



# CFO Insights

## CFO SURVEY

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POWERED BY



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# Foreword

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CFOs are finding themselves in times of unparalleled business change and disruption. They and their finance teams must be agile and adapt to changes, whether it is supporting their company's ability to move into new territory, capitalize on new technologies or implement a new business model.

Change does not take place at a single point in time, rather it is a continuous development. Though change is taking place all around us, it arrives at a different pace in different industries. In some industries, changes are presenting serious threats, while others experience change incrementally which allows for slower adaption.

Nonetheless, the CFO has the possibility to deliver an entirely new value proposition. He or she has the chance to put the company at the top, if they succeed in capturing the full potential of new technologies, as digitalisation is finding its way into the finance function. But, digitalisation is easier said than done, as more than half of Danish CFOs find digitalisation to be one of the most challenging parts of their job.

According to the present CFO Survey, the lack of employees with the right skills - at all levels of the organisation - is the biggest concern for Danish CFOs, within digitalisation. Consequently, digitalisation is a people issue rather than a technological issue, which poses a significant challenge for Danish companies' survival in a competitive world.

Successful digitalisation of the business' core functions, such as the finance function, can create the gap between the average and the most successful companies. If you want to stay ahead of the curve of digital transition, you need to think broader and invest in larger projects and multiple technologies at the same time.

At CFO Insights, we are incredibly honoured that we get to do what we do, and we owe it all to our partners and our participants. This year, we are happy to once again create a forum for sharing knowledge and business insights, and we hope that the insights shared on the conference in combination with this report will help you to create value for your organisation going forward.



**Nicoline Emilie Storm**  
CFO Insights

# Executive Summary

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The challenges facing a modern CFO are not limited to issues related to finance and accounting only. The responsibilities of the CFO have changed, as far more strategic tasks are now covered by the CFO.

This survey investigates the priorities of CFOs in Danish companies. It intends to highlight which opportunities and challenges they face in times of accelerating change. These are the three most important insights from this survey:

## **1. Digitalisation is not a technological issue, but a people issue**

Successful integration of digital technologies in the finance function is not only dependent on the maturity of the technology in question. Instead, the major challenge is related to the people involved in the digital transition. The lack of skilled employees, including the skills at CXO level, stands as the biggest challenge in the transition to a digital finance function, according to the Danish CFOs in 2019.

## **2. Digital technologies present major potential but are not yet mature enough to implement**

New digital technologies present unparalleled opportunities for the finance function to become better, faster and stronger. Despite this, Danish CFOs find only few of the new technologies mature enough to implement.

Moreover, few CFOs believe their organisation is competitive within the new technologies. The limited use in Danish companies can be due to the required high allocation of resources, combined with a less clear business case. According to KPMG, implementing new digital technologies requires significant investments, but investing in a larger project including multiple technologies supporting each other, can unlock important synergies.

## **3. The Strategic CFO is concerned about reinventing the business model**

The role of the CFO has gone through a substantial change in the last decade. Danish CFOs now spend more of their time on tasks related to strategy than anything else. When asked about strategy, the main challenge is reinventing the company's business and staying relevant to its customers in the future. As the role of the CFO will continue to become more focused on strategy, fundamental issues such as business model innovations will stay on top of the CFO agenda in the coming years.

# Methodology

This CFO Survey of June 2019 elaborates on the challenges and opportunities that lie ahead of the Danish CFOs.

The report is based on data gathered from 101 CFOs from Danish companies. With this number of respondents, this survey displays a representative overview of the main concerns on the Danish CFOs agenda. The focus of the survey is the private sector. 98% of the respondents are employed in the private sector, while the remaining 2% are employed in the public sector.

