



Agile or irrelevant

Redefining resilience.
Nordic CEO insights

2019 Global CEO Outlook
Nordic Executive Summary

June 2019

KPMG Denmark
KPMG Finland
KPMG Norway
KPMG Sweden

#CEOoutlook

Contents

Summary	2
Nordic CEOs express more optimism about growth	3
Focus on emerging markets	5
A more robust outlook on mergers and acquisitions	7
CEOs with a more sustainable approach	9
An appetite for change	11
Cyber is critical for business growth	13
Emphasis on people vs. machines	15
The CEO of tomorrow - Team over ego	16
Conclusion	17
Methodology	18

Summary

Nordic CEOs are decidedly up for change: They are staying the course of confident, long-term-oriented and socially responsible transformation.

The outlook for growth has been shifting over the past year. Nordic CEOs are now notably more optimistic about their countries' growth versus that of the global economy, reflecting the fact that Nordic economies have their own specific strengths to counter the outlook for a slowing global economy. Nordic CEOs have also been shifting the focus of their geographical expansion to emerging markets and have been expressing more misgivings about Brexit than their global counterparts. That is because Nordic exporters would likely face tariffs on their UK exports, and all Nordic countries have a surplus in their UK trade in goods. Brexit's impact would not have a major economic impact, however, as the UK is less critical to the Nordics than it was in the past.¹

In terms of their approach to business transformation, Nordic CEOs are more likely to build resilience by disrupting their industries' business models, and they celebrate the culture of failing fast. This aggressive stance is tempered with caution, however. By virtue of coming from countries with some of the highest levels of internet penetration rates, Nordic CEOs consider cybersecurity the top risk. In their case, this focus on cybersecurity will not slow down their digital transformations but will increase precautions to ensure cybersecurity.

While professing their readiness for technology-driven disruption, Nordic CEOs are focusing their attention on making sure their workforces are ready for it, rather than simply investing in new technologies, as is often the case with their global counterparts. This people-first approach has roots in some of the social and cultural fundamentals of the Nordic region.

The acceptance of the need for change extends to Nordic CEOs' view of their roles as well, as they are not focused on building long-term legacies and understand that their companies may need different leaders at different times.



“

Nordic CEOs are more likely to build resilience by disrupting their industries' business models.

”

1. "Nordic Outlook: Economic and Financial Trends," Danske Bank, 2019

Nordic CEOs express more optimism about growth

Nordic CEOs express very high confidence in growth at all levels this year. They are in line with the global CEOs as a whole in terms of confidence in their own company (91 percent vs. 94 percent), and are more optimistic about prospects for growth in their country (86 percent vs. 83 percent) and the global economy (75 percent vs. 62 percent).

Not only are this year's levels of confidence on the part of Nordic CEOs higher than those of their global counterparts, but also there are some interesting shifts in how Nordic CEOs now view the global economy versus their country's economy compared with a year ago. While they are still more bullish on the global economy than CEOs globally, they have cooled somewhat since last year (85 percent vs. 75 percent).

These views confirm the economic analysis² that while the global economy is still strong, it seems we are facing a period of declining growth as the period of simultaneous recovery, low inflation and low interest rates is ending. The risk of a sharper global slowdown is also increasing. That is reflected in the outlook for the Nordic countries, which are highly dependent on external factors but are also in very different positions.

The biggest shift in thinking since last year occurred in terms of how Nordic CEOs view their own countries' growth. Last year, Nordic CEOs tended to put their countries well behind the global economy (60 percent vs. 85 percent), while this year they are more optimistic about their countries than the global economy (86 percent vs. 75 percent). Norwegian CEOs are the most optimistic, with 96 percent expressing confidence in their country's economic outlook. Norway's growth is expected to be fueled by oil investment, public infrastructure investment, private consumption and exports.

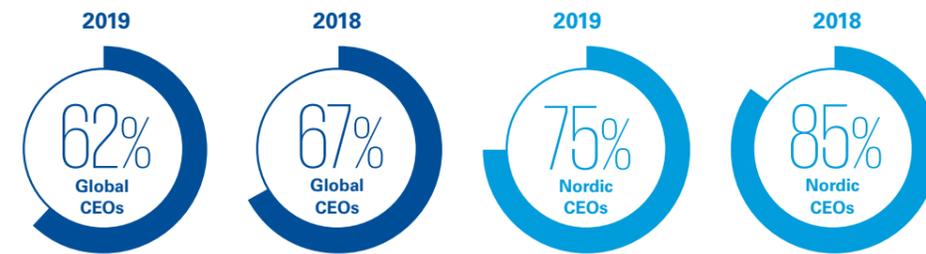


91% of Nordic CEOs have confidence in the growth of their own company.

