



KPMG Nordic CEO Outlook 2020

Covid-19 special edition

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KPMG Denmark
KPMG Finland
KPMG Norway
KPMG Sweden

#CEOoutlook



Introduction



When responding to the pandemic, Nordic CEOs stand out in their strong affirmation of their companies' purpose. ”

KPMG's 2020 CEO Outlook finds the CEOs of the world's largest organizations contemplating a new reality and prioritizing corporate responsibility amid the global Covid-19 crisis. When responding to the pandemic, Nordic CEOs stand out in their strong affirmation of their companies' purpose – caring for employees and society at large in addition to delivering business results – and their pursuit of sustainability goals at this difficult time. They are also more willing than CEOs globally to share in the financial pain caused by the economic slowdown by foregoing some of their compensation.

While Nordic countries responded to the pandemic in their own unique ways, they have as a group fared better economically than the rest of the European Union. Additionally, in contrast to their global counterparts, a majority of Nordic CEOs express much higher levels of confidence in the growth of their countries today than at the beginning of the year. They are mindful of the risks to growth, however. Their biggest concern revolves around their supply chains being able to weather future world disasters.

The KPMG research also found that across the world, CEOs have accelerated their digital transformations, from the way they operate internally to how they create a digital customer experience. Nordic CEOs are at the forefront of this digital acceleration, with many stating that their companies are now years ahead of where they would have expected to be before the pandemic. While progressing fast, Nordic CEOs remain mindful of the challenges of technology, viewing cybersecurity as a significant risk to their companies' growth.

At the heart of every company is its people, and Nordic CEOs acknowledge the big changes that the pandemic has made to their workforces. While they see a lot of positive aspects regarding the remote work model and stress the importance of technology solutions, Nordic CEOs are conscious of the hardships that the pandemic has created for their employees.

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Pursuing purpose



It's not just our purpose that this pandemic has really tested but the values of our companies and our own values as we try to cope with the situation. ”

96 percent of the the Nordic CEOs say that purpose provides a clear framework for making quick and effective Covid-19 related decisions compared with 77% of CEOs globally.

Fewer Nordic CEOs have been personally affected by the pandemic, with 29% having had their health, or the health of one of their family members, affected by the virus, compared with 39% of CEOs globally. And yet the reaction of Nordic CEOs has been stronger and more empathetic than their global counterparts.

Nordic CEOs are leading by example and personally sharing in the pain. As citizens in the Nordic countries were cutting down on consumption in the early days of the pandemic – credit card transaction volumes fell 15-25% in March and April – Nordic CEOs were more likely to lower their compensation than CEOs globally (71% versus 63%). More Nordic CEOs also decided to forfeit their 2020 bonuses (41% versus 18% globally).