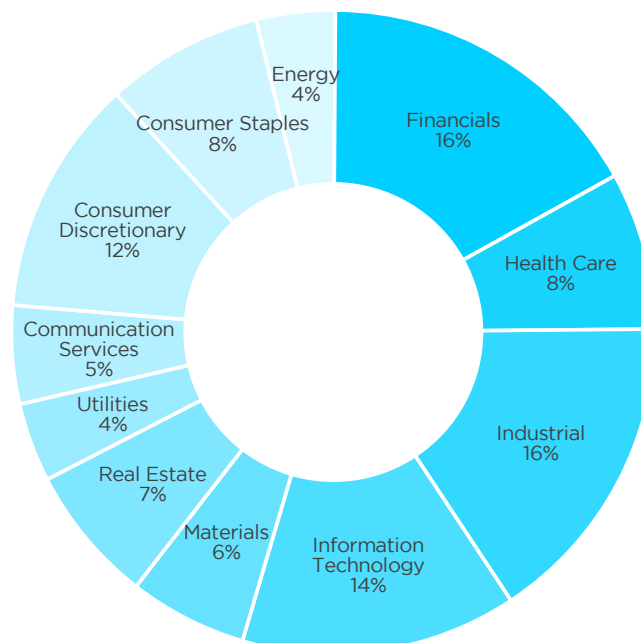
The largest industry represented in the survey is the financial sector, which employs 17% of our respondents. Following is the industrial sector, IT and lastly the consumer discretionary sector.

90% of the respondents hold the title Chief Financial Officer, while the remaining 10% are distributed on other finance executives with titles such as *Head of Finance*, *Executive Vice President*, *Finance* and *Senior Finance Manager*.

The respondents were asked to rank their most considerable challenges, after which they were presented with different questions based on their response. Respondents were not compensated for their participation. To complement our quantitative data, there have been conducted interviews with CFOs to investigate the full array of challenges facing the Danish CFOs.

This is the first CFO Survey published by CFO Insights. The survey has been made in close collaboration with KPMG, who has supported CFO Insights during the process with key insights and access to data.

## Industry split



# Digitalisation - not a technological issue, but a people issue

Successful integration of digital technologies in the finance function is not dependent on the current state of the technology. Instead, the real challenge is related to the people involved. In the transition to a digital finance function, the lack of skilled employees, along with resistance to change and setting a clear strategic direction, stands as the biggest challenges of the modern CFO in 2019.

In 2019, more than half of all Danish CFOs find digitalisation the most challenging part of their job. So, what challenges are keeping Danish CFOs, and the companies they represent, to realise the full potential of digitalisation and excel in the transformation process?

## 1 CHALLENGE - Employees skills / CXO

A key challenge in realising the potential of a digitalised finance function is the lack of employees with the right skill set. More specifically, almost half of the Danish CFOs consider the lack of IT- skills of their employees to be a considerable or major challenge of succeeding in the digital transformation.

It is not only the subordinates of the CFOs that lack the right skills. More than a third of the Danish CFOs find that the general technical knowledge of CXOs are too low, and this hinders their organisation in the transformation.

Besides the missing skills of the employees and CXOs, many CFOs are also experiencing a resistance to change within their organisation.

Generally, humans like routines, as they make us feel comfortable and let us rest assured about the quality and certainty of today's work. Transforming the finance function into a digital and data-driven entity can create discomfort amongst employees, as it means new ways of working and changes in best practice.

The resistance to change is a significant challenge in the finance departments. More than a third of the Danish CFOs consider it a considerable or major challenge, thereby ranking it as the second biggest challenge to succeeding in digitalisation. Thus, it is a bigger challenge than the practical implementation and issues with IT infrastructure.

## 2 CHALLENGE - IT Infrastructure

It takes a combination of both human and technical knowledge to succeed in transforming your digital platform and increase your competitiveness through utilizing new technologies.

A clear strategic direction will in itself not spark a transformation in the company. A significant portion of Danish CFOs believe that their company's IT infrastructure constitutes a challenge to digitalization.



