

CEO & Board of Directors Survey 2017 Denmark



Introduction

In November 2017, Odgers Berndtson invited Denmark's top 100 CEOs to participate in Odgers Berndtson's 2017 CEO and Board of Directors Survey.

The survey is concentrated on three current and highly important financial and company specific topics:

Current Situation & Future Challenges

People & Talent

Management Competencies

Key findings are:

- The economic upswing is expected to last for at least another 2-3 years – a majority have no contingency plan in place.
- Digitalization is the main area for improvement in executive management. Only 30% have a Chief Digitalization Officer.
- Finding the right employees with the competencies required will be even harder in the coming years.
- There is a shortage of high potential talent in the companies surveyed.
- CEOs indicate that their 'value creation' peaks after approximately 5 years. Only 36% believe that all Board members are contributing.

The survey response rate was 42%. All answers have been kept confidential.

We thank you for your participation, and encourage you to contact us with any questions you may have.



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Executive Summary



Current Situation and Future Challenges

- A vast majority (88%) of the respondents foresee positive growth in company revenues in 2018.
- The majority (62%) of the respondents expect an economic downturn to occur in 2020-2021 at the earliest and 76% expect it to be minor in scale.
- Currently, 57% do NOT have a contingency plan in place in the event of an economic downturn.
- Besides traditional focus on cost-cutting, there's expected to be an increasing focus on tech gains.



People & Talent

- 71% expect that finding the right employees with the competencies required is expected to become even more difficult in the coming years.
- A majority find there is a shortage of high potentials in their company's talent pool.
- Hence attracting and retaining talents is very high on the agenda of the executive and board meetings.



Management Competencies

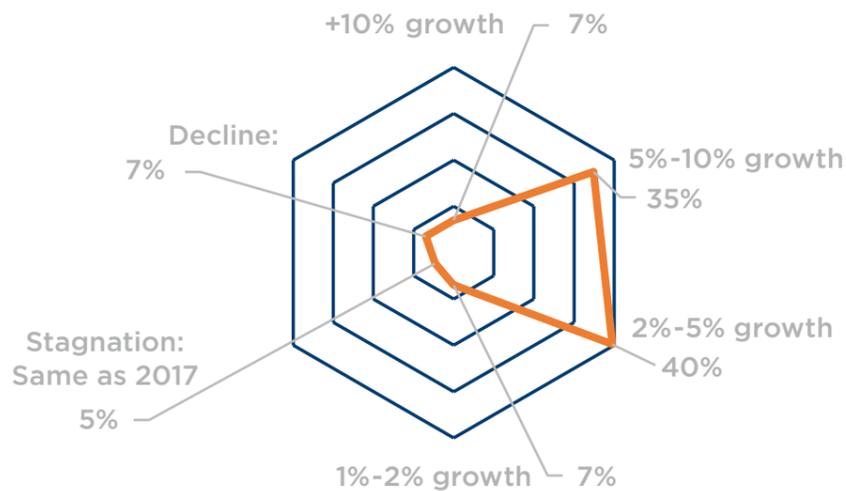
- CEOs point towards digitalization, robotification and big data as the major transformer of the labour market.
- The CEOs estimate that their own value creation 'peaks' after approximately 5 years in the position .
- Board workloads are still increasing, but on average, two board members are not contributing enough and ought to be replaced.
- The most important executive management improvement area is within IT/Digitalization – only 30% have a CDO.
- Ability to execute, create results, and having integrity are considered top criteria when recruiting C-level employees.

Positive Revenue Growth Expected for 2018

Regarding company revenues, the vast majority (88%) of respondents foresee positive growth.

- Regarding company revenues, the vast majority (88%) of respondents foresee positive growth and 42% expect growth rates above +5% revenue growth. On the other hand, 7% take a pessimistic view, expecting a decline. Compared to our last survey, the 'pessimism' has grown 4%. 5% see growth revenues as unchanged. Overall, this positive outlook is consistent with the expectations derived from Odgers Berndtson's meetings with top executives.
- Based on this, the CEOs expect salaries to grow slightly above expected inflation with 2.3% on average in 2018. (The Danish Central Bank expects 2.7% y/y in 2018). The survey also indicates that on average white collar workers are expected to gain a little more than blue collars.

