



Disrupt and grow

2017 Global CEO Outlook
Nordic Executive Summary

KPMG Denmark
KPMG Finland
KPMG Norway
KPMG Sweden

#CEOoutlook

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CEOs remain optimistic and look to be the disruptor

Every year, KPMG surveys thousands of CEOs around the world to assess their confidence levels and find the issues making the biggest impact on their agendas. This paper looks at how Nordic CEOs feel about these issues in 2017 in comparison to their global counterparts, and investigates what circumstances make the Nordic situation unique.

The Nordic economies are traditionally seen as a stable and steady source of growth. On balance, economic performance in 2016 has reflected that. All four economies grew by 1% or more over the year, with Sweden and Denmark growing faster than 2015, and Finland and Norway slowing slightly.

So what factors make the outlook of Nordic CEOs distinctive from their global counterparts? Nordic companies are marked by a number of unique characteristics. Firstly, there are differences in business structure. Nordic firms are less likely than firms in other regions to be owned in whole or part by private equity groups or other financial institutions, which expect to see returns reflected in quarterly

earnings figures. Conversely, they are more likely to be part-owned by founding families, governments, or government-owned institutions such as sovereign wealth funds. Second, trust in both business and government is relatively high. Third, there is a tradition of collaborative and consensual decision making in both politics and commerce.

The Nordic CEOs interviewed for this survey represent a cross-section of Nordic companies. Our survey finds them cautiously optimistic about growth prospects for the year ahead. Whilst their confidence in the global economy is slightly lower than the global average, their confidence in their own countries and industries is strikingly high.

Despite the differences in the Nordic business landscape, the CEOs we surveyed said that the same issues facing CEOs worldwide are affecting Scandinavia too – such as global political uncertainty and encroaching technological change. Indeed, some effects are being felt even more keenly: compared to the global average, Scandinavian CEOs are more concerned about the need to transform their businesses in the face of global technological change. Even though trust in business is high, improving it is still a priority for Nordic CEOs – three quarters (75%) say that building greater trust among external stakeholders and customers is a top three priority for them, compared to 61% of their global counterparts. “Trust is definitely still an issue in some areas,” says Björn Hallin, chairman of the board at KPMG Sweden. “The financial sector faces just as much mistrust here as it does in other developed countries, for example.”

Despite the region’s reputation for stability, Nordic CEOs say they are hungry to disrupt existing business models and foster new attitudes, once they see the long-term benefits of such activities have been accepted and understood.

Their attitude towards cybersecurity perhaps exemplifies this. Nordic CEOs are less likely than their global counterparts to see the issue as a pure threat to their businesses, and more likely to see it as an opportunity to sell new solutions to customers facing new problems.

On balance, Nordic CEOs are aware of the threats posed by global political upheaval and technological uncertainty, but are quietly confident in their ability to get on with the task of adapting their companies to mitigate them.

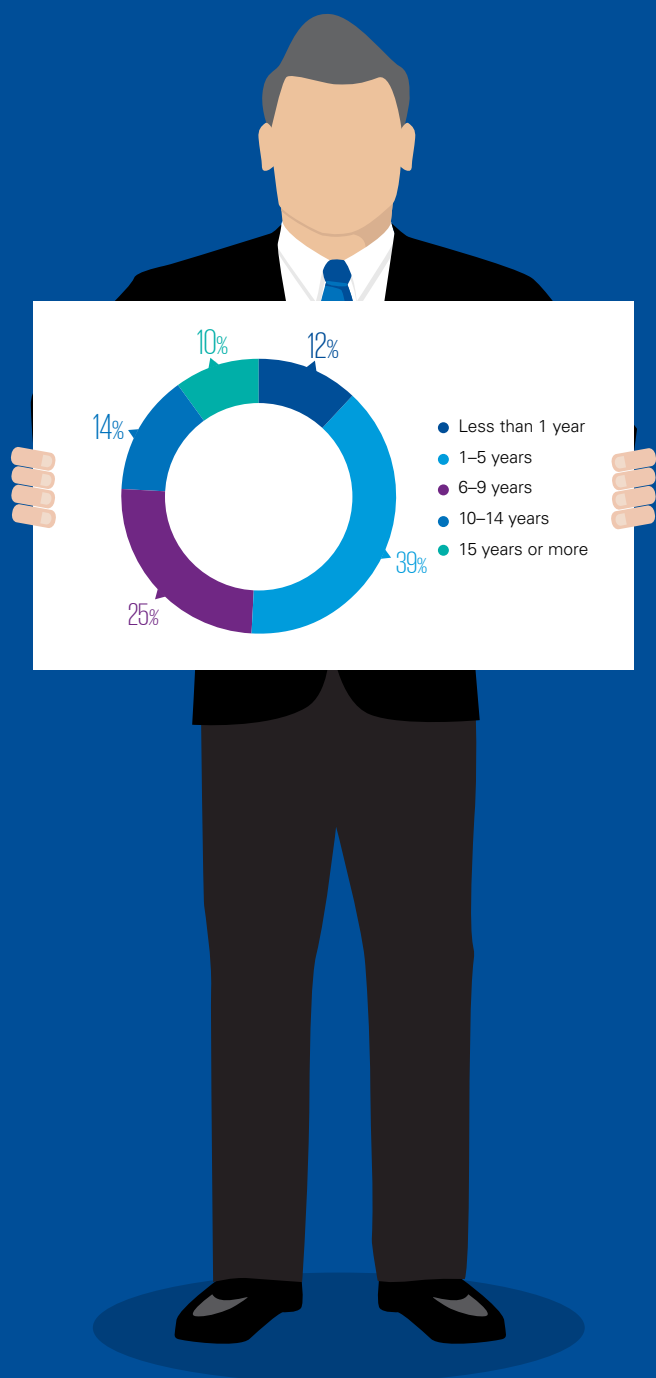


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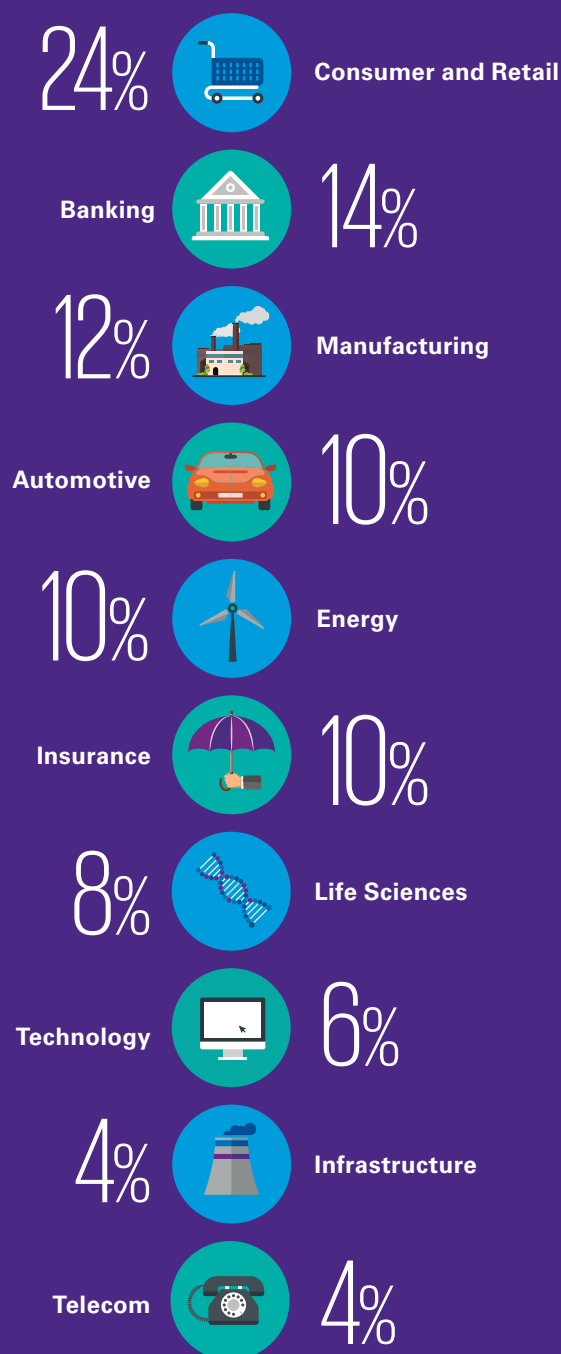
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Facts about the Nordic CEO Outlook

How long have you been the CEO of your current firm?



