



ODGERS BERNDTSON

Search Intelligence



Board of Directors Survey 2017  
Denmark

# INTRODUCTION



In February 2017, Troels Gjerrild and Thomas Riisager, Managing Partner and Partner at Odgers Berndtson respectively, invited Denmark's top 100 CEOs to participate in Odgers Berndtson's 2017 Board Survey.

The survey concentrated on four current and highly important macroeconomic and company specific topics:

- Financial situation
- External and internal challenges
- Change agility
- People/talent management

The survey response rate was at 39%.

All answers have been kept confidential.

We thank you all for your time spent on this assessment and encourage anyone to contact us with any questions.

# MAJOR REFLECTIONS



- Focus on obtaining and retaining talent – including having Talent Management Programs in place - is of high priority for companies and their Board.

**The question is; are these programs focusing on the right talents, are they structured the right way, and are they sufficient in capturing the critical number of talents?**

- There is an overall belief that companies (incl. their strategy, culture, board competencies, and organization) are sufficiently agile, thereby enabling them to compete in an ever changing environment.

**The question is; can one be self-critical enough in times of continuous growth where budgets and forecasts are (easily) kept and often exceeded?**

# KEY TAKEAWAYS



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## Economics:

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- Overall, 82% of the Danish top CEOs expect a positive, above the level of inflation, revenue growth for the coming year with 44% expecting a 5%+ growth.
- The respondents foresee a positive economic climate during the next couple of years with a potential downturn hitting in 2019/20, which is thought to be of a nonsignificant (“soft landing”) nature.
- The largest threats to overall economic growth are thought to be overregulation, protectionism/nationalism, and geopolitical uncertainties, reflecting the current massive attention on populism in the press.

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## Agility:

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- Digitalization and consumer behaviour are seen as the most critical elements to company performance which is why there is a great need for agility.
- The majority of companies believe that their strategy, culture, board capabilities, and organization have the critical agility needed in order to stay competitive in a constantly changing environment.
- This being said, approx. 50% of the respondents express a continuous need to focus on the company’s overall agility to ensure they are able to take advantage of/cope with future changes.

# KEY TAKEAWAYS



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## Talent:

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- Despite significant focus on attracting and retaining talent by the Boards and the vast majority of companies having a talent management program in place, companies still expect there will be a challenge with regard to talent pool exhaustion in the near future. The question is then if current talent management programs and Talent Managers' KPI remuneration are sufficient?
- Without taking specific roles into account, salary adjustments are expected to roughly follow or slightly exceed (median 2%) the level of inflation. This reflects the same or slightly higher increases compared to the last couple of years.

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## Executive management:

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- As seen in Odgers Berndtson Board Surveys the past many years, key requirements for C-level executives include the ability to create results, execute, and a strong culture fit®.

