



Growing pains - Nordic insights

2018 Global CEO Outlook
Nordic Executive Summary

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KPMG Denmark
KPMG Finland
KPMG Norway
KPMG Sweden

#CEOoutlook

Foreword

A global study of 1,300 CEOs reveals their positive economic outlook and their intent to aggressively pursue digital transformation, even if they are still figuring out the best solutions for technology investing, data-driven business models, meeting customers' demands and creating a workforce of the future.

A benchmark study of 100 CEOs from the Nordic countries—Denmark, Finland, Norway and Sweden—reveals that executives in this region follow the same general trend of digital transformation as the rest of the world. In many areas, such as growth rate projections, collaboration, approach to data-driven decision making and workforce capabilities, they tend to mirror global CEOs. Where Nordic CEOs stand out is in their more purpose-driven approach to growth, their more holistic view of technology and their more modest view of their own leadership capabilities.

This executive summary discusses these findings in more detail, highlights differences among CEOs from different Nordic countries, and outlines how Nordic CEOs lead their organizations through digital transformations.





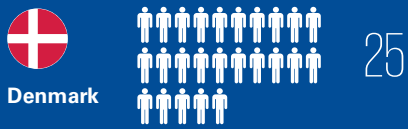
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Facts about the Nordic CEOs

Number of CEOs participating

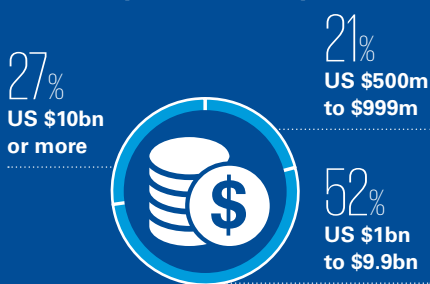
Nordics: 100 CEOs



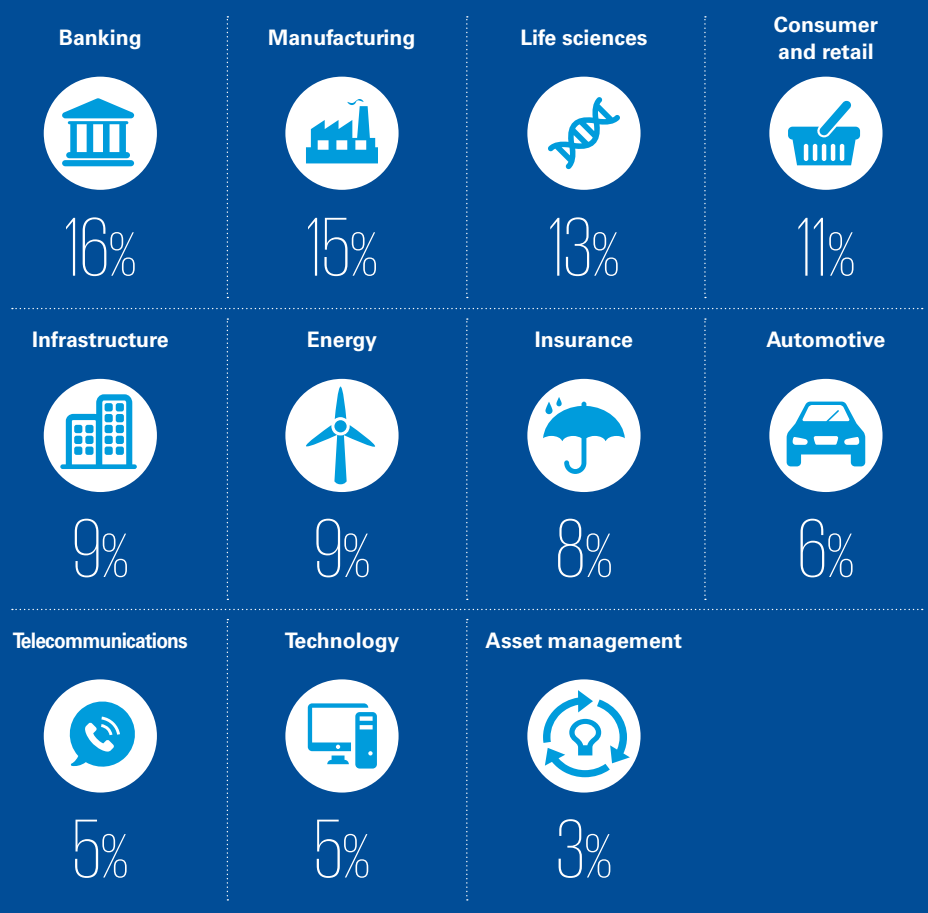
Global benchmark

1,300 CEOs from Australia, China, France, Germany, India, Italy, Japan, Netherlands, Spain, UK and US.