Which of the following best describes your industry?

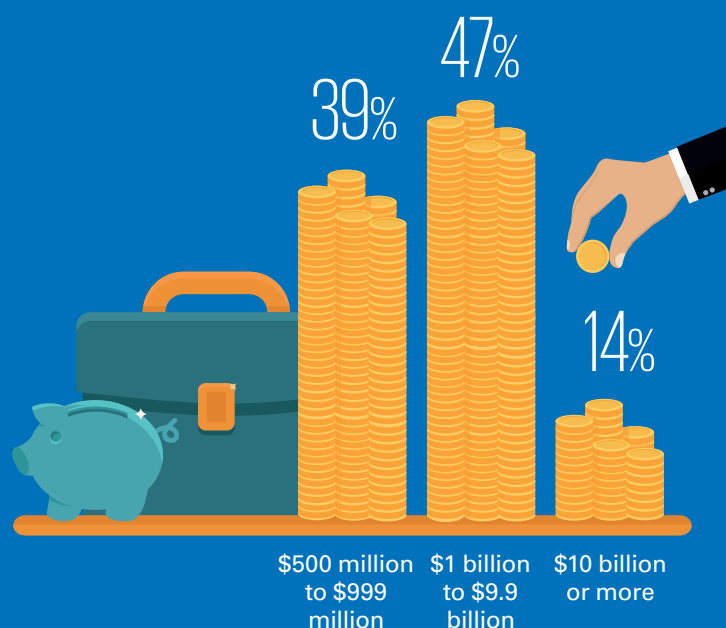




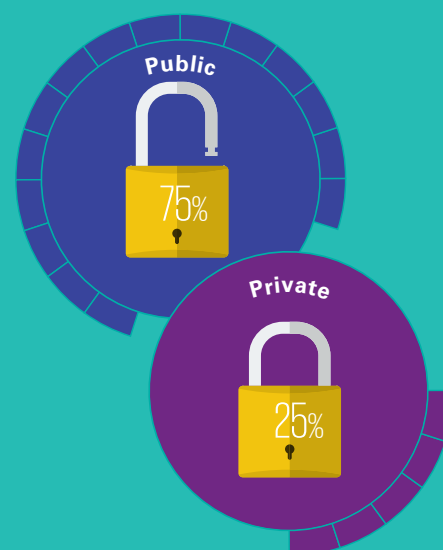
The Nordic economies are traditionally seen as a stable and steady source of growth. On balance, economic performance in 2016 has reflected that.



What is your revenue profile?



Is your firm public or private?



The number of companies participating

Global benchmark: 1261
CEOs from US, China,
Australia, UK, Spain,
Japan, Germany,
France, Italy and India



...of the 51 Nordic CEOs:
Denmark: 13
Finland: 13
Norway: 15
Sweden: 10

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Defining economic confidence in the Nordics

Nordic CEOs are broadly more confident than their international counterparts. Whereas worldwide, business confidence has been hurt by geopolitical upheavals such as the election of Donald Trump and the UK's vote to leave the European Union, Nordic CEOs remain cautiously optimistic.

Of the CEOs surveyed, a full 100% were confident in the prospects for their company over the coming year. The proportion of Nordic CEOs reporting confidence in the economic prospects for their industry is also strikingly high, at 96%.

However, while they are very confident about prospects for their companies' growth and fairly confident about their

industry's growth, they are less confident in their country's growth than their international counterparts: an outlook perhaps influenced by years of slow but steady growth. Indeed, whilst only half said they were confident about their country's growth prospects in the next year, Nordic CEOs are more optimistic for their own countries over a longer time period.

Chart 1: Economic outlook and business confidence next 12 months

Number of CEOs saying they feel overall confident for the coming 12 months:

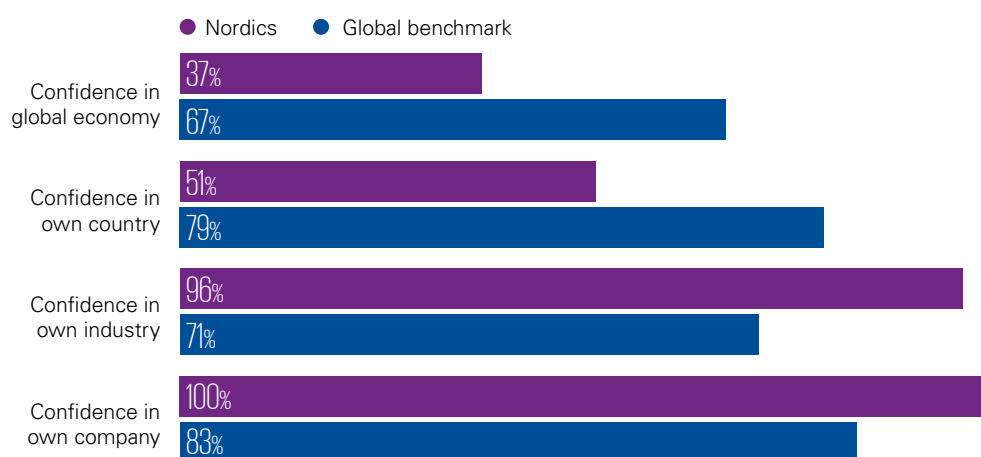
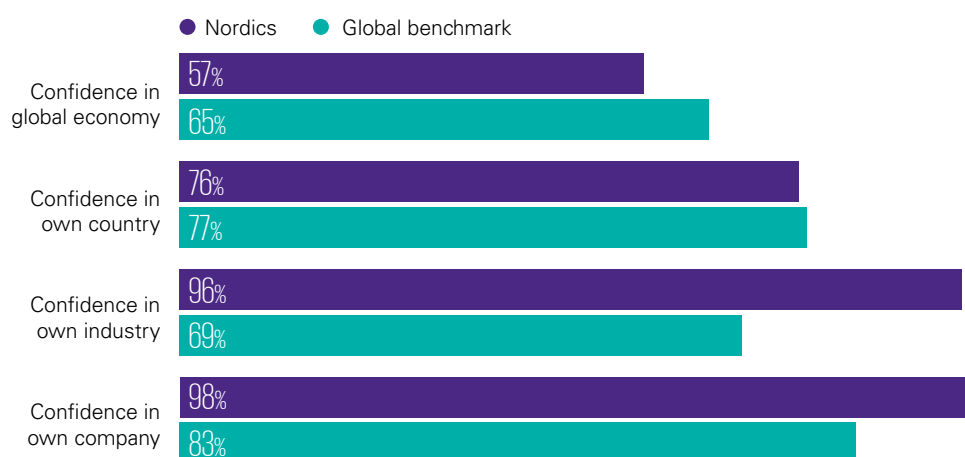


Chart 2: Economic outlook and business confidence next three years

Number of CEOs saying they feel overall confident for the next three years:



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What is at the heart of this confidence? Perhaps the region's commercial and entrepreneurial culture. "This culture is already paying dividends in terms of Denmark's reaction to Brexit, for example," explains Morten Mønster, head of KPMG Advisory Denmark. "Many Danish exporters have already prepared for different scenarios as part of the challenge of exporting to Britain as it leaves the European Union."

Rune Skjelvan, Head of Advisory at KPMG Norway, describes the outlook for Norway as mixed. "Most industries are optimistic or slightly optimistic," he said, although "oil and gas, shipping, and all the industries affected by oil and gas are less optimistic."

There are both differences within the Nordic countries and regional variations within them. "The western part of Norway is very focused on oil and gas, and those parts are less optimistic, but in the capital, Oslo, and the northern part of Norway, there is a great deal of optimism." Although Norway's oil and gas industry had been "troublesome"

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for the last three or four years, he said that it was slowly returning to a relatively prosperous period. Björn Hallin is similarly confident about his country. "The macro economy is strong," he says. "We have many exporting companies benefitting from growth in various regions across the world." He identified the fact that Sweden is not part of the Eurozone as a key factor in national confidence.

Mønster argues that Nordic companies have a very good, defensible foothold in the global economy. "Many Nordic companies, such as in the pharmaceutical and in retail sectors, have been successful in delivering worldwide in certain industries. For instance, Novo Nordisk is a leading player in

the diabetes insulin business as well as H&M in retail."

Strong sustainable sectors may explain why more Nordic CEOs expect their companies' topline growth to be 2 to 4.99% annually than any other bracket, compared to their international peers. By comparison, 51% of CEOs globally believe growth will be only 0.01-1.99% over the next three years.