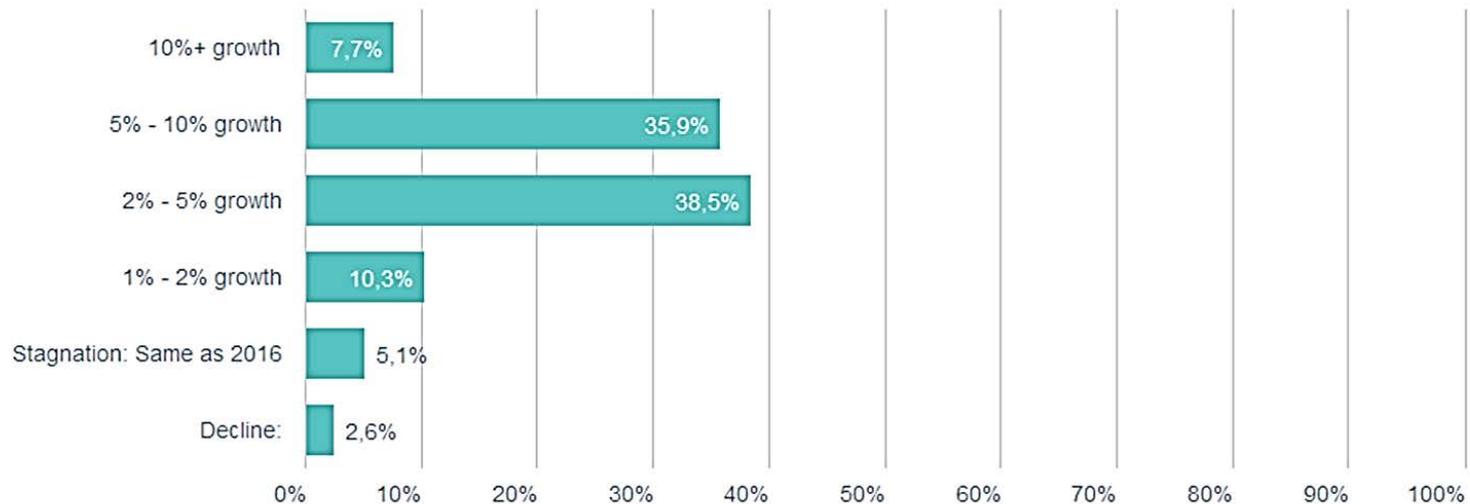
# POSITIVE REVENUE GROWTH EXPECTED FOR 2017



In regards to company performance, 92% of the respondents were positive in their outlook for 2017. A total of 82% foresee growth above the level of inflation while 44% of the respondents foresee +5% growth. Only a handful (3%) took a pessimistic view, expecting a decline.

Overall, this positive outlook is consistent with expectations from top executives' general meetings with Odgers Berndtson.

***Q: How do you foresee the expected revenue growth of your company for 2017?***



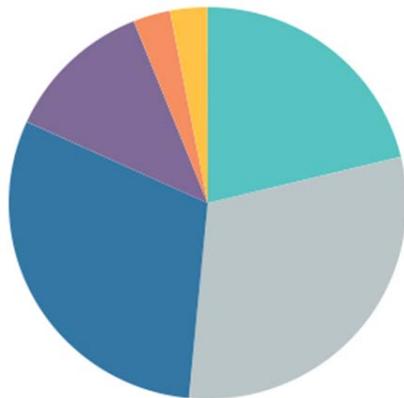
# NO DOWNTURN FORESEEN IN IMMEDIATE FUTURE



The majority of the respondents do not expect an economic downturn to occur before 2019-2020. In total, 48% do not expect the downturn will happen until after 2020.

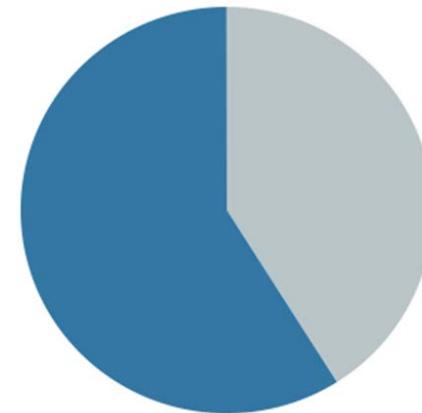
When an economic downturn is expected to occur, the companies asked expect the downturn will be either stagnant/minor (59%) or noticeable (41%) but not significant (0%). This reflects the common belief that fiscal policy and government intervention will soften a potential downturn.

**Q: In which year do you foresee the expected economic downturn to happen?**



● 2018	21,2%	● 2021	12,1%
● 2019	30,3%	● 2022	3,0%
● 2020	30,3%	● 2025	3,0%

**Q: What are your expectations with regards to the level of the economic downturn**



**Total**

● Significant recession (such as the 2007 financial crisis)	0,0%
● Noticeable downturn	41,0%
● Stagnation / minor downturn	59,0%