Q: Which of the following factors do you believe will have an impact in the event of economic downturn?

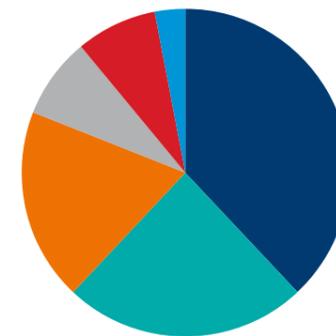


Downturn Postponed

- The majority (62%) of respondents expect an economic downturn to occur in 2020-2021 at the earliest, pushing the downturn start back by one year (our last survey indicated an expected downturn to occur in 2019-2020).
- If an economic downturn occurs, 76% expect it to be minor in scale (17% up from our last survey). Only 18% expect it to be noticeable (23% down from last survey). This reflects that top management now has an even greater confidence in demand, and that economic and monetary policies will be ready to accommodate a potential downturn. The economic upswing-indication for the coming 2-3 years, is consistent with Odgers Berndtson observations of continued high demand for top-level commercial positions.

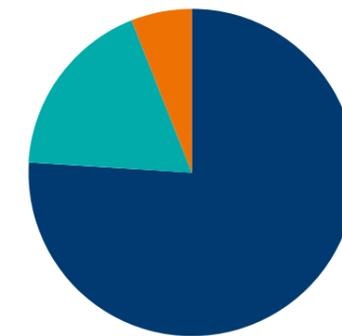
Top management now has an even greater confidence that economic and monetary policies will be ready to accommodate a potential downturn.

Q: What are your expectations with regards to the economic downturn to happen?



- 2020: 38%
- 2021: 24%
- None of the above: 19%
- 2019: 8%
- 2022: 8%
- 2023: 3%

Q: In the event of economic downturn, what are your expectations with regards to the level?

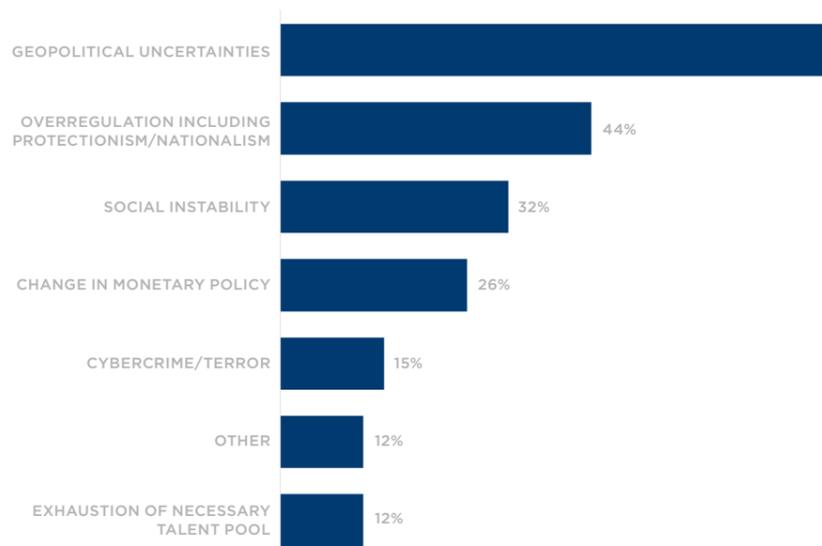


- Stagnation/minor downturn: 76%
- Noticeable downturn: 18%
- Significant recession (like 2007): 5%

Geopolitical Risks Create Uncertainties for Business Performance

- In the event of an economic downturn, geopolitical uncertainties are considered the most significant threat to growth. The survey documents that overregulation has taken a dramatic fall of 29%, indicating that markets are now more confident that the US proclamation of tariff increases, Brexit, and the bias towards protectionism of national entities seems to have been 'absorbed'. Social instability (32%) and change in monetary policy (26%) are still important factors.
- Exhaustion of the talent pool is in this context not yet seen as a major threat to growth. Management still has great confidence that there is ample supply of talent to take on the new, fast-moving challenges.

