

Long-term Strategy in Times of Upheaval: Observations from Ukraine 2022

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Abstract

Our research investigates various dimensions of strategy formation in the context of external shocks. The empirical domain is Ukraine 2022, researched here by way of semi-structured interviews (in, variously, Ukrainian and English) with senior managers at 20 Ukrainian companies. At the stage of presentation (December 2022), much of Ukrainian business remains in “crisis management” mode, with attendant focus on employee welfare and company financial survival. A significant business re-orientation to the war effort is also in evidence.

Further to this, findings are that only 1-in-2 companies had contingency plans or any systemic form of risk-management or future preparedness in place, although indications suggest investment in such activities will now grow. Despite lack of formal planning for external future shifts, interviewees report the Covid pandemic, wherein many operations were moved to remote and distributed forums, functioned as a form of future preparation for business management in wartime. Findings are further that the ongoing shock to the business environment when combined with extensive rise in the global profile of Ukraine, and associated goodwill, and a newly grown Ukrainian diaspora, has changed the future strategic horizon: international markets and partnerships are now a direct element of strategic forward thinking, and are one among various part of a “grand reset” anticipated by many Ukrainian company managers in the decade ahead.

This research provides a unique vantage point to advance understanding of the interaction of short-term and long-term strategic thinking, particularly at times of societal upheaval, producing insights that are generalizable to academic work in this area, and also to managers of other societies and industries that are exposed to external uncertainty.

Background

Strategic foresight

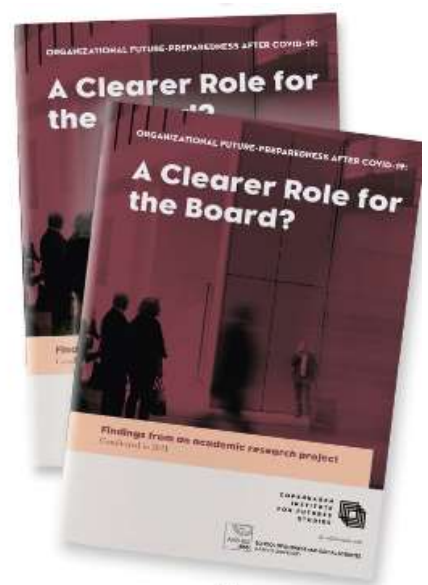
Our study investigates management attitudes to the future in a disrupted Ukraine. Academically and methodologically it rests on the field of strategic foresight, the sub-branch of strategy that focuses on management evaluation of and response to the implications of external change. (There is no future to examine, only the indicators of change that manifest in the external and industry environments.)

Strategic foresight begins where forecasting and modeling ends: the point where foundational assumptions may not hold true through the forecast period. Here qualitative and explorative methods take over from predictive techniques. When it comes to the parts of the future that cannot be responsibly predicted, it is better to be vaguely right than exactly wrong.

Strategic future-preparedness is more than risk management: it is equally oriented to the opportunities that external change presents. It is best understood as a leadership capability: to assess signals and events and apply a suite of sensemaking and probing tools to them, to build a higher-quality view of plausible future industry circumstances that lie beyond any ability to predict or control, and use this to improve strategic decision making today.

The research stream

The research project presented here is part of a series on the role of external shocks in developing qualitative future-leadership capabilities. First in this series is an examination of board-level future orientation in the light of the Covid 19 pandemic. It is still in academic production, but a white paper is available.



Free download: mgmt.au.dk/unesco-chair-in-anticipatory-leadership-and-futures-capabilities

Research Domain

The war in Ukraine provides an opportunity to consider business management responses to external shocks, including preparation for such events. In addition to documenting Ukrainian management responses to the war in general, our further interest is to know if and how prior management forward thinking had been in place, and if so, had been adequate; and further to understand if and to what extent the experiences of 2022 has changed attitudes to management future-orientations and strategic future preparedness.

