukraine are looking to the future with optimism and 92% of them project growth in their organisation's revenues over the next three years. An amazing 60% of them expect annual growth of 10% or more. Just 8% of CEOs expect to see a drop in their company's revenues.

We note that these expectations are more positive than those of their international counterparts. Thus, while 99% of globally CEOs project growth of their organisation's revenues over the next 3 years, a significant majority (64%) say only that it is likely to be under 2% annually.

Long term success is a key motivator for CEOs in Ukraine (53%) where fewer businesses have pressure to deliver dividends. Globally, CEOs must, for the most part, take account of their shareholders' desire for market capitalisation and dividend growth and consequently just 12% agreed. Significantly, 21% said that their key motivation was short-term growth.

Methodology and acknowledgments

In 2019, KPMG in Ukraine conducted its second survey of CEOs in Ukraine. The survey covered 130 CEOs operating in various industries. The survey was conducted in Ukraine between 15 March and 30 May 2019. The survey included 14 questions derived from the KPMG 2019 Global CEO Outlook.


The above CEOs quoted in this document work in 11 key industries, including asset management, automotive, banking, retail, energy, infrastructure, insurance, pharmaceuticals, manufacturing, and technology. Of the 130 CEOs, who completed the survey, 81 came from companies with revenues of EUR\$8 million or less; 18 from companies with revenues between EUR\$8 million and EUR\$40 million, and 31 from companies with revenues of EUR\$40 million or more.

The reported survey findings have been compared with the KPMG 2019 Global CEO Outlook, which was based on a survey of 1,300 CEOs from across the world. The survey was conducted between 8 January and 20 February 2019.

Of the 1,300 CEOs, 310 came from companies with revenues between US\$500 million and US\$999 million; 543 from companies with revenues between US\$1 billion and US\$9.9 billion; and 447 from companies with revenues of US\$10 billion or more.

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- Lenna Koszarny, Founding Partner and CEO, Horizon Capital
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- Jan Peter de Jong, Country Manager, Microsoft Ukraine
- Kira Rudik, CEO, Ring Ukraine
- Vira Platonova, Country Manager CIS and Southeast Europe, Visa Group
- Fadi Hraibi, CEO, Interpipe
- Yuriy Antoniuk, Vice President, CEO CEE, EPAM
- Vyacheslav Klimov, Co-owner, Nova Poshta
- Pavlo Riabikin, CEO, Boryspil International Airport



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