Q: Which of the following factors do you believe will have an impact in the event of economic downturn?

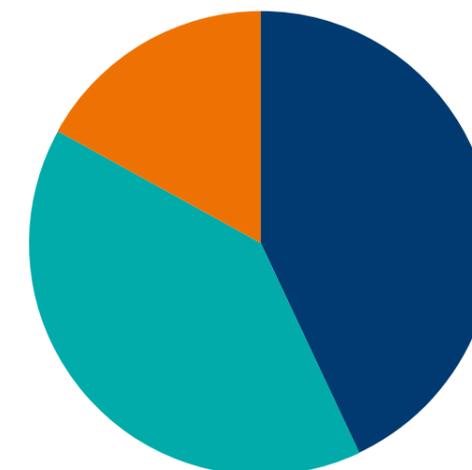


Contingency Plans in the Making

Are senior leaders making plans to combat these possible threats to their business' health?

- Currently, 57% do not have a contingency plan in place.
- 17% do not consider an economic downturn likely, hence have not made a contingency plan.

Q: Do you have a contingency plan ready in the event of a significant economic downturn?



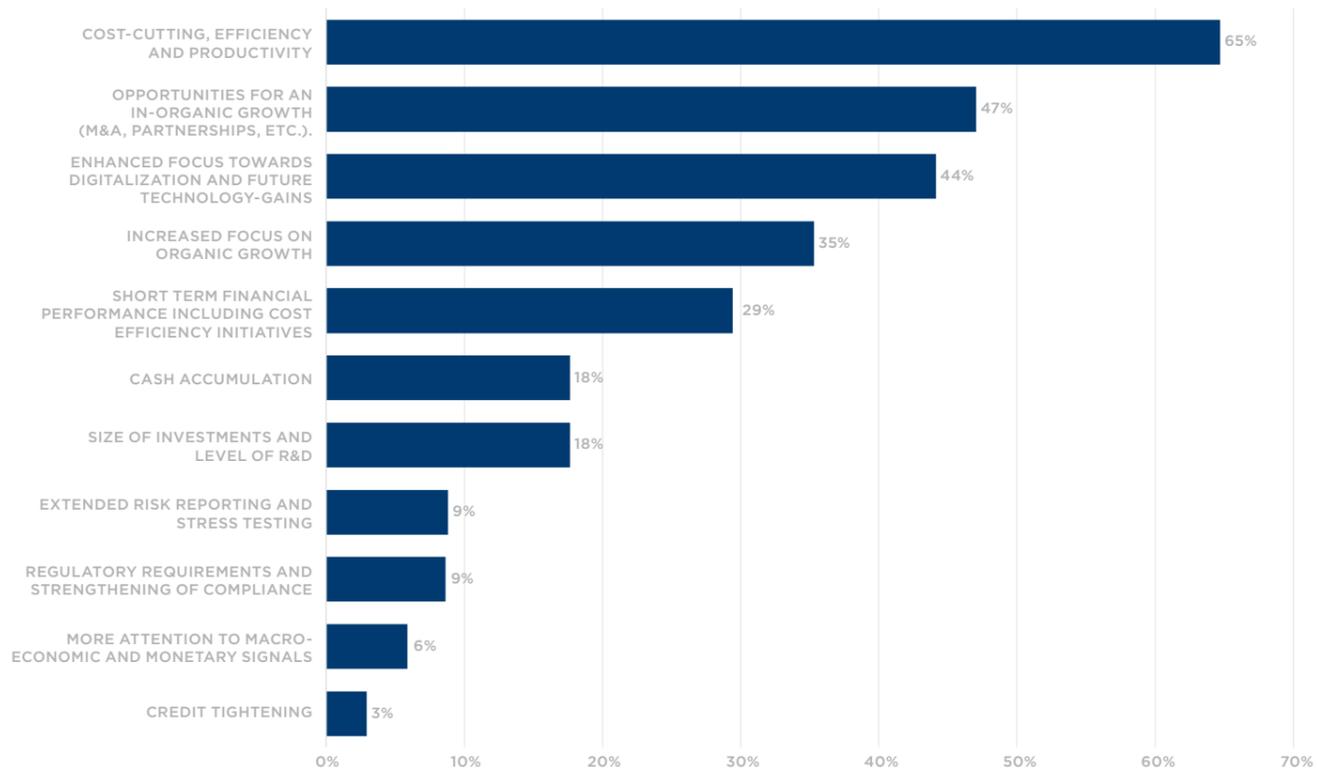
■ YES - A PLAN IS READY: 43%
 ■ NO - BUT WE ARE IN THE PROCESS OF MAKING ONE: 40%
 ■ NO - ECONOMIC DOWNTURN IS NOT LIKELY: 17%

