

CFO Survey

Spring 2024

Introduction

In spite of continuing geopolitical risks and other uncertainties, optimism among Danish CFOs remains high. Around 33% of Danish CFOs feel more optimistic about the financial prospects for their companies than they did three months ago, indicating high levels of positivity. CFOs are confident they can navigate the geopolitical uncertainties, and their risk appetite is rising.

In this year's report, you can read about Danish CFOs' involvement in capital allocation. Most Danish CFOs are involved in capital allocation in their companies, but only two out of five CFOs play a key role in the process.

To shed light on capital allocation and how to approach it as a CFO, we have interviewed Ulrica Fearn, Group CFO of Carlsberg, and Anders Lonning-Skovgaard, CFO of Coloplast, who share their views on the topic.

We would like to thank everyone who participated in the survey – and thanks also to all of you who read this report. We are delighted to see a growing number of readers every year.

Happy reading!



Kim Tegner
North South Europe Leader,
Finance & Performance and Leader
of Deloitte's CFO Programme





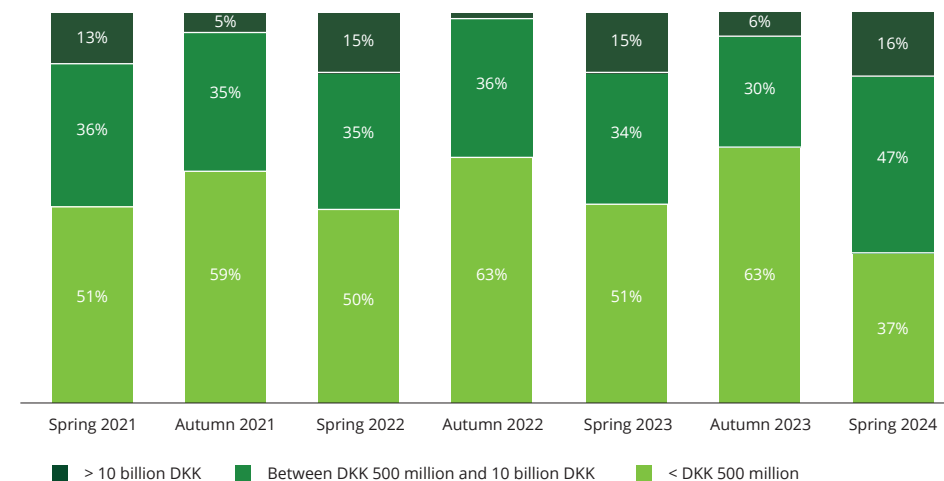
About the CFO Survey

The spring 2024 edition of our CFO Survey reports the views of 135 CFOs of Danish companies about financial prospects and strategic priorities, and it also looks at their involvement in and approach to capital allocation. Our report is published twice a year, and the survey has been conducted in Denmark since 2017, providing an opportunity to compare changes in the perspectives of Danish CFOs over time.

This most recent survey was conducted in February and March 2024 by Epinion on behalf of Deloitte, and its findings are based on the responses of 135 CFOs, 16 per cent from companies with a turnover of more than DKK 10 billion, 47 per cent from companies with a turnover between DKK 500 million and DKK 10 billion, and 37 per cent from companies with a turnover of less than DKK 500 million.

Figure 1. CFO Survey respondents

What was your company's revenue last year?



The number of geopolitical risks is rising, but Danish CFOs remain positive

In spite of continuing geopolitical risks and other uncertainties, optimism among Danish CFOs remains high.

When asked about the financial prospects for their company, 33 per cent of Danish CFOs said that they were more optimistic than they had been three months previously. This indicates that optimism remains high, down just 4 percentage points from the level in Spring 2023, even though a large number of geopolitical risks around the world are impacting companies.

One explanation for continuing optimism could be that interest rates are more stable, and the expected rate of inflation over the next 12 months is much lower compared to Spring 2023 (Figure 3).

Figure 2. Financial prospects

Compared to three months ago, how do you feel about the financial prospects for your business?