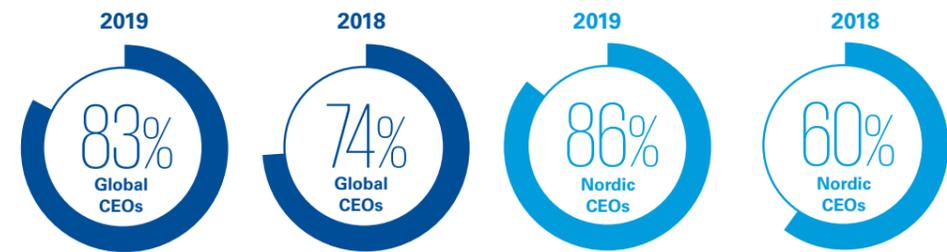
2. "Nordic Outlook: Economic and Financial Trends," Danske Bank, 2019

Figure 1. CEOs who expressed confidence in growth over the next three years:

Global economy



Your country



My company

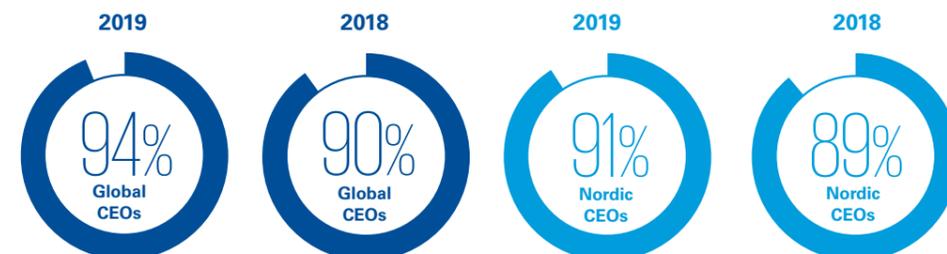


Figure 2. 2019 confidence in country growth over the next three years



The Nordics trail the rest of the world in expectations for top-line growth (36 percent vs. 45 percent anticipate an increase of 2 percent or more). The Nordics are also less optimistic than the world as a whole in terms of a headcount increase of 6 percent or more (21 percent vs. 36 percent).

Focus on emerging markets

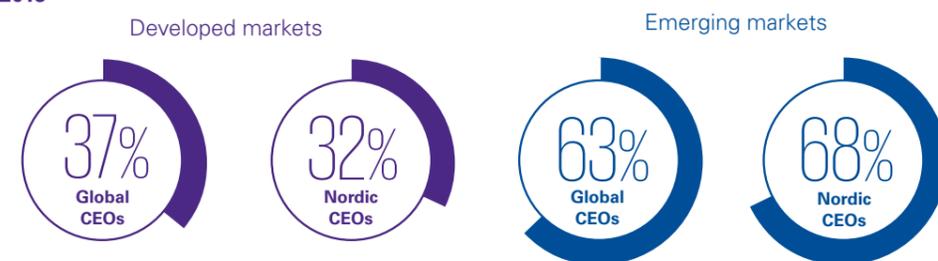
Nordic CEOs are somewhat more likely than the global sample to prioritize expansion into emerging markets (68 percent vs. 63 percent), with a particular focus on China's Belt and Road Initiative.

This marks a shift in perspective compared with last year, when Nordic CEOs were more likely than their global counterparts to expand into developed rather than emerging markets. Eighty-five percent of Nordic CEOs say they are building a presence in emerging markets in order to become more resilient as a business.

Figure 3.

Which of the following, if any, will be your organization's biggest priority for geographical expansion over the next three years?

2019



2018



“

We see an interesting shift in Nordic investment strategies favouring emerging markets over well-known developed markets. China is a key driver and Nordic CEOs are especially attracted to projects related to the Belt and Road Initiative.