Partners interviewed in this report



Mika Laaksonen
Partner, Cyber,
Advisory,
KPMG Finland



Morten Mønster
Partner and
Head of Advisory,
KPMG Denmark



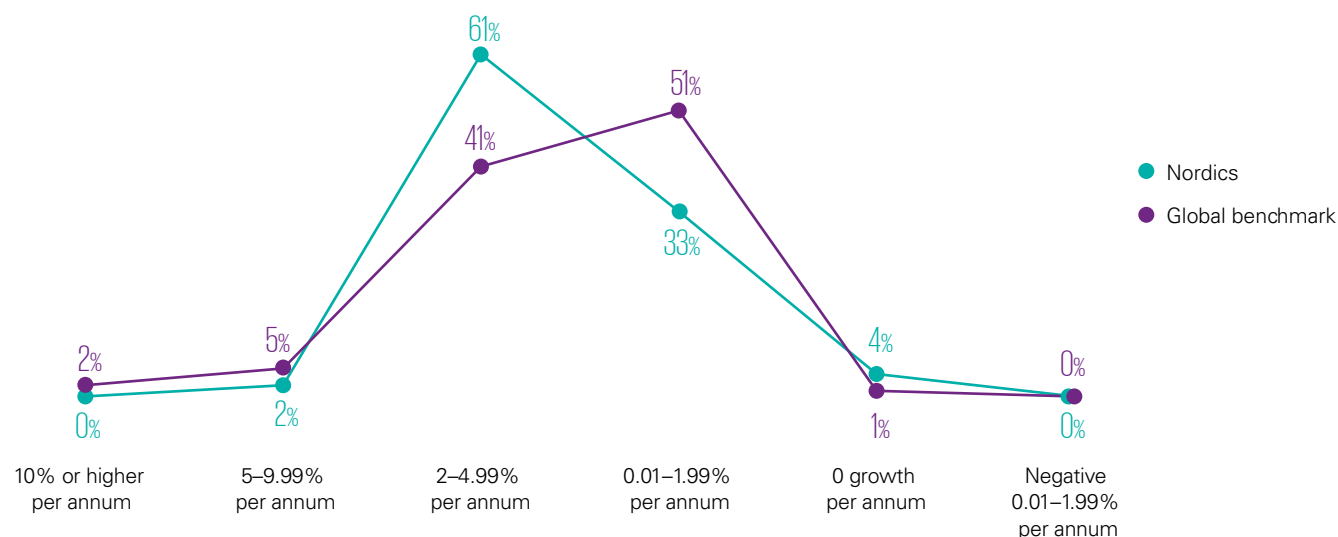
Rune Skjelvan
Partner and
Head of Advisory,
KPMG Norway



Björn Hallin
Partner and Chairman
of the Board of KPMG
Sweden

Chart 3: Topline growth next three years

Expected topline growth next three years:



They are also relatively optimistic about expected headcount growth. In general, Nordic CEOs expect their headcounts to rise faster in the next year than over the next three years. However, growth is expected faster than in the global sample: whereas only 59% of CEOs internationally

expect their headcount to increase in the next year, as many as 88% of Nordic CEOs say the same. Expectations for three years were more conservative, however, with just 27% of respondents predicting growth of more than 6%, significantly lower than the 47% globally who said the same.

Chart 4: Headcount growth next 12 months and next three years

How do you expect your organization's headcount will change over the next 12 months and next three years?

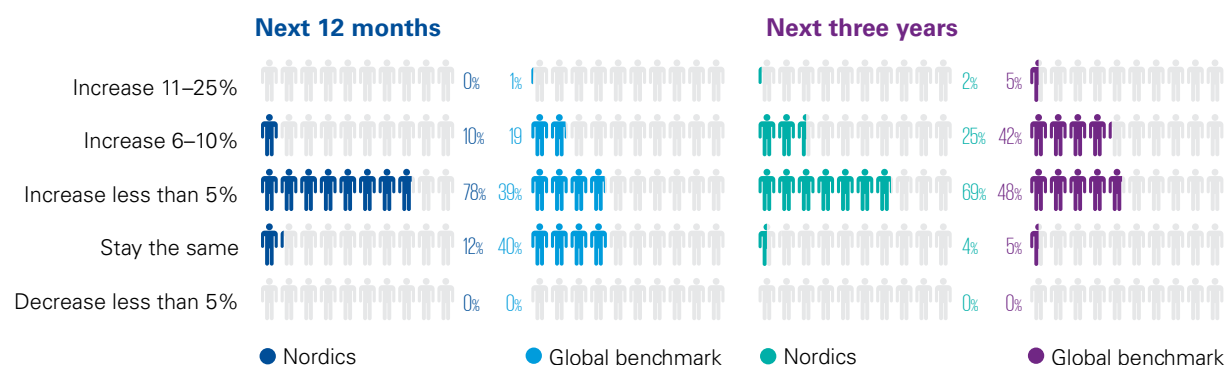
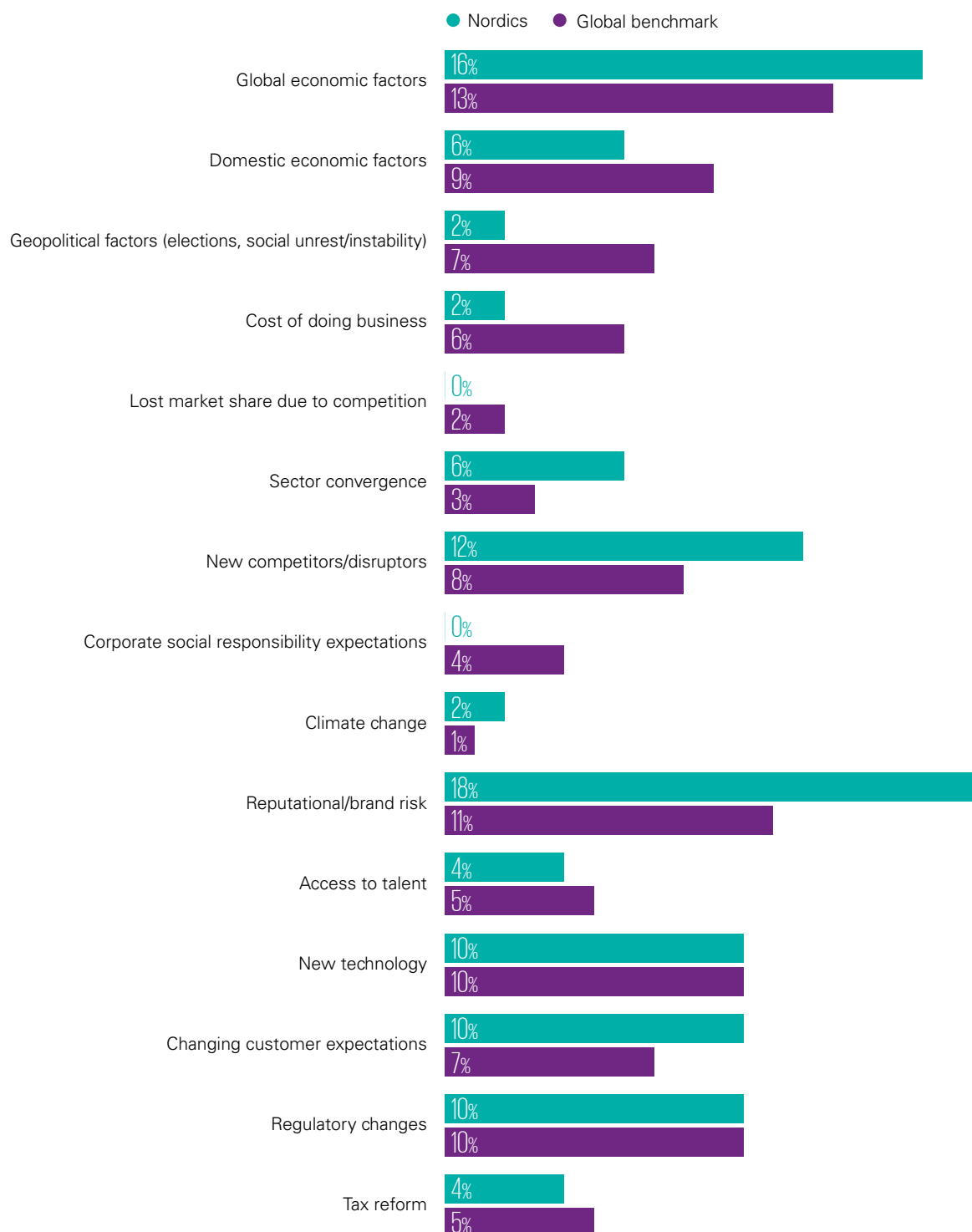


Chart 5: 15 biggest factors impacting growth:



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Many Danish exporters have already prepared for different scenarios as part of the challenge of exporting to Britain as it leaves the European Union.

