

HOW COVID-19 AFFECTED COMPANIES' PERFORMANCE IN THE NORDICS

A SUDDEN SHOCK WAS ALSO A GOOD SHOCK

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COMPANIES WANT TO SUCCEED

Every company's strategy aims to grow revenue, profit, and market capitalization.

When global economy was accelerating, these ambitions were feasible.

However, COVID-19 urged companies to re-think their strategic priorities and to take immediate actions to keep promises.



BACKGROUND

We analyzed 1,963 public companies in Nordics (Denmark, Finland, Norway and Sweden) through their **top line**, **profitability**, and **market capitalization** over 2016-2020.

Nordic countries, characterized by export driven economies, were following a global economy trend with a GDP growth rate of 2% in 2016-2019 and 2.1% GDP drop in 2020.



THERE ARE WINNERS IN COVID- 19 CRISIS

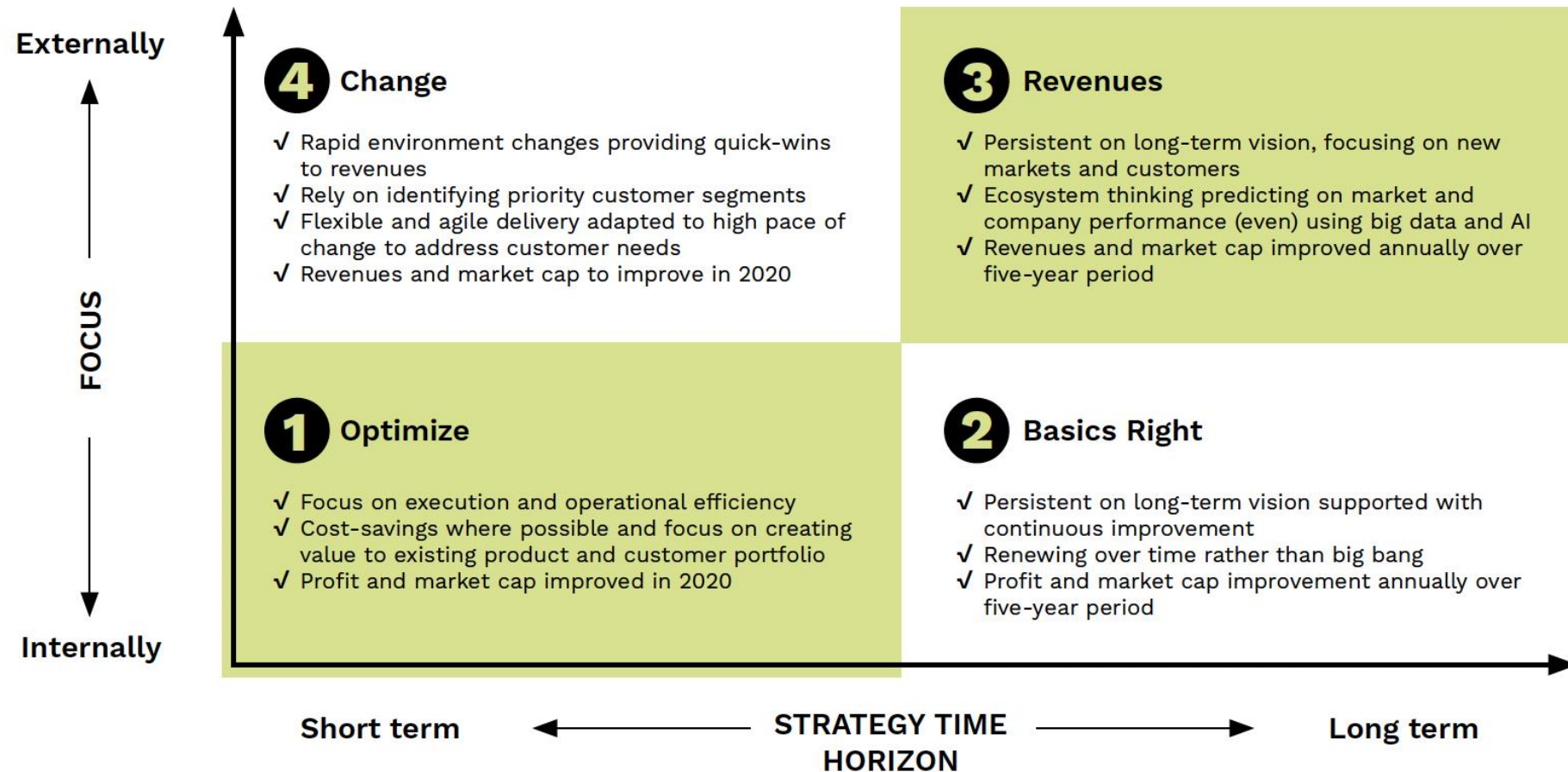
Out of 1,963 listed companies we found out that in 2016-2020