”



Henrik R. Mulvad
CEO and Senior Partner
KPMG Denmark

This new approach to expansion in emerging versus developed markets is well illustrated by how Nordic CEOs view the attractiveness of China's Belt and Road Initiative (BRI) versus how they view the attractiveness of the post-Brexit UK. They are more likely to prioritize countries and regions that form part of China's BRI (83 percent vs. 65 percent) than their global counterparts. For example, with the launch of its first direct cargo train link to China, Finland became the first Nordic country to establish itself as a node in China's emerging New Silk Road trade network.

In Sweden's case, 96 percent of CEOs express interest in BRI-related projects. The BRI initiative will give rise to business opportunities for Swedish companies operating in BRI countries – either directly through business opportunities arising from BRI projects or through logistical benefits from new transportation links, according to Business Sweden.³ Such business opportunities for Swedish companies will mainly arise in the business-to-business (B2B) segment, as suppliers and partners to Chinese contractors.

In the case of the post-Brexit UK, however, fewer Nordic CEOs are more likely to invest (42 percent vs. 53 percent). This is because they are more concerned about Brexit than CEOs globally and view it as a risk to growth (56 percent vs. 44 percent). In fact, an opposite trend may be underway, as some of the London-bound initiatives are turning to the Nordics. For instance, companies planning share sales are increasingly turning away from London and instead looking at Nasdaq, Inc.'s Nordic markets, according to the New York-based exchange operator. The development comes as businesses grow increasingly worried about the fallout of Brexit as Britain's planned departure from the European Union moves closer, with no path to a proper exit deal in sight.⁴

3. "China's Belt & Road Initiative: What's in It for Swedish Companies?" Business Sweden, 2019

4. "Nasdaq Says Brexit Turmoil Is Diverting IPO Traffic to Nordics," Bloomberg, 2019



85%

of Nordic CEOs say they are building a presence in emerging markets to become more resilient.

A more robust outlook on mergers and acquisitions

Nordic CEOs have a much bigger appetite this year for mergers and acquisitions than they did a year ago, and, consequently, less interest in relying on organic growth.

The Nordic region has been, for a couple of years now, at peak levels of inbound and private equity-led acquisitions. Despite a slow start in the first quarter of 2019 in the Nordic M&A market, technology has been one of the brightest spots. Industry analysts expect the Nordic region to continue being a strong deal-making environment.⁵

This year, Nordic CEOs put M&A as the top way to grow, underscoring the region's openness and attractiveness for deal-making activity. For example, three out of the top 10 European fintech deals in 2018 took place in the Nordics, for a total of almost US \$7 billion.

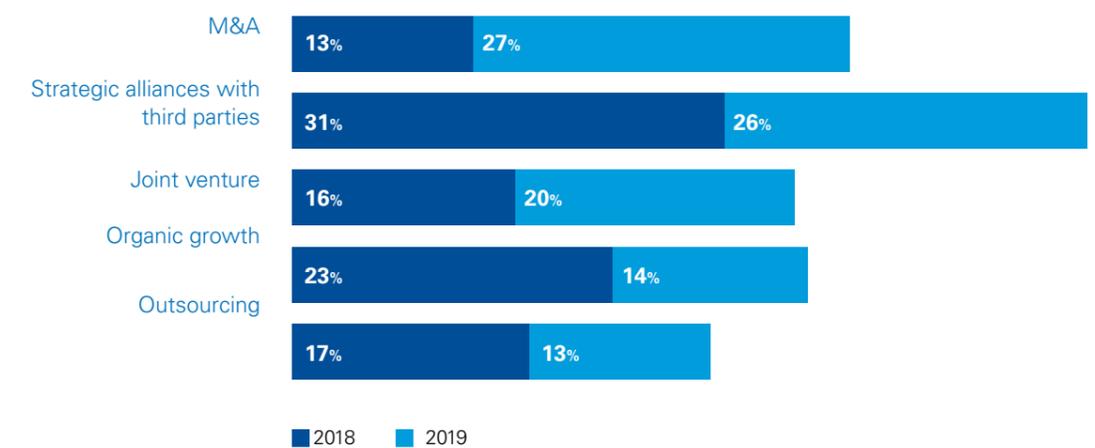
With advanced technologies creating complexity and no one company being able to handle all aspects of transformation by itself, collaboration has been, and will continue to be, one of the top growth strategies. It's worth noting that Nordic CEOs are careful when choosing partners: Nordic executives were significantly more likely to say they have reconsidered a third-party partnership that would have helped growth but did not fit with their organization's culture and purpose (73 percent vs. 57 percent).