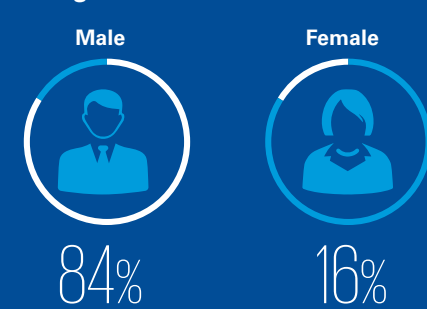
Revenue profile of companies



Industries



CEO gender



Length of time as CEO in current organization





Economic confidence: strong belief in the global economy

While Nordic CEOs mirror CEOs globally in their overall confidence about the growth prospects of their companies, countries and the global economy, they vary in terms of their level of confidence.

Figure 1.
What are your levels of confidence over the next 3 years about the growth prospects of:

My company:



Your country:



Global economy:



Key

Very confident Confident

More Nordic CEOs are very confident about the global economy than about their own country and company growth. This runs counter to virtually all other CEOs, who are much more confident about what they can best control and are more familiar with—their company, industry or country.

When looking at year-over-year comparisons, the biggest fluctuations around growth are in Nordic CEOs' projections for their country, which went down, and for global growth, which went up.



3 out of 5 Nordic CEOs are very confident about the global economy



Nordic CEOs seem to have a more purpose-driven approach to growth, a more holistic view of technology and a more modest view of their own leadership capabilities. To me this does not sound as a lack of confidence, but rather as being pragmatic, being rightfully a bit uncertain about what needs to be changed – In my view, this might just be the winning formula for this region!



Kimmo Antonen
 CEO and Senior Partner
 KPMG Finland

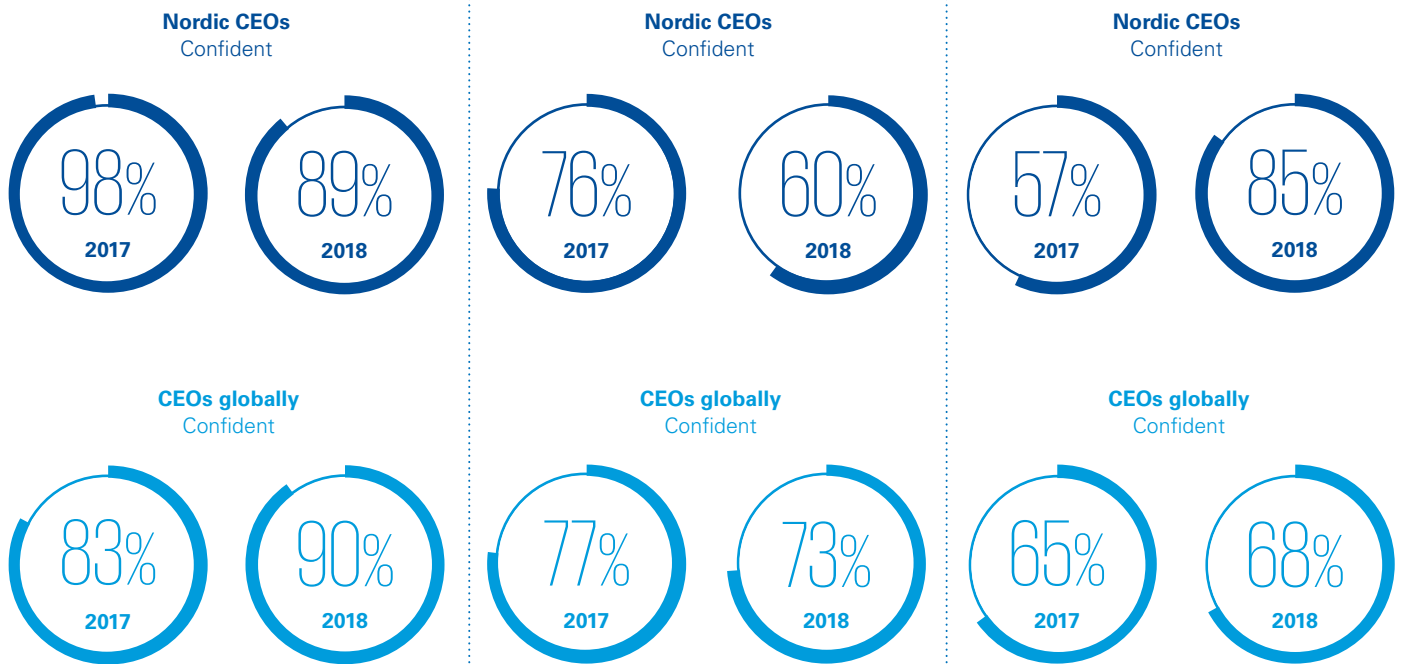


Figure 2.
Growth prospects

Prospects for growth of your company over the next 3 years:

