

A vision for growth

Business outlook survey

Romania 2013

 **ERNST & YOUNG**
Quality In Everything We Do

What is “A vision for growth”?

“A vision for growth” explores perceptions of top executives from major companies operating in Romania regarding the business outlook for 2013.

This Ernst & Young report is based on a survey of 105 C-suite level executives from companies in various sectors, who provided a perspective on how the domestic business environment is perceived at the beginning of 2013.

5 main findings

1

25% of respondents foresee a significant growth (+10-30%) of their company's turnover in 2013, while 51% expect a growth rate of +5-10%.

2

37% of the respondents expect the profit growth rate of their company to range between 5 to 10%, and 31% between 10 to 30%, although early forecasts present 2013 as difficult year.

3

Only 2% of respondents say the salary increase in their company is expected to exceed 10%, while 55% expect it to range between 5 to 10%. However, 42% say the salary increase will be 0%.

4

75% of respondents say their company's strategy to increase sales consists of introducing new products/services for existing clients, while only 33% say they will enter new geographic markets for existing products/services.

5

Most companies are willing to innovate, but they want to do so utilizing internal resources (63%). There is a tight call among new business opportunity, customer satisfaction, and operational efficiency, when it comes to areas of innovation utilization.



A vision for growth

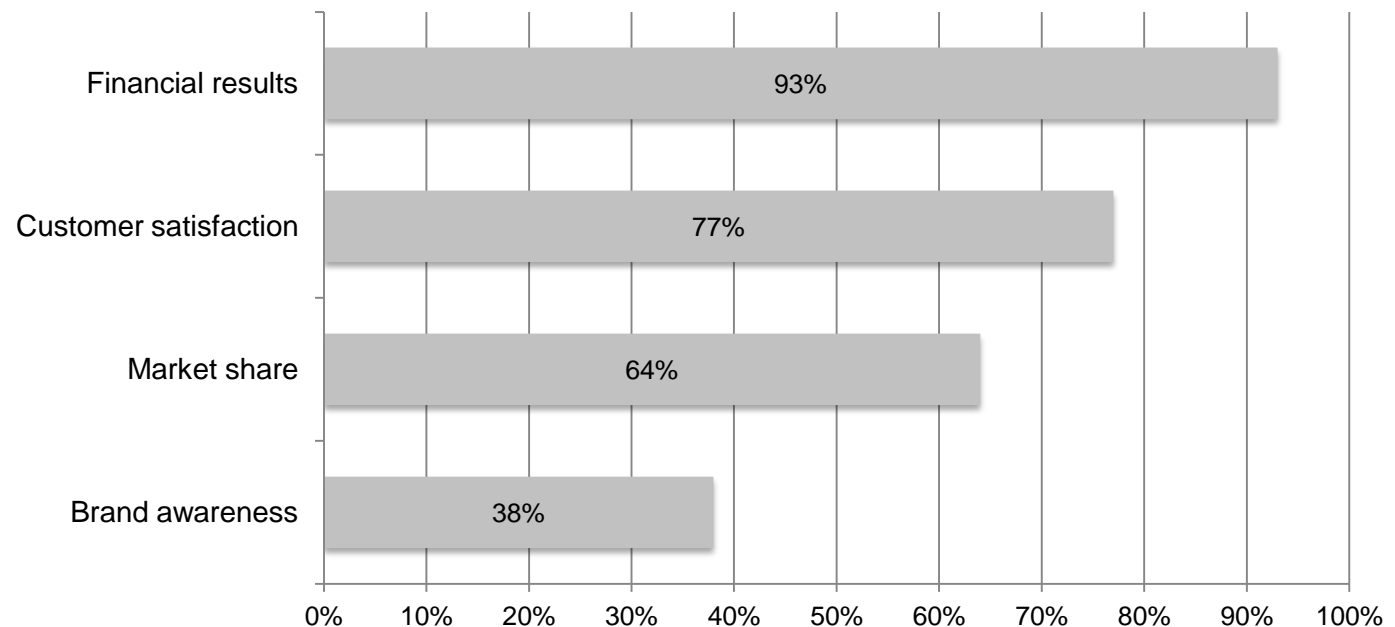
Business outlook survey
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“ Although 2013 appears to be a challenging year in many respects, many companies say they expect to grow. ”

*Bogdan Ion, Country
Managing Partner*

Please indicate the main three elements that you use to define success. (multiple answers)

Question 1



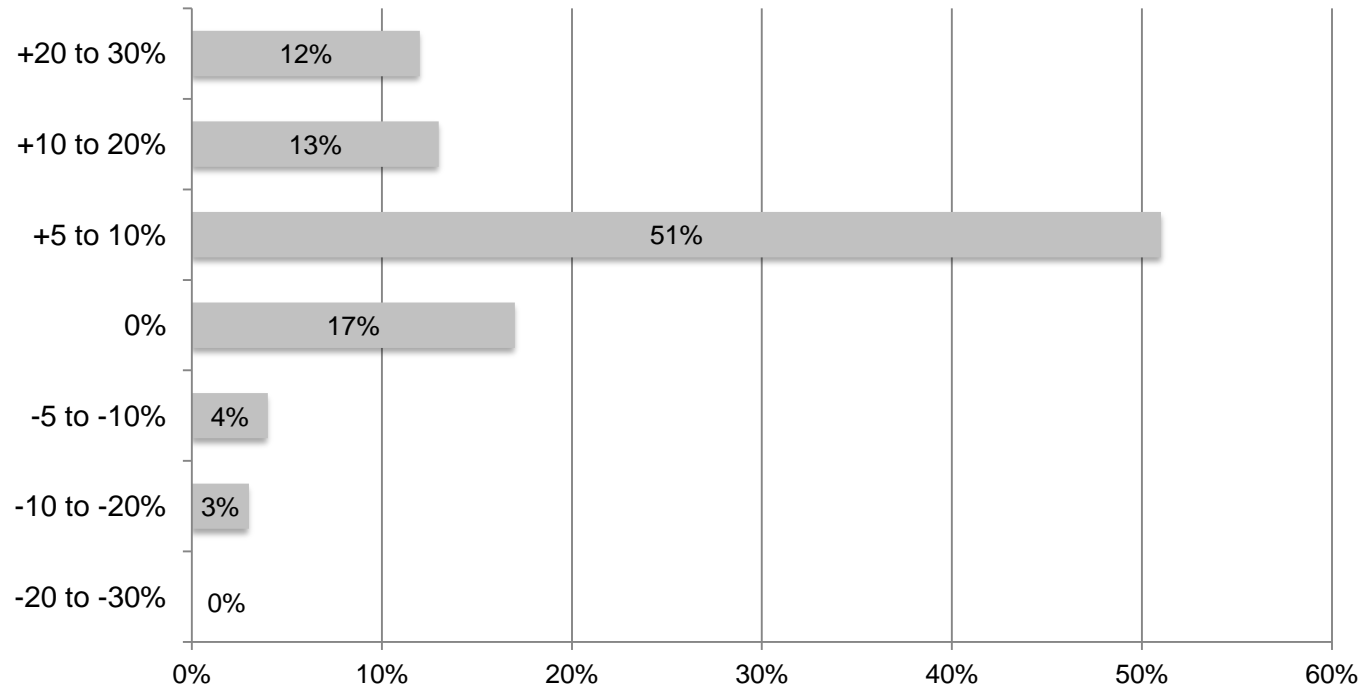
Total Respondents: 99
(Skipped this question: 6)



Usually, companies measure their success by a combination of financial results, market share and brand awareness, but customer satisfaction appears to be very high in their criteria list.

How much do you expect your turnover to grow in 2013? (one answer)

Question 2



Total Respondents: 98
(Skipped this question: 7)

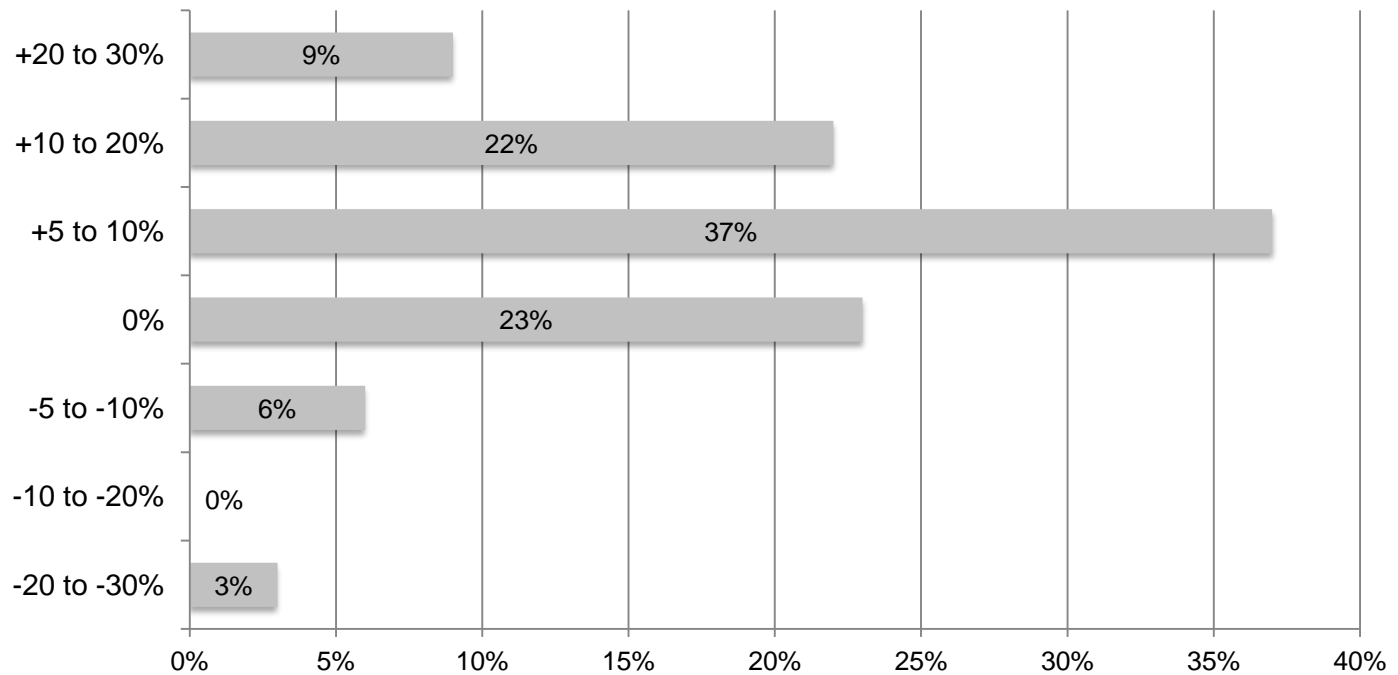


25% of respondents foresee a significant growth (+10-30%) of their company's turnover in 2013, while 51% expect a growth rate of +5-10%.

How much do you expect your profit to grow in 2013?