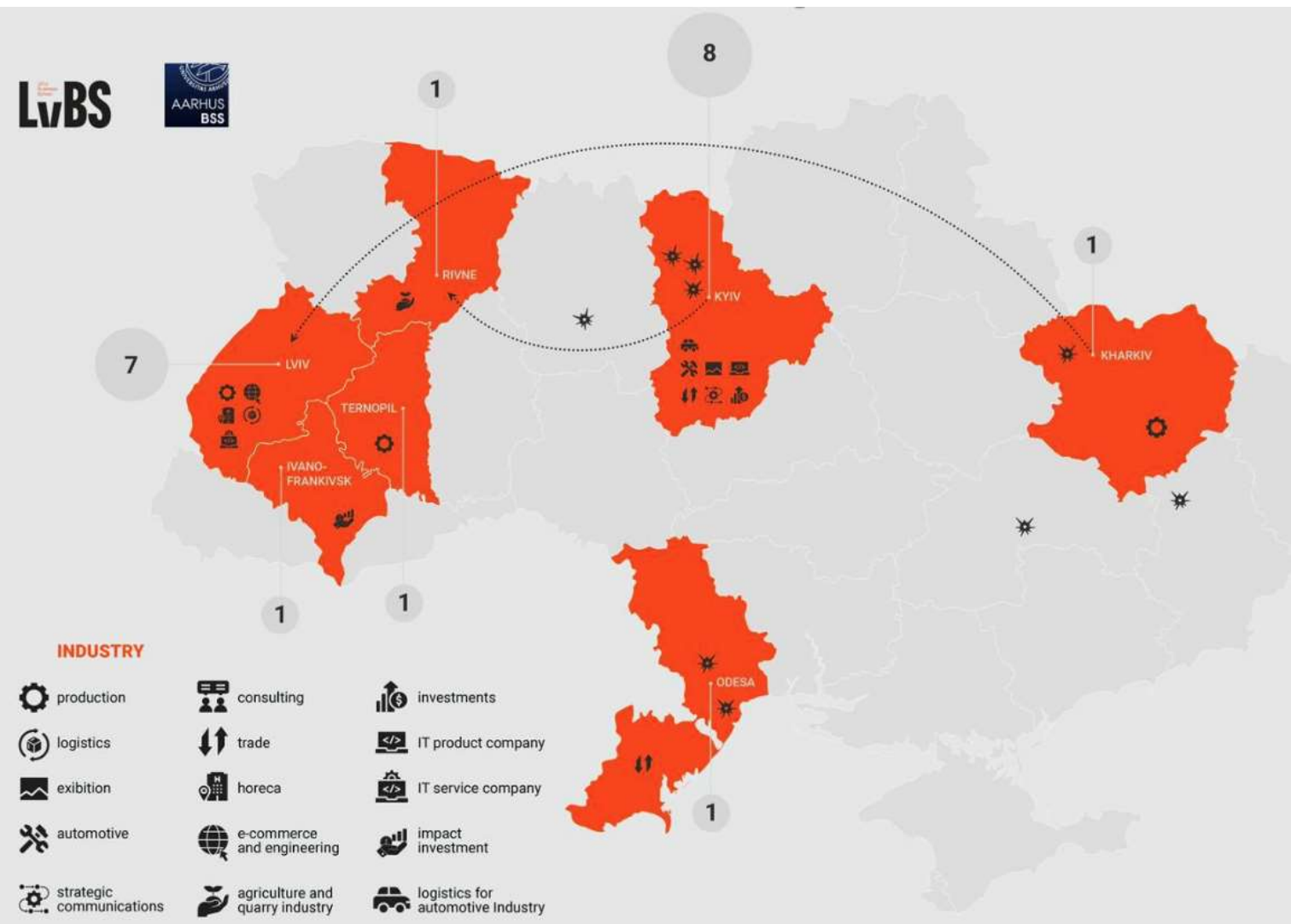
This led us to core research questions such as: what are the anticipatory capabilities and levels of future preparedness at companies in our sample set? Are structural risks (or opportunities) being given adequate attention? Are the capabilities in place to anticipate and diagnose the implications of external change? Is there expectation that attitudes to these practices and capabilities will change, given the sudden future change that businesses were subject to?