Prospects for growth of your country over the next 3 years:

Prospects for growth of the global economy over the next 3 years:



Moderate growth rates

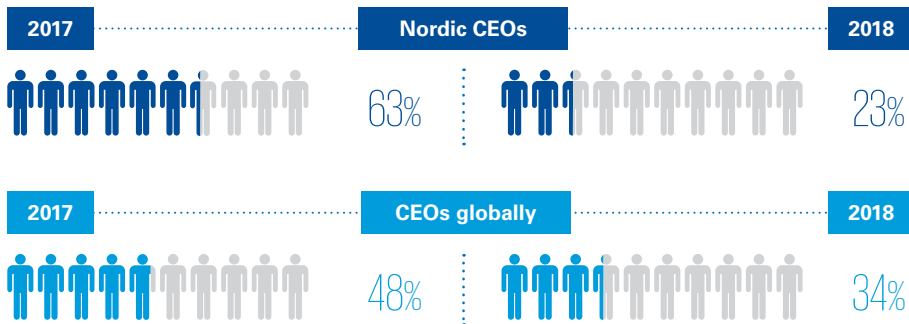
While CEOs are, overall, confident about economic growth prospects, they expect growth rates to be moderate. While revenues are expected to grow for virtually every company, only 23 percent of Nordic CEOs anticipate that growth to be 2 percent-plus, compared with 34 percent globally. Employee headcount is expected to grow as well, but also at moderate

rates. 14 percent of Nordic CEOs and 37 percent of CEOs globally expect headcount to grow by 6 percent-plus.

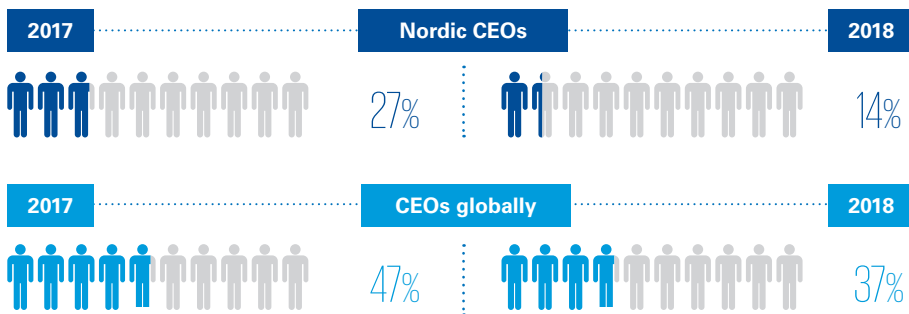
A year-over-year comparison reveals that across the board, revenue and headcount growth projections decreased, though more so for Nordic CEOs than for CEOs globally.

Figure 3.
Revenue and headcount growth

Top-line revenue growth of 2% or more over the next 3 years:



Headcount growth of 6% or more over the next 3 years:





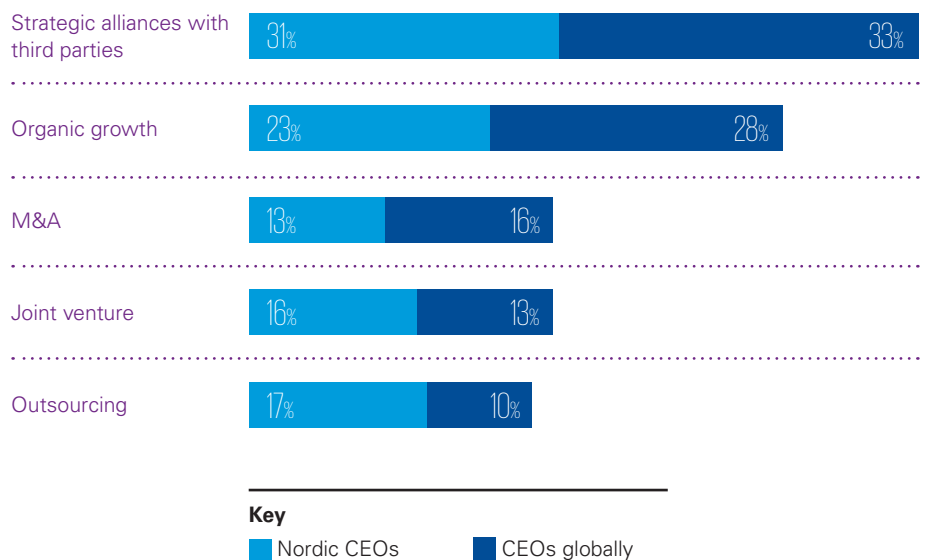
Only 23% of Nordic CEOs expect top-line growth of 2% or more over next three years