Building a more purposeful organization

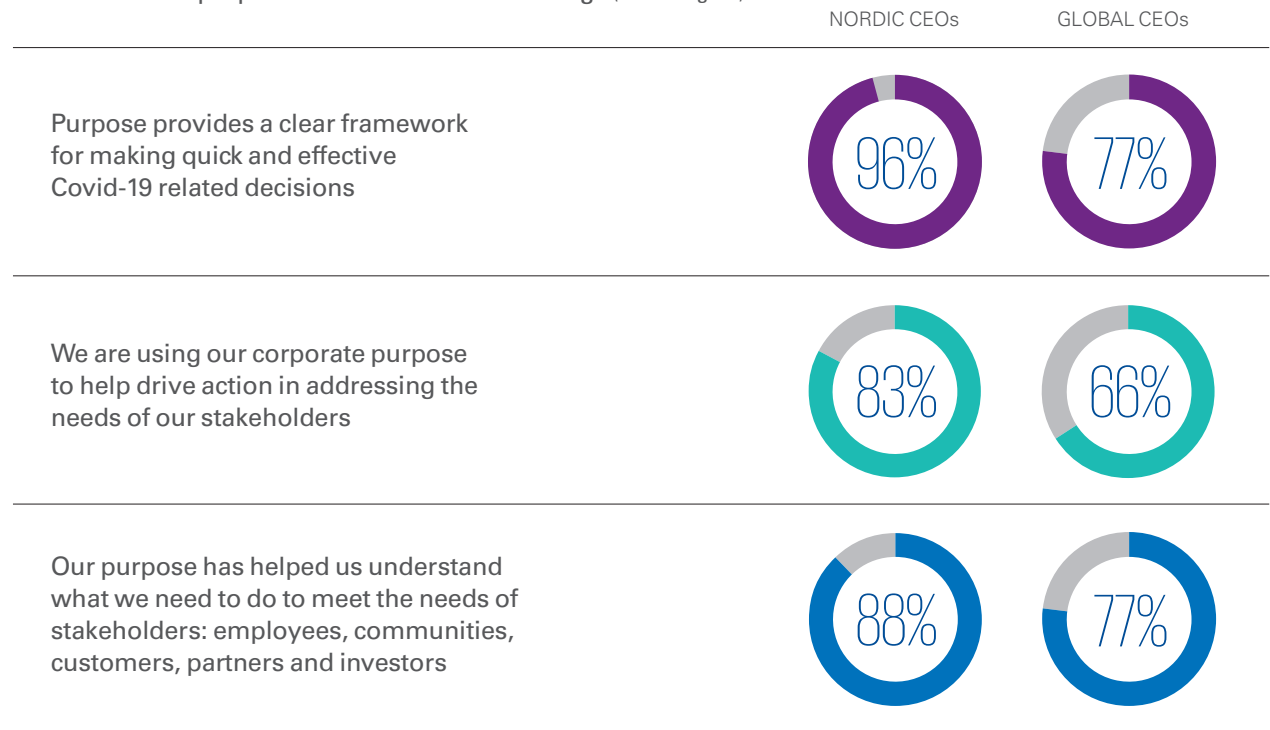
CEOs around the globe are rewriting the leadership playbook to create more trusted and purposeful organizations. Here we define corporate purpose as going beyond serving shareholders and creating long-term value that serves everyone – investors, employees, communities, suppliers and customers.

For Nordic CEOs, the outbreak of Covid-19 has been a reason behind intensifying their focus on purpose. As the pandemic struck, Nordic CEOs put purpose at the center of their response, much more than CEOs globally did. For example, almost all Nordic CEOs (96%) say that purpose provides a clear framework for making quick and effective Covid-19 related decisions, compared with 77% of CEOs globally (Fig. 1 on the next page). In this context, a purpose-driven framework included how companies helped employees and society at large with handling work and life during the pandemic.



Figure 1: The impact of Covid-19 on purpose

To what extent do you agree with the following statements about the influence of purpose on crisis decision-making? (% who agree)



For many companies, purpose is tied with their core business. Telecommunications companies provide reliable networks and communications to keep the world connected at any time, but their services become even more critical during events like a pandemic. Some education companies have stepped up to offer people free access to online education and connectivity during shelter-in-place restrictions and times of remote learning. Others have offered to help health authorities with anonymous contact tracing to prevent the spread of the virus.

Purpose also encompasses caring for employees' well-being, which has been strained during the pandemic. While remote work has proven to be productive thanks to digital collaboration tools, the altered routines have created hardships and uncertainties for many employees. The notion of any work-life balance has practically disappeared as the lines between home and office have blurred. The stress levels of many employees have also increased, and it's up to CEOs to not only take the pulse of how their employees are feeling but also provide them with resources and programs to help them with pandemic-related burdens.