KEY FOCUS OF THE RESEARCH war experience:

- Top management/board role in crisis response
- Top management/board future orientation and future preparedness, prior to the war
- Changes in perception of top management/board towards future orientation and future preparedness, due to the war
- Long-term perspective – Future thinking in relation to what happens now
- Capabilities for future

20 in-depth semi-structure interviews (saturation)

Map of interviewees: location, industry



Semi-Structured Interviews, guide questions:

- Part I
- A. Management/board role in crisis response
- What has been top management/board role and actions specifically, as part of the company/organization's overall response to the war?
 - In managing the crises – so far – has the management team/board operated differently to prior?
- B. Top management/board future orientation and future preparedness, prior to the war
- Prior to full invasion (February 24, 2022), did your top management/board have any role in assessing or maintaining co/org future-preparedness? If so, how did it do this (e.g. risk management, contingency planning, strategic planning, etc.?)
 - How did the 2014 annexation and war in the Donbass region influence your subsequent future preparedness activities?
 - Did your management experience of the Covid 19 pandemic change your attitude and activities towards “future preparedness for a major disruptive event”? Did this help you or your co./org with regard to the current invasion? If so, how so?
- C. Changes in perception of top management/board towards future orientation and future preparedness, due to the war
- Has the war since February 24th changed your perception of the need to have a role in assessing or maintaining co/org future-preparedness?
 - Will the war lead to any permanent changes in the roles and responsibilities of your top management in terms of long-term planning future preparedness? If so, in what way?
- Part II
- D. Long-term perspective – Future thinking in relation to what happens now
- There are perceptions that – beyond reconstruction – the war will provide the opportunity to renew Ukraine economically and facilitate its post-industrial transition. In view of this:
 - i. what specific opportunities do you see for transition to future business opportunities after the war?
 - ii. how might you go about bringing this longer-term vision into everyday actions?
- E. Capabilities for future
- How does your co/org you formulate and maintain a long-term business view in short term chaotic environment?
 - Which future preparedness capabilities has your co/org developed in last months since February 24?
 - Which future-preparedness capabilities do feel your co/org still lacks and need to develop to be future-prepared for the next major disruptive event (opportunity) after the war?

Findings: current and emerging future situation

Our interviews revealed a number of adaptations – in both practices and perceptions – among Ukrainian business managers, and translation of this into strategic responses, as follows:

1. **Crisis management:** to date, much of Ukrainian business remains in crisis or survival mode, with attendant focus on employee physical and mental welfare, maintaining employment, and company cashflow.
2. **Reorientation to the war effort:** a significant re-orientation of business services to the war effort is evidenced in many sectors.
3. **Business and the social contract:** a majority of the interviewed companies had participated in volunteer and donor programs. A connection between the business purpose and future-building of the country is very apparent.
4. **Discovering resilience:** companies that have adapted to the changed circumstances report a new management confidence and optimism based on their newfound proven adaptability, resilience, and speed and efficiency of (successful) decision-making.
5. **New opportunities, nationally:** company managers are looking forward to business opportunities in sectors that they expect to grow strongly when recovery and rebuilding starts (particularly construction and construction supply; energy, information technology, and agriculture.)
6. **New opportunities, globally:** firms have an entirely different global outlook based on (a) considerable international recognition, sympathy and current wartime engagement, and (b) a widely expanded Ukrainian “diaspora.” Many respondents are looking to access export markets, relocate production, open offices abroad and pursue international mergers and acquisitions.
7. **“Grand Reset,” sustainability and beyond:** with much of the economy to be rebuilt, a greater strategic rethink is in evidence, particularly rebuilding for sustainable production, and pursuing higher-value products (e.g. exporting food products rather than raw grain.)

