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KEY CHALLENGES AND RISK MITIGATION STRATEGIES FOR UKRAINIAN IT STARTUPS DURING THE WAR

Abstract. This paper analyses the main challenges and risks faced by Ukrainian IT startups under wartime conditions. It examines the impact of military instability, financial and market constraints, personnel losses, and technical vulnerabilities. The study proposes approaches to risk management to overcome the challenges.
Keywords: startups, IT sector, risks, financing, marketing, competition, war, Ukraine.

The unstable military and political situation have become an uncontrollable risk factor for Ukrainian businesses. Startups face infrastructure destruction, resource supply disruptions, team evacuations, and staff mobilization [1]. Only about 1% of IT professionals have received deferment from conscription, which complicates company operations [2]. The war and geopolitical instability also discourage foreign clients and investors [2]. Consequently, some projects have closed, and the number of orders and market opportunities has declined. At the same time, surveys indicate that Ukrainian startups remain more optimistic about the future than traditional businesses [1].

Financial instability is another significant risk for startups. Young companies often struggle to attract external funding, leaving them short of resources to implement their ideas. According to The Gradus Survey, 42% of startup founders mentioned difficulties in securing investment and seed capital [1]. During the war, venture investors have become more cautious, leading to a temporary decline in interest in Ukrainian startups [2].

Marketing and market-related challenges remain among the key concerns for Ukrainian startups. For 46% of respondents, finding clients and new markets has become the main challenge [1]. The domestic market is constrained, and consumers' purchasing power has decreased, making it difficult for many projects to reach sufficient audiences – 47% reported a lack of orders due to declining demand [1]. Internal analysis has also revealed the issue of ineffective marketing strategies, which can prevent startups from properly communicating their product value to clients.

Startups often operate in highly competitive niches. Despite the difficulties, new projects continue to emerge in Ukraine, increasing competition and forcing startups to invest substantial resources in promotion. The absence of a unique value proposition or a clear competitive advantage can be fatal to a project. According to CB Insights, 42% of startups fail because they offer a product for which there is no real market need [3]. Thus, the creation of unique value and flexibility in responding to changing demand is essential for survival. Market risks also include rapid shifts in consumer preferences and the emergence of new technological trends, which require startups to adapt their strategies continuously. Startups operate under limited resources, which increases their vulnerability to internal disruptions and errors. Operational risks include technical failures and human factors such as equipment breakdowns, software malfunctions, coding errors, and system architecture flaws. The analysis also revealed threats such as security vulnerabilities and software instability, which undermine user trust and may lead to financial losses.

Personnel risks are also important. Small startup teams are particularly sensitive to the loss of key employees. The war has exacerbated the talent shortage due to migration and mobilization, leading to deficits of engineers and managers. This results in development delays and increased training costs for new staff. Global talent competition further drives up hiring costs and complicates project scaling.

For effective risk management, it is important to distinguish risks by their level of controllability. This allows prioritization of response measures and optimization of managerial decisions. The table below presents a classification of key startup risks according to their controllability and main characteristics.

Table 1 – Startup risk classification by controllability

Level of controllability	**Risk category**	**Main manifestations / challenges**
Uncontrollable	Military and political	War, infrastructure destruction, occupation threats, power outages.
Partially controllable	Human resources	Mobilization of key specialists, talent shortages.
Controllable	Market / marketing	Ineffective marketing strategies, lack of unique value proposition, client and market acquisition challenges.
	Operational / technical	Coding errors, software malfunctions, security vulnerabilities, human factor.

The analysis shows that the degree of risk controllability defines the appropriate mitigation strategy. Uncontrollable risks require adaptive measures, partially controllable ones call for managerial action, and controllable risks demand continuous process improvement. Following the Russian full-scale invasion, Ukrainian startups have faced multiple challenges. Effective response requires systematic risk management – early threat identification, contingency planning, financial diversification, and investment in product reliability and security. Despite the difficulties, Ukrainian startups remain resilient, proving that even in crisis, proper preparation enables growth opportunities.

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