Growth plans: collaborative and purpose-driven

With advanced technologies creating complexity and not one company being able to handle all aspects of transformation by itself, collaboration has been one of the top growth strategies.

Nordic CEOs mirror the rest of the world in how they approach growth, choosing to lead with strategic alliances and collaboration with third parties.

Figure 4.
Which of the following strategies will be most important for achieving your organization's growth objectives over the next 3 years?



Americas-bound expansion

While CEOs globally stake their expansion plans on emerging markets (70 percent), Nordic CEOs plan a more balanced expansion to both emerging (56 percent) and developed markets (44 percent). In both these markets, Nordic CEOs are decidedly Americas-bound, planning the biggest expansion in Central and South America in terms of emerging countries, and in North America among developed countries.



Nordic CEOs look **West** and have **Central/South America and North America** as primary markets

Figure 5. Which emerging markets are you primarily prioritizing for expansion over the next 3 years?

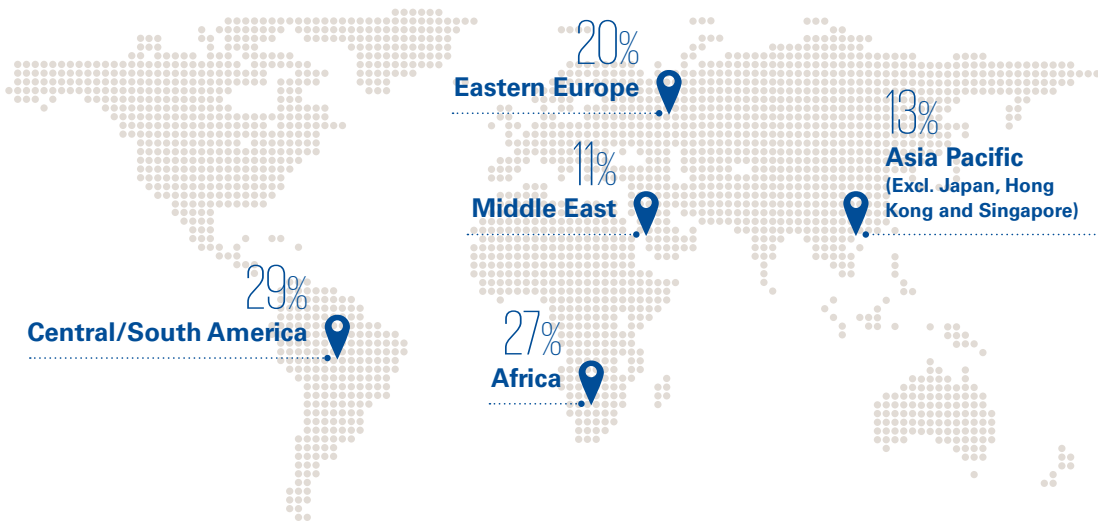
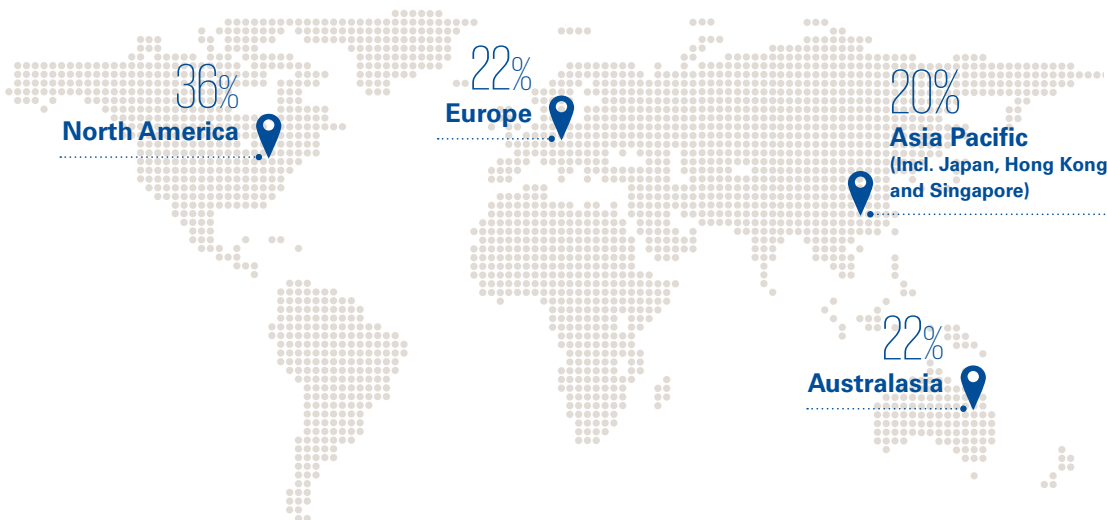