Focus on Traditional Measures and Digitalization

With digitalization transforming the labour market, we asked whether the solution to future problems lay with technology or traditional efficiencies.

- In the event of an economic downturn, the executive management expect their primary focus to be on cutting costs, improving efficiency in order to improve revenues and productivity.
- There would also be an increased focus on further technology gains from digitalization and seeing downturn as 'a buying opportunity'.

Q: In respect to a possible economic downturn, where does the Executive Management focus lie?

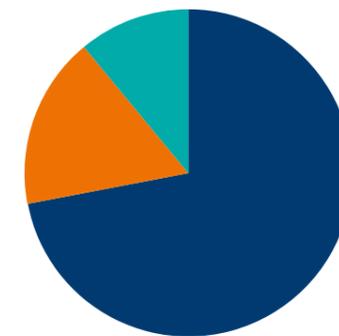


Ample Workforce Supply for Now but...

We asked our survey respondents to comment on how well they think the talent pool serves their current needs, and their predictions for the future.

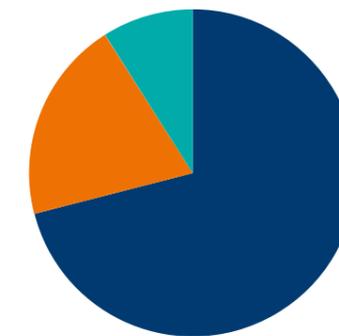
- Companies are quite confident that overall they can get the workforce needed in the short term.
- However, finding specific employees with the *right* competencies is expected to become even more difficult in the coming years.

Q: Can your company get the workforce needed?



■ YES: 72%
■ NO: 17%
■ DON'T KNOW: 11%

Q: Do you expect it to become increasingly more difficult to find the right employees in the coming years?



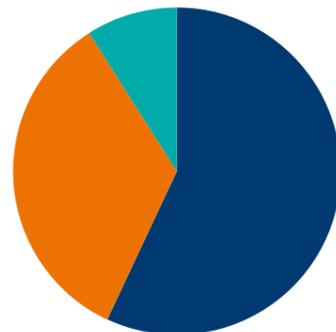
■ YES: 71%
■ NO: 20%
■ DON'T KNOW: 9%

Increased Focus on Talents

The much-publicized war for talent is on the minds of CEOs. Does this concern extend to internal employees and retention strategies?

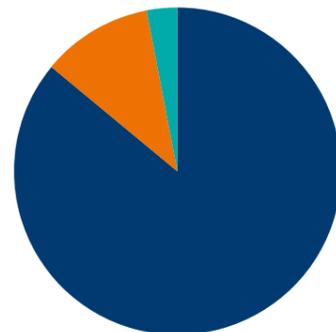
- A majority of the companies find that there is a shortage of high-potential performers in their company's talent pool.
- Which means that attracting and retaining talents is an area of very high importance for executives and their boards.

Q: Do you find a shortage of high potentials in your talent pool?



■ YES: 57%
 ■ NO: 34%
 ■ DON'T KNOW: 9%

Q: Are attracting and retaining existing talents common topics at the Executive Management/ Board meetings?