“

It is striking that Nordic top executives have shown great community spirit in their response to Covid-19, and to a greater extent than their colleagues around the world find support in values that are beyond the purely financial when navigating through the crisis. ”

Henrik R. Mulvad
CEO, KPMG Denmark

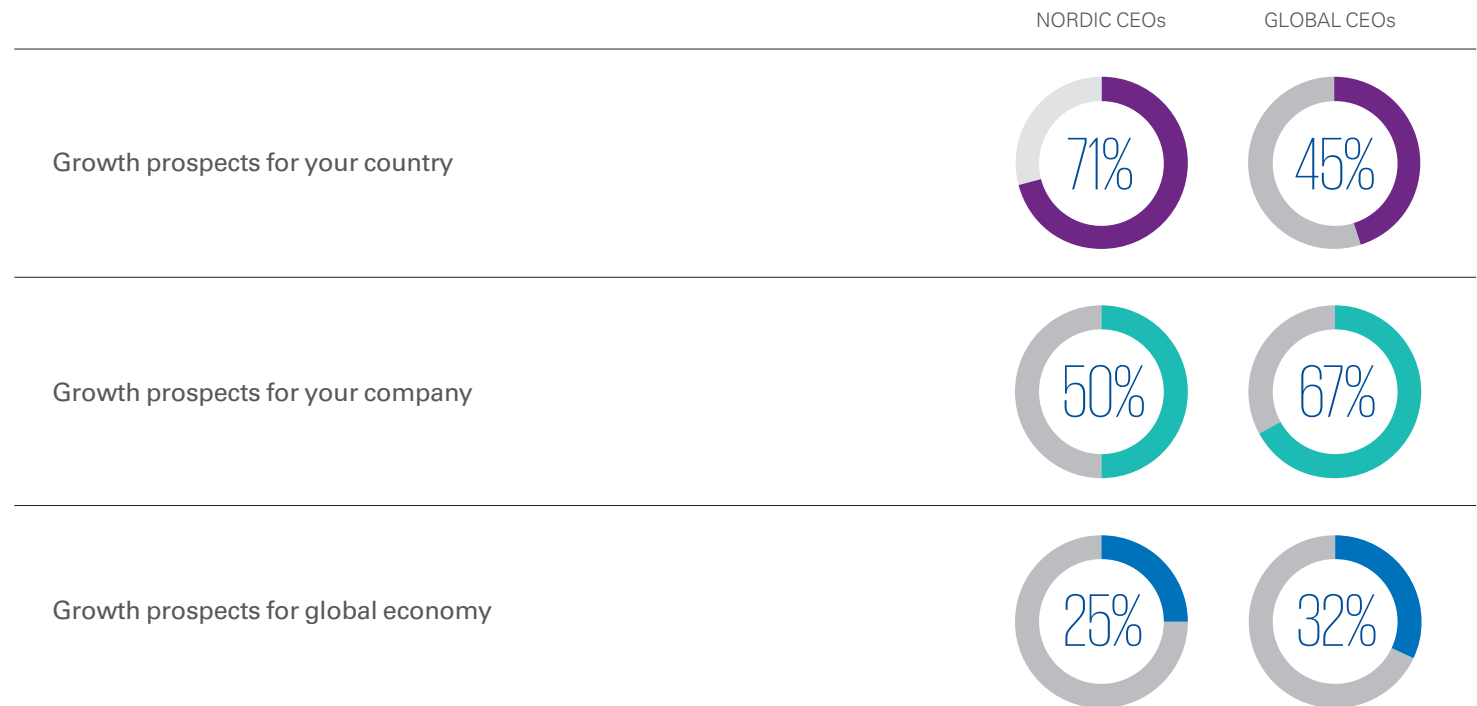
Creating prosperity

In addition to near-term crisis response, CEOs are looking to the future to position their businesses for long-term growth and prosperity. Nordic CEOs had very high levels of confidence when it came to economic growth at the beginning of the year. Three-fourths or more expressed confidence in the growth of their company, industry, country and the global economy. In early 2020, their levels of confidence were higher on all counts of growth prospects than CEOs globally.

Since Covid-19, however, Nordic CEOs' perspective has diverged from global CEOs. Nordic CEOs now express increased levels of confidence in the growth prospects of their countries but have less confidence in the growth of other areas, like the global economy (Fig 2).