Figure 6. Which developed markets are you primarily prioritizing for expansion over the next 3 years?



Purpose-driven growth

The survey also asked CEOs about the broader aspect that companies play in their societies. Nordic CEOs express more responsibility about such societal issues and pursue growth more holistically than CEOs globally. 43 percent of Nordic CEOs believe that they must look beyond purely financial growth to achieve long-term sustainable success, compared with 32 percent globally.

That means that, while the idea of a purpose-driven organization has become increasingly popular across the world, Nordic CEOs are practicing it more than others.

This purpose-driven approach is also illustrated by how Nordic CEOs think about risk. They are most concerned about the global political climate, including such issues as the return to territorialism and renegotiations of trade agreements by the U.S. and Brexit. They also express significant concern about environmental issues such as climate change.

While more purpose-driven, more than half of Nordic CEOs (51 percent) revealed that they are struggling to link their growth strategy with a wider societal purpose of the organization, compared with 37 percent of CEOs globally. This struggle further underscores that Nordic CEOs are seriously considering their companies' role in the society at large. Becoming purpose-driven cannot take away from business. The good news is that some companies are beginning to see that their sustainable initiatives can lead to better financial results. Also helpful is that investors are now beginning to follow various social responsibility indices and invest accordingly.



1/3 of Nordic CEOs see strategic alliances as most important to achieve growth



Leaders must build trust in vital processes to encourage rapid changes and agile organizations. Open and honest communication and a measurement system that promotes the right kind of behavior and collaboration must be put in place. To enable strategy, it is essential to create an innovation culture based on a solid ecosystem comprising of customers, suppliers, alliances, as well as collaboration with academic institutions, incubators and start-ups.



Arne Frogner
CEO and Senior Partner
KPMG Norway

CEOs as leaders of transformation: modesty over confidence

Additionally, Nordic CEOs express less confidence in their overall leadership capabilities.

58 percent of Nordic CEOs feel personally prepared to lead their organization through a radical transformation of its operating model compared with 71 percent of CEOs overall (Figure 7). A deeper look at the geographical breakdown reveals that the Nordics, while lower than the average, are still within the ballpark globally, as the levels are skewed upwards by the Americas, where the confidence levels are sky-high (e.g., 91 percent in the United States).

It must also be noted that the confidence of CEOs does not necessarily mean that they have figured out how to transform their organizations. Rather, some of them feel confident because they recognize the need for a radical transformation. The main danger is not a lack of confidence but rather being dismissive about the need for change.

Figure 7.
I feel personally prepared to lead my organization through a radical transformation of its operating model

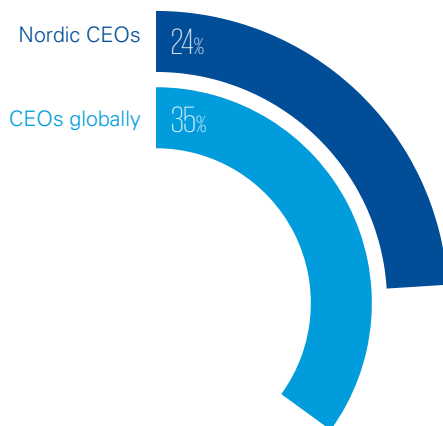


Technology: balanced approach

Nordic CEOs fully embrace technology. 99 percent see it as an opportunity and not a threat.

But that does not mean that technology is an end-all. Nordic CEOs recognize that technology, while extremely important, is not the only focus of running a business; the rest of the world is much more technology-centered. For 76 percent of Nordic CEOs, technology is not the only significant trigger for disruption, compared with 65 percent globally.