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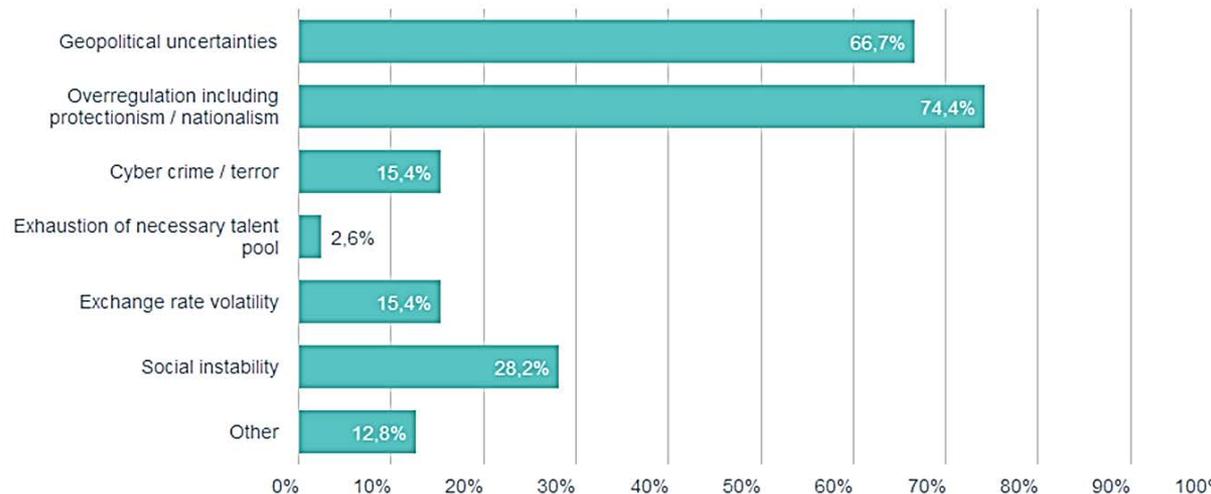
# POLITICAL DRIVEN ACTIONS CREATE UNCERTAINTIES FOR BUSINESS PERFORMANCE



Overregulation and (US) proclamation of tariff increases, Brexit, and the bias towards protectionism of national entities over global companies pose the most significant threats to growth (74%). In addition, other political uncertainties including the increasing focus on populism (the US, France, Holland, the UK, and Italy) also pose significant threats to the current positive economic development (67%).

Exhaustion of the talent pool is not seen as a major threat as there is still a belief that there is a critical mass of talent to take on the new, fast moving challenges (digitalization impact, clarity to (pro)act quickly etc.).

**Q: Which of the following factors do you believe will impact the economic downturn?**



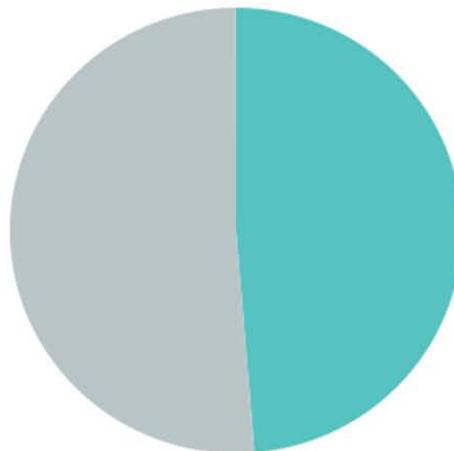
# EQUAL FOCUS ON SHORT AND LONG TERM FINANCIAL PERFORMANCE



Despite companies' belief in a positive economic environment in the immediate future and expectations that the downturn will not happen for several years (and that the impact will be non-significant), there is still a significant focus on short term financial performance in the boardroom.

One reason for the strong focus on short term deliverables is that many of the companies questioned are public entities, which must focus on quarterly earnings in the effort to satisfy the investor community. Furthermore, the current political uncertainties could refrain Boards/ executive management to make (too many) long term investments.