(one answer)

Question 3



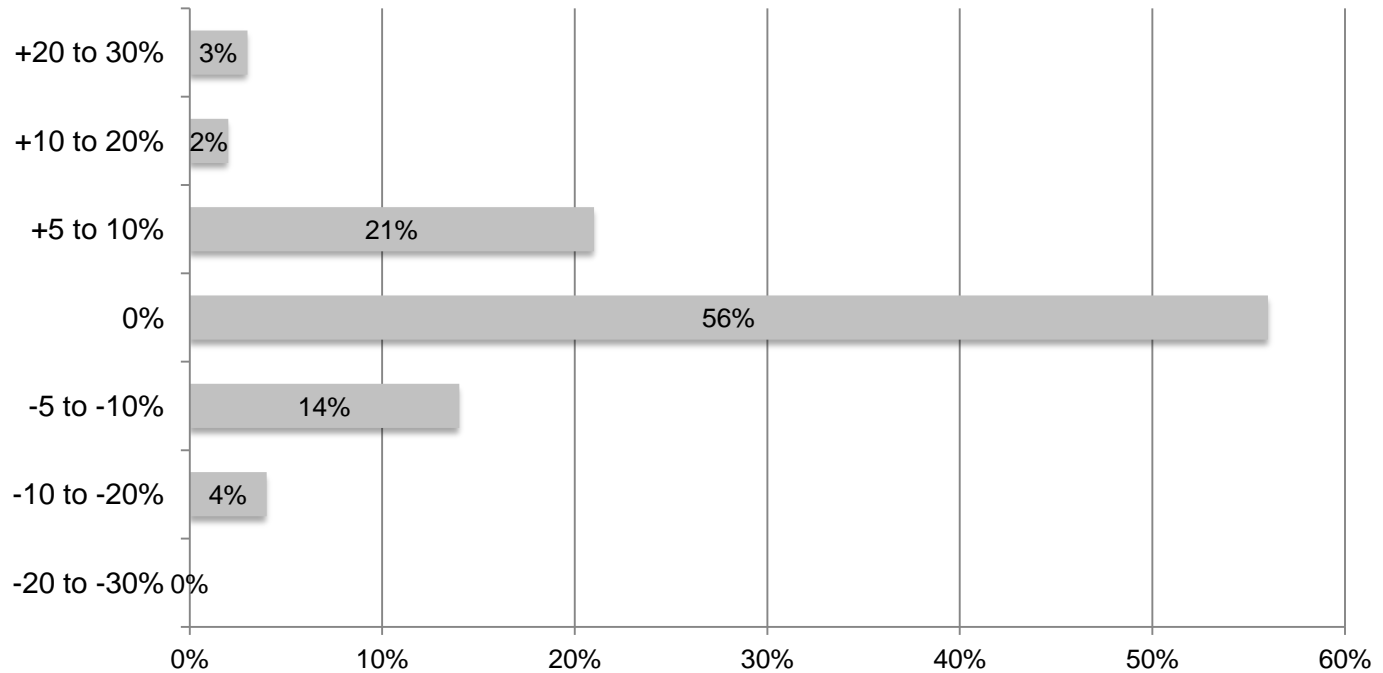
Total Respondents: 97
(Skipped this question: 8)



37% of the respondents expect the profit growth rate of their company to range between 5 to 10%, and 31% between 10 to 30%, although early forecasts present 2013 as difficult year.

How much do you expect your number of employees to grow in 2013? (one answer)

Question 4



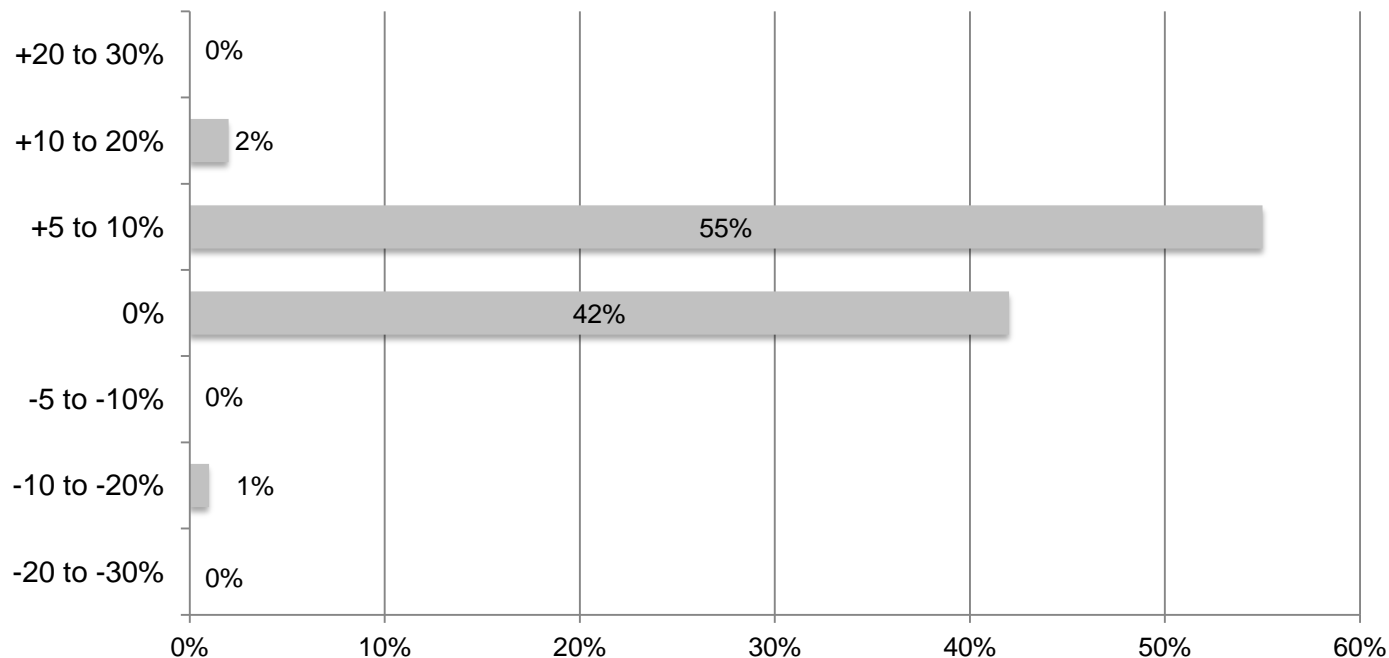
Total Respondents: 98
(Skipped this question: 7)



As the chart shows, 56% of respondents expect no increase in the employees number in 2013, but 21% foresee a slight increase of 5-10%, mainly due to expected increased activity.

How much do you expect the salary level in your company to grow in 2013? (one answer)

Question 5



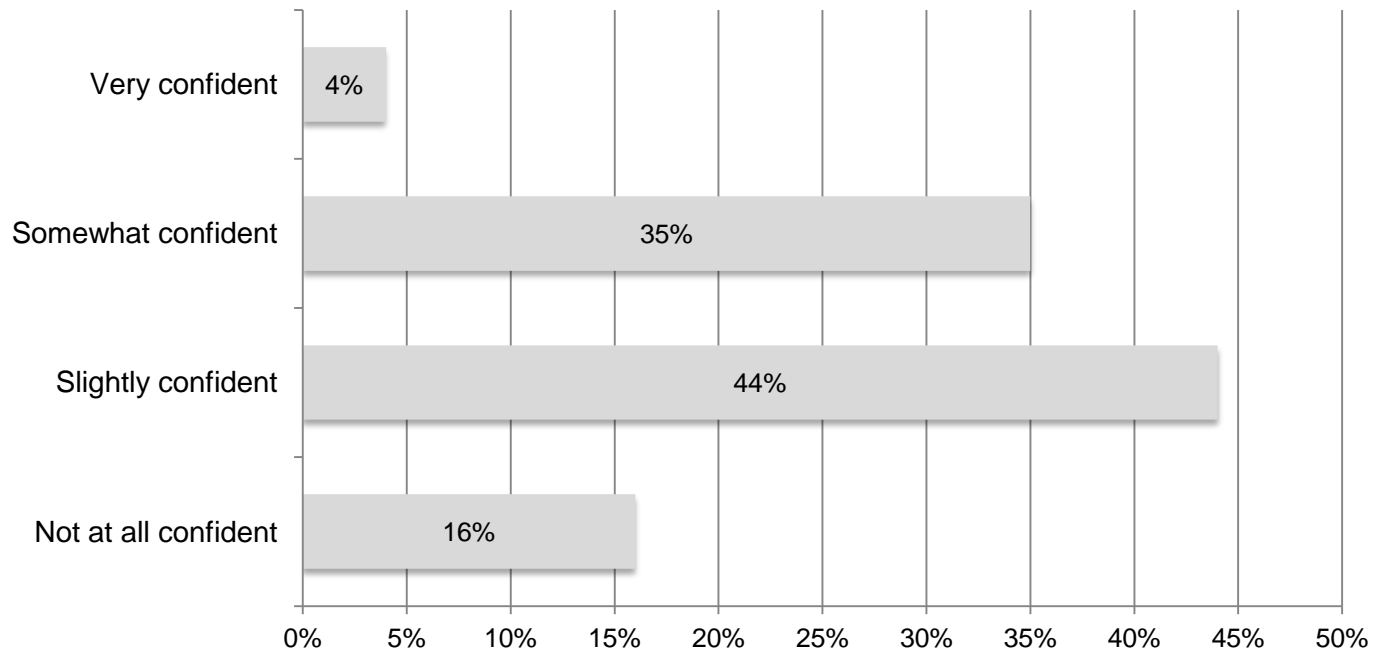
Total Respondents: 99
(Skipped this question: 6)



Only 2% of respondents say the salary increase in their company is expected to exceed 10%, while 55% expect it to range between 5 to 10%. However, 42% say the salary increase will be 0%.