Figure 8.
Technology is the only significant trigger of disruption



This correlates with Nordic CEOs taking a broader, more purpose-driven approach to growth. Though at their core, transformations are digital, they may be caused by non-technology drivers and—perhaps more important—may have impact that goes far beyond technology. Such drivers, and impacts, may include societal issues such as workforce development or environmental, regulatory or political issues.

It's worth noting that the global data is skewed by the U.S. CEOs, who are the most decidedly focused on technology-led disruption. Eighty-one percent of U.S. CEOs see technology as the only significant trigger of disruption. This reflects not only different ways of thinking about business, but also different political systems and social values.

CEOs need to stay mindful of the pitfalls and nuances of leading a company during the digital revolution. For some industries, the change—driven by technology and combined with rapidly shifting demographics—will be nothing short of a full transformation, while others need to tread more lightly

Deciding on what to disrupt, when and how, is perhaps the most difficult decision facing CEOs today. Nordic CEOs are clearly considering multiple non-technology drivers and outcomes of transformation.

Return on investment

ROI from technology investing can sometimes be difficult to pin down. It can be very difficult to assign business outcomes to specific technologies. More Nordic CEOs admit that they do not yet have a clear understanding of calculating such returns than do CEOs globally (Figure 9).

Part of the reason is that as a disruptive investment, digital technologies may never see a return that would be amalgamated in a traditional way.

It is doubtful that Nordic CEOs are indeed so much less competent about estimating the ROI on technology investing than CEOs globally are. It is more probable that they are thinking about strictly financial ROI, while assessing the benefits of digital transformation calls for a qualitative component.

New digital business models and new customer demographics will disrupt and replace much of the current product or service portfolios. In the age of digital transformation, this transition from the old to the new happens on such a large scale that net financial growth—whether of revenue or headcount—is no longer an accurate measure of success.

At one extreme, that impact may be, to put it bluntly, the company's survival. There's an ROI in keeping the business, even if top-line declines. Evaluating the benefits of digital transformation calls for a new value-measurement taxonomy that looks at both quantitative and qualitative measures, such as competitive advantage, ability to recruit talent, increased employee engagement and customer satisfaction. New value can come from more engaged employees, more loyal customers or new business models.



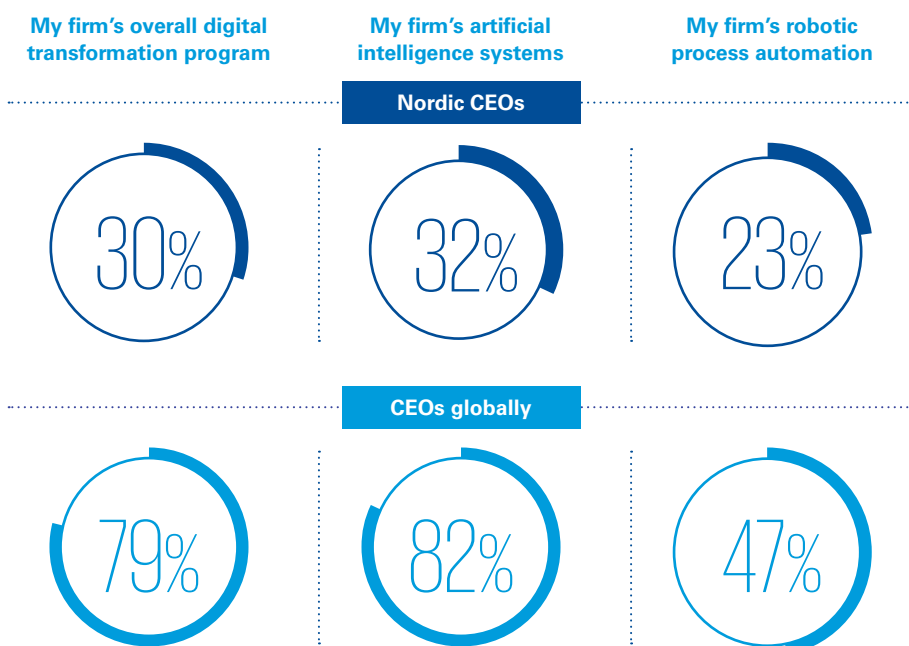
The pace at which disruptions are occurring is creating great opportunities for organizations that can take advantage of them. Establishing a governance framework that embraces disruptive technologies while ensuring that risks are identified and managed is essential for the ability to survive in a digital world.