5. Nordic M&A and Private Equity Forum, Mergermarket, March 2019

Figure 4.

Which of the following strategies will be most important for achieving your organization's growth objectives over the next three years?

Nordic CEOs



CEOs with a more sustainable approach

Nordic CEOs are staying the course in their efforts to promote sustainability. Their commitment to looking beyond purely financial growth to achieving long-term, sustainable success has been unwavering, at 43 percent.

Figure 5.

We must look beyond purely financial growth if we are to achieve long-term, sustainable success



% Agree
Nordic CEOs



Taking a holistic sustainable approach on how you run a business is becoming paramount for organizations today. Employees, customers, investors and other stakeholders are more and more expecting companies to look beyond purely financial performance and integrate social and environmental considerations into their strategy and daily operations.



Arne Frogner
CEO and Senior Partner
KPMG Norway

Considering that Nordic countries and Nordic companies are global sustainability leaders and are disproportionately represented atop the variety of sustainability performance measurements, the continued commitment on the part of Nordic CEOs bodes well for the future of sustainability in the region. In fact, the 2018 SDG Index, which represents the assessment of countries' distance from achieving the UN Sustainable Development Goals (SDGs), is led by Sweden, Denmark and Finland in the top three positions; Norway ranks sixth out of 156 countries.

Nordic CEOs are not resting on their laurels and are actively pursuing new sustainability initiatives. In the fall of 2018, a group of Nordic-based CEOs announced a joint initiative to speed up the realization of the UN SDGs. And this January, Finland, Sweden, Norway, Denmark and Iceland signed a declaration committing to enhance their cooperation to accelerate climate action at the national, regional and global levels and to work toward carbon neutrality.

Thus, Nordic CEOs are less likely to make a distinction between financial growth and sustainability than CEOs globally. This is further borne out by the findings that Nordic CEOs are more likely to say they are most motivated by enabling long-term business success (19 percent vs. 11 percent) and less likely to cite short-term growth as a driver (16 percent vs. 22 percent), an indication that they may feel less constrained by short-termism.



Nordic CEOs are less likely to make a distinction between financial growth and sustainability than CEOs globally.



An appetite for change

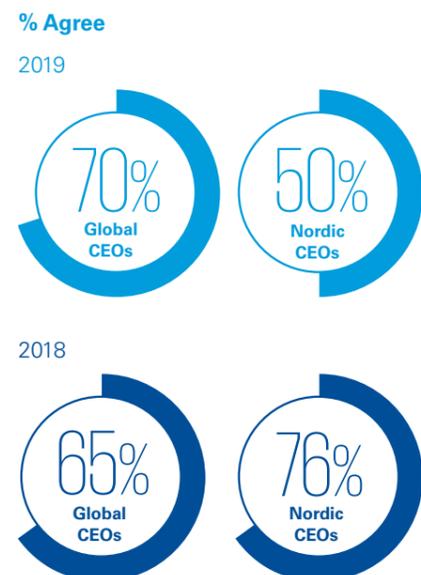
Nordic CEOs recognize the need for market disruption, as they are more likely to agree that a truly resilient business is one that can disrupt the market (29 percent vs. 17 percent). They are also more likely to claim that they are actively disrupting their own sector (76 percent vs. 63 percent).

Once again, this finding may seem counterintuitive considering that last year's study found a more balanced and cautious approach to technology by Nordic CEOs. They clearly recognized that technology, while extremely important, was not the only focus of running a business, while the global CEOs were

much more technology-centered. For 76 percent of Nordic CEOs, technology was not the only significant trigger for disruption, compared with 65 percent globally. This year only half of Nordic CEOs tend to view technology as the only significant disruptor.



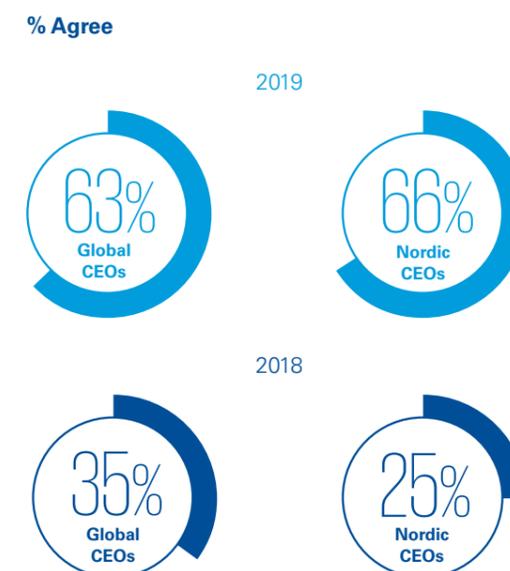
Figure 6. **Fast-advancing technology is not the only significant disruption my business faces**