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Under pressure
to transform

Nordic CEOs say they are much more concerned than their global peers about whether their companies are keeping pace with competitive pressures. Whereas internationally, under half of respondents (45%) say that they are concerned about keeping ahead of the competition; however, three quarters of Nordic CEOs said that it was a concern.

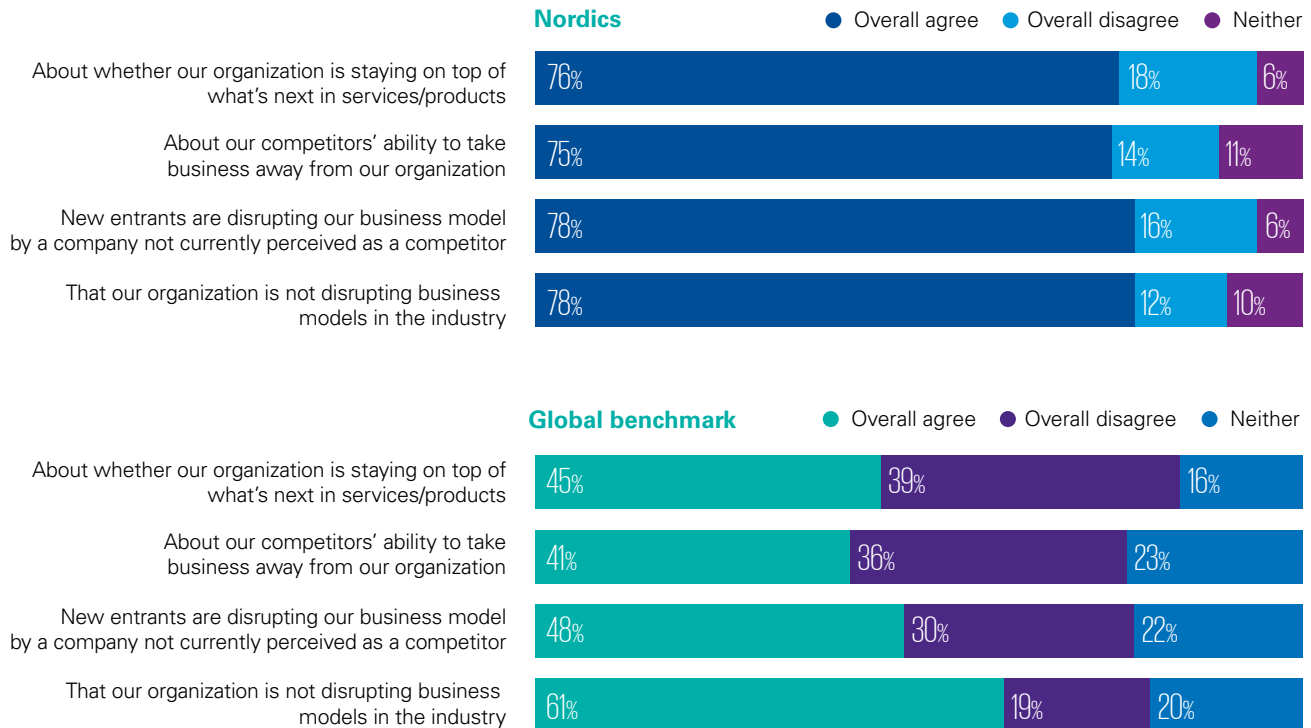
This might be because Nordic companies are more likely to think long-term and strategically than their international counterparts. Mønster points out that a key element of the Nordic model involves active ownership as a stabilizing force – in the form of founding families, government, foundations – that has a majority stake in companies and tends to take a more long-term view. He cites this long-term outlook as a core reason that Nordic companies are more likely to embrace technology, even if doing so entails a short-term investment which might not pay off for several years. “They know they have to embrace technology,” he says.

Mønster cites the threat faced by Maersk, the container shipping company, as an example of taking the digital threat seriously. “The CEO Søren Skou recently has stated that Maersk should fear disruption from companies like Amazon. Something that would have been unheard of just a few years ago”, Mønster argues. “Amazon, the e-commerce and cloud company, is currently looking into how to create a service that includes the whole value chain, including transporting the goods to the customer, thereby cutting the shipping and logistics companies out of the equation. This is forcing Maersk to pursue a strategy of becoming a much more integrated logistics company which can offer end-to-end customer solutions with a strong digital component. Additionally, in an age of self-driving cars, drones and 3D printing, logistics services are clearly at risk.”

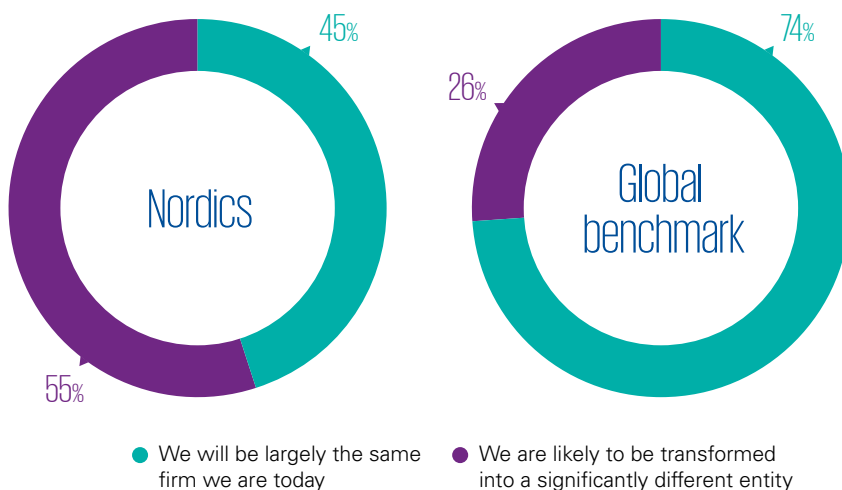
This convergence may have a knock-on effect on outlook; Nordic CEOs are more likely than their international counterparts to be concerned that their business model might be disrupted by a new entrant that is currently not seen as a competitor. Nordic CEOs have a healthy dose of realism and understand that action needs to be taken. Whereas less than half of CEOs globally say they are concerned about this, nearly eight out of ten Nordic CEOs (78%) say the same. The same proportion say they are concerned their organization isn’t disruptive enough.

Chart 6: CEOs biggest concerns

I am concerned...


Chart 7: Transformation

Looking at the next three years, what statement best describes the company you lead?



"Nordic societies have become so accustomed to disruptive change that it is regarded as a fact of life to which firms must either adapt or face the risk of being left behind," suggests Rune Skjelvan. For Morten Mønster, the Nordic firms' confidence that they can weather the storms of disruption comes from their faith in their staff. "The Nordic workforce is quite agile and competent," he says, "so business leaders tend to think that whilst they might not have all the capabilities today, they can develop that workforce to cope with the disruption."

