

# A vision for growth

Business outlook survey

Romania 2014



**EY**

Building a better  
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# What is “A vision for growth”?

“A vision for growth” is a survey that explores the perceptions of top executives from major companies operating in Romania regarding the business outlook for 2014.

This EY report is based on a survey of 117 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 2014.

## 5 main findings

1

28% of respondents foresee a significant growth of +10 to +30% for their company’s turnover in 2014 compared with 25% in 2013, while 67% expect a growth rate of +5 to +10%, compared with just 51% at the beginning of last year.

2

Only 21% of the respondents expect the profit growth rate of their company to range between +5 to +10% in 2014 compared with 37% in 2013, but a lower percentage of 26% vs. 31% in 2013 expect the profit of their company to grow between +10 to +30% in 2014.

3

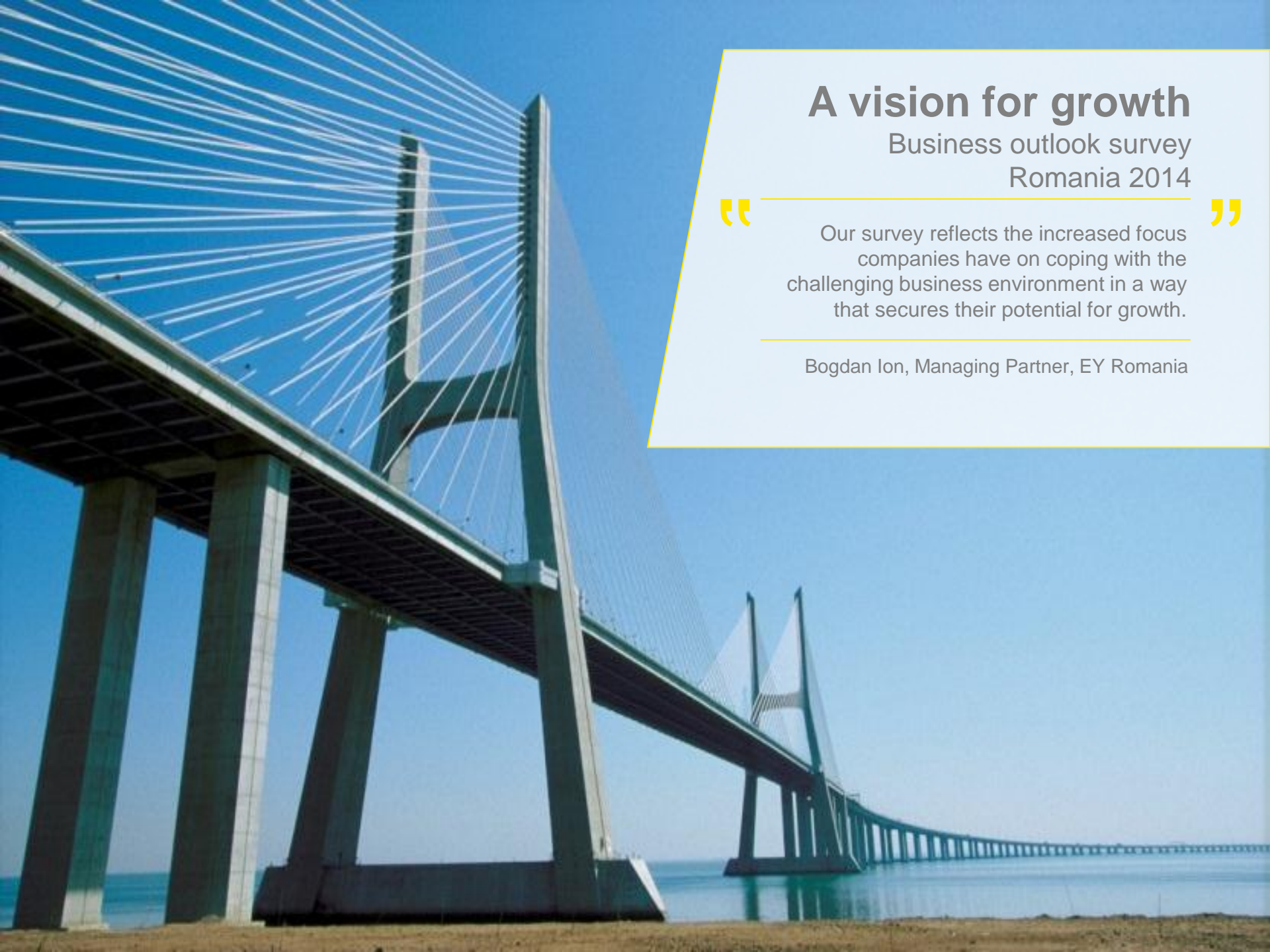
At the beginning of 2014, 2% of respondents say the salary increase in their company is expected to exceed 10%, the same percentage as last year. Most importantly, while 42% said there would be no salary increase for them in 2013, only 19% say the same at the beginning of 2014.

4

This year as well, the main companies’ strategy for financing investments appears to be through bank loans (49% in 2014 vs. 46% in 2013). The intercompany loans, own resources and reinvested profit are expected to increase to 39% in 2014 compared to 27% at the beginning of 2013.

5

Unlike last year, when most companies (76%) said that they would continue to stay on the market if it declined, in 2014 only 56% say the same. A still high percentage of companies (56% in 2014 vs. 46% in 2013) though, are willing to transform the market through innovative approaches in case such a decline occurs.



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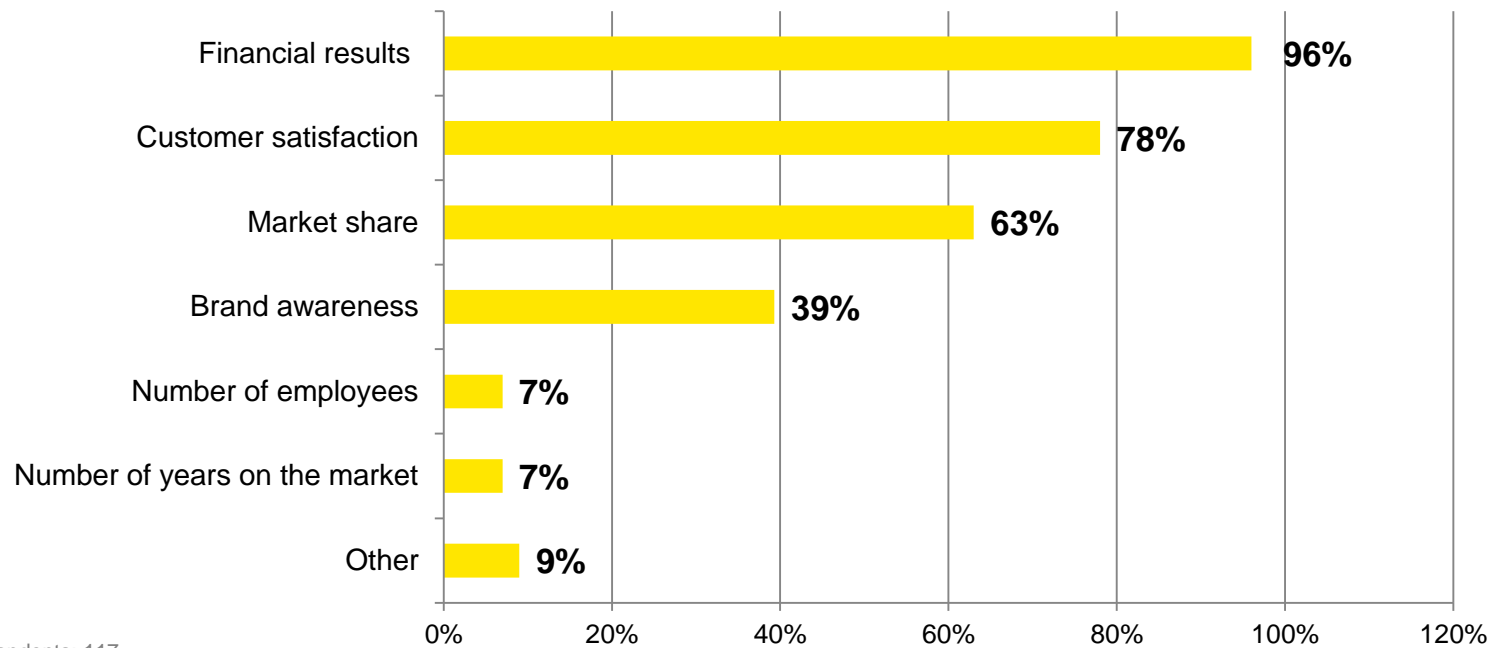
Our survey reflects the increased focus companies have on coping with the challenging business environment in a way that secures their potential for growth.