How confident do you feel regarding the growth of your industry for the next 12 months? (one answer)

Question 6



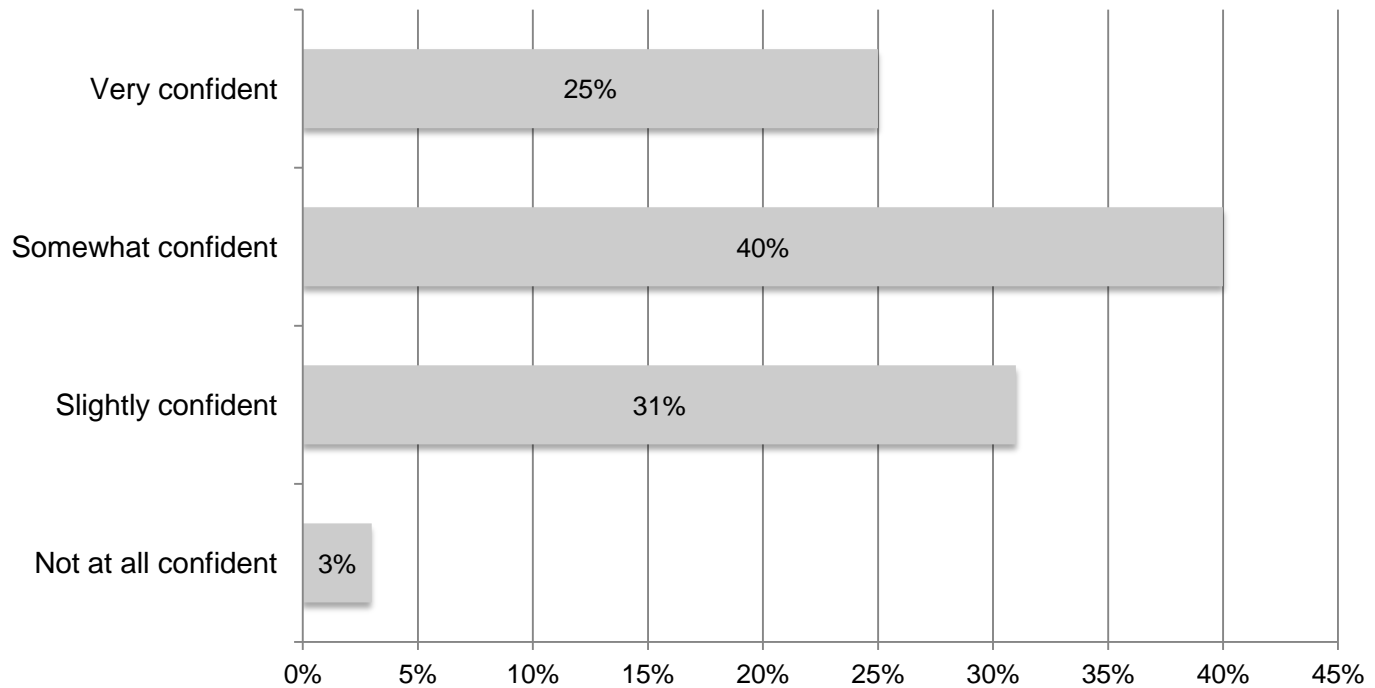
Total Respondents: 99
(Skipped this question: 6)



Confidence in industry growth is rather low, even though most respondents expect their own revenues to grow (see page 5 and 10).

How confident do you feel regarding the growth of your company for the next 12 months? (one answer)

Question 7



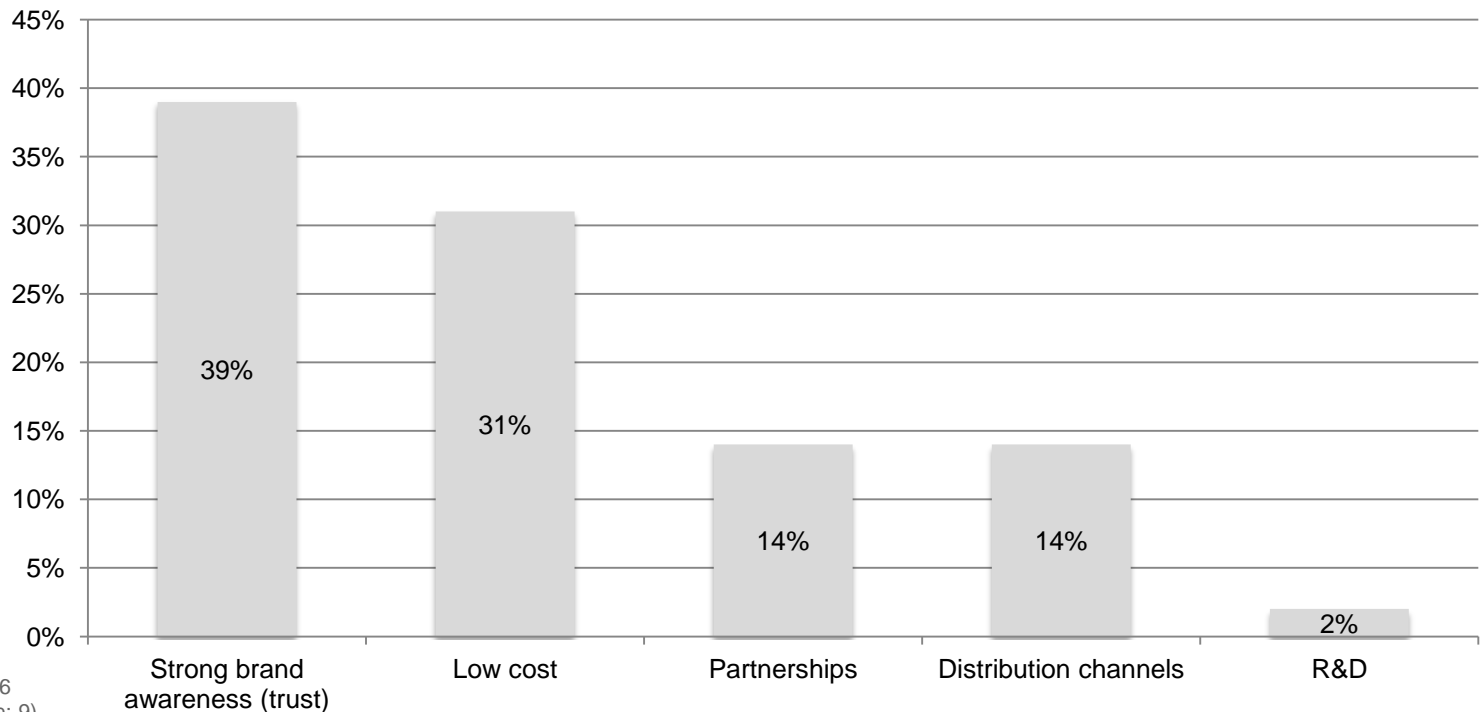
Total Respondents: 99
(Skipped this question: 6)



The difference between confidence in industry growth and company growth forecast is quite remarkable, which could show that companies place an important trust in their strategy.

Please describe the main strength of your competitors in the local market, Romania. (one answer)

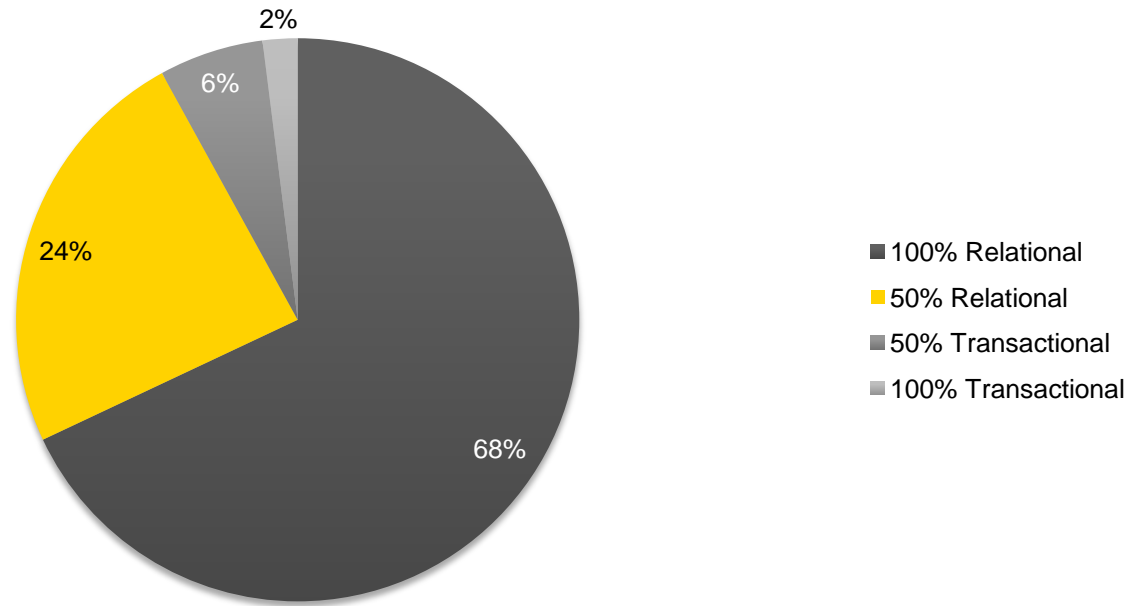
Question 8



Low cost does not seem to be the main strength of the respondents' competition in the local market, competitors' brand becoming more important in 2013.

Where would you position your sales strategy between the two following dimensions: relational and transactional? (one answer)

Question 9



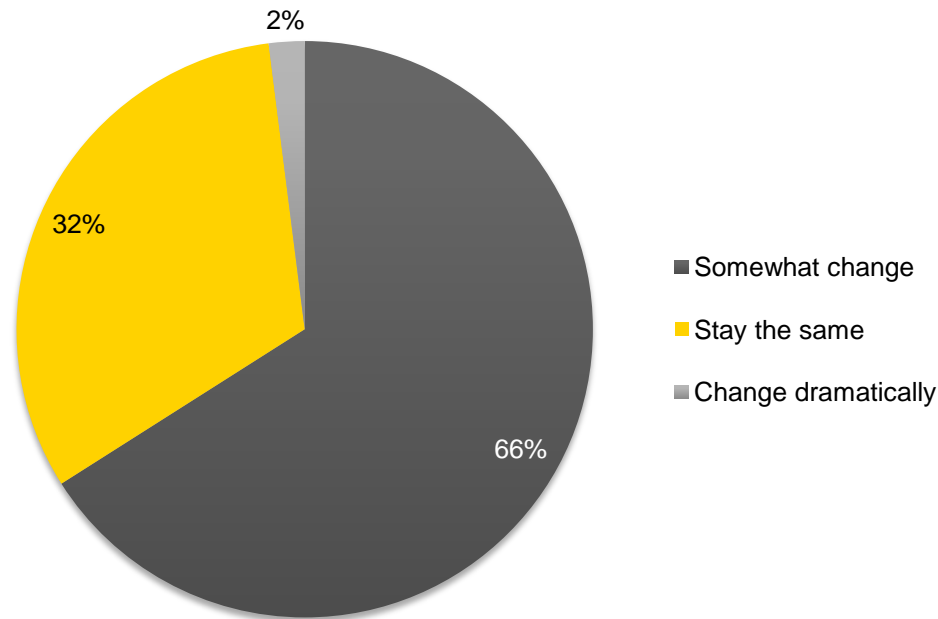
Total Respondents: 98
(Skipped this question: 7)



Relational companies build long-lasting relations with their customers, while transactional ones focus only on transactions. 68% of the respondents to our survey say their company has a 100% relational sales strategy, aspect which should be considered when reading the next 2 slides.