This year's findings underscore that Nordic CEOs consider the cultural approach of digital transformation as integral to the success of digital transformation, as their enthusiasm for disruption this year is coupled with the conviction that they have created the right cultures to embark on transformations. Eighty-two percent of Nordic CEOs agree that their companies celebrate "fast-failing" unsuccessful innovation initiatives, and 88 percent want employees to feel empowered to innovate without worrying about negative consequences if the initiatives fail. Nordic CEOs are also more likely than the global CEOs to believe that technology-based transformations based on artificial intelligence and robotics will create more jobs at their company than they eliminate over the next three years (84 percent vs. 65 percent).

However, this positive approach to continued disruption is somewhat tempered by the realization by 80 percent of Nordic CEOs that lead times to achieve significant progress on transformation can be overwhelming. At the same time, almost two-thirds of Nordic CEOs this year acknowledge that they need to improve innovation processes and execution, compared with a quarter last year. This realization is a clear sign that Nordic CEOs understand the challenges and requirements of successful, technology-based transformation.

Figure 7. **Over the next three years, we need to improve our innovation processes and execution**



“Addressing corporate culture and human resource issues is critical to the success of Intelligent Automation efforts. Businesses must be prepared to be proactive about change, and instill that spirit within the organization.”



Björn Hallin
Chairman of the Board
KPMG Sweden

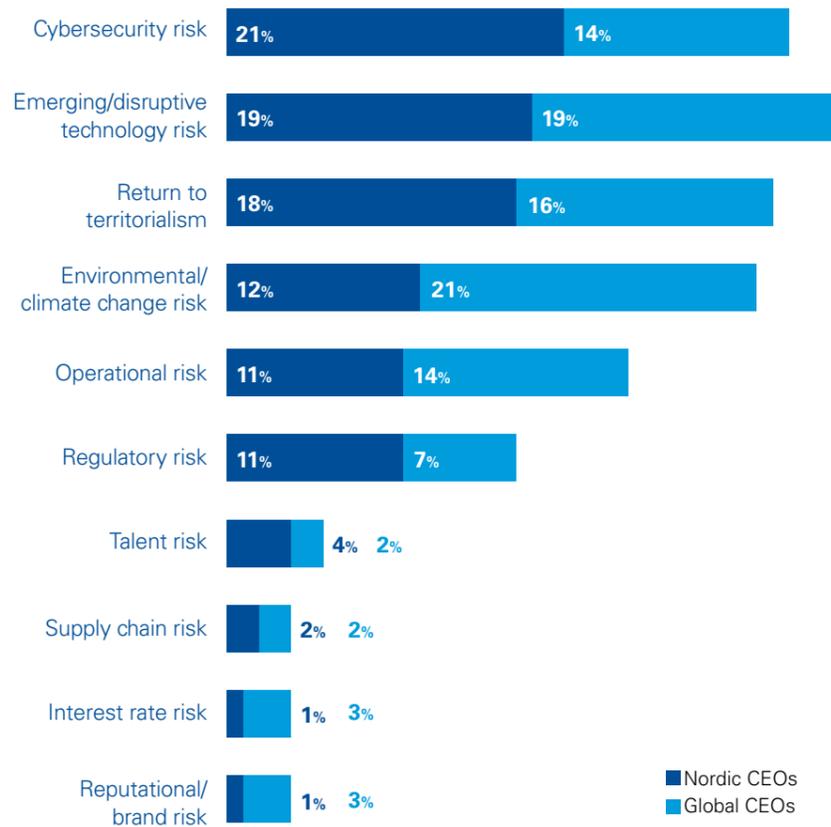
Cyber is critical for business growth

Cybersecurity poses the top risk to growth, according to Nordic CEOs (21 percent), followed by emerging and disruptive technology risk (19 percent), while their counterparts globally see environmental issues and climate change as the top risk.