Figure 2: Nordic CEOs' confidence around growth has shifted

In terms of growth prospects, please indicate your level of confidence in the following over the next three years, compared with the beginning of the year. (% who are more confident than at the beginning of the year)





There is, of course, good reason for Nordic CEOs to be confident about their countries' economies, which **performed better** than the rest of Europe. The second-quarter GDP of the European Union fell by 14.1% compared with the same quarter of the previous year, while Nordic countries only experienced decreases in the single digits.

Nordic countries did not have a unified response to Covid-19. Finland, Norway and Denmark – like many other nations – implemented lockdowns, severely restricting the movement of people while also closing down schools and businesses. Sweden, on the other hand, opted not to enforce a lockdown at the height of the pandemic and yet still saw its economy shrink 8.3% in the second quarter of 2020, which is among the bigger decreases seen in the Nordic countries. This was most likely due to the closure of manufacturing plants, which play a major role in Sweden's economy.

Despite hampered growth, some Nordic companies and sectors have seen increased demand for their products. While the pandemic continues to negatively affect industries that rely on in-person experiences, like the transportation and leisure industries, others, like home appliance makers, for example, are benefiting from people spending more time at home.

“

We have observed a sudden shift from focusing on growth to protecting the core of the company with many of our clients. This time has called for rapid decision making to secure the profitability and the cashflow to a level that protects the future and creates trust amongst the stakeholders. ”

Kimmo Antonen
CEO, KPMG Finland



Accelerating digital solutions

The pandemic has also increased our reliance on technology. Customers have been unable or unwilling to travel to stores and have instead relied on digital channels to order and pay for products. Employees, meanwhile, have been working remotely and relying on communication and collaboration tools to interact with their co-workers and clients.

To further enable this new way of operating, companies have been accelerating their transformation efforts and implementing digital technologies for employees, partners and customers alike. They are introducing new technology-based operating, business and workforce models and are dedicated to creating seamless digital customer experiences.

The speed of digital acceleration has been remarkably faster in the Nordic countries where many more CEOs believe they are now years ahead of where they expected to be (compared with CEOs globally who mostly believe they're only months ahead). Nordic CEOs have also been adept at introducing a new workforce model where the work of employees is augmented by automation and artificial intelligence (AI) (Fig. 3 on the next page).