”

Bogdan Ion, Managing Partner, EY Romania

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

## Question 1



Total Respondents: 117  
(Skipped this question: 0)



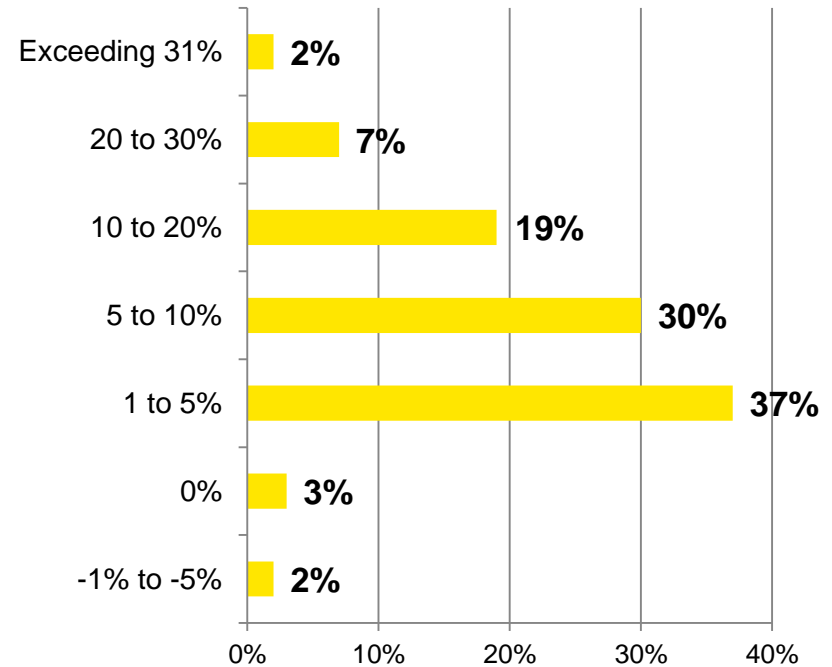
Usually, companies measure their success by a combination of financial results, market share and brand awareness, but customer satisfaction appears to be very high on their criteria list. In 2014, the distribution of these elements remains quite similar to the one indicated by respondents at the beginning of 2013 (differences range between 2-3%).

# How much do you expect your turnover to grow in 2014? (one answer)

## Question 2

All the other intervals, from -5% to -31%, received zero answers.

Indicative distribution of responses by industry sector	-1% to -5%	0%	1% to 5%	5% to 10%	10% to 20%	20% to 30%	Exceeding 31%
Chemicals			■				
Construction / Real Estate		■		■			
Food & Beverages / Agriculture			■	■	■		
Industry / Manufacturing			■	■	■	■	■
Information Technology (IT)				■			
Pharmaceuticals / Healthcare			■		■		
Power / Energy / Mining			■	■			
Retail & Wholesale trade				■			
Services	■		■	■			
Telecommunication / Media			■	■	■		
Tourism			■				
Transportation			■	■			



Total Respondents: 114  
(Skipped this question: 3)



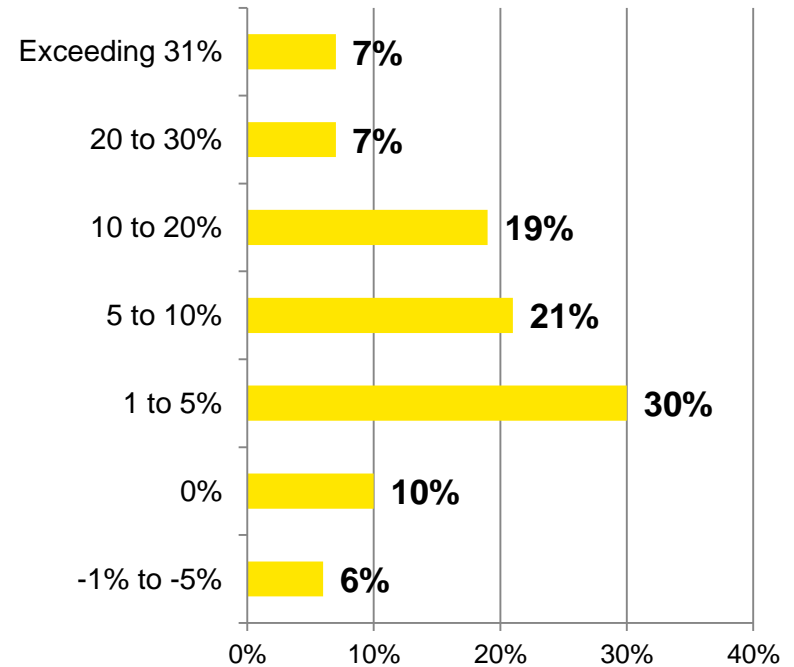
28% of respondents foresee a significant growth of +10 to +30% for their company's turnover in 2014 compared with 25% in 2013, while 30% expect a growth rate of +5 to +10%, compared with 51% at the beginning of last year.

# How much do you expect your profit to grow in 2014? (one answer)

## Question 3

All the other intervals, from -5% to -31%, received zero answers.

Indicative distribution of responses by industry sector	-1% to -5%	0%	1% to 5%	5% to 10%	10% to 20%	20% to 30%	Exceeding 31%
Chemicals				■			
Construction / Real Estate			■	■	■		
Food & Beverages / Agriculture		■	■	■	■	■	
Industry / Manufacturing			■	■	■		■
Information Technology (IT)				■			
Pharmaceuticals / Healthcare				■		■	
Power / Energy / Mining			■		■		
Retail & Wholesale trade			■				
Services	■		■		■		
Telecommunication / Media			■				■
Tourism				■			
Transportation			■				



Total Respondents: 114  
(Skipped this question: 3)



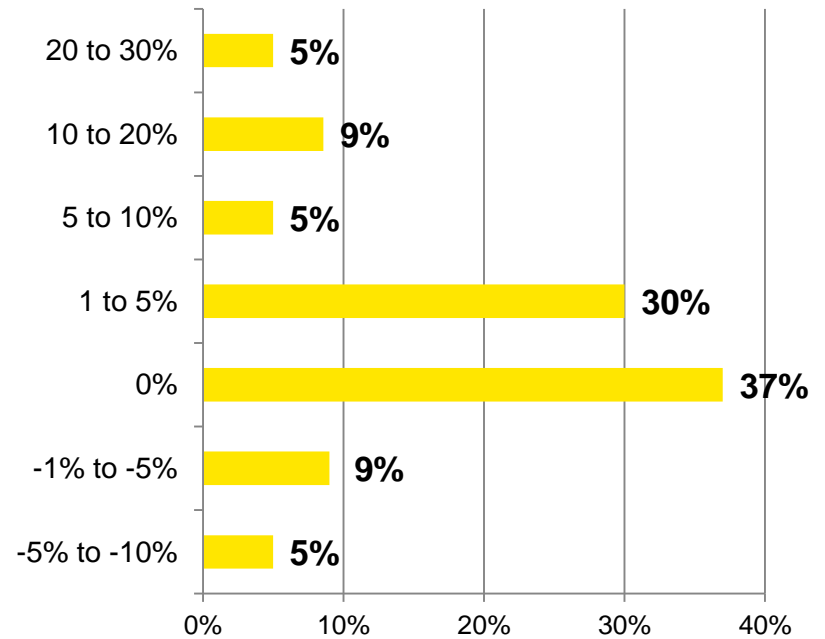
Only 21% of the respondents expect the profit growth rate of their company to range between +5 to +10% in 2014 compared with 37% in 2014, but a lower percentage of 26% vs. 31% in 2013 expect the profit of their company to grow between +10 to +30% in 2014, since many forecasts present it as difficult year for businesses.

# How much do you expect your number of employees to grow in 2014? (one answer)

## Question 4

All the other intervals from, -5% to -30%, received zero answers.

Indicative distribution of responses by industry sector	-5% to -10%	-1% to -5%	0%	1% to 5%	5% to 10%	10% to 20%	20% to 30%
Chemicals			■				
Construction / Real Estate			■	■			
Food & Beverages / Agriculture	■	■	■	■			
Industry / Manufacturing		■	■	■		■	■
Information Technology (IT)				■			
Pharmaceuticals / Healthcare			■		■		
Power / Energy / Mining		■		■	■	■	
Retail & Wholesale trade				■			
Services	■		■	■			
Telecommunication / Media			■	■			
Tourism			■				
Transportation				■			



Total Respondents: 114  
(Skipped this question: 3)



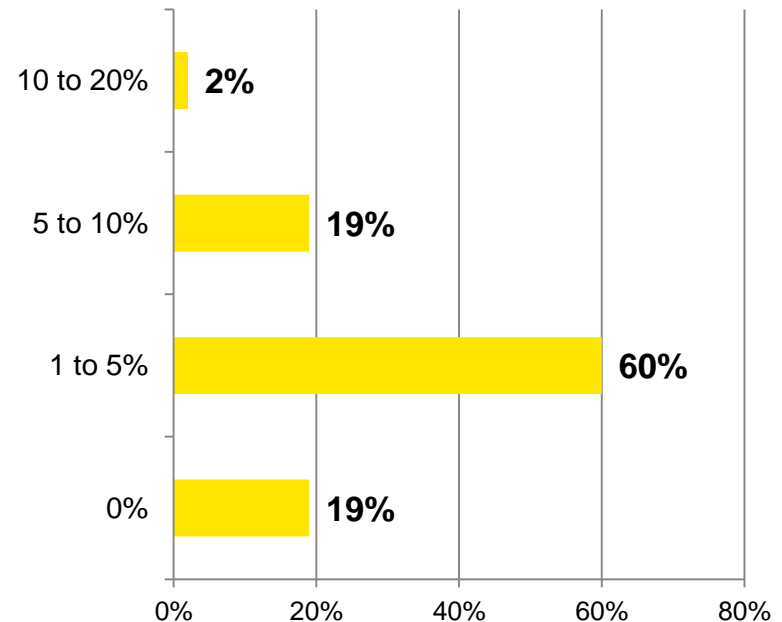
As the chart shows, 37% of respondents expect no increase in the employees number in 2014, down from 56% in early 2013. The good news is that at the beginning of 2014, 14% of respondents say they expect the number of employees to grow between +10% to +30%, compared to only 5% in 2013.

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

## Question 5

All the other intervals, from -1% to -20%, received zero answers.