## 3 CHALLENGE - No strategic direction

While almost all Danish CFOs believe that digitalisation represents major value-creating opportunities, only few believe that their firm has a clear strategic direction of digitalisation in place. A strategic direction is crucial in a successful transformation, and the lack thereof constitutes a significant challenge for the organisation, according to more than two-thirds of the Danish CFOs.

The lack of a clear strategic direction can be a key driver in resistance to change among employees, which, as mentioned above, is one of the biggest constraints in digital transformation.

### HOW TO SECURE A STRATEGIC DIRECTION

1. Secure senior management commitment
2. Set clear, ambitious and measurable targets
3. Start with a light-house project

Becoming agile and capable of adapting to the changing agenda of tomorrow can be the key to unlock the potential of digitalisation today. It is crucial, for employees at all levels, to know what they are working to achieve, and management must secure the direction and commitment if they wish to lead a successful digital transformation.

## Focus on people

The digital transformation carries with it many challenges, but the key to unlocking the full potential of digitalisation lies with the employees. A successful digital transformation requires employees that are equipped with the right skills and management that is committed and clear about how to get there.

It is clear that the technologies are ready to be implemented, as only few Danish CFOs find the maturity of digital technologies to be a challenge in digitalisation.

Instead, the challenges lie in the organisation, and developing this to be adaptive and agile in a new, changing environment.

The digital transformation process requires investments in both humans as well as technologies and IT infrastructure. The quest for achieving successful digitalisation starts with a clear and executable strategic direction for your organisation and employees.

# The potential and maturity of digital technologies applied in finance

New digital technologies present unparalleled opportunities for the finance function to become better, faster and stronger. Despite this, few new technologies are found to be mature enough to implement. According to KPMG, implementing new digital technologies is a major challenge, but investing in the right project can unlock unprecedented value.

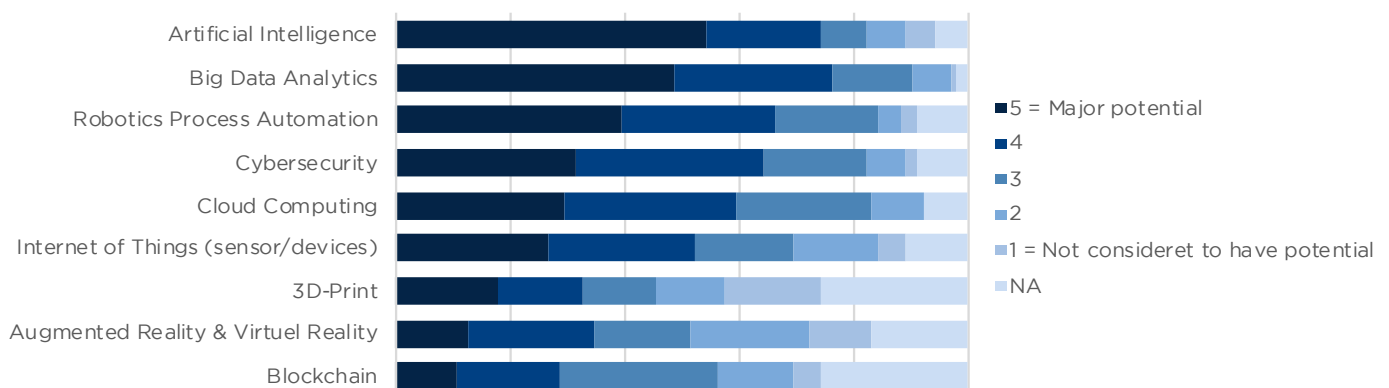
Digitalisation of the finance function is becoming a higher priority to the Danish CFOs, and new technologies present major opportunities for value creation.

Questioned about how digitalization can increase the company's business value, the Danish CFOs points to improving administrative processes, increasing quality and consistency, shortening response time and improving performance management as the key areas.

According to the Danish CFOs, the most noteworthy technologies, i.e. the technologies that present the highest potential, are Artificial Intelligence (AI), Big Data Analytics and Robotics Process Automation (RPA).