- 9% increased revenue annually,
- 0.4% increased profit every year,
- 3% increased market cap annually,
- One company increased revenue, profit, and market cap every year.

LOOKING ON THE SAME METRICS FOR 2020

- 40% increased revenue
- 20% improved profit
- 39% grew market cap
- 8% (160 companies) hit all the metrics

CATEGORIZATION OF WINNERS



OPTIMIZE

CASE FISKARS – EVP TUOMAS HYYRYLÄINEN:

“OUR PRODUCT AND MARKET PORTFOLIO WAS WELL BALANCED FOR COVID-19 AND WE ACCELERATED OUR E-COMMERCE EFFORTS”

Due to challenges in 2019 Fiskars launched a restructuring program - it changed its organizational structure and the CEO in 2020.

COVID-19 hit hard for retail operations when brick-and-mortar stores were temporarily closed in many markets.

The first measures were taken already in January 2020 in the supply chain organization to ensure continuity in manufacturing. Early in the pandemic, Fiskars Group made a major shift to e-commerce.

Fiskars was able to manage costs such as marketing, sales and travel and invested in their direct e-commerce and product availability.

As COVID-19 expanded the demand increased substantially in some of the categories. The team ensured product availability and transitioned to the e-commerce channel which was also a cost-effective sales channel.

As a result, Fiskars Group improved its profit margin by 37% compared to 2019 and its market cap increased by 33% in 2020.



“IN EARLY MARCH, WE MOVED TO REMOTE WORK AND PIVOTED OUR FOCUS TO THOSE MARKETS, CUSTOMERS AND CHANNELS THAT WERE STILL OPEN FOR BUSINESS.”

“When we launched our still existing must-wins – Customer excellence, Leader in technology and innovation, Excellence in processes, and Winning team – in 2014 we wanted every person in Valmet to be part of the strategy implementation. We said that if everybody improves their performance a bit every year the result is huge.”

BASICS RIGHT
CASE VALMET – CEO
PASI LAINE: WE DON'T
CHANGE OUR VISION
AND STRATEGY ALL
THE TIME; WE DO
MINOR CHANGES, AND
THE BIG PICTURE IS
STABLE

- In the 5-year period its profit margin grew from 4.6% to 8.2%, sales from €2.9 to €3.6 billion, and market cap from €2.1 to €3.5 billion.
- Valmet's success is in its consistency and continuous improvement.
- The company has implemented hundreds of projects as part of the must-wins.
- In addition, Valmet launched Growth Accelerators such as Industrial Internet and Digitalization few years back.

“We started to focus on Internet of Things (IoT) already five years ago, but our people were skeptical. In 2020 we were able to do a lot of work remotely and COVID-19 gave IoT a real boost. For example, we supported the start a tissue paper machine remotely in 2020. Earlier, that would have been unheard of.”

CONCLUSIONS

- Sudden shock is a challenge for any company
- Companies need to build resilience in the day-to-day operations
- The strategy of resilience can deploy either internally or external levers or both
 - concentrating on the execution and operational efficiency
 - focusing on topline
- 25 companies out of 1,963 improved either their revenues or profit margin jointly with their market cap every year in five year-period
- Only one company, Valmet, improved its revenue, profit margin and market cap every single year during 2016-2020



MESSAGE TO THE LEADERS

- A resilient company succeeds - growth and improvement pockets exist even during tough times
- Improving a revenue, a profit and a market cap simultaneously is challenging - re-evaluate your business model
- A quick way to improve your company performance is to optimize costs
- Finding new market in a short-term is tough - if your market is growing, use the tail wind during an economic shock
- There is always a room to advance your sustainability agenda



Market rewards good performance also during tough times