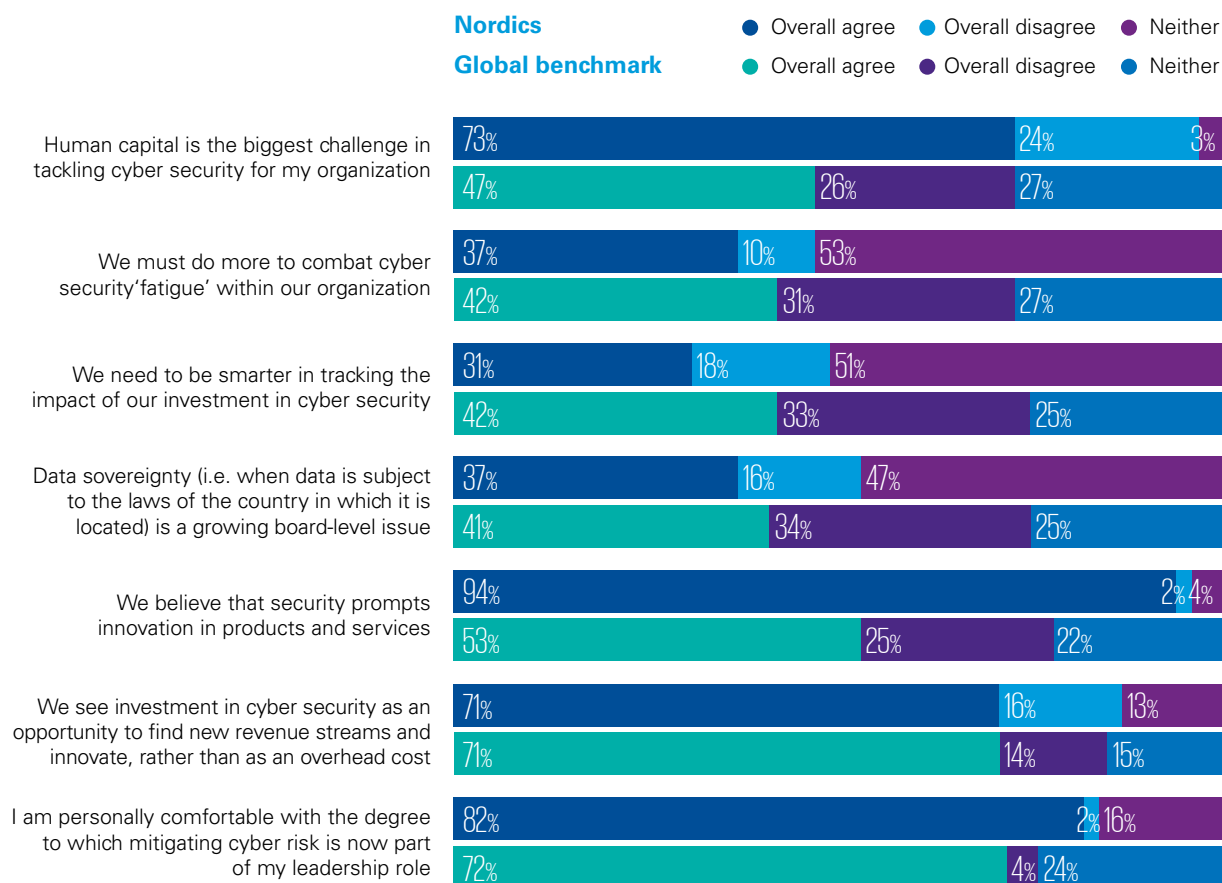
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A positive approach to cyber

Cyber attacks is a threat that can strike anywhere. Attitudes towards cyber security, however, are not identical around the world. Nordic CEOs are much more likely to see cyber security as an opportunity, rather than a threat. This may be counterintuitive to CEOs from other regions who are more likely to focus on cyber threats than the commercial opportunities from security products and services which they necessitate.

Chart 8: Cyber issues

Indicate your level of agreement with the following statements:



They are, for example, more likely than their global counterparts to believe that data security prompts innovation in products and services. Nearly all (94%) take this view, almost double the 53% of global CEOs who say the same. Mika Laaksonen, KPMG Cyber Advisory Partner in Finland, says that Nordic CEOs see data security as an integral part of new, innovative services. They are successful only if the client can trust them. For example, the buyers of cloud-based HR systems tend to be conscious of the need for data privacy, especially in terms of sensitive data, and the compliance to EU's General Data Protection Regulation (GDPR).

They understand that they must be able to show their clients high standards of data security, and that their partners' and suppliers' standards are equally high.

Nordic CEOs are more likely than their international counterparts to see revenue opportunities in such cyber risk mitigation. They are also more likely to see preparedness as part of their leadership role. Laaksonen says that "CEOs are already seeing it as important to protect their assets properly. They are starting to see that they cannot hope for high customer satisfaction without cyber security, or privacy for that matter."

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This is likely helped by the fact that Nordic countries have very high levels of internet penetration. Denmark and Sweden top the league tables for online advertising spend and engagement by business, government and consumers. This means that the understanding of online security and how to mitigate it is commensurately greater than in regions where a smaller proportion of the economy is online. The expectations of Nordic consumers are thus more evolved than the global average: Nordic firms have experience of the fact that businesses and consumers will spend money to keep information and other assets safe online. This is likely to contribute to Nordic CEOs' understanding that cyber security can be a commercial opportunity as much as a threat.

That does not mean that they believe they have the talent they need to take

that opportunity, however. Human capital is a challenge: 73% of Nordic CEOs say it is the biggest obstacle to tackling cyber security, compared to 47% of the core sample.

Although Nordic CEOs are more confident in their companies' preparedness for certain kinds of attacks, they are less confident about their firms' readiness for others. Whereas 73% said they are ready for a distributed denial-of-service attack – significantly higher than the 38% globally who said the same – the proportions who expressed readiness for a ransomware attack (39%), customer data theft (37%), data theft (45%), an employee-led data breach (29%) are lower than the global averages. Nordic CEOs, however, report greater readiness for an equipment or software attack (80%) or a social media hack (55%) compared to the global average.

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Although Nordic CEOs are more confident in their companies' preparedness for certain kinds of attacks, they are less confident about their firms' readiness for others.

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Chart 9: How prepared is your organization for a cyber attack?

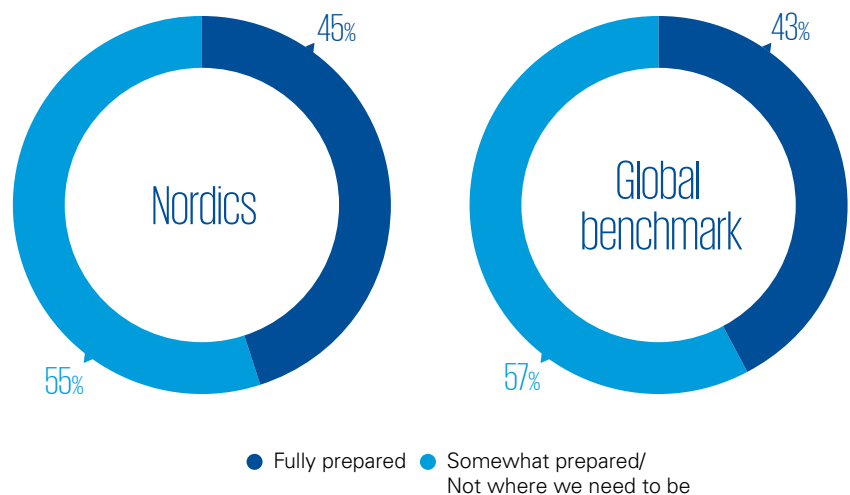
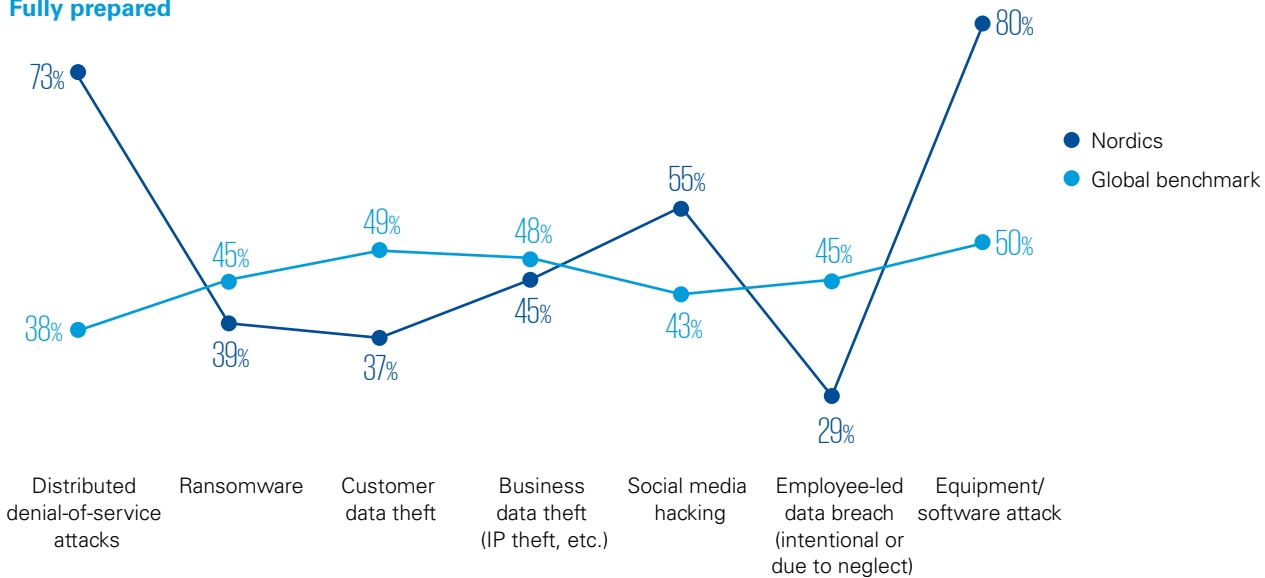