To what extent do you expect your customers' demands to change in the next 12 months? (one answer)

Question 10



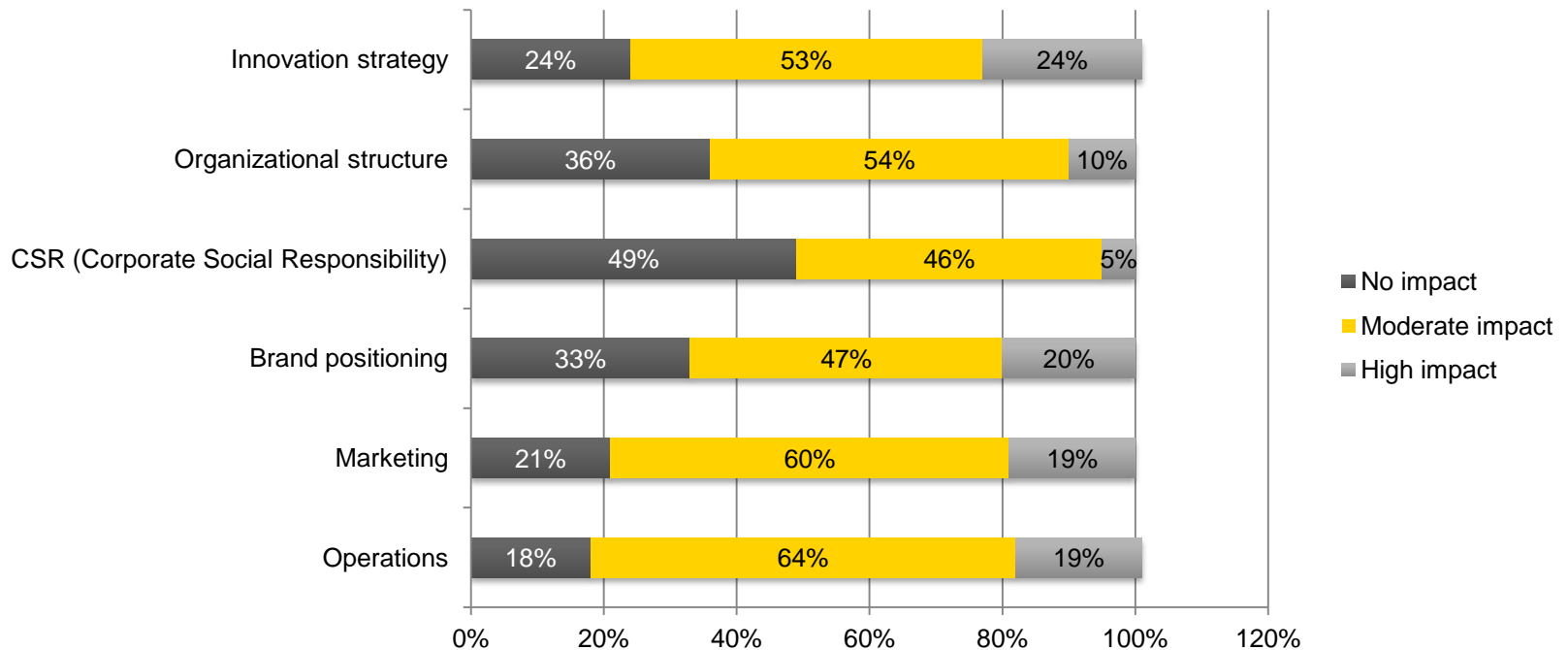
Total Respondents: 99
(Skipped this question: 6)



While 2% of respondents expect their customers' demand to change dramatically, 66% foresee only a slight change.

What impact will the change in customers' demand have on your company in the next 12 months? (one answer for each option)

Question 11



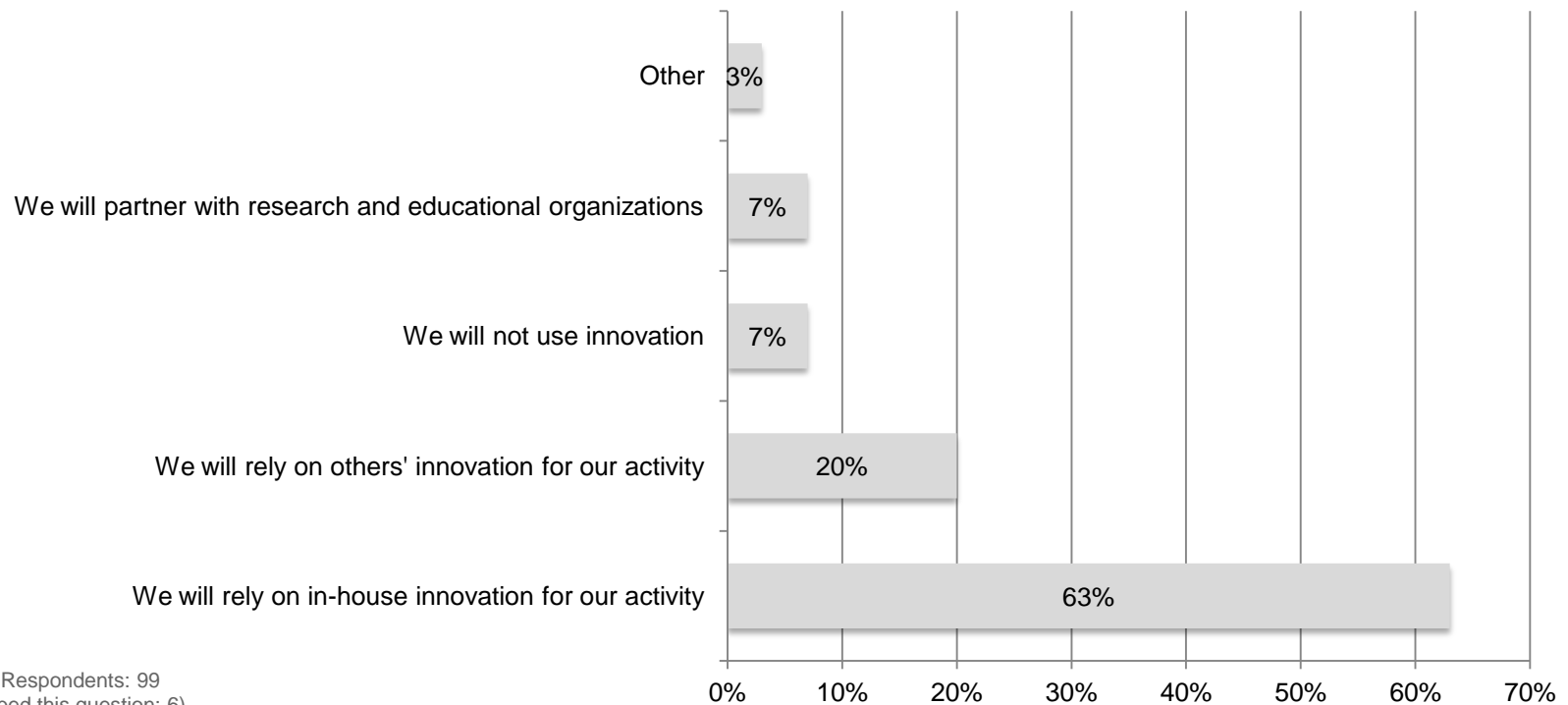
Total number of responses: 576



Even though the previous chart showed that companies do not expect substantial changes in customers' demand, the highest impact (if any) could occur on innovation strategy, brand positioning, marketing and operations.

How do you plan to use innovation in your company in the next 12 months? (one answer)

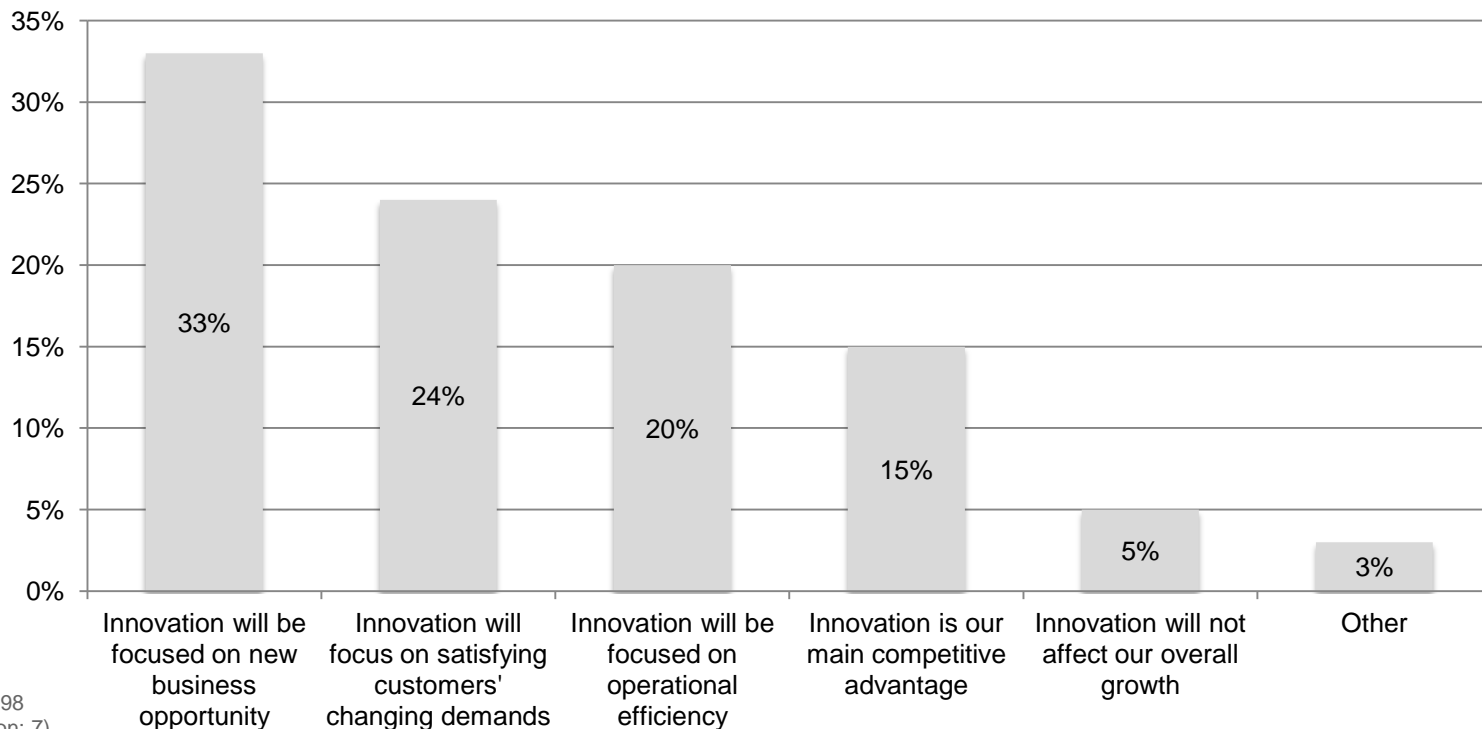
Question 12



Most companies are willing to innovate, but they expect to do so utilizing internal resources (63%).

