REPORT

UKRAINIAN STARTUP ECOSYSTEM:
Facing the challenges, seizing the opportunities
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After three decades since the collapse of the Union of Soviet Socialist Republics (USSR), Poland’s GDP amounted to USD 594 billion, while that of Ukraine is only USD 155 billion.

Despite difficult conditions, Ukrainian business is constantly developing, and the local startup ecosystem can be an inspiration for Western European countries.

The development of the Ukrainian market is mainly driven by an increase of foreign investments.
More than half of the surveyed enterprises are located in Kyiv. Kharkiv and Lviv regions are also important points on the startup map of Ukraine.
Among 158 surveyed enterprises, 3/4 operated for no more than 3 years.

The majority of startups choose the form of a limited liability company or operate legally as a sole proprietorship.
Almost every second startup on is in the initial stage of development: pre-seed.

The average Ukrainian startup has three founders.
On average, a Ukrainian startup uses the services of 5 external suppliers. The record belongs to one who has as many as 50.
For 84.2% of the surveyed enterprises, personal savings is one of the sources of financing, and for 39.2% – the only source.

One out of three entities benefited from the support of the Ukrainian Startup Fund.

Among the surveyed startups, more than half do not generate any income.
Startups’ clients

- B2B (small and medium business)
- B2C
- B2B (large companies)
- B2A (local administrations)
- B2A (central administrations)

Startups by market areas

- Global market (Ukraine and other countries)
- Local market only (Ukrainian)
- Only foreign market (out of Ukraine)
- No answer
DEVELOPMENT PLANS

Activities planned in short- and mid-term period
Over 4/5 of startups plans to develop in the following directions:

- Creating new goods and services,
- Building a competitive advantage on the foreign market,
- Collaborating with business partners,
- Widening the competences of the team.
Difficulties finding business partners to cooperate with

Excess of bureaucracy and formalities

COVID-19 pandemics

The lack of systematic support of commercializing a knowledge of cooperation with research centers

The lack of specialists with required qualifications on a labor market

Absence of development/educational services matching the startup’s employees needs

Uneasy access to the external financing

High taxation

Labor law barriers (absence of flexibility and high costs of manpower)

Difficulties finding clients

External development barriers of startup projects
• The most frequently indicated external development barrier was a problematic access to external financing.

• More than half of startups also mentioned difficulties in finding clients and struggles in finding business partners for cooperation as a very or moderately significant barrier.
### Internal Barriers

The lack of funds for expanding the team is the most common internal development barrier indicated by 85.4% of startups.

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Minor Barrier</th>
<th>Moderately Significant Barrier</th>
<th>Very Significant Barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ reluctance to study and develop</td>
<td>50%</td>
<td>15.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>High rotation of employees</td>
<td>49.4%</td>
<td>15.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Often sick leaves of employees</td>
<td>61.4%</td>
<td>6.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Absence of a suitable cooperation on a personal level in a team</td>
<td>48.7%</td>
<td>14.6%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Low effectiveness of employees</td>
<td>48.7%</td>
<td>18.6%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Burnouts of employees</td>
<td>34.8%</td>
<td>26.6%</td>
<td>9.3%</td>
</tr>
<tr>
<td>High salary expectations</td>
<td>32.3%</td>
<td>29.1%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Language barriers of employees</td>
<td>52.5%</td>
<td>19%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Absence of a financial source for developing competencies of already employed specialists</td>
<td>28.7%</td>
<td>29.1%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Lack of knowledge/skills/competence in a team</td>
<td>36.1%</td>
<td>38%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Absence of a financial source for expanding a team</td>
<td>11.4%</td>
<td>23.9%</td>
<td>48.1%</td>
</tr>
</tbody>
</table>

**Note:** The percentages indicate the proportion of startups indicating each barrier as a minor, moderately significant, or very significant barrier.
Only 15.2% of the analyzed enterprises indicated that the level of their employees is insufficient.

Nearly every second surveyed enterprise stated the lack of appropriate sales and marketing competences among its employees.
The most frequently indicated reason for recruitment difficulties is financial expectations of candidates for employees.

This factor was indicated on average by almost 4 out of 5 entities.
EXPECTED FORMS OF SUPPORT

Practical forms of development are rated as the most useful: case studies, coaching and development of particular skills.
ORGANIZATION POTENTIAL

Actions indicated by startups that can be taken after eliminating previously indicated internal and external barriers

- Obtaining an external financing for projects 53.2%
- Increasing the volume of customers from currently served... 50.6%
- Building a competitive advantage on a foreign market 48.7%
- Creating new services or products 46.2%
- Expanding the team’s competencies through the skills development of... 42.4%
- Building new business models 39.2%
- Services for new customer groups (currently not served by the... 39.2%
- Beginning/developing of cooperation with firms/business partners 38.6%
- Expanding the team’s competencies by hiring new employees 35.4%
- Optimization or pivot of current services/products 35.4%
- Building a competitive advantage on a local market 27.2%
- Starting/deepening cooperation with non-governmental organizations 17.1%
- Starting/deepening cooperation with universities/research units 13.9%
- No answer 10.1%