■ YES: 86%
 ■ NO: 11%
 ■ DON'T KNOW: 3%

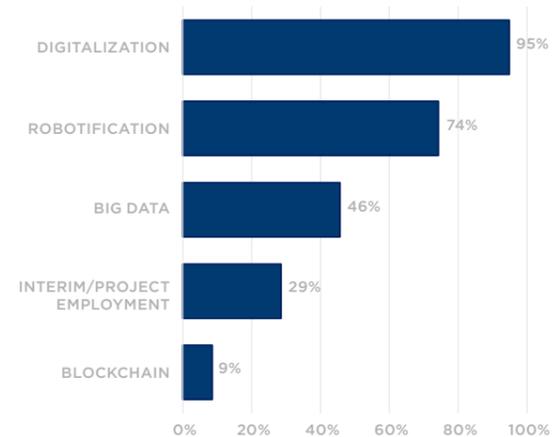
The Agenda is Digital!

In an increasingly digital world, what do leaders think are the priorities for their business?

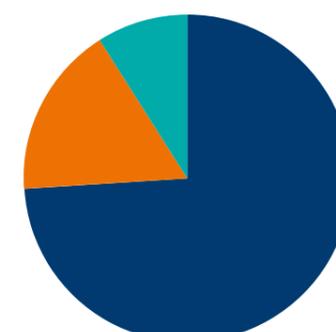
- CEOs point towards digitalization (95%), robotification and big data becoming increasingly important in consumer behaviour, hence labour market changes.
- Calling for new, flexible working structures, such as project employment and interim jobs.
- The good news is that 74% of the executive management seem to have the competencies in place to meet the changing digital landscape.

74% have the competencies in place to meet the changing digital landscape.

Q: How and in what direction do you see the labour market changing in the next 3-5 years?



Q: Does the Executive Management group have the competencies to meet these changes in 3 years?



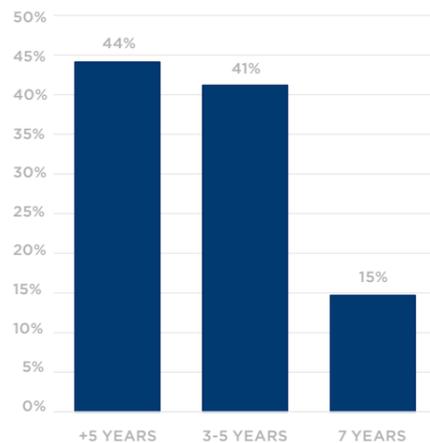
■ YES: 74%
 ■ NO: 17%
 ■ DON'T KNOW: 9%

CEO Value Creation

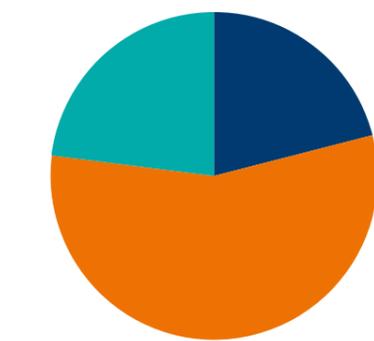
How long is too long in the leadership role?

- The survey indicates that 41% believe that a CEOs' value creation 'peaks' between 3-5 years in their position, and 44% respond that value creation 'peaks' after 5 years.
- 15% think that they 'peak' beyond 7 years.
- Finally, the survey shows that a majority do not consider the turnover among Danish CEOs to be too high. Only 21% consider the turnover as too high.

Q: Looking ahead, for how many years does a CEO increasingly add value to a company?



Q: Is the velocity (turnover) among CEOs in Denmark too high in your opinion?



■ YES: 21%
 ■ NO: 56%
 ■ DON'T KNOW: 23%

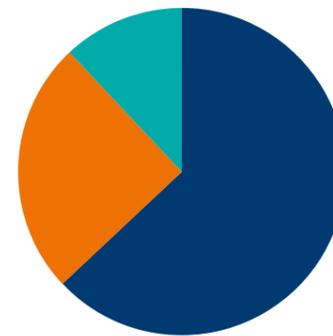
Workload and 'Active' Board Members

What is the CEO viewpoint of the workload and competency of their Board?