These technologies contribute to solving the core issues within finance. They can help to decrease costs by limiting manual tasks and help identify major risks hidden in the company's data. Moreover, they can improve forecasting, and thereby support operations across multiple functions in the organisation. Improved forecasting will support better decision and make the finance department more valuable to the whole organisation.

## Potential of Technology







## High potential, but not yet mature enough to implement

While Danish CFOs consider AI, Big Data Analytics and RPA as having major potential, they are less optimistic about how mature these technologies are for implementation.

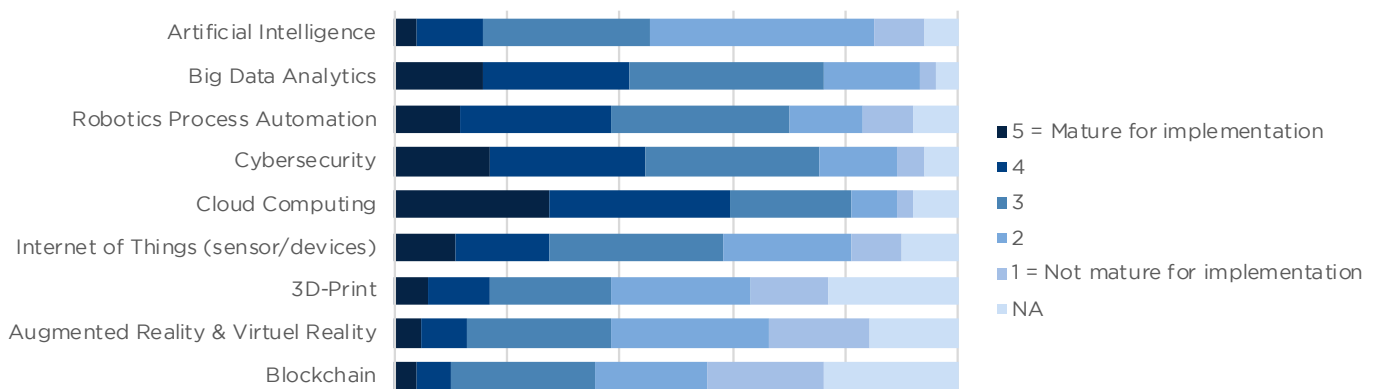
Cloud computing, RPA and Big Data Analytics are considered ready but AI much less so. This is reflected in the limited use of these technologies across Danish finance departments.

According to KPMG, the limited use in Danish companies can be due to the high required investment of resources, combined with a less clear business case. But CFOs should not hold back their investment in new technologies.

Investing sooner rather than later means gaining a competitive advantage, as a successful digitalisation can create the gap between the average companies and the most successful companies.

Moreover, investments should not only go into small projects focused around a single technology. Instead, KPMG advises CFOs to think broader and invest in larger projects and multiple technologies at once. Small investments can create value, but implementing multiple technologies together in a larger investment, offers even greater opportunities, as the technologies support each other, and in combination can lead to much greater operational improvements.

Maturity of Technologies



# Reinventing the business model is a challenge to the strategic CFO

The modern CFO is no longer a back-office accountant, but a front-line strategic leader. When asked about strategy, the biggest challenge is to reinvent the business model in times of unparalleled change.

The modern CFO is no longer solely crushing numbers in an Excel spreadsheet. Instead, the CFO is increasingly acting as a strategic partner to the CEO. Among Danish CFOs, traditional finance is now surpassed by strategy and leadership in terms of time and resources spent. This marks a shift in focus and highlights that the future CFO is about data analysis, performance and realising the opportunities that lie ahead.

With the shift in responsibilities for the CFO, new tasks lie ahead. Strategy planning and execution is naturally one of the most challenging tasks and is by the Danish CFOs ranked as the second biggest struggle on their agenda, behind digitalisation.