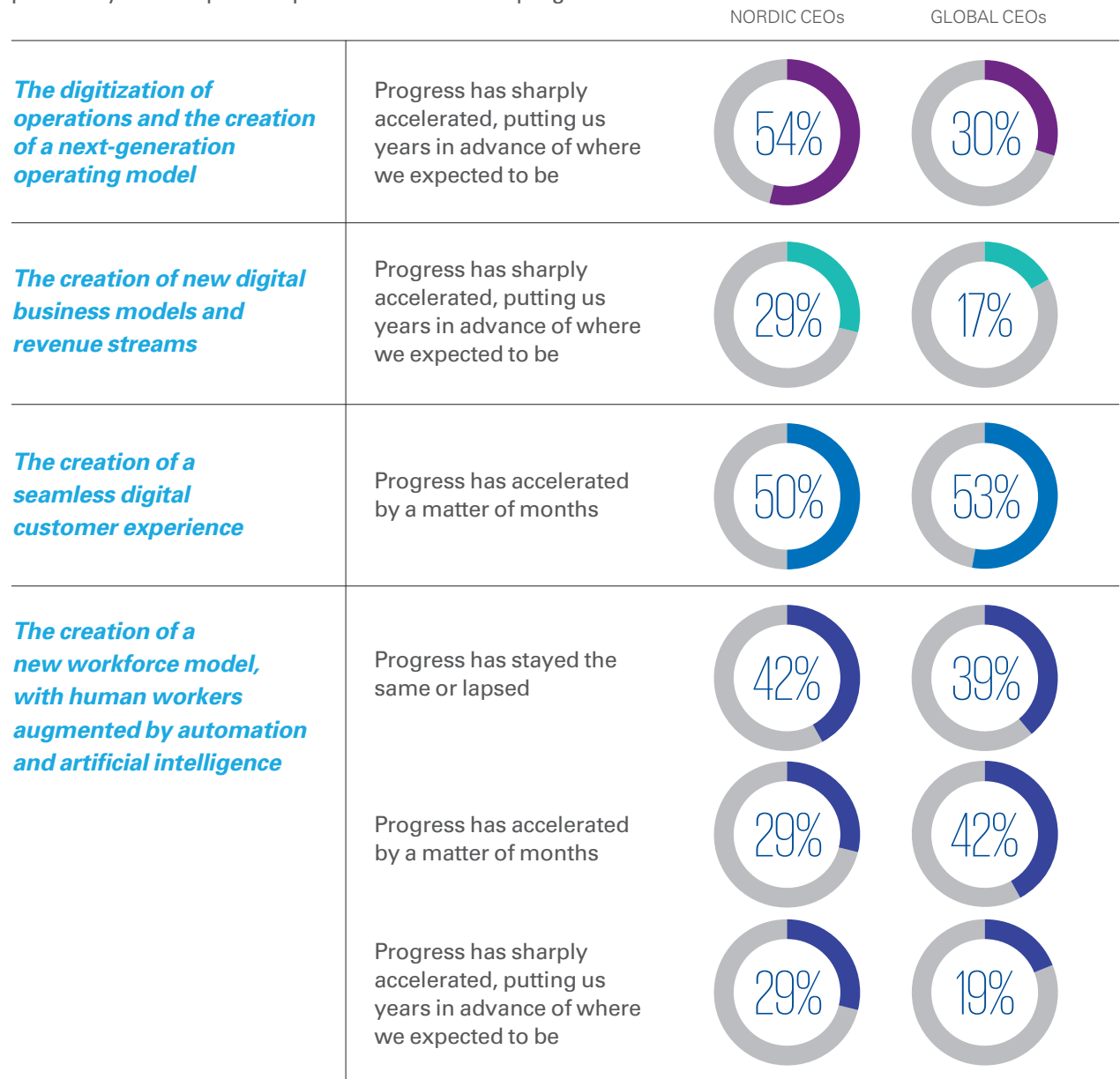


This spring has brought us both challenges and new insights. A key objective for companies at this point is to focus on how to best meet the transforming needs in the market. We are seeing an increased focus on digital and supply chain solutions to secure frictionless deliveries and value chains. The current challenge, across all industries and sectors, is to aim efforts and investments in the most value-adding areas, while maintaining cyber security. ”

Björn Hallin
Chairman of the Board, KPMG Sweden

Figure 3: The impact of the pandemic on digital transformation

Across the following areas of enterprise digital transformation, please say what impact the pandemic has had on progress.



Supply chain risk

Nordic CEOs' perceptions of the top risks to their organizations' growth over the next three years changed dramatically during the pandemic. Supply chain risk is now the top perceived risk (21%), while at the beginning of the year, only 2% of Nordic CEOs were concerned about it.

Last year, Nordic CEOs expressed more interest than their global counterparts in participating in China's Belt and Road Initiative (BRI) as suppliers and partners, ultimately extending the complexities of their global supply chains. Even before the pandemic, Nordic companies have had to carefully navigate trade wars and geopolitical tensions relating to cooperation between Western and Chinese companies.

Because of Nordic companies' manufacturing base in China, information security and IP protection are among the key issues affecting these companies. Cybersecurity is, in fact, the second most cited risk to growth over the next three years, according to Nordic CEOs. At the beginning of the year, just 9% of Nordic CEOs viewed cybersecurity as a threat, compared with 17% today.

Fifty-four percent of Nordic CEOs (compared with 67% globally) also say they have had to rethink their global supply chain given the disruptive impact of the pandemic. While the biggest group of Nordic CEOs (23%) are rethinking their supply chains to become more robust in the event of a natural disaster, for CEOs globally, it is more about a desire to meet changing customer needs (32%).