- The survey reveals - once again - that board workload has increased in the last year. 63% think that there have been significantly more things to address compared to last year. Increased regulation and ever increasing complexity appear to be the main factors.
- Another interesting finding is that 32% of the respondents have the impression that, in general, two members on every board are not contributing and should be replaced. Only 36% think that all board members are contributing and no one should be replaced.

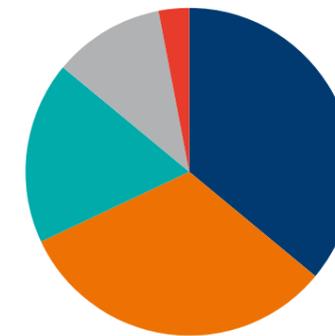
32% believe two members on every board are not contributing and should be replaced.

Q: Has the workload as board member increased markedly?



■ YES: 63%
 ■ NO: 25%
 ■ DON'T KNOW: 12%

Q: How many of your company's board members do NOT contribute and should be replaced?



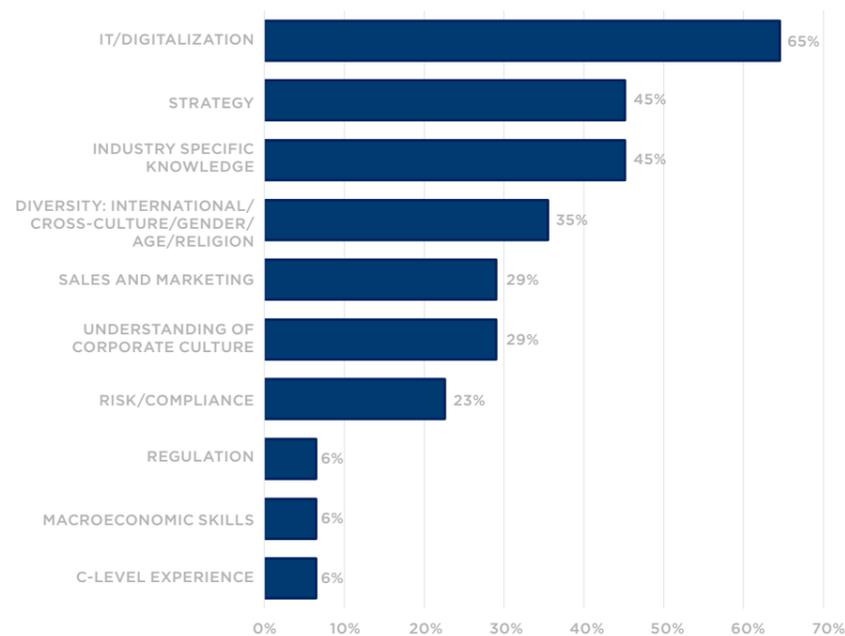
■ NO ONE NOT CONTRIBUTING: 36%
 ■ 2 NOT CONTRIBUTING: 32%
 ■ 3 NOT CONTRIBUTING: 18%
 ■ 1 NOT CONTRIBUTING: 11%
 ■ 3 NOT CONTRIBUTING: 4%

Executive Management Improvement Areas

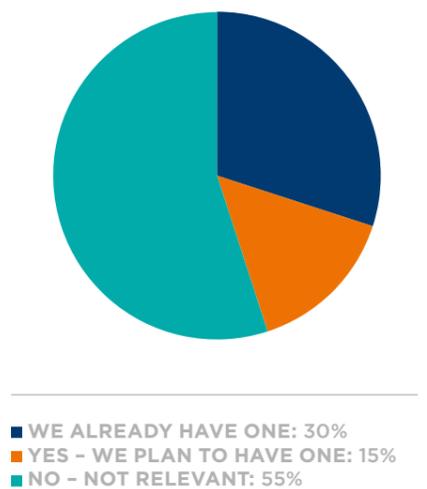
Are there any key areas where progress could be made, and have measures for improvement begun?