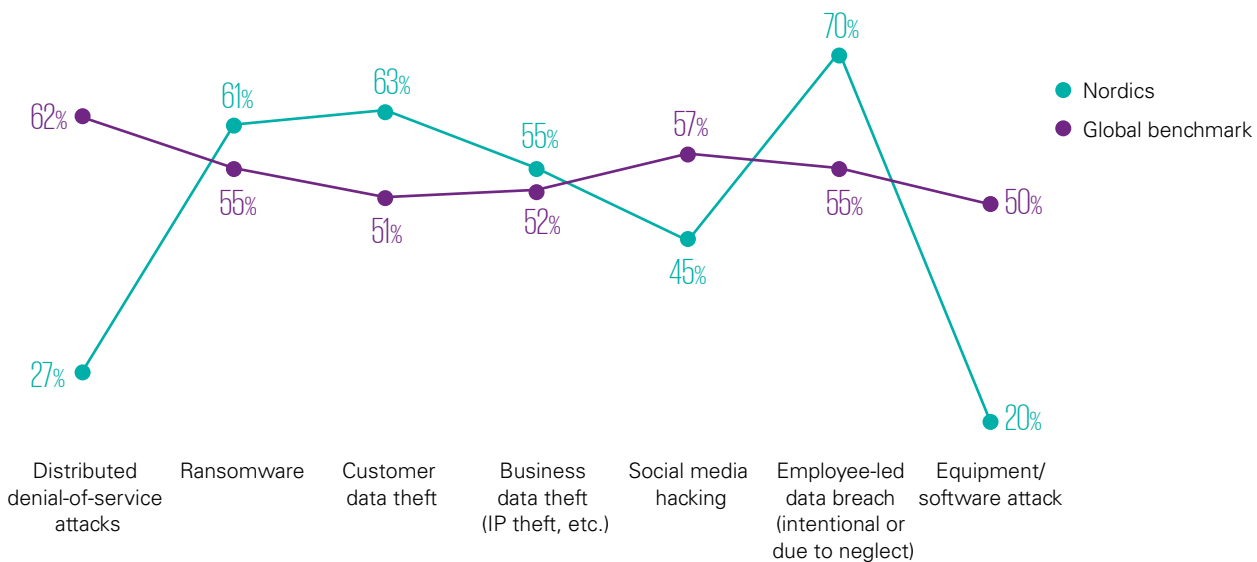
Chart 10: Cyber security preparedness

How prepared is your organization to deal with cyber-related threats?

Fully prepared



Somewhat prepared/ Not where we need to be



Laaksonen believes that Nordic view of cyber security is evolving. "Over the years there have been some high-profile incidents." He cites one example of a global firm based in the Nordics that had a few minor breaches, but was reluctant to implement a solution "because it would take effort and cost money." Subsequently, however, the company

was hacked again, lost four consultancy clients, over a thousand servers, and were forced to send their workforce home for many days. These kind of examples, coupled with the coming challenge of regulation, combine to form a picture of a region rapidly waking up to the issue of cyber security, but responding to it pragmatically and optimistically.

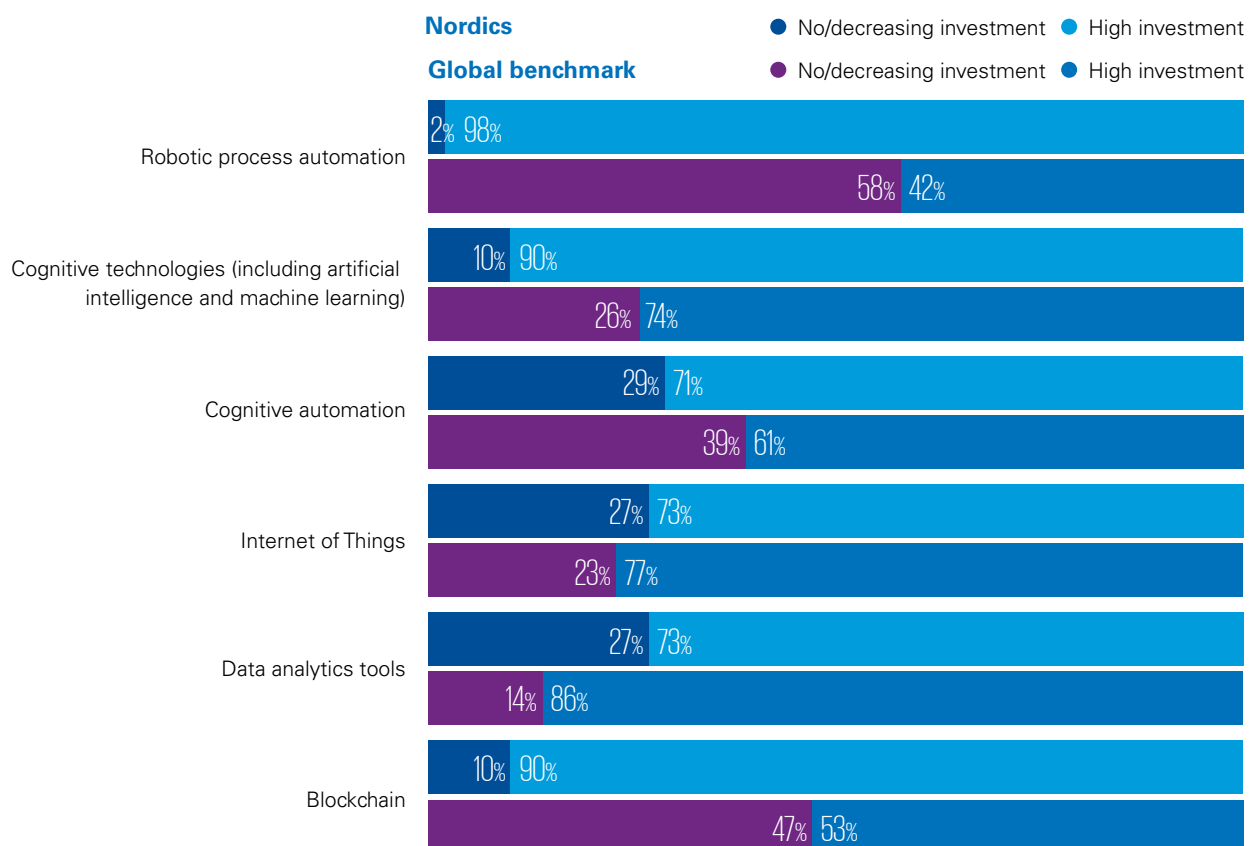
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The CEO as Chief Disruptor

This year's KPMG CEO Outlook shows that CEOs now see themselves as the chief disruptors of their own companies. Disruption has gone from being seen as an external threat to an internal aspiration, and Nordic CEOs are no exception. "They are both curious and a little bit afraid of what disruption could mean for their business," says Skjelvan.

Chart 11: Investing in disruptive technologies

What has been the level of investment in your organization in the following technologies over the past 12 months?