Nordic CEOs are right to focus on reducing the risks in their supply chains, says Anders Hahnsson, Head of Industrial Manufacturing at KPMG Finland. "The pandemic revealed the fragility of the current long and complex supply chains with few or no alternative sources of material and components," he says. "The tolerances for disruption and unforeseen events are too narrow. Every measure to reduce supply chain complexity and uncertainty should be considered. The focus should shift from efficiency and low-cost country sourcing to supply chain resilience and visibility. The Nordic CEOs could further leverage the swift digital transformation to increase visibility in the supply chain and to introduce predictive solutions utilizing real-time data, advanced analytics and AI. The ability to simulate the supply chains in cognitive decision centers will support informed and insightful decisions that allow for action rather than reaction and thus contribute to future-proofing the supply chains."



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Anders Hahnsson
Head of Industrial Manufacturing,
KPMG Finland

Setting priorities

CEOs are doubling down on long-term transformation priorities to build the dynamic capabilities needed to reimagine work and talent and stay true to their sustainability efforts. Nordic CEOs see sustainability as a more significant aspect of their jobs, tying their professional success to their ability to control climate change risks to a larger extent than CEOs globally.

Rethinking work and talent

The pandemic is transforming the working world. The vast majority of Nordic CEOs (92%) are planning to downsize their office space, a decision that will ultimately affect how many people will continue to work remotely. Nordic CEOs are also committed to building on their current use of digital collaboration and communication tools; a majority of them see many positive aspects of the digitally driven remote work environment (Fig. 4 on the next page).

The most difficult part when it comes to people still lies ahead, however. The decisions taken earlier this year to limit time in the office was due to clear health considerations and risks. The decision to resume work in person is trickier considering the potential health hazards to employees and the successful adjustments made by many sectors to work remotely. It is possible that the return to in-person work will be a somewhat prolonged event, dependent on the needs and risks of specific companies and industries as well as different corporate cultures.