Indicative distribution of responses by industry sector	0%	1% to 5%	5% to 10%	10% to 20%
Chemicals		■		
Construction / Real Estate	■	■		
Food & Beverages / Agriculture	■	■	■	
Industry / Manufacturing	■	■	■	
Information Technology (IT)		■	■	■
Pharmaceuticals / Healthcare	■	■		
Power / Energy / Mining	■	■	■	
Retail & Wholesale trade		■		
Services		■	■	
Telecommunication / Media		■	■	
Tourism		■		
Transportation		■		



Total Respondents: 114  
(Skipped this question: 3)

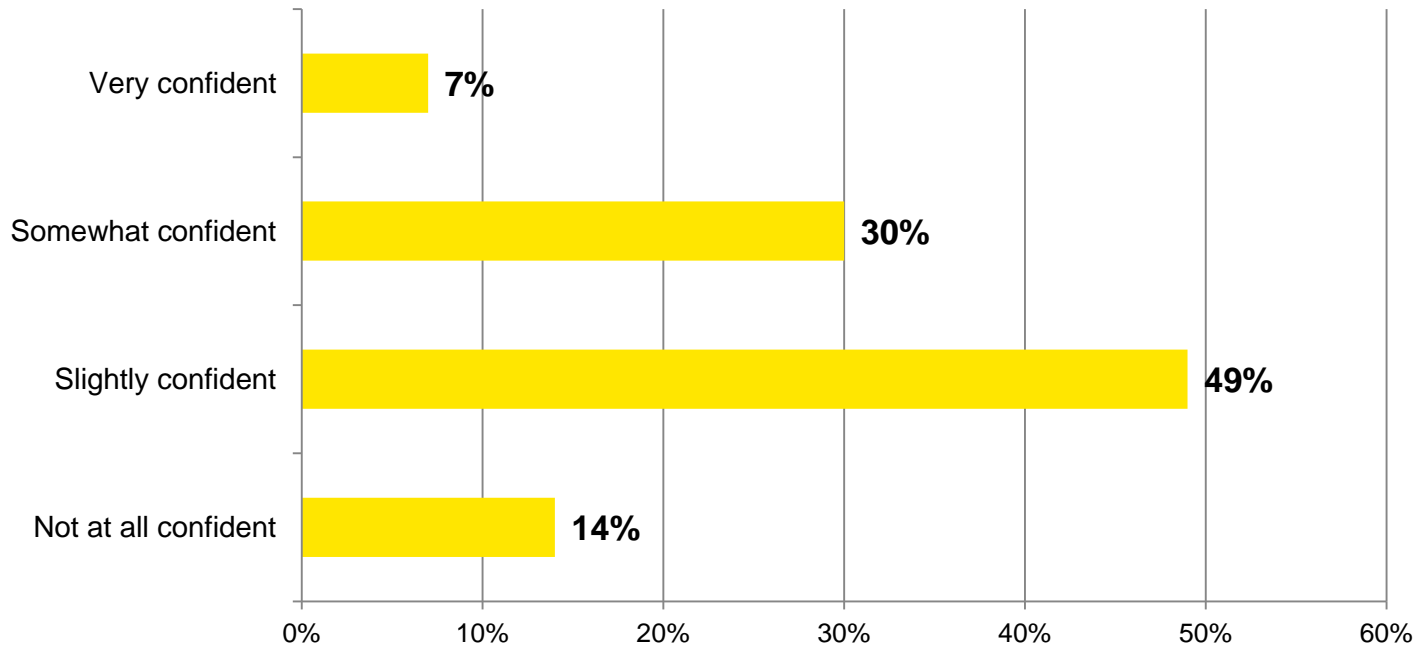


At the beginning of 2014, 2% of respondents say the salary increase in their company is expected to exceed 10%, the same percentage as last year. Most importantly, while 42% said there would be no salary increase for them in 2013, only 19% say the same at the beginning of 2014.



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

## Question 6



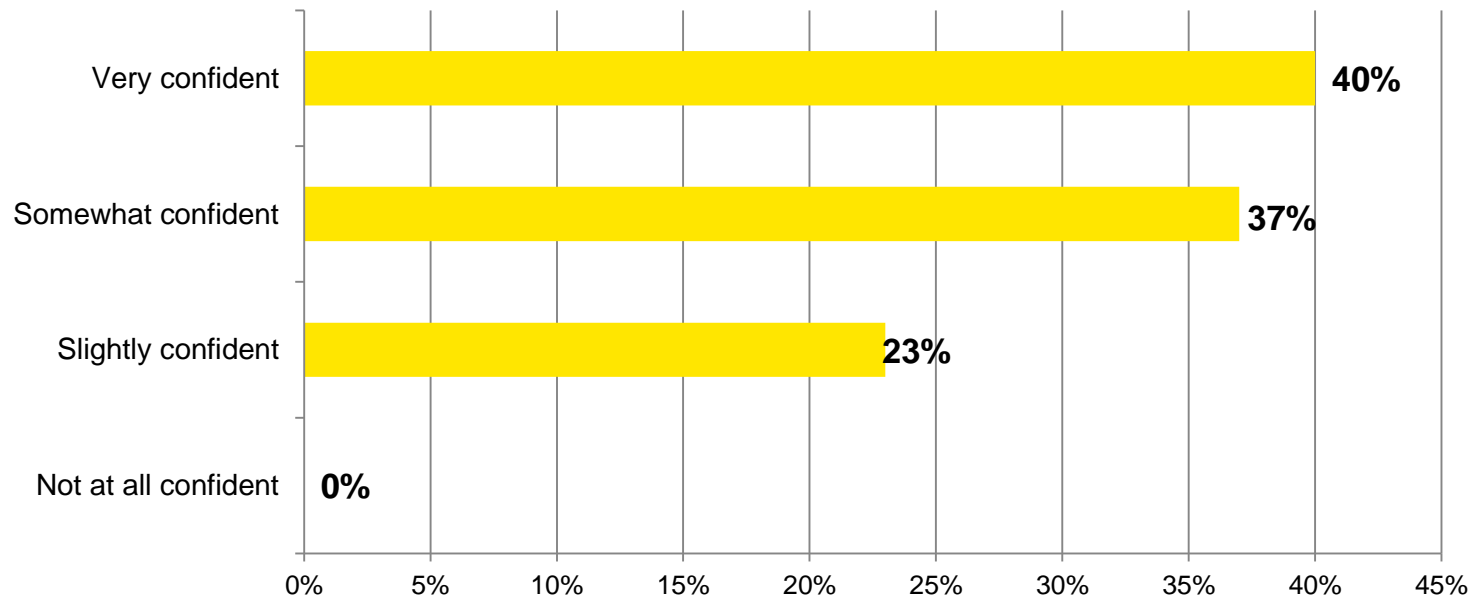
Total Respondents: 114  
(Skipped this question: 3)



Confidence in industry growth remains rather low in 2014 as well, even though most respondents expect their own revenues to grow (see page 10).

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

## Question 7



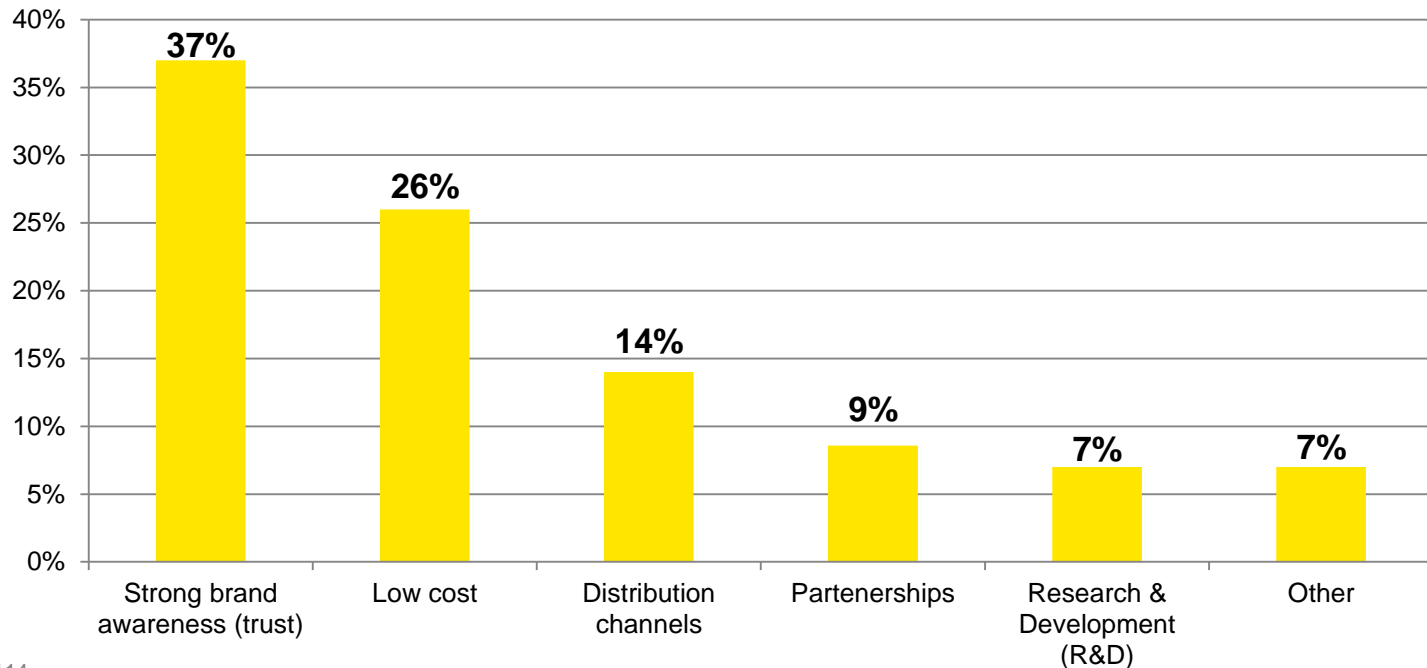
Total Respondents: 114  
(Skipped this question: 3)



The gap between the confidence in industry and company growth forecast remains quite remarkable in 2014 as well, which could show that companies place an important trust in their strategies. A notable increase is seen in the “very confident” section, from 25% in 2013 to 40% in 2014, which may be due to companies feeling better prepared to deal with the challenges in business environment.