How does your company plan to use innovation to support the overall growth strategy? (one answer)

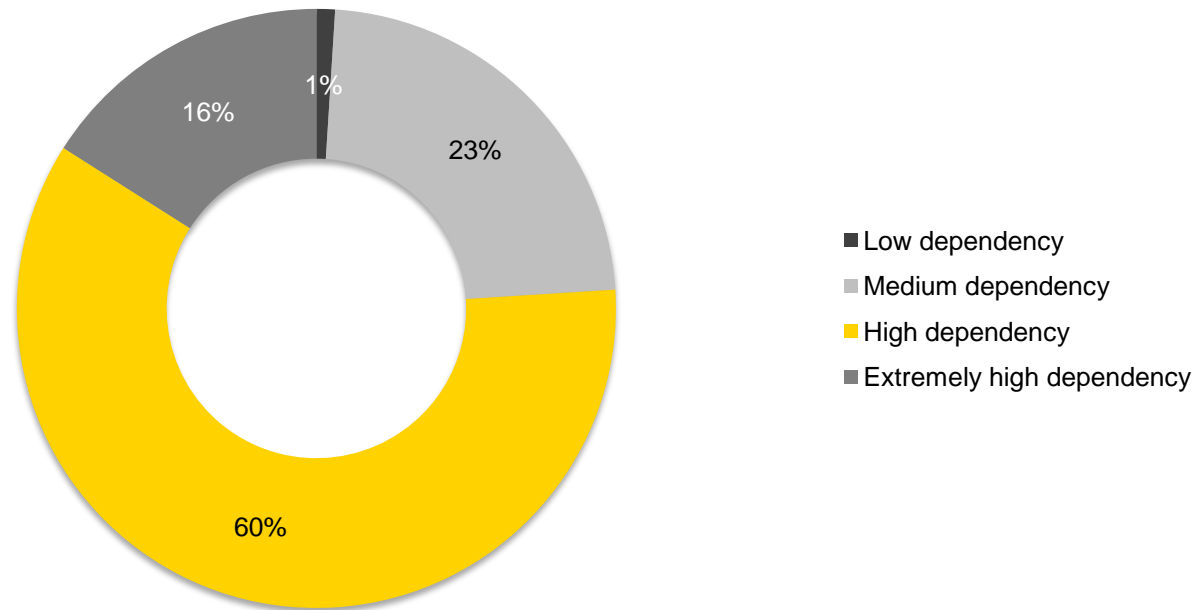
Question 13



There is a tight call among new business opportunity, customer satisfaction, and operational efficiency, when it comes to areas of innovation utilization.

How would you rate the dependency of your company's success on the skills of the labor force? (one answer)

Question 14



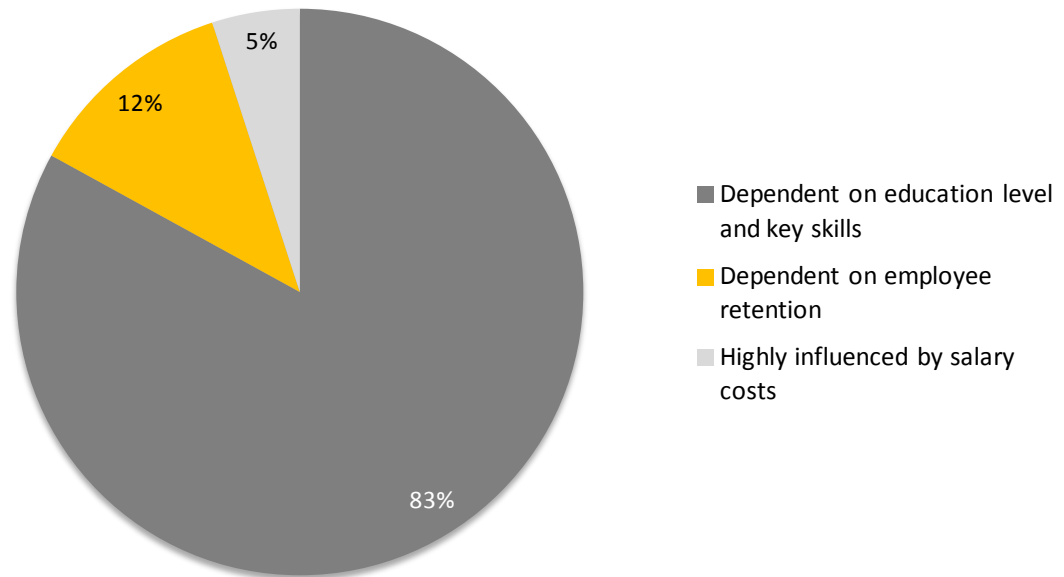
Total Respondents: 97
(Skipped this question: 8)



The high dependency on labor force's skills indicates that companies are fully aware of the direct link between employees' competency level and company's performance.

Which of the following factors best describe the impact of your labor force on company's success? (one answer)

Question 15



Total Respondents: 99
(Skipped this question: 6)

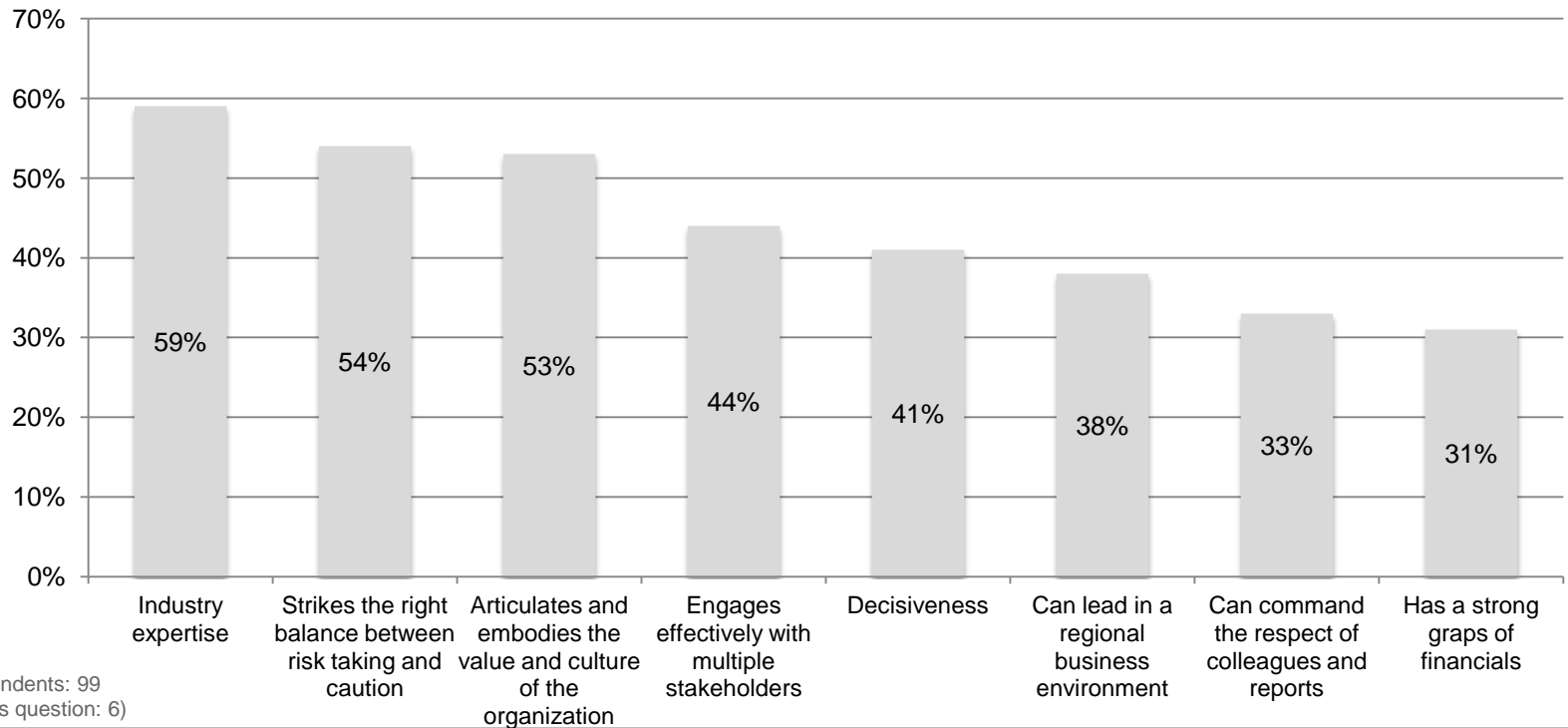


No less than 83% of the respondents say that education and skill of labor force play the most important role in their company's success.

What do you consider to be the most important attributes for the leadership of your organization?

(multiple answers)

Question 16

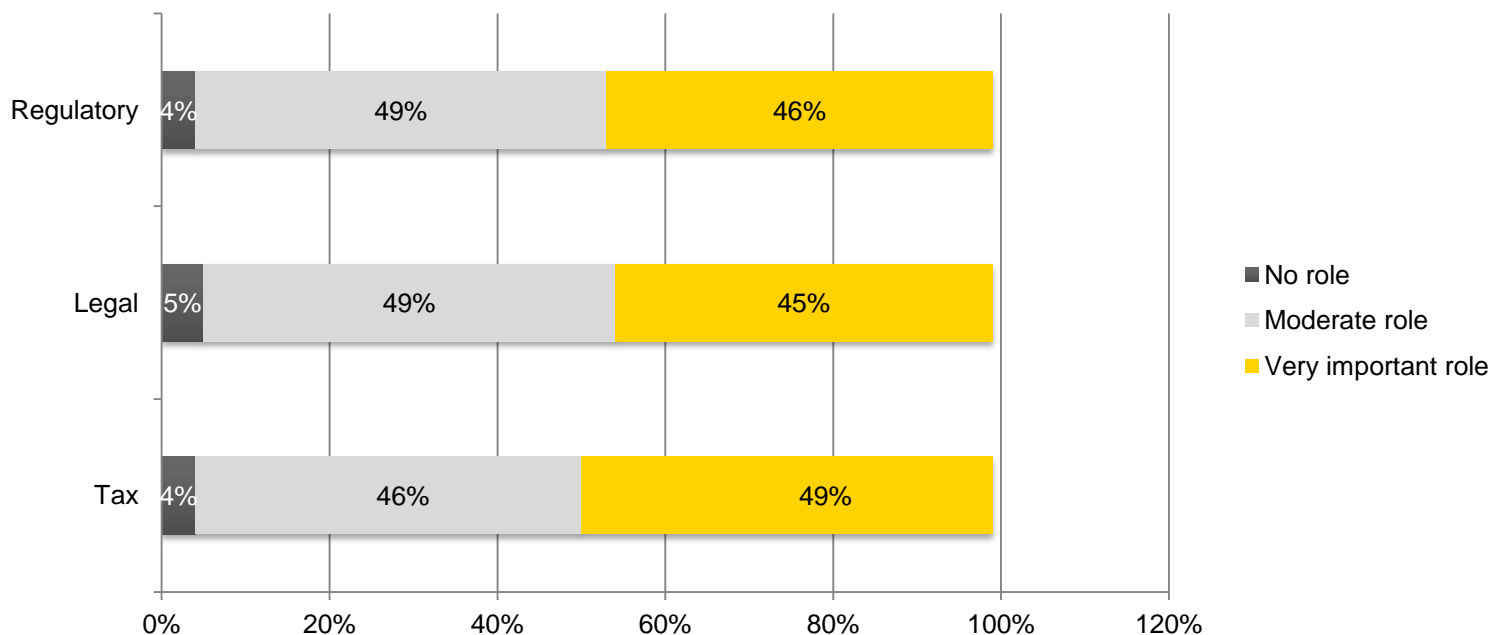


Industry expertise, good risk/caution balance and embodiment of the organization's values and culture (tone at the top) appear to be the most important attributes of the successful leader.