Nordic CEOs are more likely to agree that becoming a victim of a cyber-attack is a case of “when,” not “if,” for their organization (65 percent vs. 53 percent). Sixty percent of Nordic CEOs this year say that a strong cyber strategy is critical to engender trust with key stakeholders, compared with 51 percent last year. Seventy-two percent view information security as a strategic function and as a potential source of competitive advantage.



Nordic CEOs are more likely to agree that becoming a victim of a cyber-attack is a case of “when,” not “if,” for their organization.



■ Nordic CEOs
■ Global CEOs

Nordic countries were victims of multiple ransomware attacks in 2017. The scope of malicious digital raids in Sweden has grown so large over the past few years that cybersecurity became a priority component of the country’s national security policy in 2018. It comes as no surprise that the adverse trend is starting to give Scandinavian businesses and governments a heads-up.⁶

Part of the reason for this is the high level of digitalization in Nordic countries. This region boasts some of the highest internet penetration rates across the board, reaching 97 percent. Moreover, Sweden and Norway rank second and third in the world by average connection speeds, respectively. The large-scale deployment of fiber-optic and LTE infrastructure ensures that even people living on remote islands have unrestricted access to top-notch technologies.

Nordic CEOs will continue to keep their companies on the cutting edge but will take the right precautions to ensure cybersecurity. Three-quarters of Nordic CEOs feel more confident about increasing their use of cloud technologies than at any point over the past three years, while at the same time harboring concerns about migrating all of their company’s business data to the cloud 58 percent. And Nordic companies will stay on the case and fight for cybersecurity, with more than half expecting to increase their cybersecurity budgets this year.⁷

6. “Why Is Cybercrime So Prevalent in Prosperous Scandinavia?” David Balaban, hackernoon.com

7. “The Nordics – Views From the C-Suite Survey 2018,” FICO Decisions

Emphasis on people vs. machines

Nordic CEOs are putting people before machines and are preparing their workforce for the technology-driven future.

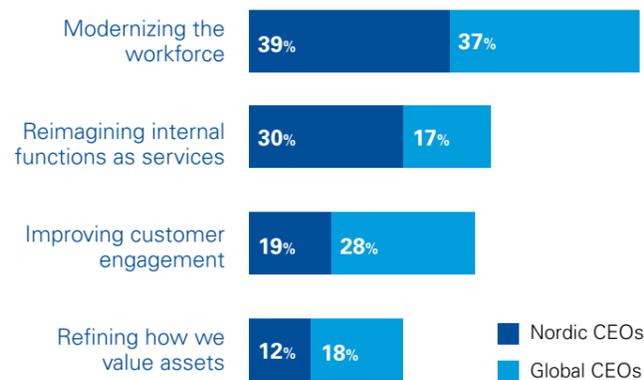
While CEOs globally are investing more in technology than in employee skills, Nordic CEOs are putting unusual emphasis on investments to improve their workforce's skills (47 percent vs. 32 percent) as opposed to buying new technology (53 percent vs. 68 percent). In fact, Nordic CEOs are preparing their companies for the future by modernizing the workforce and redefining internal functions to a larger degree than global CEOs.

This approach is in line with what Nordic CEOs told us a year ago. While digital transformation will affect the number and types of jobs available in the future, just how it will all play out is still an open question. There are multiple schools of thought among scholars, executives and thought leaders, as well as different approaches to societal responses, including a universal basic wage. Already a year ago, Nordic CEOs were approaching the issue with a positive attitude, as 81 percent of Nordic CEOs told us they believed that over the next three years, technologies such as artificial intelligence and robotics would create more jobs than they eliminate, compared with 62 percent CEOs globally. This year's resolve to invest more in people than in technology only strengthens this point.

Nordic CEOs are, of course, facing challenges with finding desired skills. In fact, while they also plan to continue to hire for new skill sets regardless of growth targets, they are more likely to say it is challenging to find the workers they need (67 percent vs. 59 percent).

Their people-minded approach is undoubtedly due to the CEOs being rooted in the Nordics' social policies and cultural expectations, as the interplay between market competition, more equitable wage setting, participatory company relations and the welfare state's income security has been regarded as an important driver of industrial restructuring, innovation and mobility.⁸

Figure 9. Which strategy are you relying on most to ensure your organization is future-ready?



8. "The Nordic Future of Work," Nordic Council of Ministers, 2018



We've made significant investments in technology while also taking into account the readiness of our personnel to adopt new ways of working. Open-minded innovation is something we truly support. A combination of continuous learning, the encouragement of creativity and the prudent adoption of new technology is the recipe for future success.



