

2021 Business Challenges: How CEOs Are Addressing External and Internal Changes



There's no question that 2020 was a challenging, unpredictable, and difficult year for most businesses. While some effects of the pandemic will continue throughout 2021, the worst part of the crisis is over and corporate leaders are regrouping. They're assessing a new landscape, looking hard at their organization, and determining what actions need to be taken.

Many distinct challenges, both external and internal, will be felt throughout 2021, and each of these will require CEOs to address them directly. In fact, there's more at stake than just overcoming adversity and getting a business back to pre-2020 operations; there's an opportunity to craft a company that emerges into 2022 better than ever before.

External Business Challenges in 2021

Even the most cursory SWOT analysis attempts to make sense of external challenges, and the pandemic has certainly created a number of these difficulties for businesses. COVID-19 turned out to be the biggest external threat the modern business world could have imagined. Businesses neither had control over the virus nor the resulting regulations or changes in customer purchasing behavior. Understanding these external forces helps organizations determine what it means for their unique business model and how they will subsequently adapt.

Today in 2021, the pandemic is subsiding. While that's a positive development, it can still be a challenge to adapt accordingly. Regulations will lift, consumer spending will increase, and supply chains will strengthen to help companies' production reach full capacity. Many companies will see much healthier financials as the economy picks up speed throughout the year, but it can be disorienting when trying to learn from 2020's numbers.

For example, consider the experience of major consumer companies like Proctor & Gamble and Clorox during 2020. Their toilet paper flew off the shelves. Their sanitizers, disinfectant wipes, and cleaners were purchased by the caseload. This huge spike in sales presents the opposite problem of companies that were hit hard during 2020. However, can that sort of sales boost last?

[P&G's CEO](#) believes that higher demand for cleaning products will remain after the pandemic, and [Conagra's CEO](#) likewise thinks that their pandemic boost will keep going. That said, how much demand is realistic in the long-term, and how can a CEO plan for that? It's difficult to tell, and that's why [84% of consumer companies](#) conducted a comprehensive strategic and portfolio review during 2020.

The key consideration is a company's ability to keep up with strong demand permanently, especially when there's no way to predict exactly how much extra demand will last after COVID-19. After all, [64% of consumers](#) who say the pandemic has changed their life believe it will remain changed even after the pandemic is brought under control. If their life continues to change, so will their buying behaviors, and CEOs will need to determine how to meet the resulting level of demand, whatever that may be.

Unfortunately, delivering on demand will be made difficult by issues with labor supply. [Two-thirds](#) of remaining pandemic job losses are in highly virus-sensitive sectors. The [chief economist for Goldman Sachs](#) predicts that people will stream back into the workforce by the end of 2021, but it's clear that the hospitality and travel sectors will soak up the majority of that available talent. It's crucial to remember that there was an ultra-low unemployment rate causing labor shortages prior to the pandemic, and that scenario is likely to become the reality once again. No matter the industry, that will be a huge challenge for CEOs to navigate in 2021.

Internal Business Challenges in 2021

Turning the focus inward, businesses are assessing the systemic changes that are impacting the way they operate. Specifically, many are wondering whether or not the online consumer is here to stay. Consider that U.S. shoppers spent on average [\\$1,271 buying groceries](#) online in 2020, a 45% increase over their 2019 online grocery spend. CPG companies like Kraft and Kellogg saw their overall ecommerce sales double during 2020 as a result. It's no wonder that many businesses are currently refining their direct-to-consumer sales models in an effort to better gather data about online shopping habits and meet the customer where they are. All this activity is set to drive direct online sales to over [\\$20 billion](#) during 2021.

By all accounts, another major 2021 business challenge is how to adapt to new working styles. Depending on each organization's unique environment, remote work could become permanent, while allowing employees flexible hours might be expected. Just consider that before the pandemic, only [8% of workers](#) with office jobs worked primarily from home. Now, more than a third of HR leaders expect 40% or more of their workforce to be primarily remote after the pandemic subsides. The way people work will continue to evolve, and employees will demand support from their employers in whatever form is necessary to strike the "right" work/life balance.

Remote work and flexible working arrangements are not the only human capital management challenge either. [Baby boomers are retiring](#) by the thousands, and that will leave gaps in a company's senior ranks. That's why having in-house talent ready to be promoted is so crucial for 2021. Just before the pandemic hit, there were many leaders nearing retirement. Some chose to retire at the very start of COVID-19, while others stayed on simply to help steady the ship. As 2021 continues, retirements will rise. Putting effort into succession planning is necessary to proactively guard against losses in knowledge or an understaffed C-suite.

Another challenge that requires proactive action is that of technology. Digitization has accelerated in most industries, especially during COVID-19. This push for greater technology means more than just catering to online customers; it means managing operations remotely, moving toward a digital supply chain, better leveraging data, and more. Technology exists to help a business run smarter and more efficiently. It can be a challenge to overhaul a company's tech stack or choose the right innovation to invest in, but it's also a significant opportunity.

Finally, many companies are currently grappling with how to [improve diversity in their business](#). It may come as no surprise that, after a year like 2020, [69% of consumers](#) believe that brands must positively change the world. It's clear that businesses need senior leadership teams that resemble their customers if they want their diversity and inclusion initiatives to be taken seriously. Otherwise, efforts in this area will be viewed as thin statements on a website with no real support behind them.

The above external and internal challenges represent only a handful of developments that are changing the way CEOs lead their companies in 2021. Each and every challenge will require answering difficult questions, but it's through that work that effective strategy emerges. While 2021's challenges won't make it an easy year, addressing them now will make it an easier one than 2020.

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