Magnus Fagerstedt
 CEO and Senior Partner
 KPMG Sweden



Figure 9.
We have a strong understanding of how to calculate ROI from the following technology investments



Data-driven world: all about trust

Data is one of the top issues of the day. It underpins many of today's business models, is the subject of current regulations and debates regarding customer data privacy and affects how CEOs make their decisions.

Predictive analytics

Insights from data—or predictive analytics—help companies serve their customers what they want when they want it. Companies model historical data to predict the future to project trends and customer preferences. The quality of the outcomes depends on the accuracy of historical data and the use of relevant data and appropriate algorithms to make projections. 38 percent of Nordic CEOs, more than CEOs globally (32 percent), plan to increase the use of predictive models and analytics over the next three years. However, Nordic CEOs would benefit from first resolving their issues with trust in data, as almost half (49 percent) of Nordic CEOs are less confident in predictive than in historical data.

Data protection

Using customer data has, of course, caused privacy concerns and has led to new regulations such as General Data Protection Regulation (GDPR), which aims to give citizens back the control of their personal data and impose strict rules on those hosting and “processing” this data, anywhere in the world. While much of such data has been used to improve the customer experience, some, as has been the case with Facebook, has been used for political reasons.

Thus, it is not surprising that 62 percent of Nordic CEOs believe that protecting customers' data is one of their most important responsibilities to enable their organizations to grow their customer base in the future, compared with 59 percent globally. In the future, companies may be more inclined to, in some cases, communicate with customers directly by asking what they want, instead of gathering and analyzing data to determine customers' needs themselves and risking violating data privacy laws.

Decision making: Data or intuition?

Trust in data seems to also be an issue when it comes to decision making. 78 percent of Nordic CEOs (compared with 67 percent globally) have overlooked the insights provided by data analysis models and computer-driven models because they were contrary to their own experience and intuition (Figure 10).



90% of Nordic CEOs express trust in social media, while only 78% trust traditional media

This is not a black-and-white issue, however, and does not mean that CEOs are going against data. Even when not realizing it, CEOs make decisions based on data points.

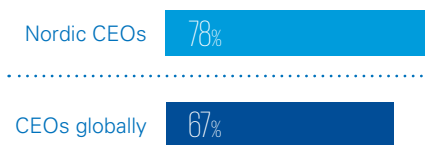


62% believe that **protecting customers' data is essential** to grow their customer base

Figure 10.

Thinking back to critical decisions you've made over the last 3 years, have you ever overlooked the insights provided by data analysis models/computer-driven models because they were contrary to your own experience/intuition?

CEOs who answered "yes"



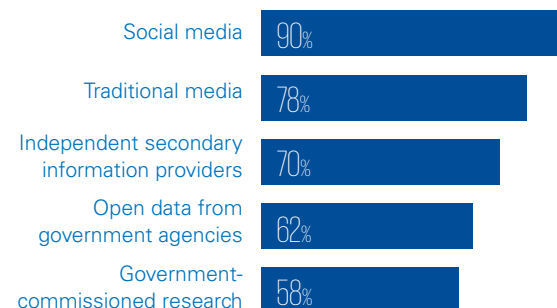
Trust in data sources

Mirroring global trends, Nordic CEOs have more trust in social media than in traditional media or government research (Figure 11). While this may seem counterintuitive considering the amount of "fake news" posted on social media outlets, CEOs clearly value direct messaging from customers on platforms such as Twitter, for example, more than edited news sources.

Figure 11.

What level of trust do you have in each of the following data sources when it comes to informing your strategic decisions?

Number of Nordic CEOs who expressed trust in the above data sources



Customer experience: expectations versus reality

Customer experience is key to competitive advantage in the digital era. Advanced technologies have brought the advent of the so-called personalized customer experience.

Based on the analysis of customer data, such as buying histories, spending patterns and life situations, companies can tailor products, services and marketing based on individual customer needs and desires.

A majority of CEOs, both globally (71 percent) and in the Nordics (81 percent), claim that their technology investments in personalizing the customer experience have delivered the growth benefits hoped for.

This is not borne out, however, in how they perceive their success in meeting their customers' expectations for a "personalized" experience. More than a third (37 percent) of Nordic CEOs believe that they deliver below customer expectations. Global CEOs are somewhat more positive about how they fare in this area (Figure 12). Why the discrepancy? If technologies deliver, why aren't more customers getting a personalized experience that meets their expectations? It's possible that specific technologies themselves may deliver fine on their own, but the overall, omni-channel experience may not measure up because technologies are not well integrated with one another.