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

## Question 8



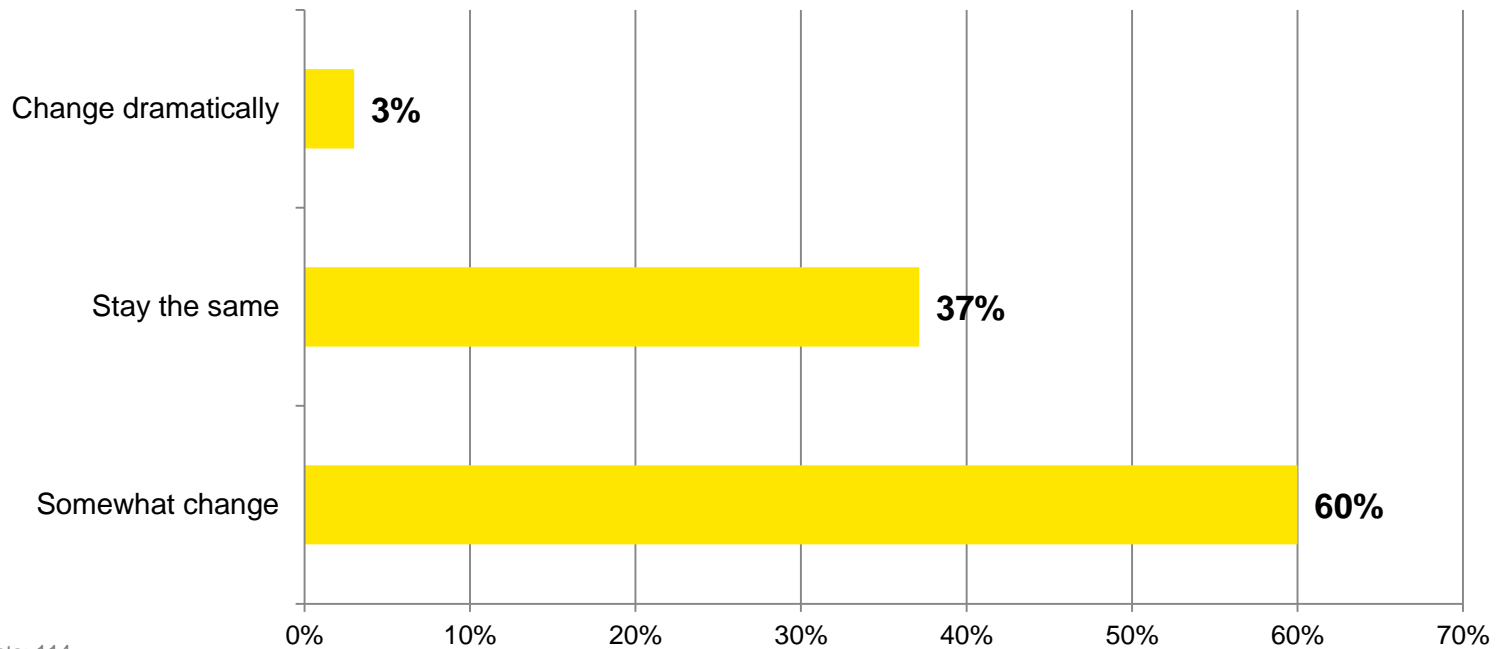
Total Respondents: 114  
(Skipped this question: 3)



Low cost as the main strength of the respondents' competition in the local market decreased from 31% in 2013 to 26% in 2014, competitors' brand remaining the most important one (37% in 2014 vs. 39% in 2013). A notable increase is seen by "Research & Development (R&D)" segment, up to 7% in 2014 from only 2% at the beginning of 2013.

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

## Question 9



Total Respondents: 114  
(Skipped this question: 3)

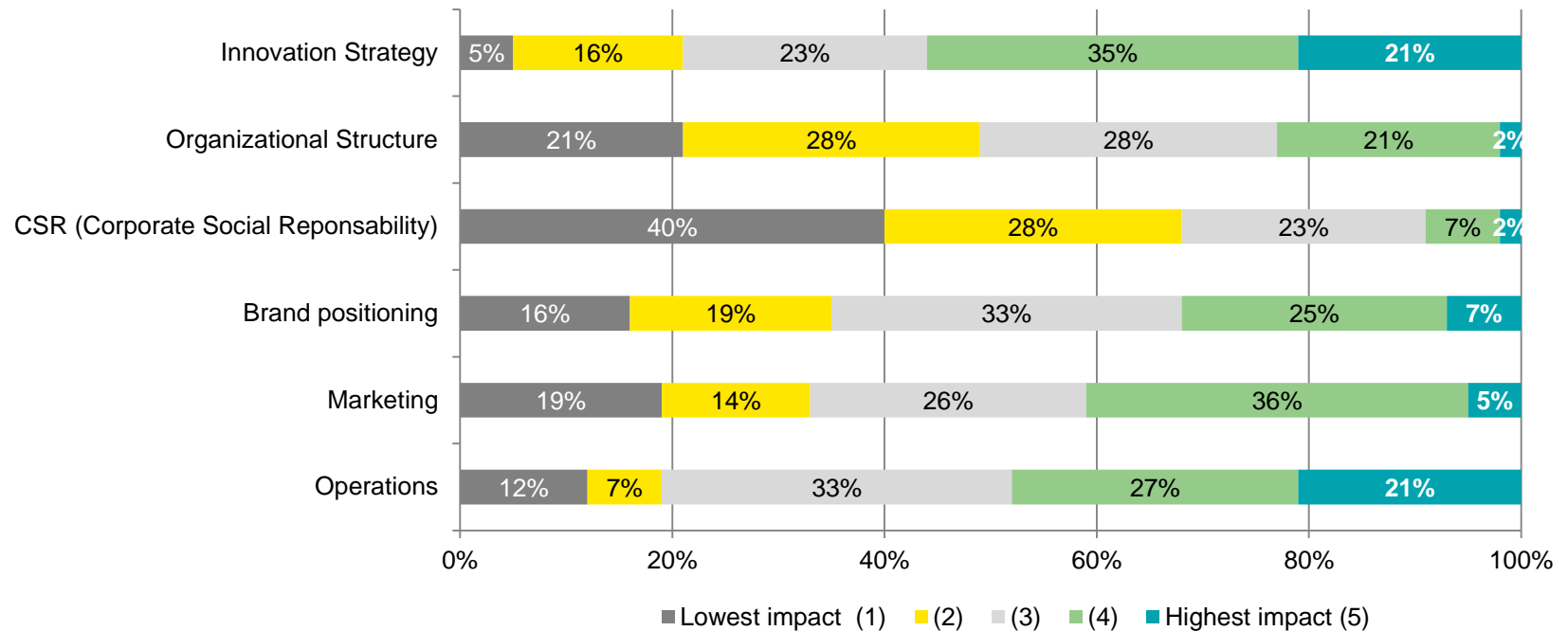


While 3% of respondents expect their customers' demand to change dramatically in 2014, 60% foresee it to change only slightly. All these expectations are rather similar with the ones expressed by respondents at the beginning of 2013.

# What impact will the change in customers' demand have on your company in the next 12 months?

(one answer for each option)

## Question 10



Total number of responses: 587

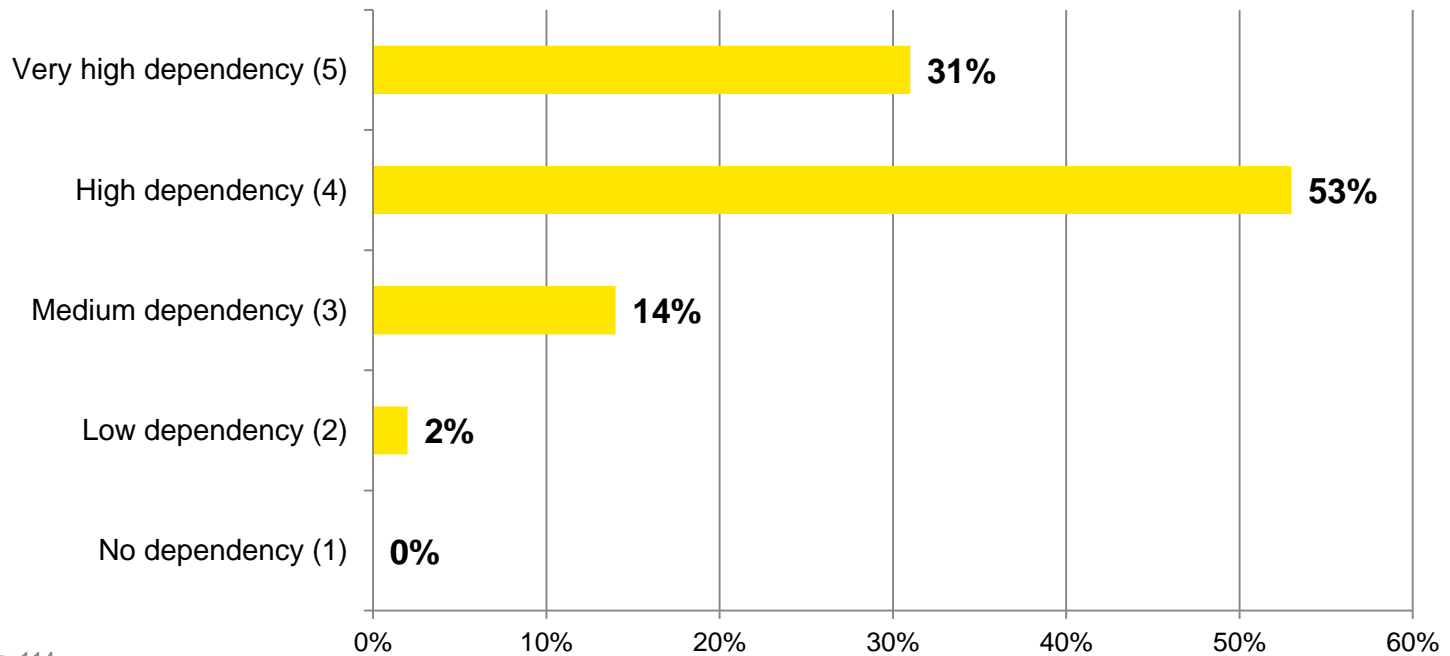


Even though the previous chart showed that companies do not expect substantial changes in customers' demand, the highest impact (if any) could occur on their Innovation Strategy and Operations (21% each).