To what extent does the legal, tax and regulatory environment play a role in the growth of your company?

(one answer for each option)

Question 17



(Total number of responses: 289)

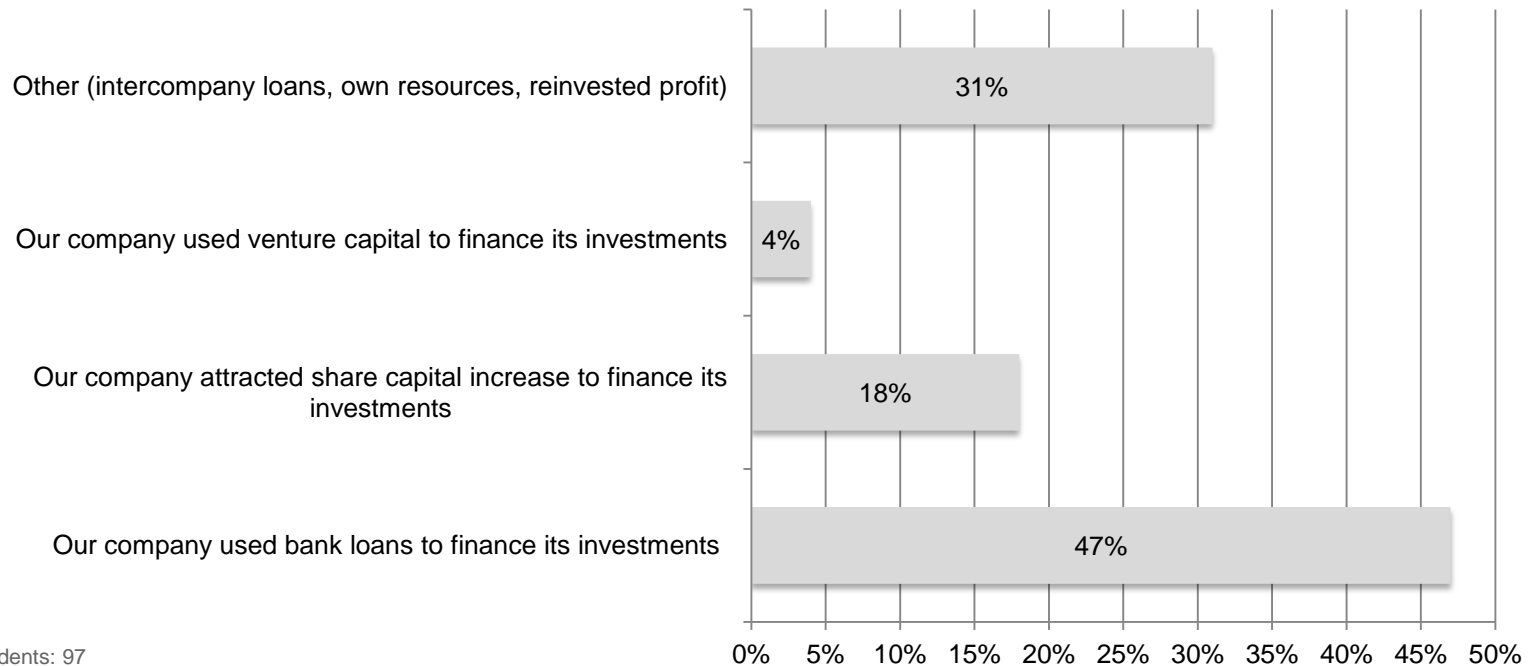


Over 95% of companies agreed that legal, tax and regulatory environment plays a moderate to high role in their growth.

Which of the following best describes your company primary strategy for financing its investments in the past year?

(one answer)

Question 18



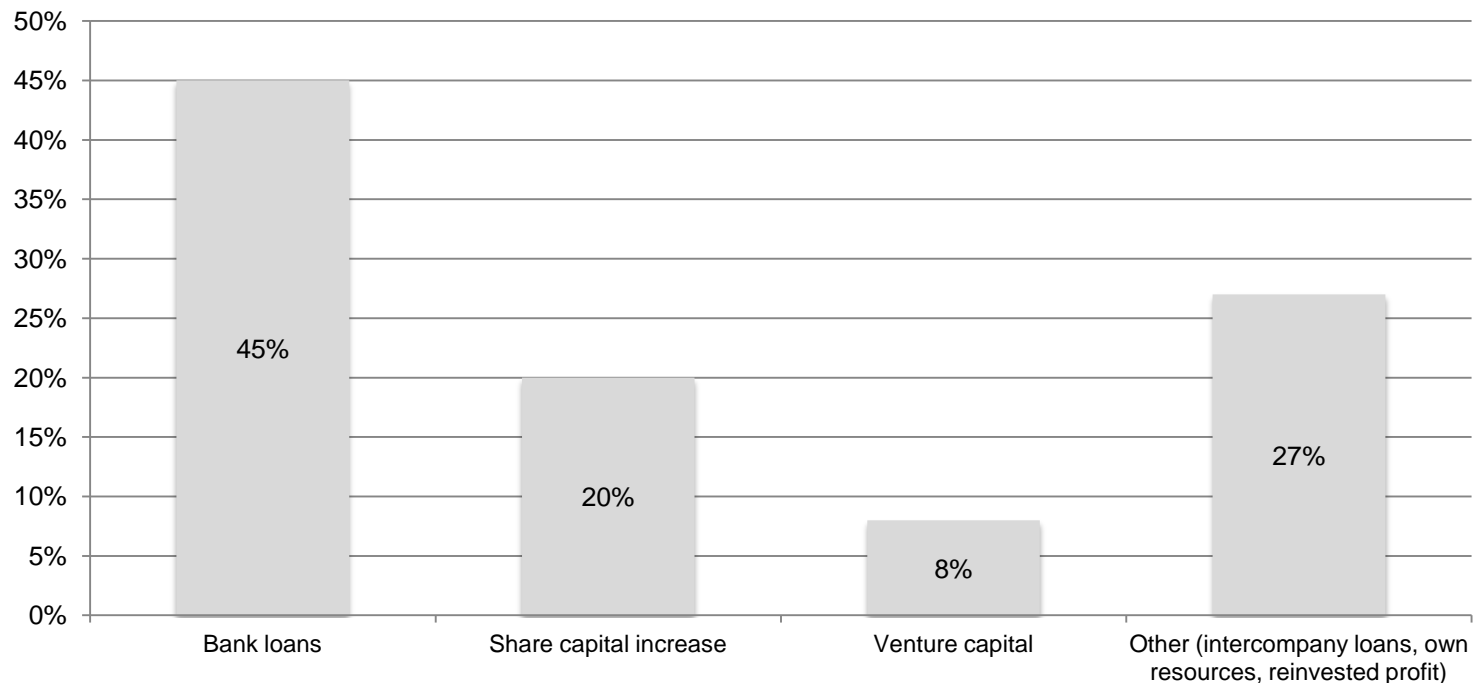
Total Respondents: 97
(Skipped this question: 8)



When it comes to financing investments, in 2012 companies used mostly bank loans (47%), followed by share capital increase (12%).

Which of the following best describes your company's preferred strategy for financing its investments in the following 12 months? (one answer)

Question 19



Total Respondents: 93
(Skipped this question: 12)

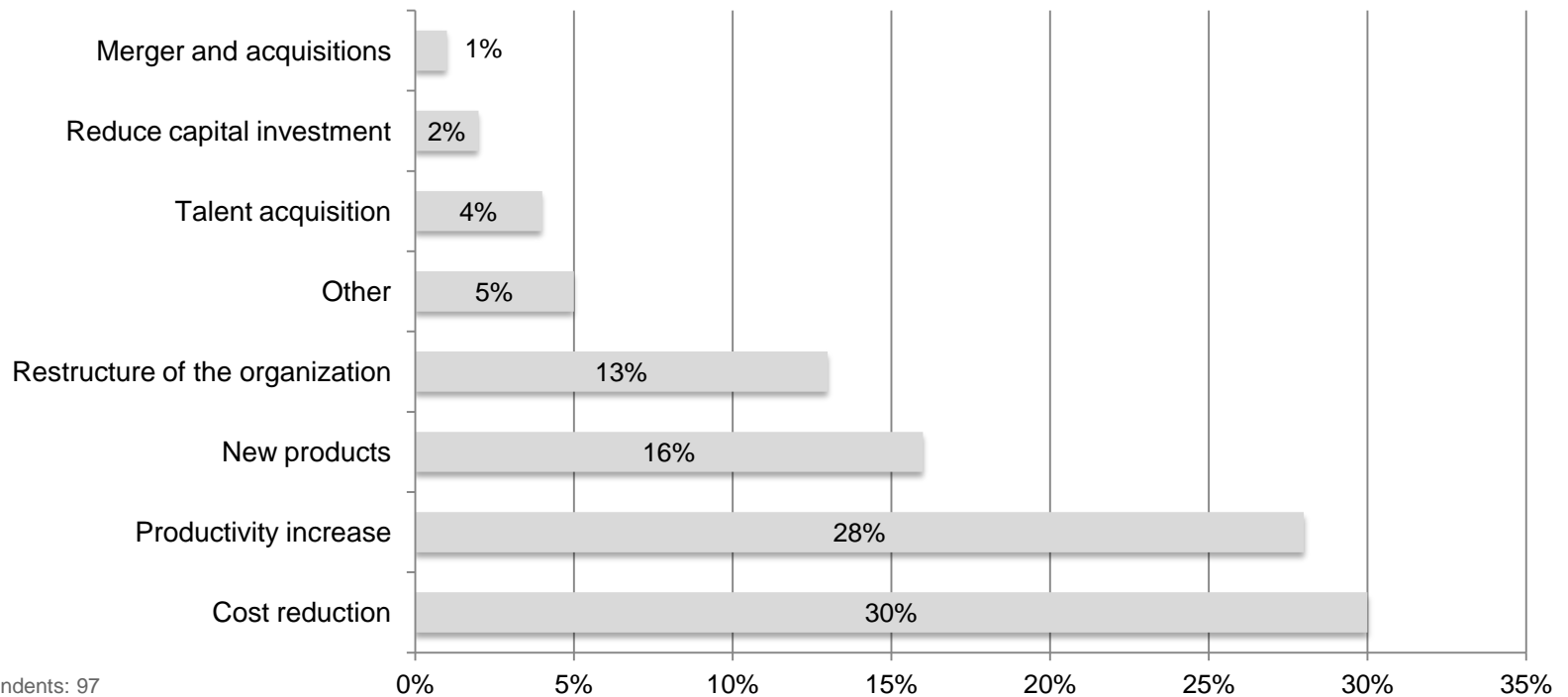


In 2013 as well, the main companies' strategy for financing investments appears to be through bank loans (46%).

Which of the following best describe the reaction of your company to the business environment in the past year?