## Reinventing your Business Model in a Disruptive Business Environment

Diving into strategy planning and execution, the largest challenge lies in reinventing or developing the company's business model. This emphasises the accelerating threat of disruption across a wide range of industries.

Reinventing a business model is no easy task. On one hand, there must be taken action before the company runs out of resources or it no longer offers value to its customers, and they move on to competitors.

On the other hand, changing a business model before due time can hurt the company's current activities and successes, and possess a threat to the company's existing relevance.

The importance of balancing action highlights how business model innovations create pressure on modern management to possess visionary leadership and bold decision making. CFOs and their C-level colleagues need to foresee the need and the characteristics of successful business model innovations, making them able to transform and develop when necessary.



## No best practice

Though business model innovation is top of mind for two out of three Danish CFOs, the act of doing so vary greatly across industries. While several CFOs report about rapidly changing environments and quickly emerging threats demanding fast action, others report of much slower paced change.

Nonetheless, there are two important angles in rethinking a business model. First, the customer experience, and second, the ultimate experience. The task is to have the first come as close as possible to the second, without lowering the target. The ultimate experience must be 'pie in the sky'.

# The CFO and risk management

The nature of risk and uncertainty has evolved in recent years. This puts pressure on companies, and emphasises the need for robust risk management systems. However, developing and implement an effective system of risk is a considerable challenge facing CFOs.



Traditionally, the CFO has two primary responsibilities. The first is focused on delivering a stable and robust return to shareholders, while the second is focused on good corporate governance and risk management. Each is important, but we might be seeing a shift in balance, from the former to the latter.

The nature of risk and uncertainty has evolved in recent years and is set to accelerate in the future. The changes are driven by geopolitical events, volatile financial markets, technology developments, cybersecurity threats and climate change, and it is no longer an advantage to deal with these changes, but a necessity.

## TOP 3 CHALLENGES WITHIN RISK MANAGEMENT

1. Developing a framework to identify risk
2. Cybersecurity
3. Internal adaption of risk framework

Among Danish CFO's, the three greatest challenges within risk management are developing a framework to identify risk, implementing this framework in the organisation and cybersecurity.



## Developing a system of risk – and then implementing it

The role of the CFO has changed in recent years, and given how their strategic responsibilities have increased, this sees them ideally placed to develop and introduce a risk-oriented approach to decision-making processes amongst management.

Introducing a risk-oriented approach in decision making requires the risk management system to be embedded in the organisations. Many companies have developed and implemented a system of risk, but fewer believe it to be truly embedded in daily operations. The challenge is to continuously work with risk as an ongoing process, and not as a box to check once set up.

A key concern is that the formal systems of risk management becomes too complex and technical, and thereby isolated from day-to-day operations of the broad organization. The result is that a formal system of risk management exists, but is not embedded in the organization, and therefore not shaping behaviour and supporting real operations. Formal processes, systems and metrics are important, but developing the right risk management mindset is paramount.

## Continued Focus on Cyber Risk Management

A second challenge within risk management is that of cybersecurity. Cyber risk management is increasingly moving into the area of risk management and regulatory compliance and ensuring accounting practices is no longer enough.

Many organisations are undergoing digital transformation, and this touches upon every aspect of the business. As businesses become more tethered to digital data and the internet, more of the business and of customers are becoming part of a digital ecosystem, constantly under threat from cybercriminals, fraudsters and malware. In addition to these threats, increasing concerns on data privacy requires the company to protect the privacy and data captured on users.

Altogether, the task of protecting data is resource demanding, and it requires the CFO to manage risk across the whole business, if not to affect the bottom line.

CFOs offer leadership and oversight, but they must also provide focus and define priorities. For CFOs with an eye on stability and sustainability, that means making cybersecurity the top concern.

Whatever be the size or industry of the organisation, it is imperative that CFOs will play a key role in risk management. It is not just about eliminating risks, but understanding and managing risks. The CFO will be required to take action and ensure that the organisation not only survives but thrives in a world filled with increasing uncertainty and change.





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