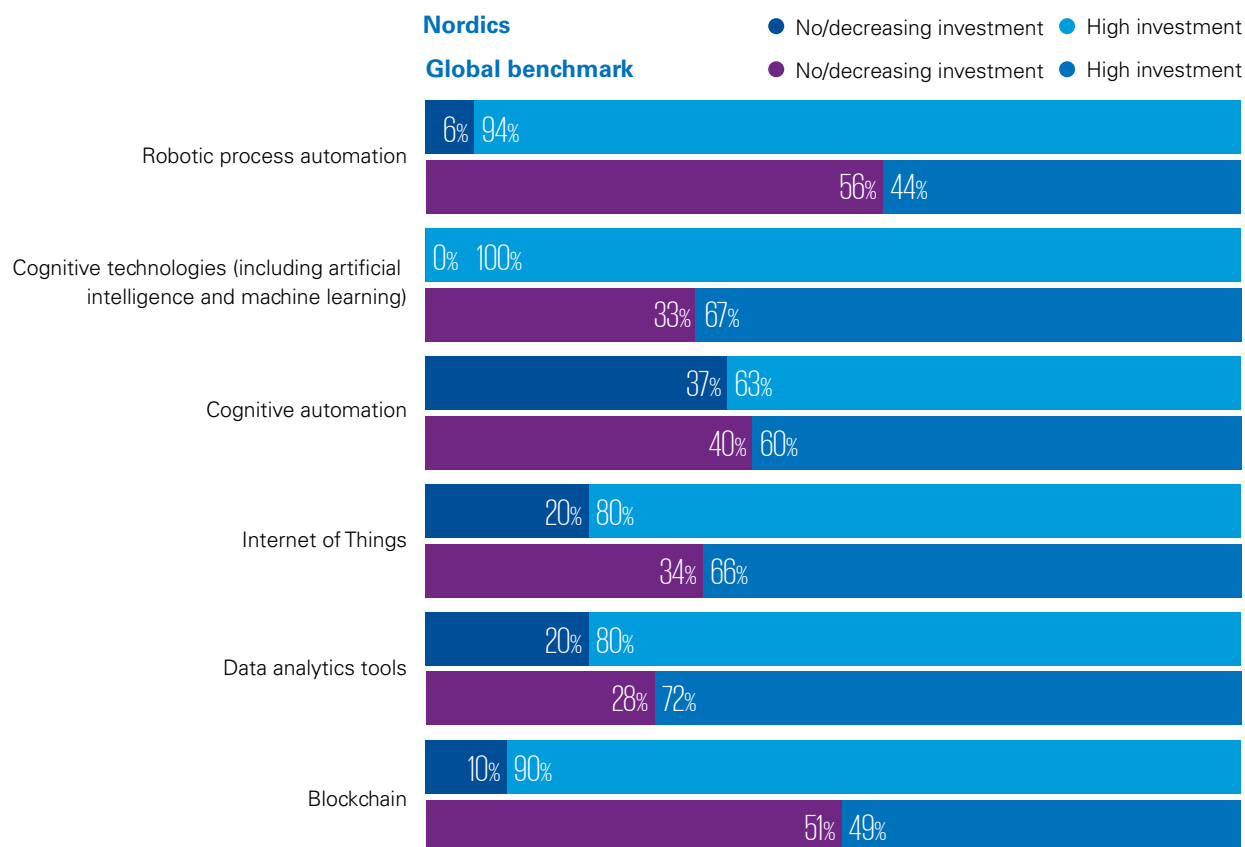
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Disruption has gone from being seen as an external threat to an internal aspiration, and Nordic CEOs are no exception.

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Chart 12: Investing in disruptive technologies

What do you expect will be the level of investment in your organization in the following technologies over the next three years?



Some see disruption as an opportunity “to outgrow their competition,” he continues, while others “are afraid that they are making investments too late.” He cites the example of one client who, a few years ago, was

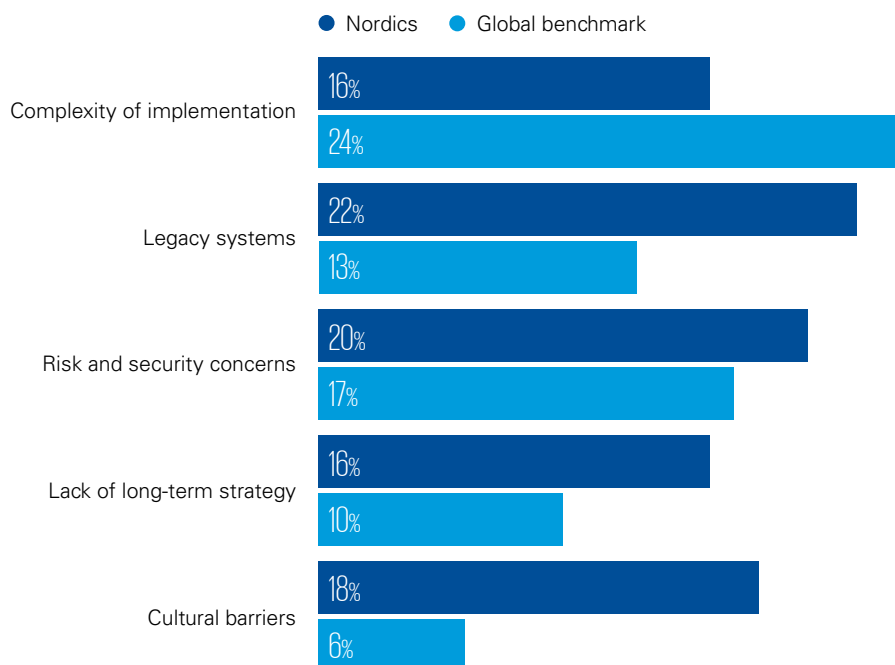
adamant that certain processes could not be automated, but is now asking for help to implement the automation they previously rejected. Skjelvan sees cost-cutting as the prime motivator in this.

DNB's CEO recently stated that the company is no longer a bank; it is now a technology company. "When they launched a new payment solution, Vipps, they got more than one million users in five months, many who were not customers of DNB," Skjelvan explains. "After a year, the app had been downloaded more than two million

times. The market penetration of a payment solution was unprecedented in the Norwegian market. DNB utilized disruptive technology to reposition themselves completely in the market and contributed to changed behavior of bank consumers. Ten years ago that couldn't have happened."

Chart 13: Barriers to adopting new technologies

What will be the single biggest barrier to implementing new technologies in your organization over the next 3 years?



Disruption has gone from being seen as an external threat to an internal aspiration, and Nordic CEOs are no exception



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When it comes to their own ability to cope with disruption, Nordic firms are optimistic.

One theory to explain this is that because Nordic consumers are so accustomed to technological change, they are relatively unfazed by it when it upends their work life. “Consumers in Scandinavia are quite digitally advanced, so they also expect their work and business life will work in the same way,” Skjelvan says. “With high educational and income levels, adoption of new technology is rapid.”

But Nordic CEOs are likely to have another reason to be keen to disrupt their own

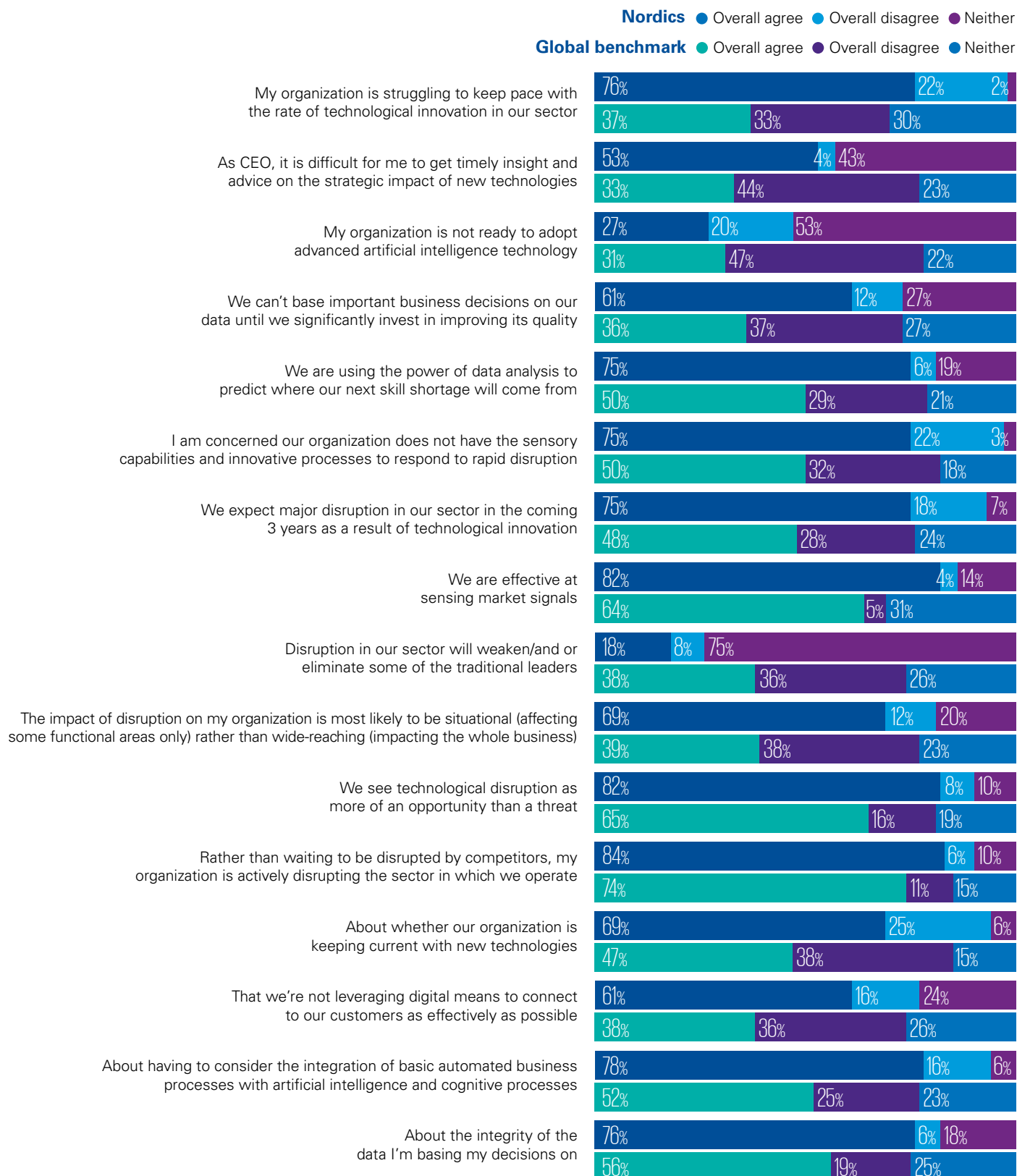
models. As Skjelvan explains, salaries in Norway are relatively high. “That means that if you want to cut costs and improve your services for customers, you need to adopt and embrace new technology, and quickly.”