*Q: Where does the Board's focus lay with regards to financial performance?*



- More focus on short term financial performance including cost efficiency initiatives 48,7%
- More focus on long term financial performance including (R&D) investments 51,3%

# EXTERNAL IMPACT FROM “DIGITALIZATION” AND “CONSUMER BEHAVIOUR” ARE CRITICAL TO COMPANY PERFORMANCE

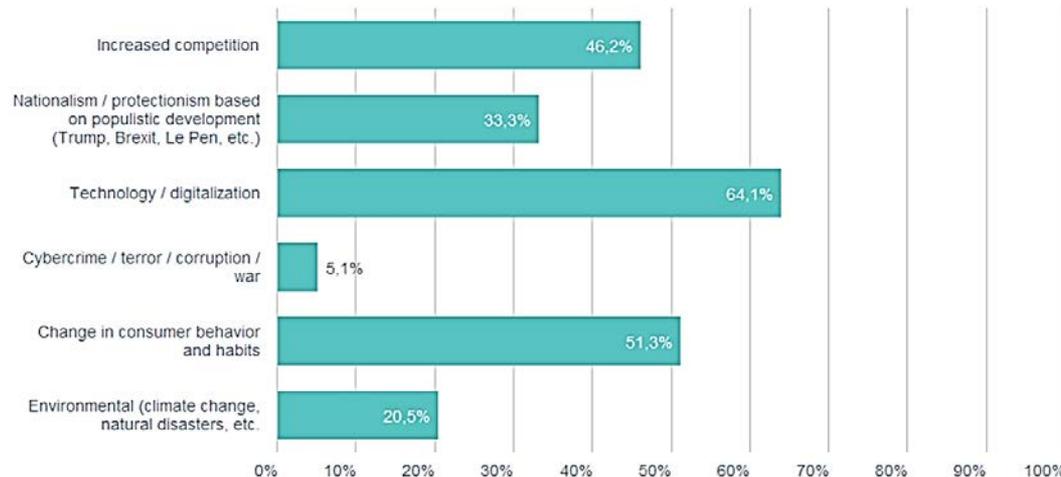


External challenges towards technology/digitalization is still expected (as it has been for the past couple of years) to be the highest impact factor when it comes to challenging the company.

Change in consumer behaviour – including faster, better, and more holistic customer service – is also believed to have a significant impact on the companies’ business. It could be argued that there is a correlation between “technology/digitalization” and “change in consumer behaviour and habits” exemplified by the strategy behind omnichannel.

Cybercrime/terrorism is not seen as a true threat to the companies’ performance despite Odgers Berndtson seeing an increased need for people specialising in cybersecurity.

***Q: Which of the following external challenges do you believe will have the greatest impact on your company?***



# INTERNAL FOCUS ON “DIGITALIZATION” AND “STRATEGY” ARE CRITICAL ELEMENTS TO COMPANY PERFORMANCE

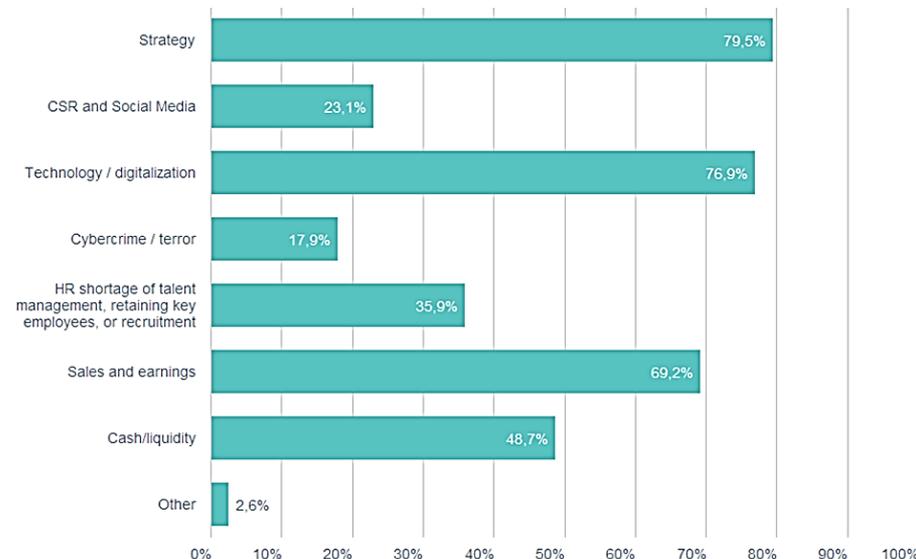


How to take advantage of the ever evolving environment through digitalization and strategy (incl. constantly changing business models etc.) are the most important internal focus areas for the Board in 2017. These two areas are often correlated as change in digitalization would bring about a need for a revised strategy and vice versa.