Kimmo Antonen
CEO and Senior Partner
KPMG Finland

The CEO of tomorrow – team over ego

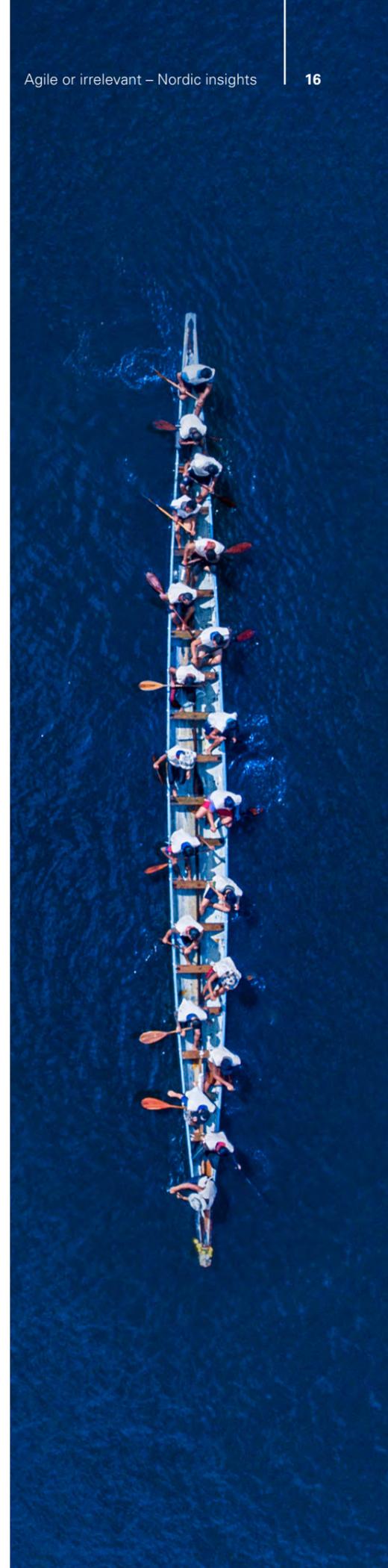
Nordic CEOs stand out in how they view the role of the CEO. For them, it's about running the business and not about their own egos – the team and the overall result comes first. They seem well aware that they are using their skill sets to run a company at a given point in time.

In a fast-moving world, the openness for change is an obvious success factor. This year's results of the CEO Outlook prove not only that Nordic CEOs embrace change, but also that they recognize that different types of leadership and skills are needed at different points in a company's lifecycle. Nearly half of the Nordic CEOs strongly agree that different kinds of CEOs are needed for various stages of a company's journey (46 percent vs. 31 percent on a global level).

Data security is top-of-mind for Nordic CEOs

When business is driven by data, the protection of that same data is crucial for any company that aims to grow its customer base. In the Nordics, 9 out of 10 CEOs agree that protection of customer data is one of the top responsibilities in their role (89 percent vs. 72 percent on a global level).

The study also shows that the Nordic CEOs, in comparison to their global counterparts, are more focused on long-lasting growth. On a global level, the most common motivation factor is delivering short-term growth (22 percent of the respondents). In the Nordics, the most common motivator is enabling long-term business success (19 percent), putting one's own ego aside and focusing on the team and company.



Conclusion

Nordic CEOs wholeheartedly embrace the need for digital transformation and change, while at the same time being able to stay true to their long-term and socially conscious approach.

They have shown a strong focus and a can-do attitude about countering the risks of digital transformation and building a workforce of the future. While this has resulted in increased confidence about their growth versus global growth, Nordic CEOs are not becoming overconfident. They continue to realistically assess their companies' needs, including their own leadership capabilities.

Methodology

Research for KPMG's 2019 Global CEO Outlook was conducted by Forbes Insights between January and March 2019. All respondents were CEOs from organizations with at least \$500 million in annual revenues.

This report, which focuses on the Nordics, references two groups: (1) Nordic CEOs: a group of 100 CEOs surveyed from the Nordics, evenly split between Denmark, Finland, Norway, and Sweden; and (2) Global CEOs: a group of 1,300 CEOs surveyed from Australia, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the United Kingdom and the United States.

Respondents came from a variety of sectors, including consumer and retail, manufacturing, banking, energy, insurance, and life sciences.