- CEOs point out that the most important improvement area is within IT/Digitalization. It is also interesting to find that diversity is also fairly important. Risk, compliance, regulation and C-level experience are at the lower end of the spectrum of areas for improvement.
- Based on this it is, however, revealing that only 30% have a CDO (Chief Digitalization Officer). Even more striking is that 55% do not consider it to be relevant to have one.

Q: Which are the areas for improvement in the Executive Management? (multiple answers allowed)



Q: Will you have a Chief Digitalization Officer (CDO) in the Executive Management team in the coming years?

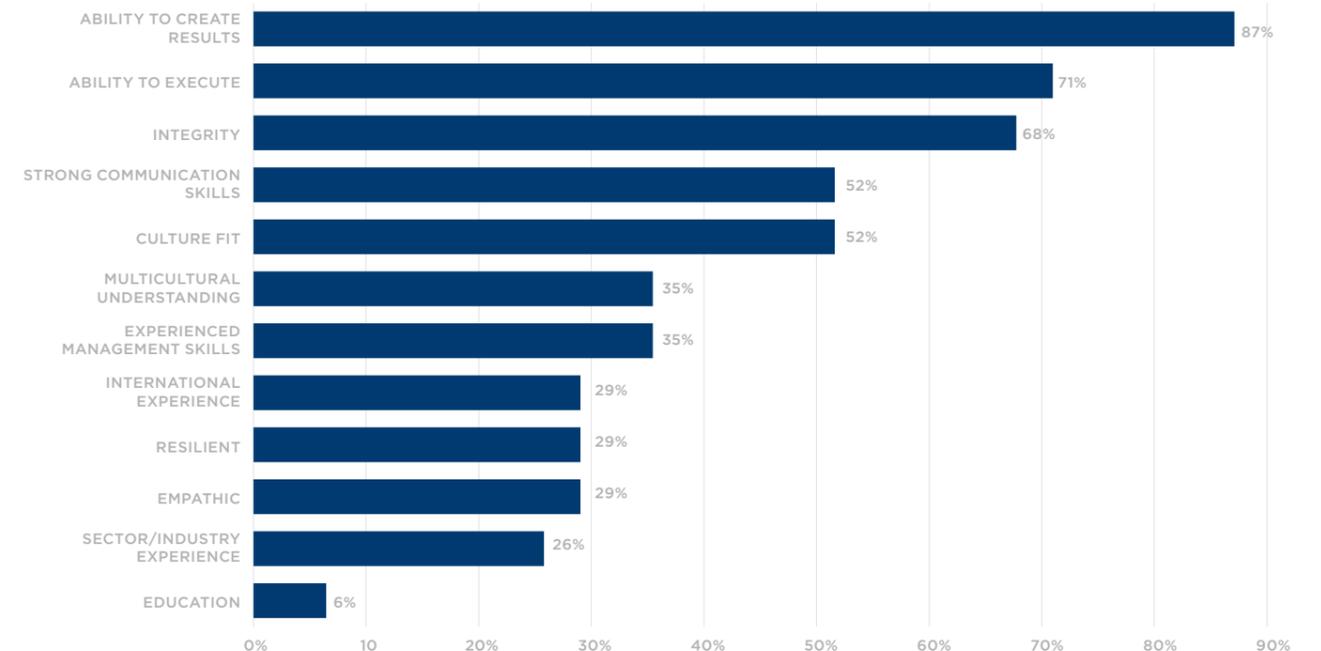


Executive Management Recruitment Factors

Conclusions and observations.

- The survey confirms Odgers Berndtson's observations over the past 10 years, that in order for a C-level executive to succeed, it is crucial that s(he) has the ability to execute on the strategy hence and create results.
- However, this year's survey indicates that integrity has become even more important (68%) jumping 17% from last year's survey.
- In line with more traditional expectations, we find that strong communications skills, cultural fit and managerial skills/experience are fairly important competencies to possess.

Q: Please state the main criteria when recruiting a new member of the Executive Management team? (multiple answers allowed)





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