# How would you rate the dependency of your company's success on the skills of the labor force?

(one answer)

## Question 11



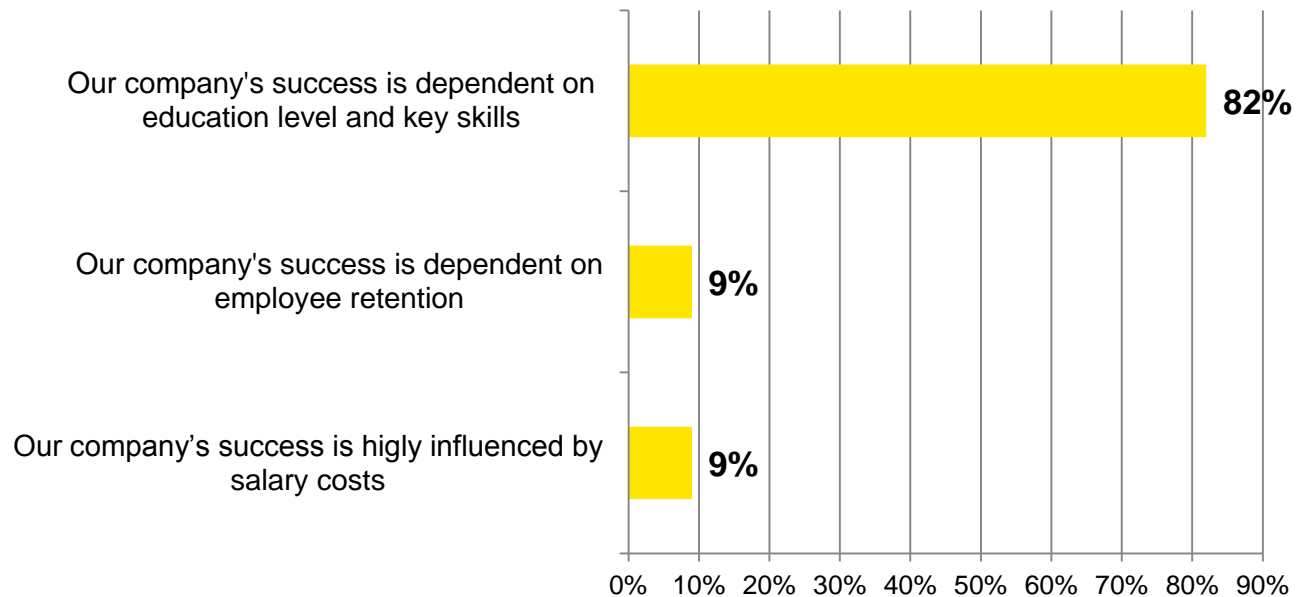
Total Respondents: 114  
(Skipped this question: 3)



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. The difference from last year's report is that in 2014 the segment of "very high dependency" increases to 31% from only 16% in the previous year.

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

## Question 12



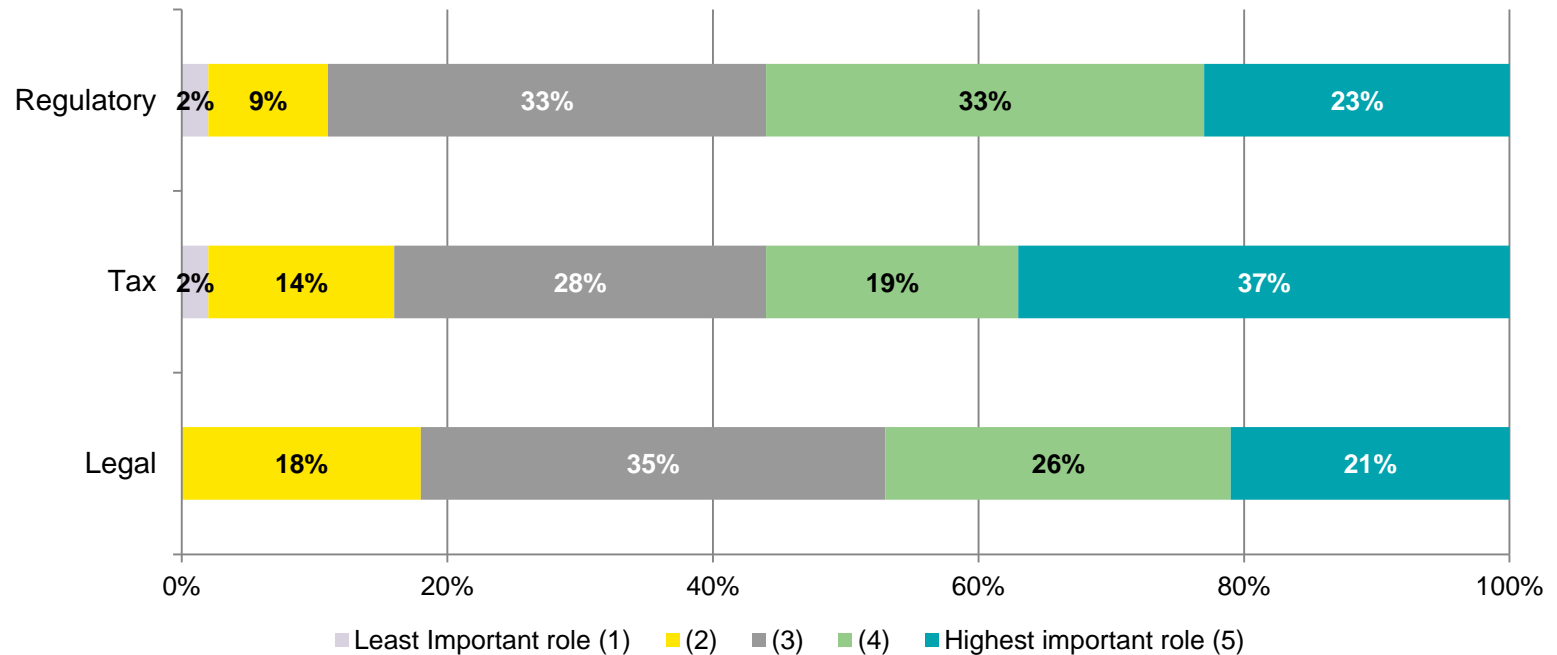
Total Respondents: 114  
(Skipped this question: 3)



In 2014, 82% of the respondents (83% in 2013) say that education and skill of labor force play the most important role in their company's success.

# 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 13



(Total number of responses: 368)

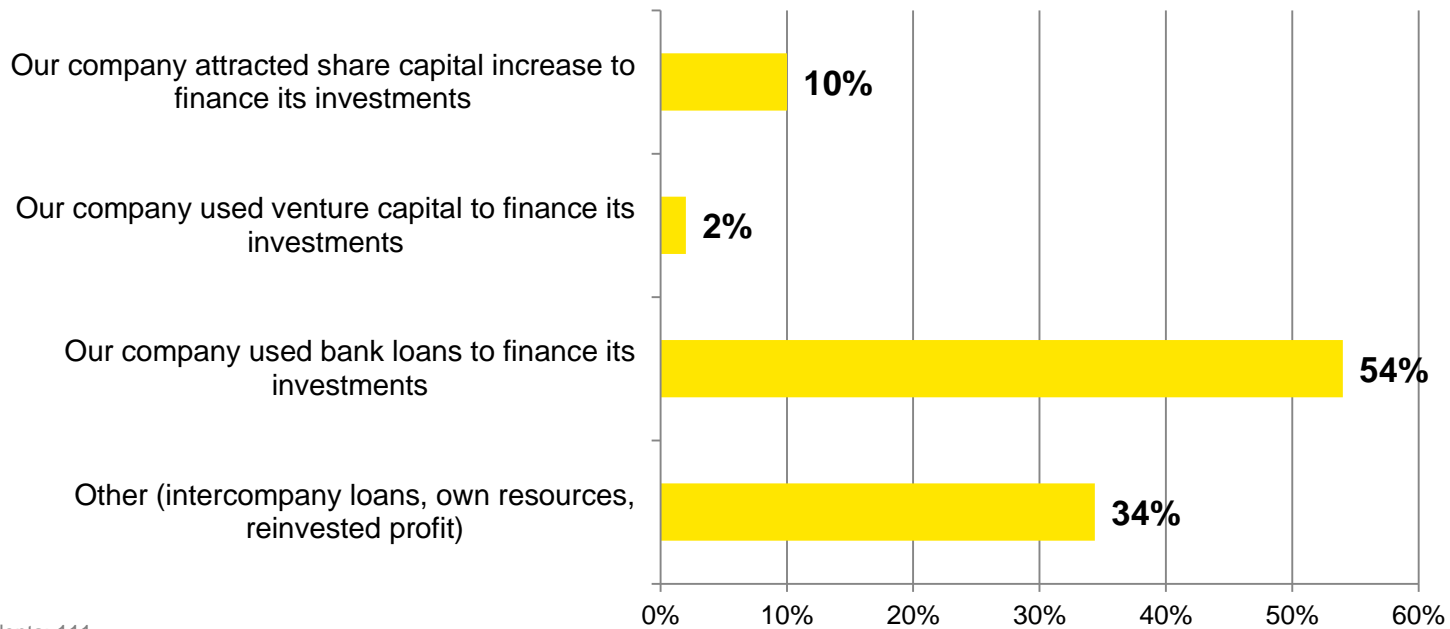


Between 21% and 37% of the respondents agreed that regulatory, tax and legal environment plays a very high role in their company's growth in 2014. This was the case in 2013 as well.