(one answer)

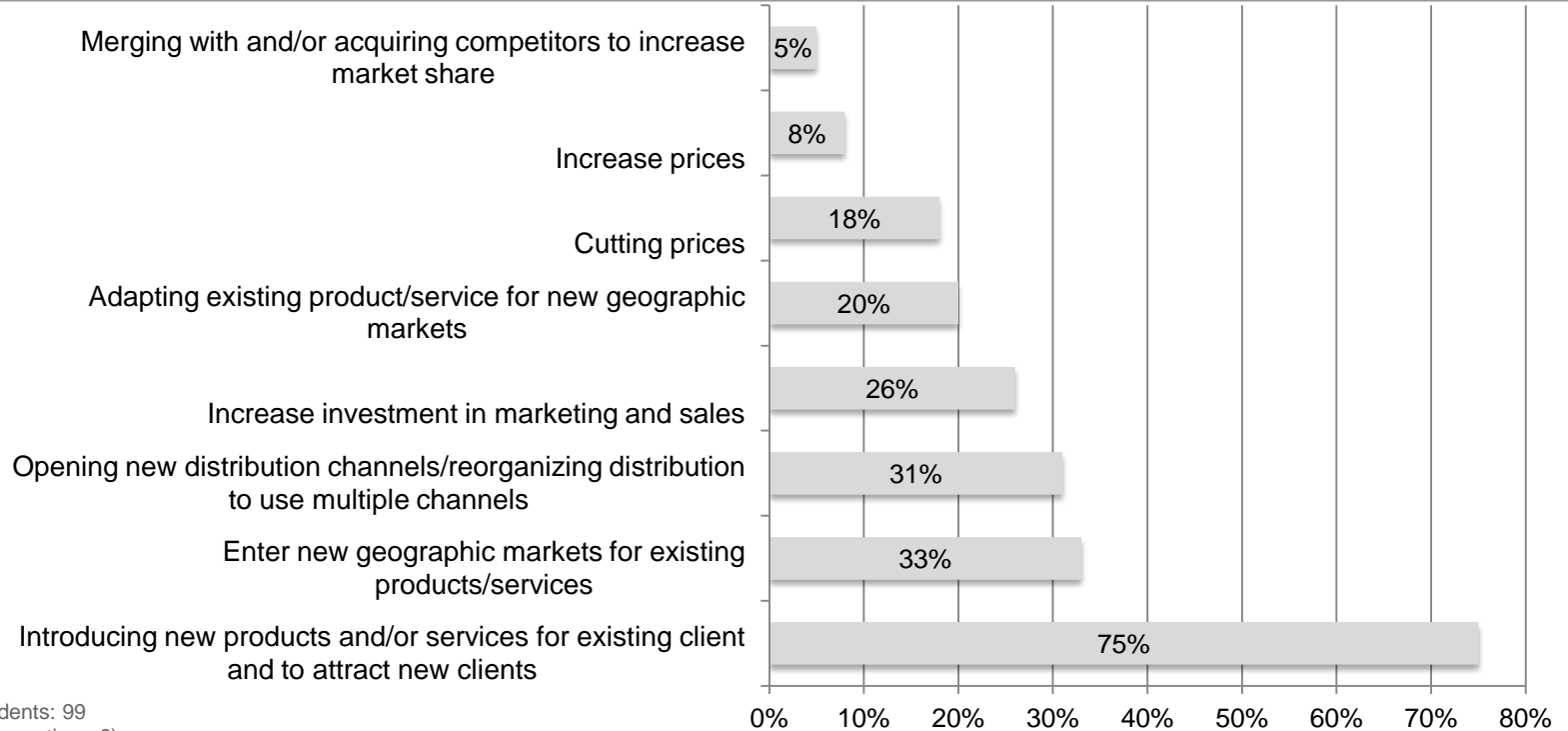
Question 20



In 2012, businesses reacted to the pressures coming from the business environment by reducing costs (30%) or increasing productivity (28%), substantially more than by talent acquisition (4%) or M&As (1%).

Which of the following actions will your company take to increase sales? (one answer)

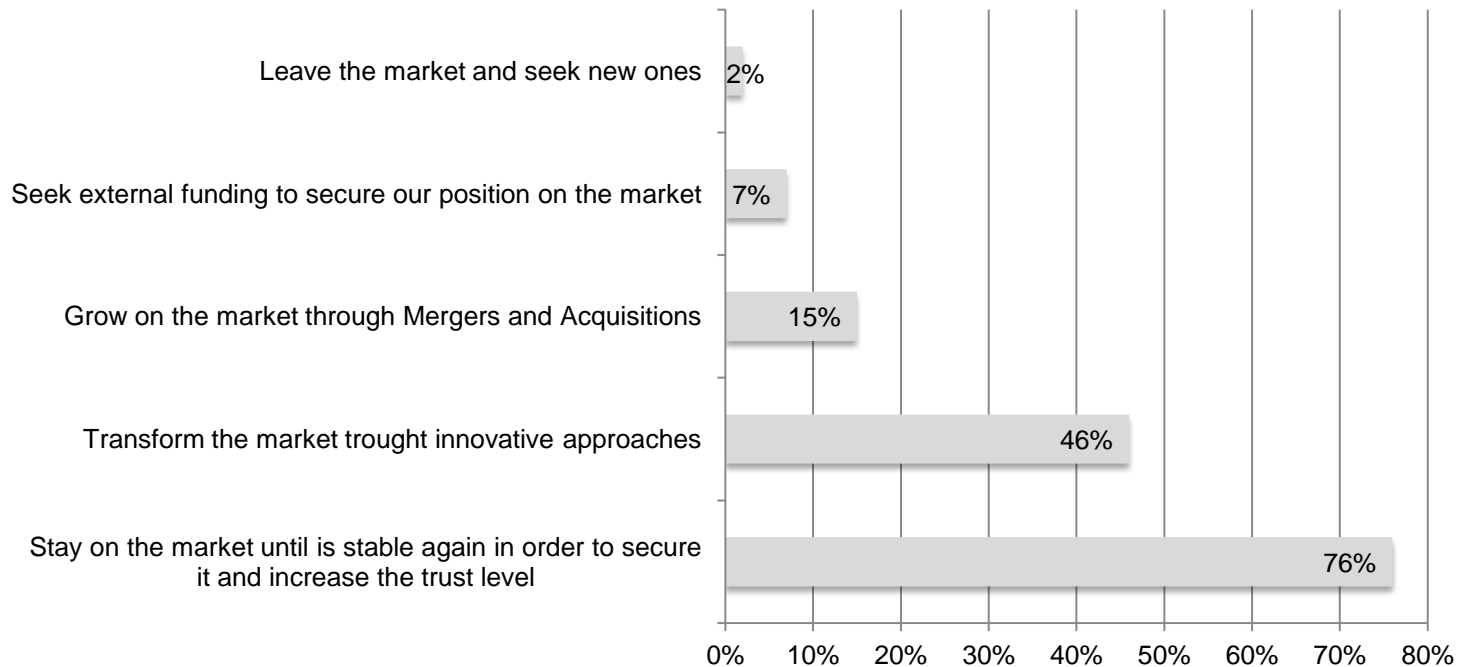
Question 21



75% of respondents say their company's strategy to increase sales consists of introducing new products/services for existing clients, while only 33% say they will enter new geographic markets for existing products/services.

In case of stagnation/decline in your current markets what will be the step/s your company will pursue in the next 12 months? (all that apply)

Question 22



Total Respondents: 98
(Skipped this question: 7)



Most companies (76%) say that they will continue to stay on the market if it declines. A high percentage of companies (46%) though, are willing to transform the market through innovative approaches in case such a decline occurs.

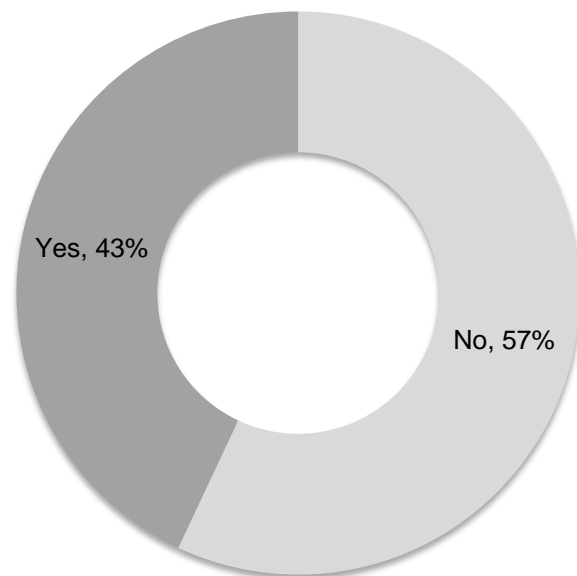


Demographics

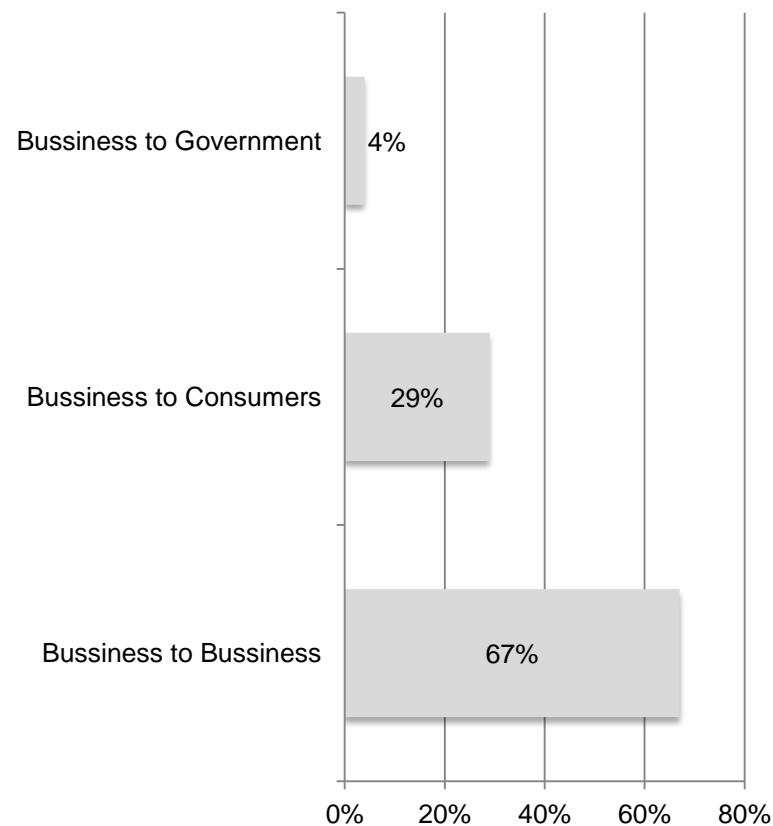
The results of this survey reflect the responses received to our questionnaire in the period between 21 Jan. and 5 Feb. 2013, from 105 top executives of major companies operating in Romania.