Not surprisingly, sales and earnings have a significant impact on the companies' performance.

Cybercrime/terror is still the least impactful challenge to the company of those measured in this survey. However, the challenge is seen more impactful than external cybercrime challenges (18% vs 5%).

***Q: Which of the following internal challenges will be addressed by the Board during 2017?***



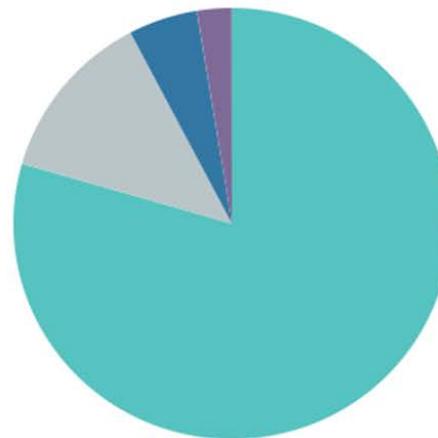
# COMPANIES' STRATEGY & CULTURE ARE SEEN AS BEING AGILE



Companies are confident that they have both the culture and the strategy to operate in the high paced environment surrounding them (80%).

A smaller portion of the companies believe their culture needs to be more agile to handle constant change (13%). Only very few respondents are concerned about not being able to handle the change needed (3%).

*Q: Based on both strategic focus and corporate culture, do you believe your company is agile?*



● Yes, both our strategy and culture are agile 79,5%

● No, as our culture is not agile 12,8%

● No, as our strategy is not agile 5,1%

● No, neither our strategy nor culture are agile 2,6%



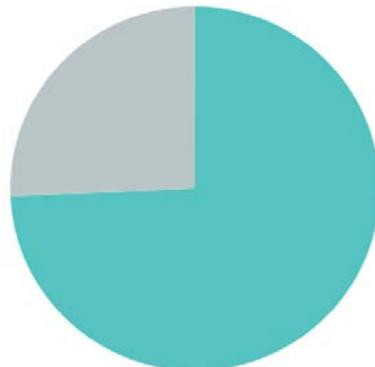
# BOARDS ARE POSITIVE ABOUT- AND PROACTIVELY SEEK - CONSTANT CHANGE



It is believed that Boards are highly attentive regarding the need to constantly change the company's business model in order to take advantage of the highly dynamic environments surrounding them (74% believe their Board is proactively seeking change). Equal to the Board capabilities with regards to agility - but not to the entirely same level (74% vs 64%) - companies believe their employees possess the necessary qualities to manage and proactively seek change. In total, 2/3 of the companies believe they have what it takes to compete in a constantly changing environment.

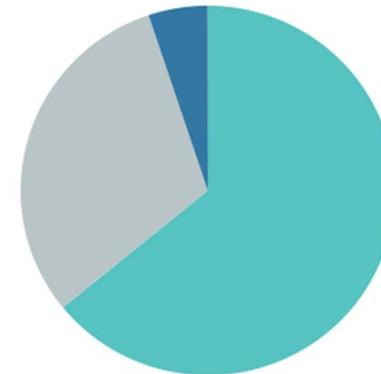
It would be interesting to see if this positive picture on agility applies to small- to mid sized companies.

***Q: Does the Board proactively seek change incl. constant consideration towards displacement of existing business existing markets, and strategic mindsets?***



● Yes	74,4%
● No	25,6%

***Q: Do you believe the company's organization (employees) is agile?***



● Yes	64,1%
● No	30,8%
● Don't know	5,1%

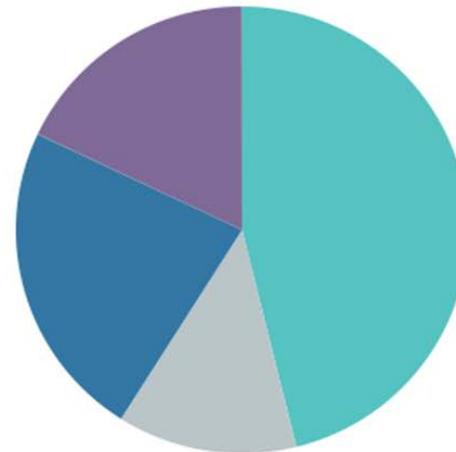


# THIS BEING SAID, THERE IS STILL A CRUCIAL NEED TO FOCUS AND INVEST IN AGILITY



Despite the belief that both Board, the corporate culture & strategy, and the organization have the necessary competencies to take on disruptive challenges, 46% believe adding crucial competencies to both Board and organization is needed in order to stay competitive.