# Which of the following best describes your company's primary strategy for financing its investments in the past year? (one answer)

## Question 14



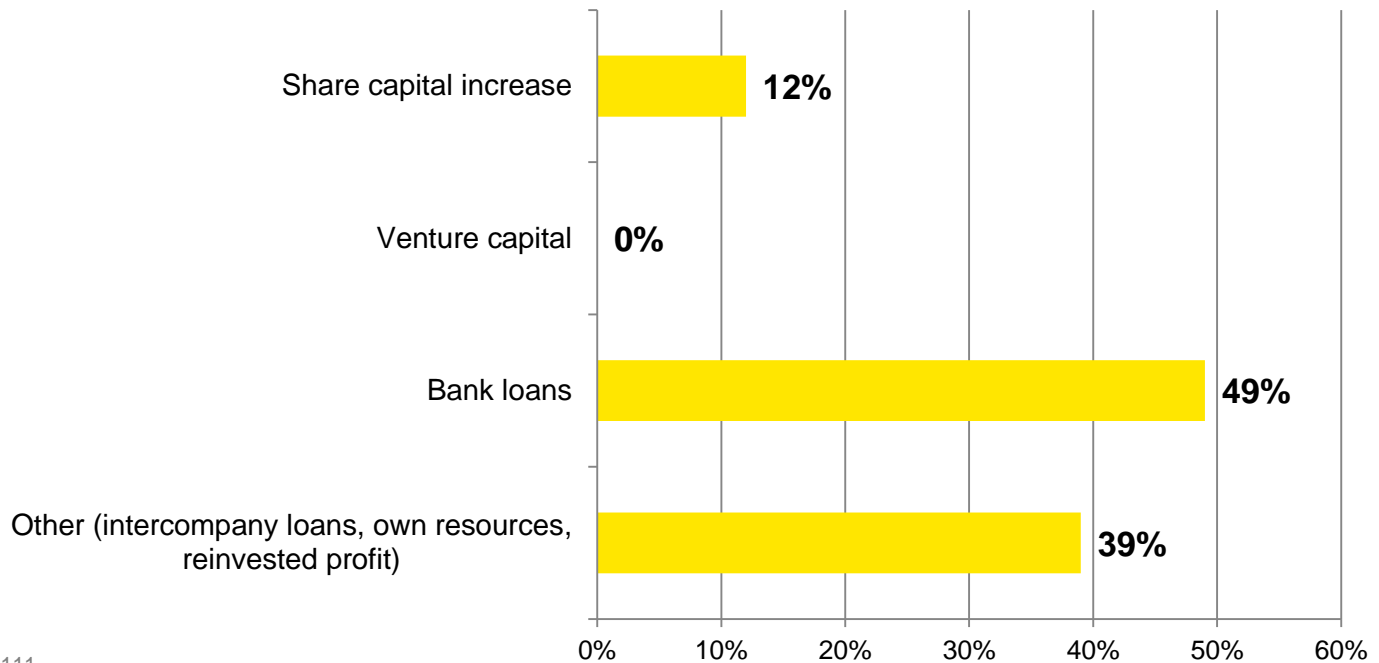
Total Respondents: 111  
(Skipped this question: 6)



When it comes to financing investments, in the past year companies used mostly bank loans (54% in 2013 vs. 47% in 2012), followed by intercompany loans, own resources and reinvested profit (34% in 2013 vs. 31% in 2012). There was a steep reduction in the “share capital increase” segment, down to 10% in 2013 from 18% in the previous year.

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

## Question 15



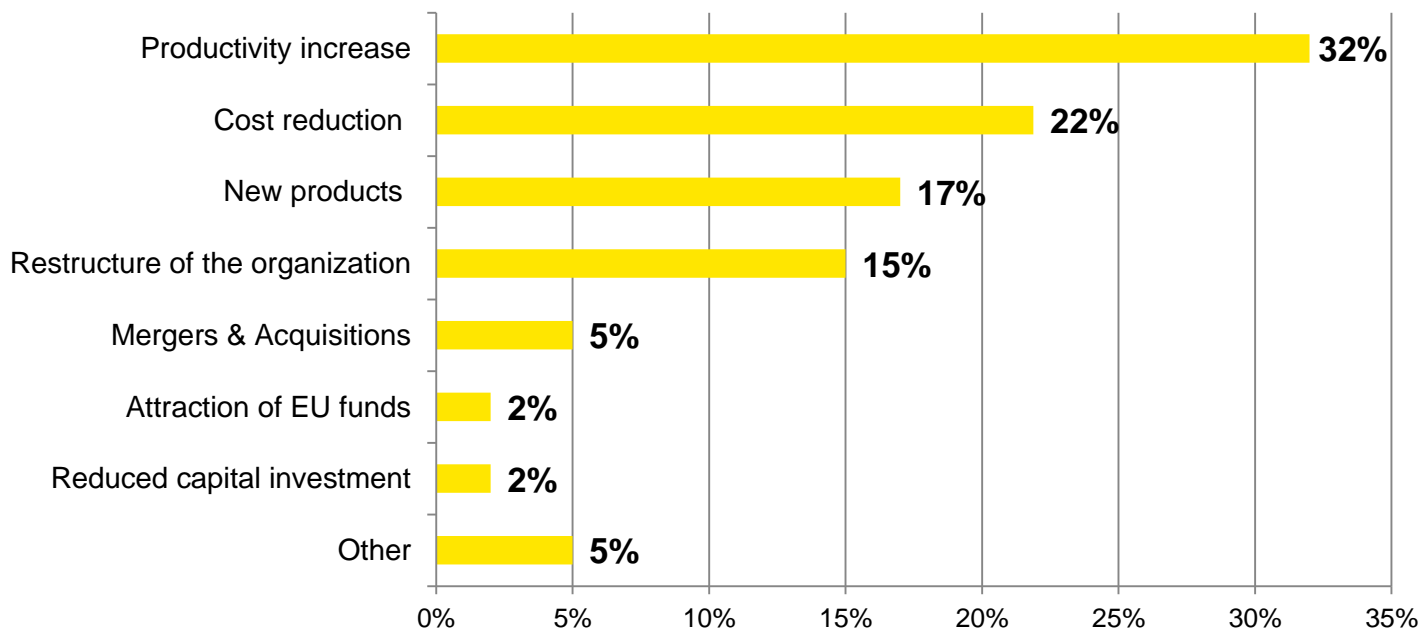
Total Respondents: 111  
(Skipped this question: 6)



This year as well, the main companies' strategy for financing investments appears to be through bank loans (49% in 2014 vs. 46% in 2013). The intercompany loans, own resources and reinvested profit are expected to increase to 39% in 2014 compared to 27% at the beginning of 2013.

# Which of the following best describe the reaction of your company to the business environment in the past year? (one answer)

## Question 16



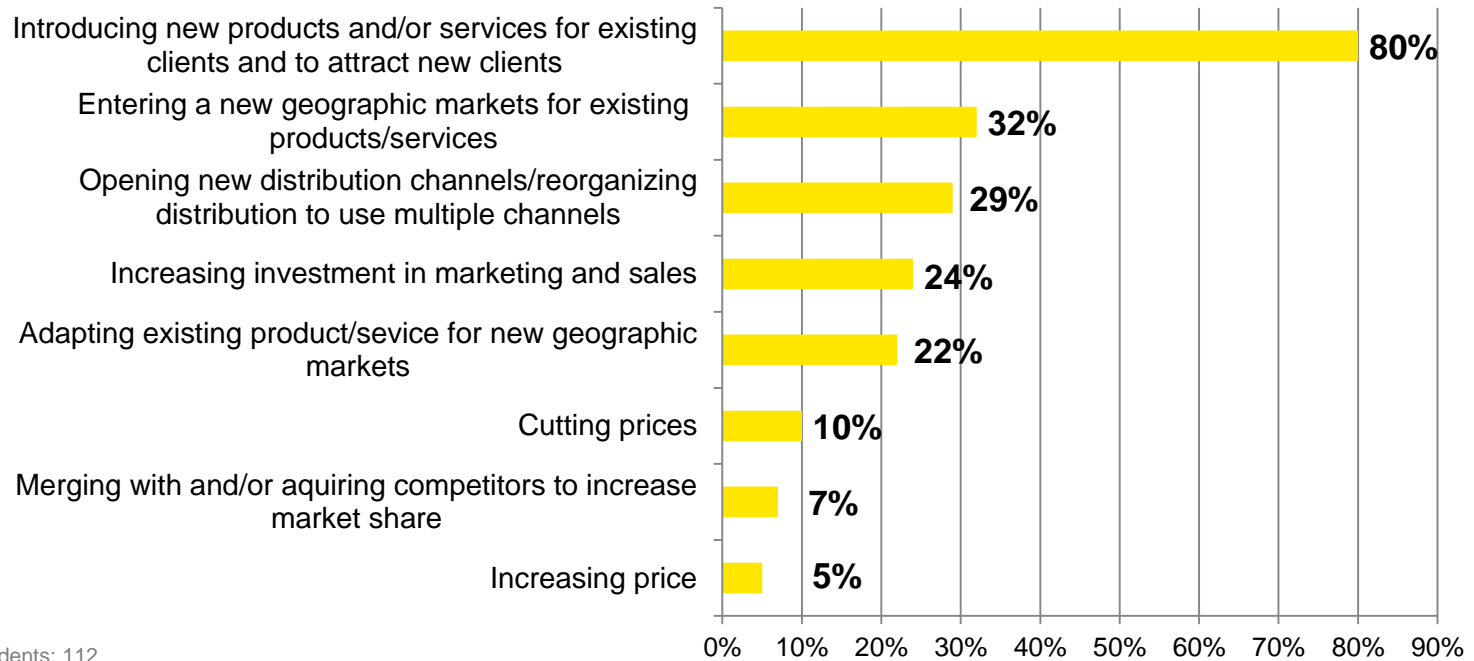
Total Respondents: 111  
(Skipped this question: 6)