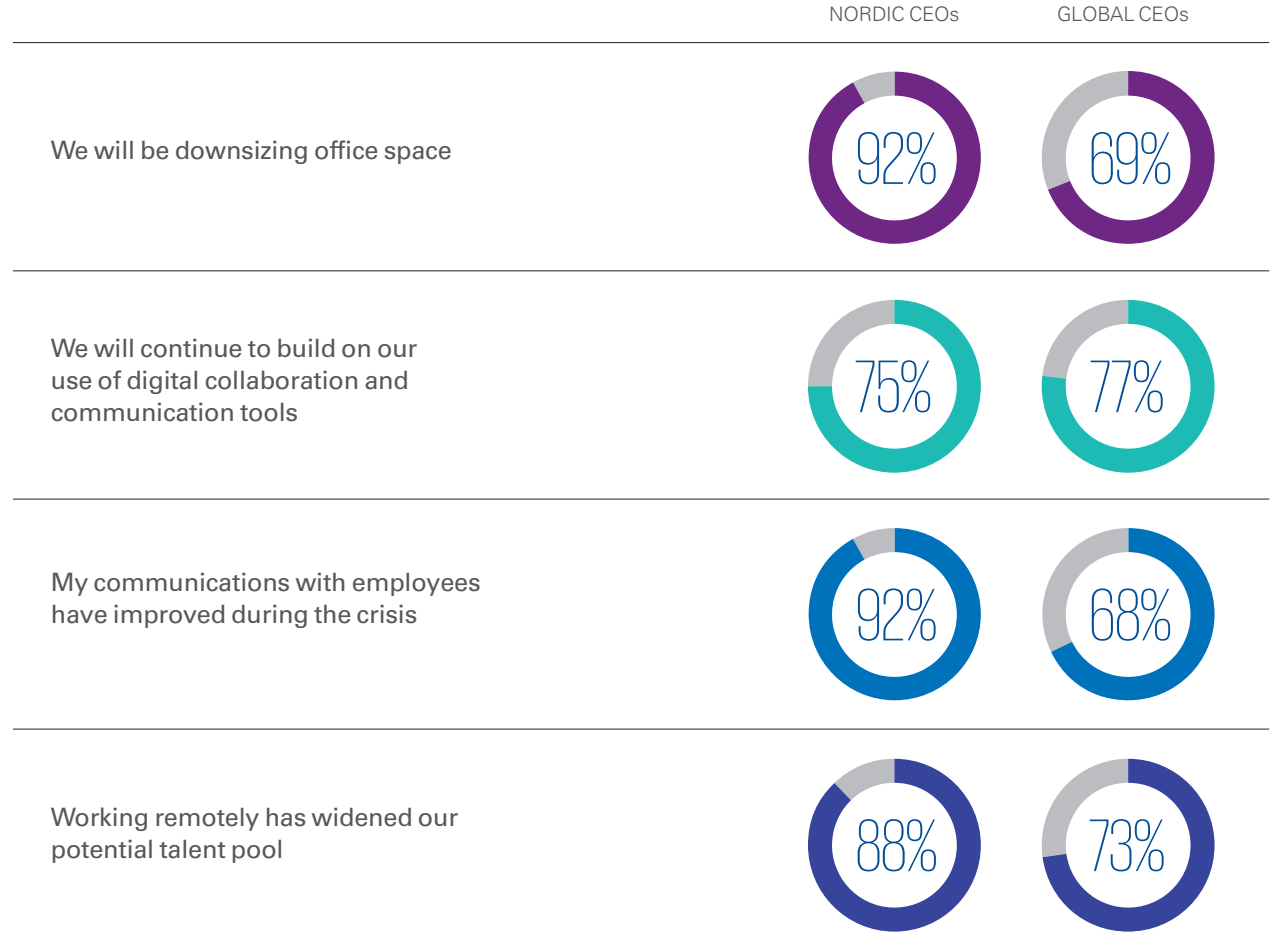


The big changes in CEOs' priorities show that companies have had to solve challenges faster than ever before; facing increased uncertainty. The crisis has accelerated digitization, transformation and sustainability efforts – areas where Nordic CEOs are leading the way globally. ”

Lars Inge Pettersen
Partner and CEO, KPMG Norway

Figure 4: How the pandemic is affecting the working world

Thinking about the impact that the pandemic has had on the world of work, please rate your agreement with the following statements. (% who agree)



Staying sustainable



Business strategies, which consider ESG opportunities and risks while supporting business resilience and ESG performance, are already affecting competitiveness not only on the goods and services market but also on the capital markets. ”

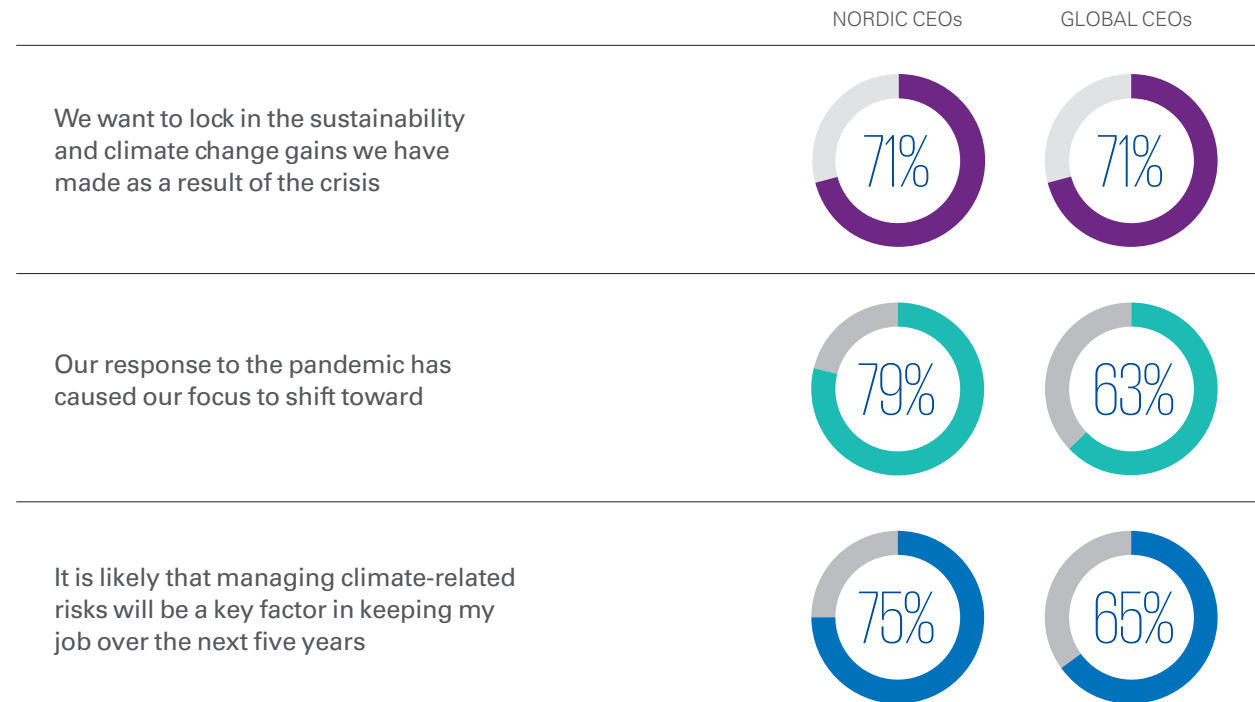
Tomas Otterström
KPMG’s global leader within Sustainable Finance Services