*Q: Do you see a need to add crucial competencies to the Board and the organization to be more agile towards change in the near future?*



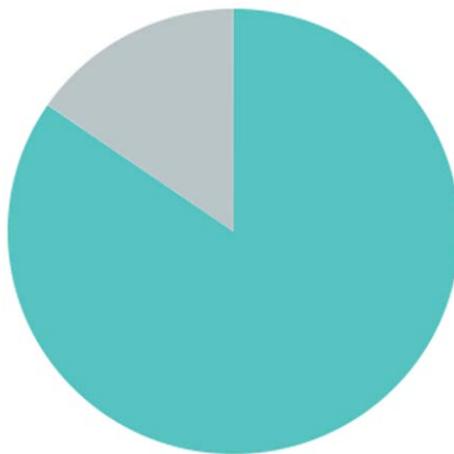
- Yes, both the Board and the organization 46,2%
- Yes, the Board 12,8%
- Yes, the organization 23,1%
- No, we possess the necessary competencies 17,9%

# MANY COMPANIES FOCUS ON TALENT AND HAVE A TALENT MANAGEMENT PROGRAM IN PLACE



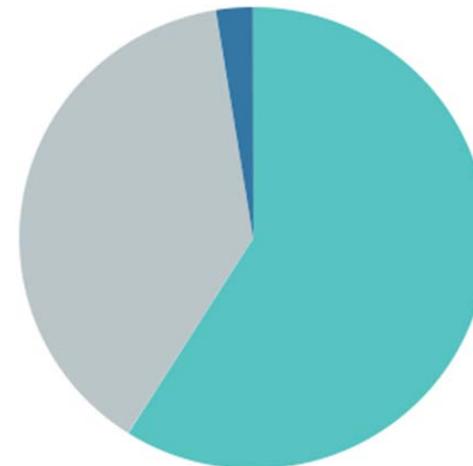
A total of 85% of the respondents state they have a formalized talent management program, and 59% of the respondents state their Boards spend time discussing the topic of attracting and retaining talents in the company.

*Q: Does your company have a formalized talent management program?*



● Yes 84,6%  
● No 15,4%

*Q: Are attracting and retaining existing talents common topics at Board / Non-Executive Board meetings*



● Yes 59,0%  
● No 38,5%  
● Don't know 2,6%



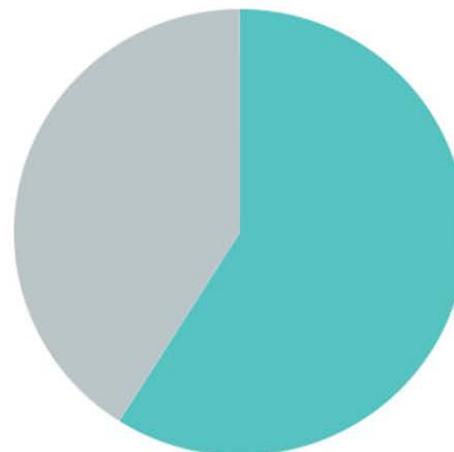
# HOWEVER, MORE THAN HALF BELIEVE THERE IS A THREAT TO TALENT POOL EXHAUSTION – ARE TALENT MANAGEMENT EFFORTS SUFFICIENT?



Despite having a talent management program in place and the Board focusing on attracting and retaining talent, respondents find there is a shortage of attractive employees in their talent pool. In total, 59% of the respondents believe a shortage of attractive talents will negatively impact their business going forward.

The questions are; what defines talent, are the Talent Management programs focusing on the right talents, are they structured the right way, and are they sufficient in capturing the critical number of talents?