In the past year, businesses reacted to the pressures coming from the business environment by increasing productivity (32% in 2013 vs. 28% in the previous year), by reducing costs (22% in 2013 vs. 30% in 2012), or by M&As (5% in 2013 vs. 1% in 2012).

# Which of the following actions will your company take to increase sales? (multiple answers)

## Question 17



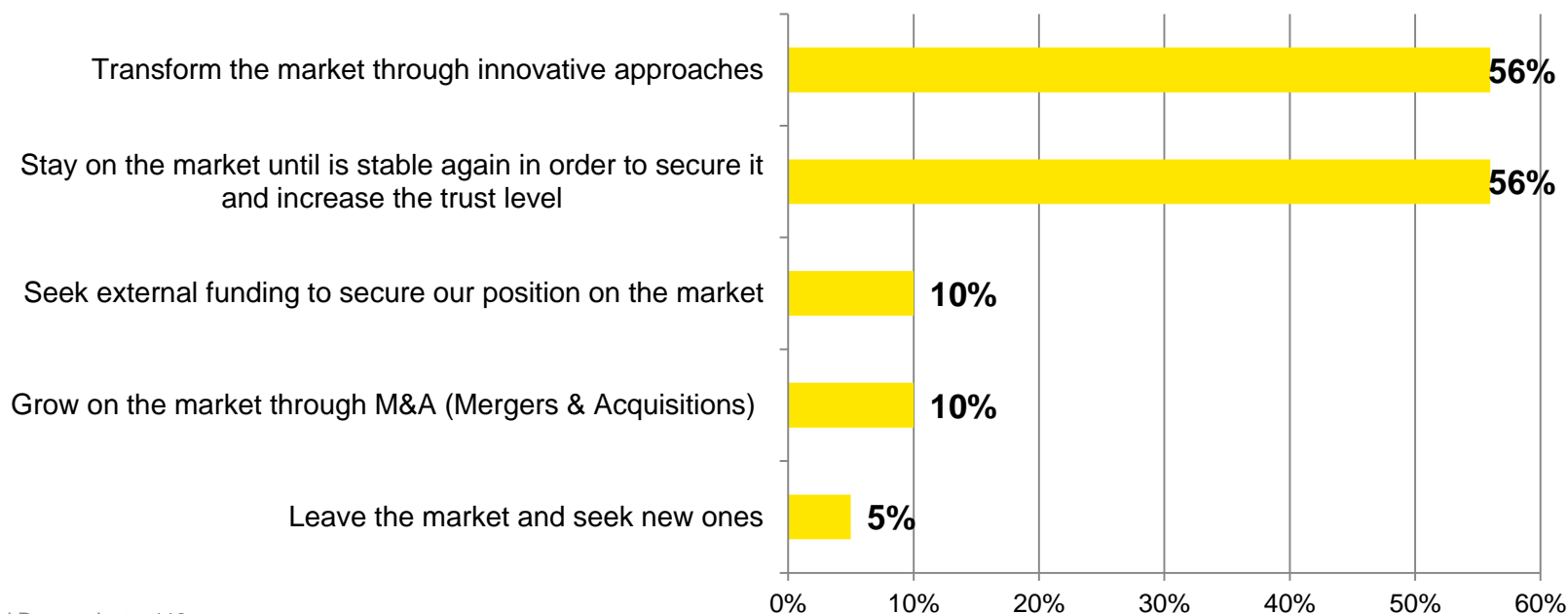
Total Respondents: 112  
(Skipped this question: 5)



At the beginning of 2014, 80% of respondents say their company's strategy to increase sales consists of introducing new products/services for existing clients (compared to 75% in 2013), while only 10% say they will be cutting prices (compared with 18% in 2013).

# In case of stagnation/decline in the market what will be the steps your company will pursue in the next 12 months? (all that apply)

## Question 18



Total Respondents: 110  
(Skipped this question: 7)



Unlike last year, when most companies (76%) said that they would continue to stay on the market if it declined, in 2014 only 56% say the same. A still high percentage of companies (56% in 2014 vs. 46% in 2013) though, are willing to transform the market through innovative approaches in case such a decline occurs.

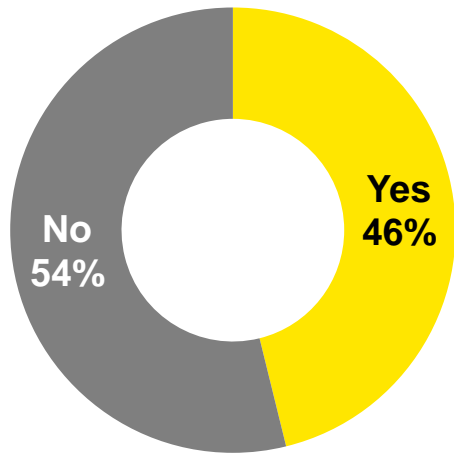


# Demographics

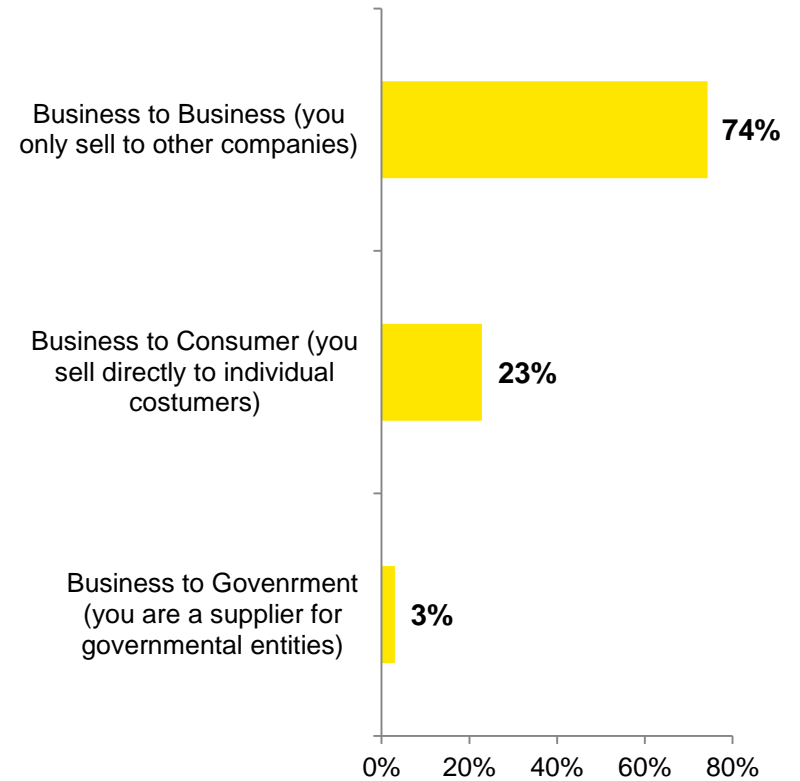
The results of this survey reflect the responses received to our questionnaire in the period between 23 Jan. and 6 Feb. 2014, from 117 top executives of major companies operating in Romania.

