

# 2022, THE YEAR WHEN RESILIENCE MEETS AGILITY

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THE COMPANIES WHO WIN IN A TIME OF CRISIS ARE THOSE WHO ARE FIRST TO EFFECTIVELY UNDERSTAND AND ADDRESS THEIR CUSTOMER'S CHANGING NEEDS.

The goal is to rally the organization around a shared understanding of those needs and the new opportunities for revenue growth. With a deep and accurate understanding of the opportunities, companies will hit the right targets with the right solutions. Along with the crisis, the word that is always repeated in the economic reality display of 2021 is resilience. When it comes to resilience of the companies the top five most relevant attributes are:

**Preparation** – Good preparation helps to anticipate situations, both in the short and long term.

**Adaptability** – Flexibility or adaptability is the feature of the future workforce.

**Cooperation** – Accelerates the decision-making process, mitigates risk, and leads to increased innovation.

**Trust** – Results from the focus on improving communication and transparency, as well as from empathy-based leadership.

**Responsibility** – Means balancing all the needs of stakeholders and also considering that the organizations could adapt and pivot quickly in response to the crisis.





*"The stress test that this crisis has brought in for the business environment highlights the companies that have resilience, but also those that do not. Especially now when resilience is demonstrated through better processes and structure, diversification, digitalization, pivoting towards a business model adapted to the current context, retraining and reskilling employees, but most importantly organizational redesign and transition to the agile mindset."*  
– Dumitru Ion, CEO, Kompass Romania & Doingbusiness.ro

### **1. Agility means customer-centric mindset and decentralized decisions**

More and more companies are adopting flatter structures. This is because business leaders today believe that this leads to lower operating costs, better communication, and increased employee motivation, given the changes in the workforce and the workplace. With a slightly more flattened structure, companies will have a less centralized authority, expertise and knowledge will be dispersed on a broader basis than most leaders were accustomed to managing. In this context, the image of what the leader is changing. The "individual hero" or the "smartest

person in the company" who needs to know everything and do micromanagement belongs to the past. Flatter structures require collaborative, agile, well-connected, and cross-functional leaders who can adapt quickly to complex and ambiguous situations.

Customer centricity is at the heart of business agility, meaning listening to, empathizing with, and serving the needs of customers as quickly as possible. In this way businesses operate from this customer-related mindset and become more attractive to prospects. Organizations adopting business agility can easily react and respond to opportunities and threats in the marketplace while remaining customer-centric. These organizations can adapt to situations much faster than their more rigid counterparts.

### **2. Upskilling and reskilling becomes the new normal**

Improved and retrained teams will help companies become more agile and increase employee productivity and motivation – all the more necessary as employees work increasingly more from home. But this process will have to be led by the management team.

Subordinates to whom managers constantly tell them to develop in certain areas begin to wonder why "leaders" do little to grow visibly themselves. The leaders of the future will need to be aware of their own development needs while encouraging subordinates to do the same, to strengthen their influence and not the authority given to them by the position.

Leaders need to reflect on their own and their team's level of

training to meet the challenges. On a personal level, they need to know what lack of knowledge and skills they need to address as they progress, continuously increasing their capabilities, without being told to do so by subordinates or superiors.



*"New skills have been adopted and adapted to the new ways of working from an operational point of view. The management of remote or office teams has become more versatile, and the training of employees has become a priority. With technology-driven processes, and a management capable of managing remote teams, companies increase their productivity and competitiveness. That is why the training that supports these objectives is preferred by the managers and executive teams."*

– Constantin Măgdalina, Emerging Trends & Technologies Expert, Valoria

### **3. The mix of hard and soft skills gets more balanced**

The trend for hybrid skills was already under discussion in the labor market years before the pandemic. The relevant conclusion about employee development trends shows that although technology is important, it is not the only driving force. In

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other words, as the job changes, the most important is the right combination of technical skills and interpersonal skills, namely a framework that intertwines and covers the needs of personal growth within a company. The pressure of change and the hybridization of the work environment is likely to have provoked conflict situations and, therefore, stimulated companies to consider even more that the topics that have communication at their center are relevant nowadays. Thus, the skills considered relevant for their teams and managers to be trained include effective communication, self-motivation mechanisms, feedback and feedforward in the online environment. Each employee proposes himself through his skills and abilities relevant to the company's

success. Successful companies are the ones that select the most talented, they care that they continue their development and, with their help, grow the company. The transition from a traditional company to an agile one is not so much about tools and IT systems as it is about people. So, the talent of each employee contributes to the success of the agile company. At the same time, lifelong learning is vital to combine both hard skills and soft skills and a minimum of learning time should be allocated weekly within the company and at all levels to instill a true culture of learning.

#### 4. The market landscapes have shifted revealing new opportunities

When decision-makers pursue new business opportunities, they not only act in the present, but

they also position themselves and their companies in the constantly evolving market and seek to be the first to offer a new product or service. Therefore, having a grasp of the industry and economy dynamic help them and their companies to be "in sync" with their daily job and the market. Companies need to know how the crisis is impacting all their customers' needs. This means they have to quickly look at the entire system, from product acquisition to product performance to product support, and learn where to make the right investments. Market landscapes have shifted, new opportunities have emerged, and the race is on to address those opportunities through relevant new sales channels. This is a rare opportunity for a market leader to further secure its position or for a new market entrant to leapfrog traditional competitors. To crack the code of sales success is to work smarter, not harder. Due to the transition of buying and selling into the digital the buyer will enter any stage of the buyer's journey in the funnel. On top of that, buyers are no longer tied to a single channel. Furthermore different buyers have different preferences, which means companies can't expect the same approach to work for everybody. Setting up a wide-range of different channels to serve buyers



so that they can choose whichever they prefer can work the best. Companies need to ensure consistency of customer experience, regardless of the channel each customer chooses. They should be able to provide the choice of switching different channels without losing any information for a seamless buying experience. To do so, it's necessary for companies to experiment with many different promotional, distribution, and purchase channels. One at a time.