Leaning into ESG (environmental, social and corporate governance), 71% of CEOs say they want to lock in climate change gains made as a result of the pandemic, and three-fourths of Nordic CEOs (compared with 65% globally) believe that managing climate-related risks will play a part in whether they keep their jobs over the next five years (Fig. 5).

Nordic CEOs see the business imperative of strengthening their approach on sustainability. Our survey shows that the pandemic has put equality, diversity and basic human rights within the “social” part of the ESG agenda in immediate focus, but it has also increased CEO awareness of the need to address the business implications of climate change, biodiversity and other long-term environment-related drivers. “Business strategies, which consider ESG opportunities and risks while supporting business resilience and ESG performance, are already affecting competitiveness not only on the goods and services market but also on the capital markets,” says Tomas Otterström, KPMG’s global leader within Sustainable Finance Services.

Figure 5: Nordic CEOs are leaning into ESG amid the pandemic

To what extent do you agree with the following statements about your focus on ESG during the pandemic? (% who agree)





Conclusion

The pandemic has created a new business landscape. It has accelerated the adoption of many technology solutions, from digital collaboration tools for employees to e-commerce sites for brands. This has led to the creation of new operating and working models and further digitized the customer experience.

At the same time, the pandemic has exposed heightened risks, like cybersecurity, which becomes all the more potent with the increased use of digital solutions. The global nature of the pandemic has also revealed the fragility and complexity of global supply chains, which require additional transparency and resiliency.

Nordic CEOs have shown that they are up to the task of dealing with the aftershocks of the pandemic – they have taken more decisive action to counteract the pandemic than CEOs globally. They have implemented business measures, such as augmenting their workforce with AI technologies, have strengthened their focus on cybersecurity and are working to protect their supply chain from future natural disasters.

While dealing with this challenging business environment, the actions of Nordic CEOs have been rooted in confidence about their countries' economic growth prospects. They have shown their personal loyalty by sharing in the financial pain caused by the pandemic and have stayed true to their corporate purpose and sustainability agendas, all while remaining mindful of their employees' needs during these trying times.

Methodology

Results in this report are based on two surveys of CEOs conducted in 2020 about the challenges and opportunities facing their businesses in light of the Covid-19 pandemic.

One survey, conducted in July, surveyed 315 CEOs globally from major markets (including the United States, Australia, the United Kingdom, France, Canada, China, Japan and Italy) as well as 24 CEOs from Nordic countries (split evenly across Denmark, Finland, Norway and Sweden).

The other survey, conducted in January and February, surveyed 1,251 CEOs globally (from the same major markets above with the addition of India, Germany and Spain) plus an additional 100 responses from the Nordic countries about their outlook for the next few years.

In both surveys, all CEOs represented companies with annual revenues of at least \$500 million and came from major industries, including retail, financial services, life sciences, energy, technology and manufacturing.



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