# Demographics

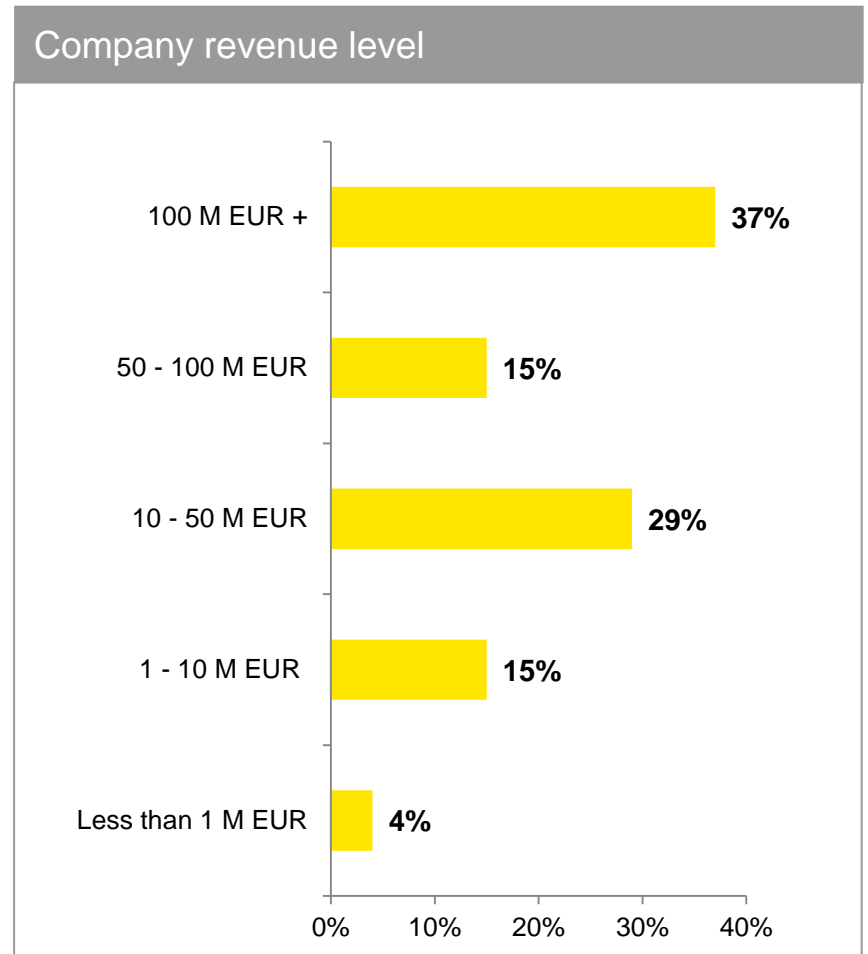
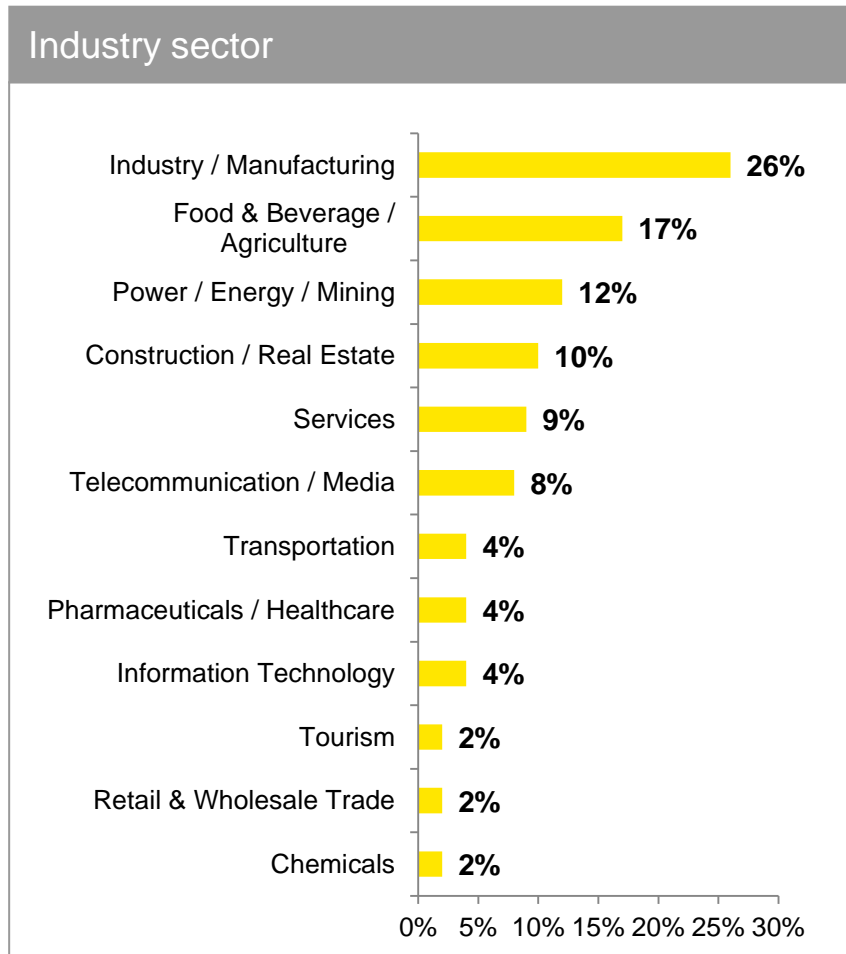
Romanian company (yes/no)



Business type

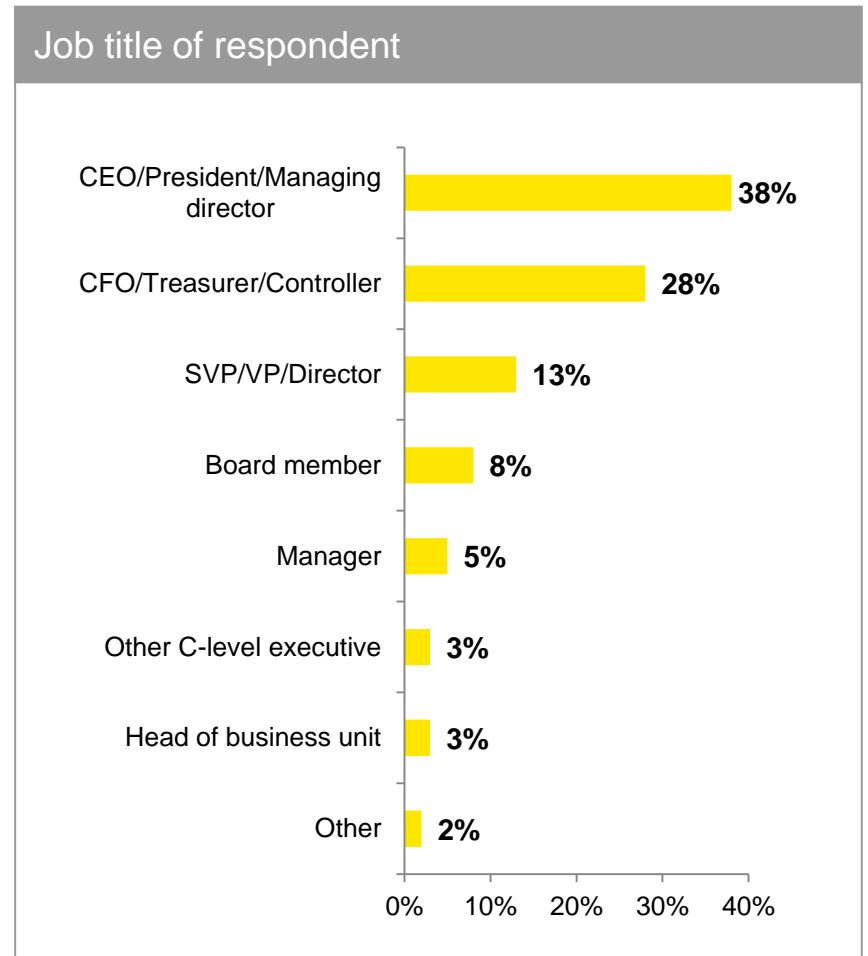
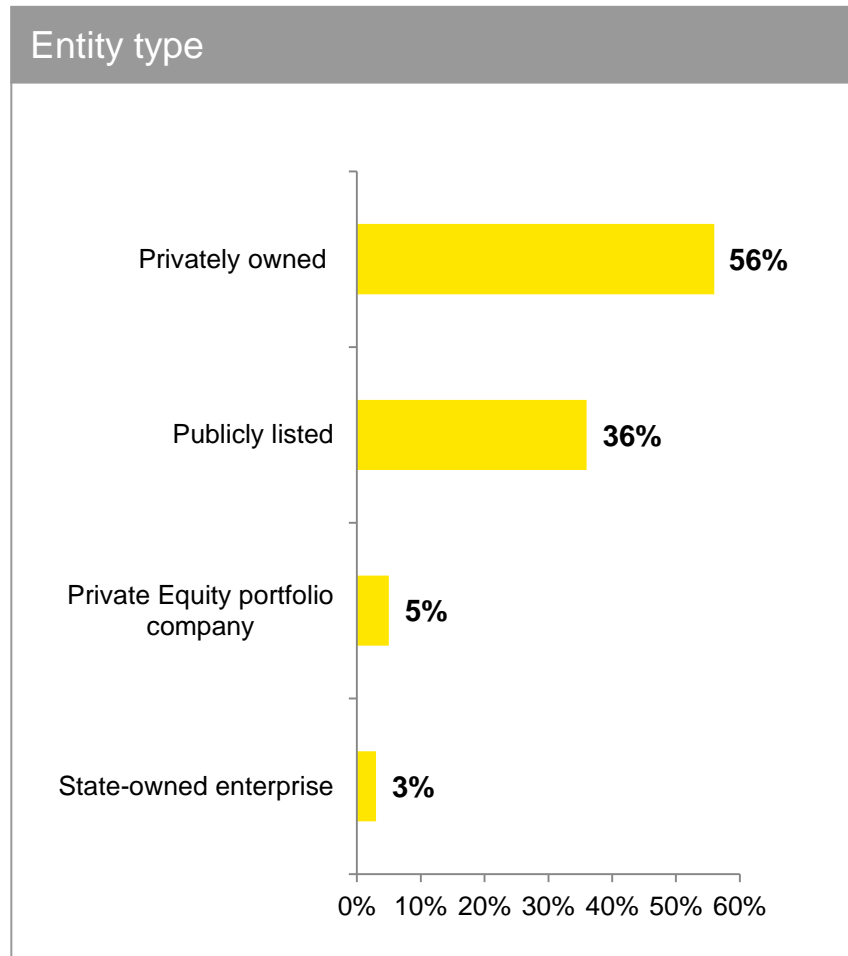


# Demographics





# Demographics



# Project team members

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**We would like to thank all respondents for their answers to the questionnaire of this survey.**



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