## **5. The business outlook in Romania remains favorable**

The recovery of the business environment continued in 2021; however the virus remains a risk for the Romanian economy. Many looming challenges and underlying opportunities are to be expected as the dynamics of the economy speed up. For most of the companies understanding the new operating environment, taking measures to adapt, checking the results and adjusting for new iterations have ushered ways for digitalization, turning agile, diversification, automation, retraining employees and equipping with new capabilities.

### **a. The outlook on turnover growth**

Compared to the forecast at the beginning of the year, the outlook for turnover growth is slightly more positive now, at the end of 2021. Of the respondent

companies, 18% in the second half, compared to 22% in the first half, expect lower turnover, and 5% compared to the previous 13% expect stagnation. However, 22% of companies forecast that their turnover will increase by 5%-10% in 2021, followed by 17% who forecast an increase of 10%-20%. On the other hand, the percentage of companies expecting increases of more than 20% will increase from 12% to 18% in 2021.

At the level of industries, an increase of 10%-20% is forecast by 28% of industrial production companies, 29% of professional service companies, 42% of IT companies and 49% of those in the pharmaceutical industry and of health.

### **b. The outlook on profit growth**

The forecasts for the evolution of profit in the second half of 2021 are in line with the trend on turnover, also being slightly more positive. Although now 33% of companies (compared to 26% at the beginning of 2021) expect their profit to increase by 1%-5% this year, we see a significant decrease on the level of 10%-20%, from 15% to 8%. It increases the percentage of companies that say the profit will grow by over 20%, from 6% to 21%. Also, the percentage of companies that predict a decrease in profit is reduced from 22% in the first part of the year to 18% now.

At the level of industries, a profit

increase of 10%-20% is forecast by 29% of professional service companies, 34% of media and advertising, 43% of IT, 45% of agriculture and food, and 51% of those in the pharmaceutical and healthcare industries.

### **c. The outlook on investments growth**

From the findings of the survey we notice that almost doubles the percentage of companies that say they have reduced their investments in 2021, from 9% in the first part of the year to 17% in the second. Moreover, the percentage of companies that stagnated the level of investments this year increased from 27% to 39%, and the percentage of those that made higher investments decreased by 4 percentage points, from 56% in the first part of the year to 52% at this moment. On the other hand, at the industry level, the survey shows that most firms in trade (26%), energy and utilities (33%), IT (37%), agriculture and food (54%), and from the pharmaceutical and health industry (55%) say that investments have increased by 10%-20% this year.

*"The answers offered by the leaders of Romanian companies show that there are industries that are going through a period of accelerated growth, such as the agriculture industry, the IT industry, professional services, but also industries that are going through a difficult period.*

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*Concerns expressed by managers refer to the lack of skilled labor, rising commodity prices and the inflation rate, while opportunities concern new products and services, new sales channels, digitalization and automation, and expansion in foreign markets.”*

- Dumitru Ion, CEO of Kompas Romania and Doingbusiness.ro

#### **d. The outlook on personnel and wages**

In the survey conducted at the beginning of 2021, we saw that 26% of the responding companies expected a stagnation of the number of employees, and now, at the end of the year, this percentage is 48%. At the beginning of this year, 26% of companies said they expected an increase in the number of employees, but only 37% did so. On the other hand, the data show that the percentage of companies that reduced the number of employees in 2021 was 15% compared to 28%, as estimated at the beginning of the year.

At the same time, the results of the study show that 36% of the trading companies, 37% of the information technology companies and 25% of those in the pharmaceutical and health

industry had increases in the number of employees of 10%-20% in 2021, whilst 33% of the companies in construction and 27% of those in agriculture had increases of 20%-30%.

If at the beginning of 2021, 36% of the responding companies did not forecast salary increases, the maximum of the last 5 years, at this edition of the study the percentage of these companies decreased to 15%. Instead, the percentage of companies that say they have increased their salaries by 5% -10% this year increases from 17% to 28% and from 4% to 22% the percentage of those that have increased their salaries by 10% -20% in 2021. On the other hand, 34% of companies in industrial production, 37% in IT, 35% in construction and real estate increased their salaries by 10% -20% this year.

#### **6. Main challenges and opportunities in the business environment**

The most important challenges for companies in 2021, as revealed by the responses of directors and managers to this study, have been the following: rising costs (68%), lack of skilled labor (57%), maintaining cash flow (48%), optimizing the

supply chain (46%) and changing consumer behavior (41%).

Also, according to the responding managers, the most important opportunities of 2021 for Romanian companies have included the following: development of new products/ services and access to new sales channels (48%), digitalization and automation (43%), expansion in foreign markets (34%), access to non-reimbursable funds (31%) and the growing e-commerce market (24%).

The current pandemic has put to the test all companies, which are now forced to search for new growth strategies during great economic and social uncertainty. The wide economic and social impacts of this crisis are still hard to predict. However, many business leaders have understood the relationship between different forms of risks at play in the current environment, the agility of the company and the clarity of their strategic decisions. This triad is important and enables agile companies to successfully navigate uncertainty, while remaining resilient in front of the future challenges of this lengthy recovery.