37% believe they deliver below customers' expectations for a personalized experience



Understanding millennial customers

The mix of customers who are digital natives and do not know life without the internet with older customers has been a challenge for many years now. Companies need to balance the needs of each group, making sure they attract millennial customers while at the same time appealing to those a bit older, who may have more buying power. Even though we are now witnessing the so-called millennialization of all customers, as older segments of customers pick up digital habits, the chasm still exists.

In line with CEOs globally, substantial numbers of Nordic CEOs have challenges with understanding how millennials' needs differ from those of older customers, and how to engage millennials via digital channels (Figure 13).



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The CEOs that can lead the way and crack the customer code will have a huge competitive advantage. We see a rapid development in the combination of advanced technologies such as AI and voice assistants as well as the use of data & analytics, which can significantly boost the individual customer experience.

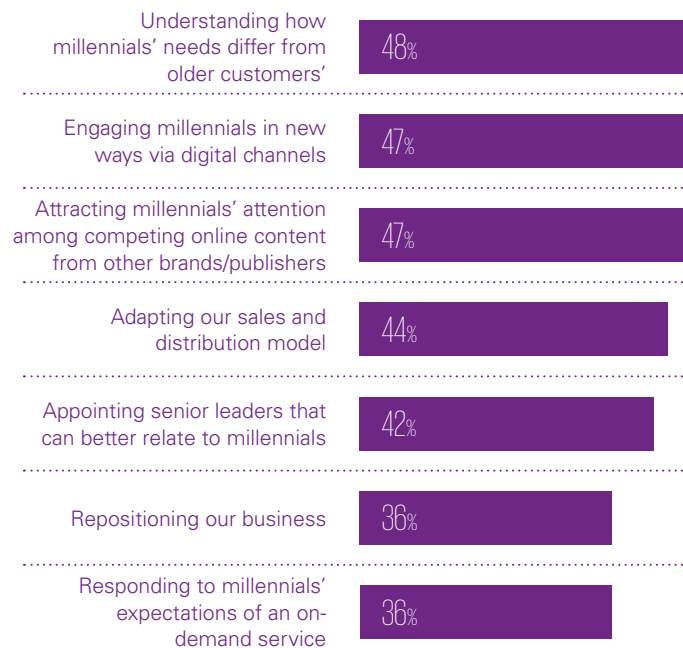
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Thomas Hofman-Bang
 CEO and Senior Partner
 KPMG Denmark

Figure 12. **Where would you place your organization’s performance in meeting your customers’ expectations for a “personalized” experience?**



Figure 13. **Which of the following are the biggest challenges for your organization in meeting the needs of millennial (born from 1980-2000) customers?**



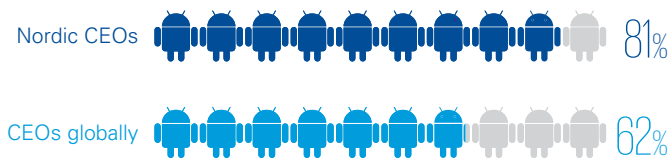
Workforce: technology-driven job creation

Digital transformation will affect the number and types of jobs available in the future, but 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.

81 percent of Nordic CEOs believe that over the next three years, technologies such as artificial intelligence and robotics will create more jobs than they eliminate, compared with 62 percent of CEOs globally.

Figure 14.
Over the next 3 years, technologies such as artificial intelligence and robotics will create more jobs than they eliminate





4 out of 5 Nordic CEOs believe technologies such as AI and robotics will create more jobs than they eliminate

Where Nordic CEOs differ is in their approach to recruiting. They are much more likely to hire new skills regardless of future growth targets (67 percent) compared with 48 percent of CEOs globally. To succeed at digital transformation, companies need to have the right skills in place. Figure 15 lists the most sought-after skills.

Figure 15.
How important do you expect the following workforce capabilities to be in supporting your organization’s future growth plans?



Number of Nordic CEOs who consider the above workforce capabilities “highly important”

Mirroring global trends, Nordic CEOs strongly favor purely technical capabilities. It is somewhat discouraging that evolving workforce experts—who have a fundamental role in training existing talent and recruiting necessary skills—are not in high demand. It is also more surprising in the case of Nordic CEOs, who express the intent to combine growth with societal issues.

Conclusion

Nordic CEOs are well positioned to successfully pursue digital transformation and create sustainable growth for their companies.

They still face some challenges with making the business case for investing in advanced technologies and need to further refine their understanding of data-driven models. However, their long-term view—including their understanding of the need for collaboration, openness to global expansion, and recognition of the importance of a purpose-driven and pro-growth approach to recruiting—serve as solid foundations for growth.