Demographics

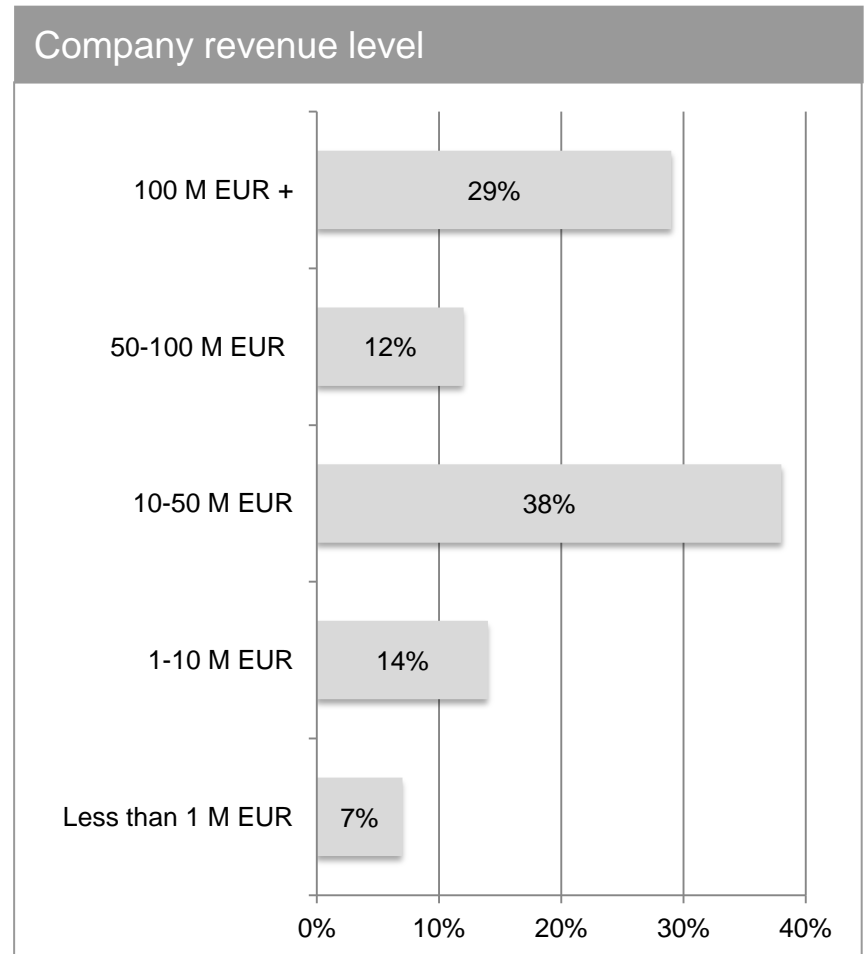
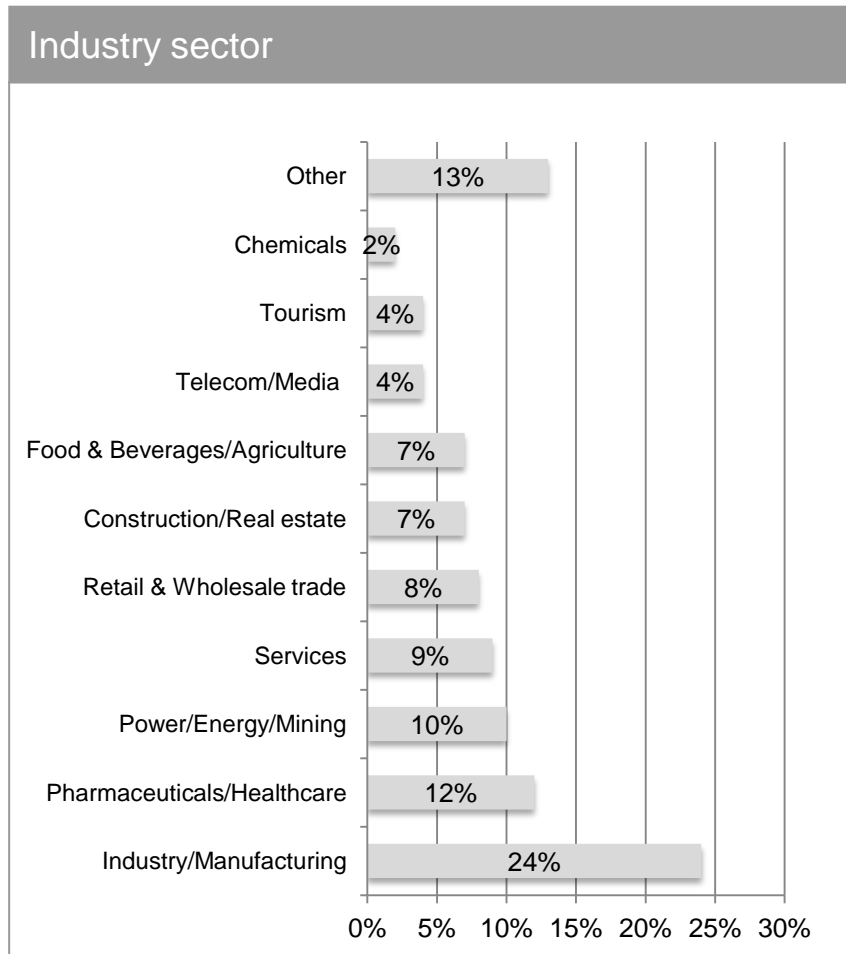
Romanian company (yes/no)



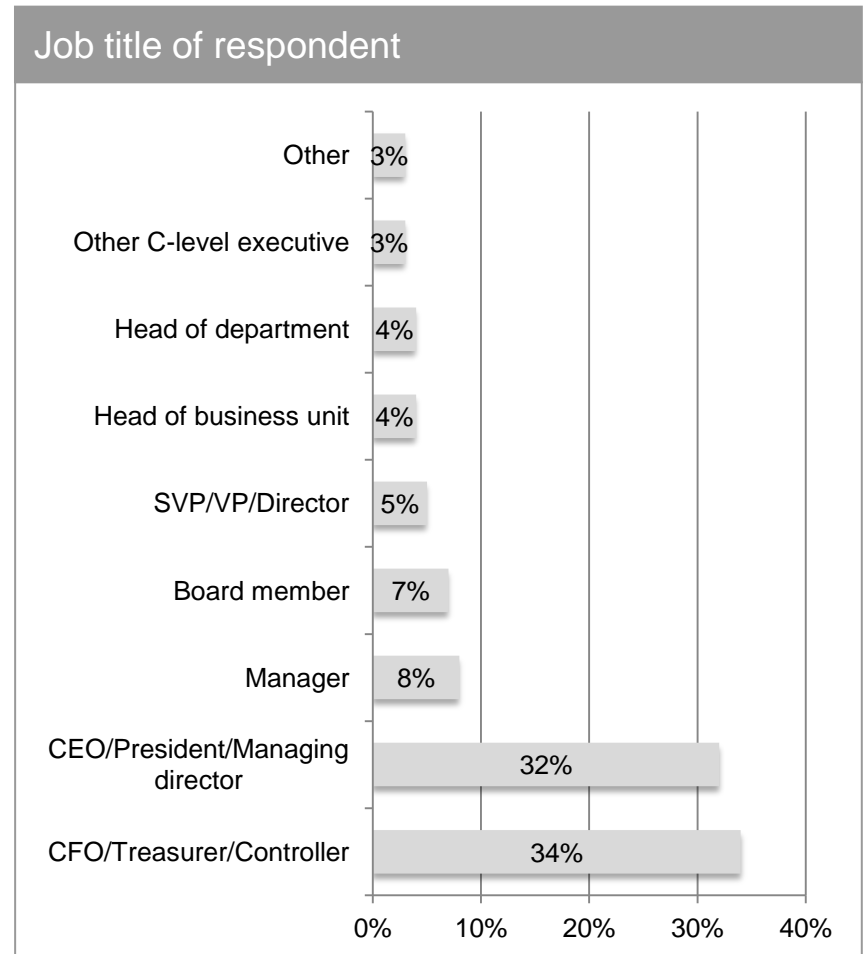
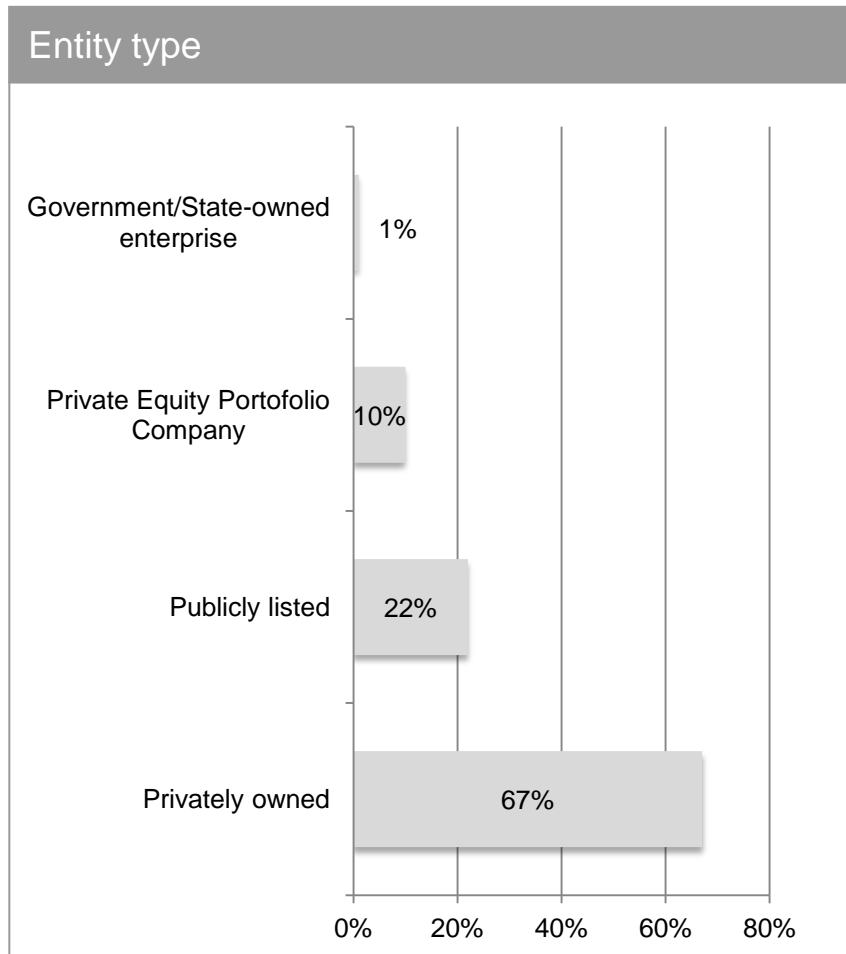
Business type



Demographics



Demographics



A stylized illustration of a neuron against a black background. The neuron has a central cell body (soma) with a textured, bumpy surface and a single white circular nucleus. Numerous branching processes (dendrites and axons) extend from the cell body. Several of these branches feature bright, glowing white nodes or varicosities. A semi-transparent grey rectangular box with a thin yellow border is positioned in the lower-left area, partially overlapping the neuron's branches.

Thank you!