*Q: Do you find a shortage of attractive employees in your talent pool?*



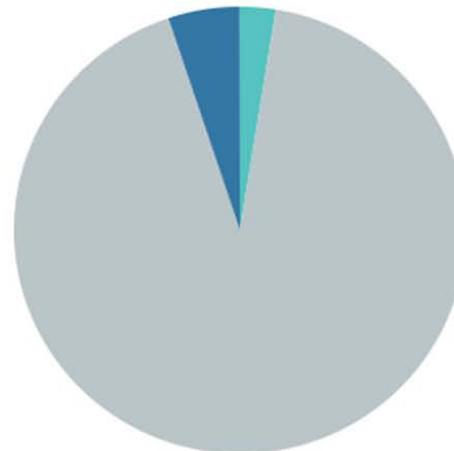
● Yes 59,0%  
● No 41,0%

# DESREGARDING SPECIFIC ROLES, SALARIES ARE EXPECTED TO ROUGHLY FOLLOW INFLATION



Despite good economic projections, a high focus on talent management and a belief of an exhaustive talent pool, the expected salary adjustments will roughly equal (or be slightly above) inflation. In total, 92% believe that salary adjustments will follow or just exceed the inflation.

*Q: On average, how large salary adjustments does your company expect to make during 2017?*



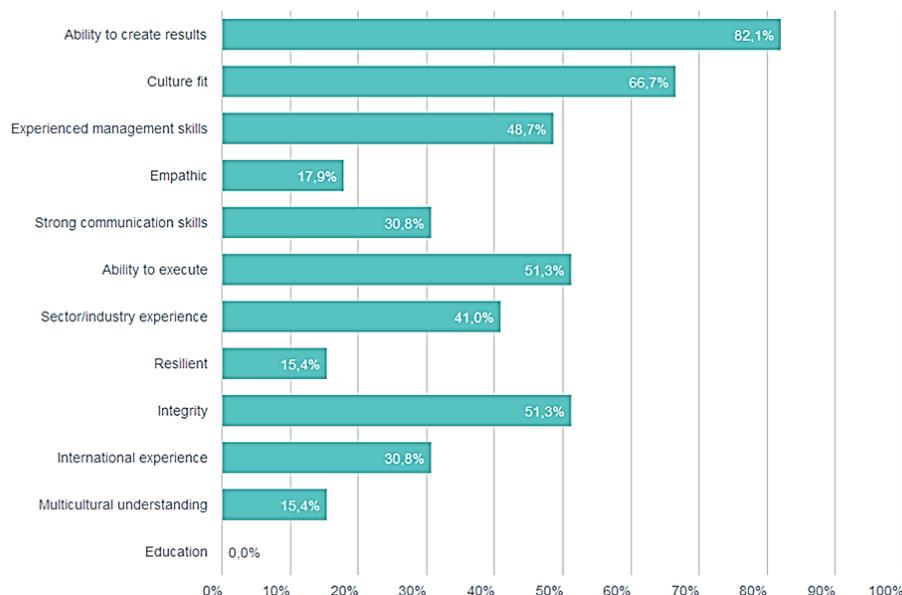
● 0%	2,6%	● 3% - 5%	5,1%
● 1% - 3%	92,3%	● >5%	0,0%

# RESULTS, EXECUTION, AND CULTURE FIT ARE KEY REQUIREMENTS FOR C-LEVEL EXECUTIVES



While criteria may vary depending on the specific role, the survey confirms the trend seen by Odgers Berndtson over the past 10 years, that in order for a C-level executive to succeed it is crucial that they have the ability to create results (82%) and know how to execute (51%). A prerequisite for this is to secure a strong culture fit (67%), that the person possesses integrity (51%), and has previous experience with similar tasks (49%). Generally, it is assumed that a C-level executive holds the necessary degrees, is resilient and empathetic, and has multicultural awareness. Hence, these criteria would rarely appear among the top rated criteria. Especially education plays no role when recruiting a new member of executive management.

## *Q: Main criteria when recruiting a new member of the executive management team?*





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