Findings: strategic future preparedness (then and now)

1. Overall, processes for systemic strategic future preparedness (including opportunities assessment) prior to the war were at a very basic level, or non-existent. Only business continuity or risk management plans were evident, and this in only half of the interviewed companies. IT companies following international certification standards and compliance protocols fared better on this metric. The extent of the current business shock and its business implications, both bad and good, were not fore-thought.
2. Additionally, perception of risks to future business continuity suffered from a “paradigm problem,” being overwhelming reliant on narrow previous experience. For example, respondents put forward that the Crimean invasion, 2014, had been their model of a political business disruption, which led them to inadequate preparation for what the future brought. (Rightly or wrongly, some interviewees perceived an “impossibility” of becoming mentally prepared what in fact occurred.)
3. Indications are that investment in structured future-preparedness (both threat and opportunity) activities will grow. The need for a full-fledged risk management function was ubiquitously seen. Beyond this, some interviewees perceived need for a more comprehensive view of potential shocks and changes, a 360 degree awareness, which was also expressed as “importance of the view from above.” It was perceived that this was the task of top management, rather that of a department or hired analysts.
4. Despite a lack of structured future-orientation, considerable and active future strategic thinking is in place, in exploring and preparing for the new national and global opportunities that are apparent (described on previous page.)

Findings: Covid 19 as future preparedness

The Ukrainian managers interviewed were strongly in agreement that their Covid 19 pandemic experience had provided them with approaches and structures that have served them well during wartime: for example in digitizing operations, re-orienting staff and managers to distributed and remote work, and managing uncertainties in supply chains and logistics.

In this it is apparent that the pandemic operated as a form of “lived scenario” which—as scenarios do (Wack, 1985; Vd Heijden 1996)—provided advance experience of an alternative external environment to which a business would be required to adapt. A scenario will never anticipate the future exactly, but will approximate it closely enough, to engender strategic responses that allows an operation to survive or thrive even in an “unexpected” future.

“Covid did make us more resilient in a way that you stress out less when new totally uncontrollable things happen. We are more flexible in our thinking and in approaches” (owner, Lviv)

“Covid toughened us; was that event that can absolutely go beyond any plans, budgets, beyond our control, and we must cope with that and quickly reorient ourselves, draw new trajectory and work” (owner, Lviv)

“Because of Covid many processes in the company already worked remotely. It was easy to resume work and there is no difference where you work from geographically. If it had not been for this experience it would be much harder to keep company running without stop” (top manager, Kyiv)

“I think we felt additional preparedness because of the pandemics. Our fixed costs were pretty minimised. We all were used to work virtually, systems were in place” (owner, Kyiv)

Analysis & Conclusion

Our research seeks to understand business management and strategy in Ukraine, viewed through the lens of strategic future-orientation and future-preparedness. We ask how the Ukrainian management experience adds to our understanding of business and organizational strategy reorientation in contexts of suddenly and rapidly altered external environments. The research is part of a series on the role of external shocks in stimulating future-orientation capabilities, and rests on prior research into attitudes and principles of company future-preparedness (Rohrbeck and Kum 2018; Rohrbeck, Gordon et al., 2018.)

We confirm expectations that short-term priorities ‘crowd out’ longer-term goals and strategies (Hamel & Prahalad 1994). We also, as expected, find little prior organizational strategic foresight beyond risk management, (apparent only in some cases), and minimal advance in future preparedness from prior disruptive events (particularly the 2014 invasion.)

Despite the gap in formal processes of building future awareness, there is evidence that the upheavals of 2022 that had been entirely unforeseen, or in some cases grossly underestimated, when combined with the Covid pandemic experience, has altered perception of need for systemic future-orientation practices (albeit remaining the purview of top management), particularly in that significant disruption to the existing business realities has stimulated future opportunities assessment and strategic intent in regard to both internal rebuilding and significantly advanced new global opportunities. In this, the research advances understanding of future strategy orientation stimulated by external shocks, and seeks to close the gaps between the strategy and strategic foresight literatures in this regard (Gordon et al., 2020; Ehls et al., 2022; Fergnani, 2022.)

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