This can have knock-on effects: offshore labor and geographically dispersed supply chains may now be more expensive than manufacturing at home. Nordic companies that have embraced offshoring over the last decade or so are now considering bringing production back to their home countries or near shoring, using more robotics and other technology.



Chart 14: Coping with tech disruption

Indicate your level of agreement with the following statements:



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The AI Advantage

This positive attitude to technology also extends to artificial intelligence (AI). Nordic CEOs expect it to increase, not decrease, the numbers of skilled employees in the region – because skilled supervisors of new technologies will be required as work is brought back onshore. “We see the previous focus on pure labour arbitrage by sending work to low-cost countries, gradually being replaced by more balanced delivery models, where a small skilled workforce, leveraging cognitive and robotics, can handle tasks more efficiently and at a lower cost,” says Morten

Mønster. Overall, companies expect to increase their outsourcing efforts, but AI, robotics and automation are important parts of the strategic considerations, when deciding what tasks and areas to outsource, and what should be insourced locally.

Mønster points to AI reinforcing existing business models, and mentions Vestas and Maersk as examples of companies leveraging cognitive intelligence as part of their existing business models, rather than building new models around AI. Compared to their international peers, this is a distinctive feature of the region. 78% of Nordic CEOs are concerned about integrating automated business processes with AI, compared to 52% of the core sample.

Nordic CEOs are concerned with the quality of the data used for decision

making in this area, with only 27% saying they are ready to adopt advanced AI technology. Nordic companies with a digital business model are embracing AI. Spotify relies on AI for recommendation engines and Klarna uses AI for detecting fraud and credit assessment. However, examples of the use of artificial intelligence among incumbents are now more and more widespread. Examples include Novo Nordisk, who use Watson in their R&D, and Siemens Windpower, which is using machine learning to bring down the cost of windmill maintenance.



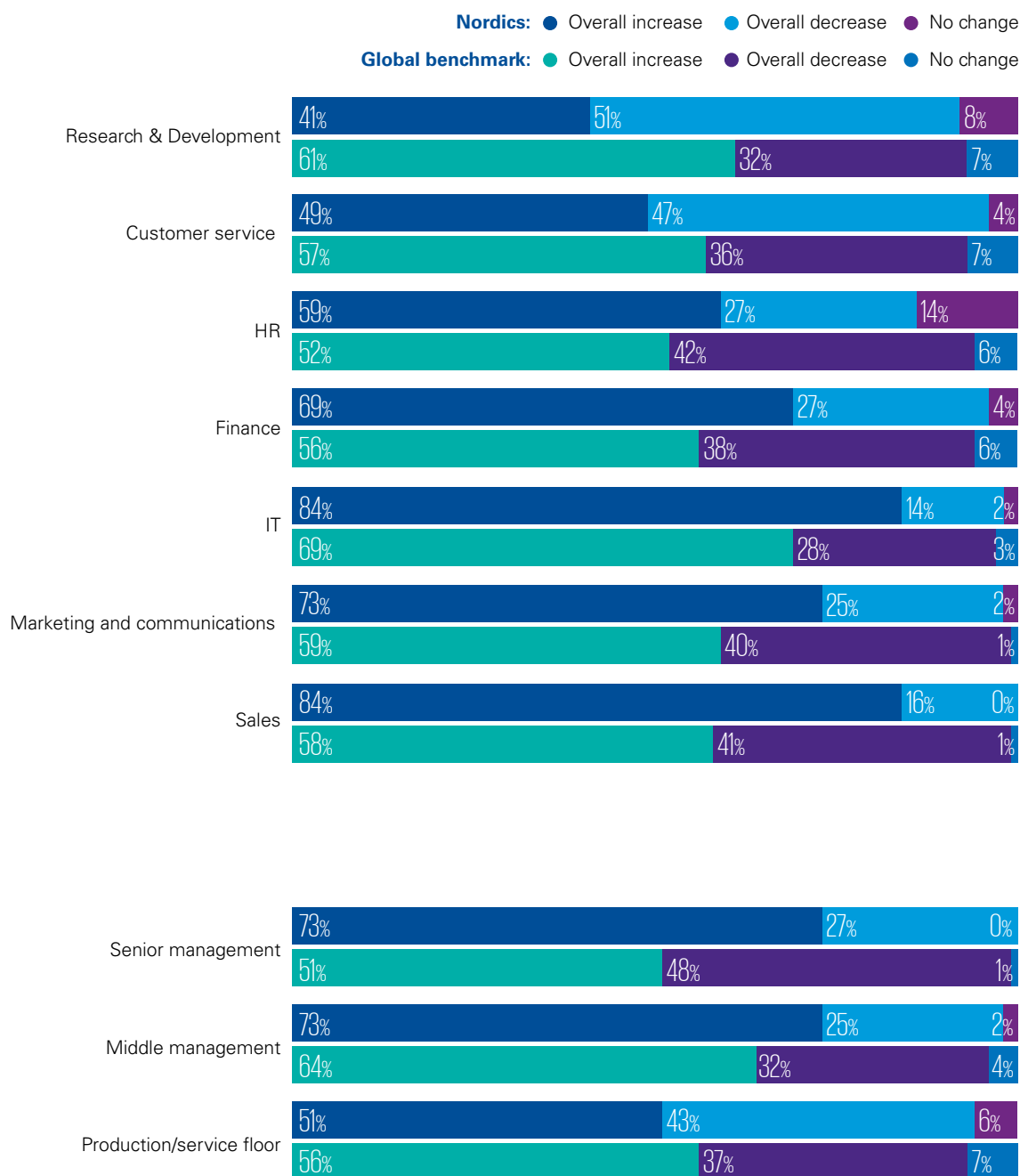
Nordic CEOs are concerned with the quality of the data used for decision making in this area, with only 27% saying they are ready to adopt advanced AI technology.



There are plenty of examples in the financial services sector. SEB has begun using one of the most advanced digital assistants, Amelia, internally and for customer service as well. Danske Bank has launched a robo-advisor called June that customers can use instead of a traditional adviser.

Firms are beginning to deploy robotics which entail both rule-based AI and image recognition. This is spreading in the Nordic countries and is being used for a large array of tasks such as preparing customer meetings, making payments, handling critical illness claims at lightning speed, fixing data issues and enabling new digital solutions. Voice and chatbots are appearing with a voice-based solution in a Norwegian bank and chatbots are being deployed at a large insurer. The AI revolution has begun and Nordic companies are on the right track.

Chart 15: How will emerging cognitive technology (robotic process automation, cognitive computing and cognitive automation) impact your headcount over the next three years?





About KPMG's 2017 Global CEO Outlook survey

The survey covers 1,261 CEOs in 10 key markets (Australia, China, France, Germany, India, Italy, Japan, Spain, UK and US). 51 Nordic CEOs have attended the survey. A third of the companies surveyed have more than USD 10bn in annual revenue, with no responses from companies under USD 500m. The survey was conducted between 21 February and 11 April 2017.

Note: some figures may not add up to 100 percent due to rounding.



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