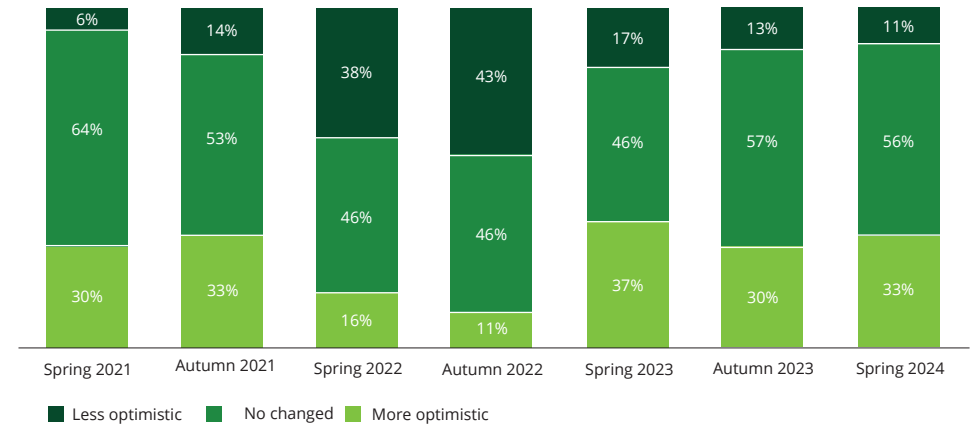
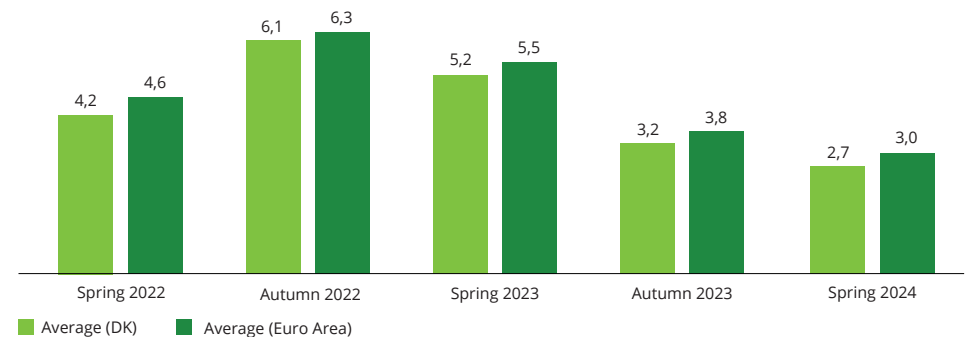


Figure 3. Expectations about the inflation rate

What do you think will be the inflation rate (for the Consumer Price Index) in both your country and the Euro area over the next 12 months?



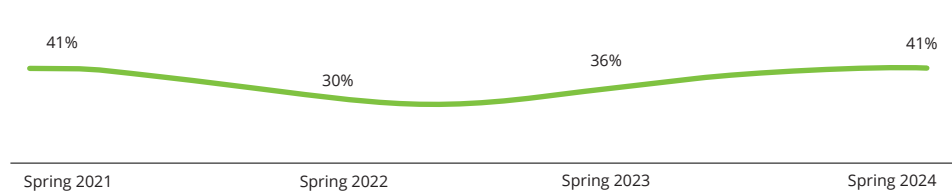
Note: The base sizes for this graph are smaller than the other graphs due to a "Do not know"-option. Base sizes: Spring 2022 DK (n=115), Euro area (n=109), Autumn 2022 DK (N=75), Euro Area (n=69), Spring 2023 DK (n=110), Euro area (n=102), Autumn 2023 DK (n=88), Euro area (n=82), Spring 2024 DK (n=98), Euro area (n=92).

The risk appetite of CFOs is rising

When exploring the willingness to take on greater risk, 41 per cent of respondents think that now is a good time to do so – back to the same level as in 2021, just coming out of COVID-19 and before the invasion of Ukraine. This indicates optimism about the future.

Figure 6. Taking risk on to the balance sheet

Is this a good time to be taking greater risk on to the balance sheet of your company?
(Share of respondents who answered "Yes")

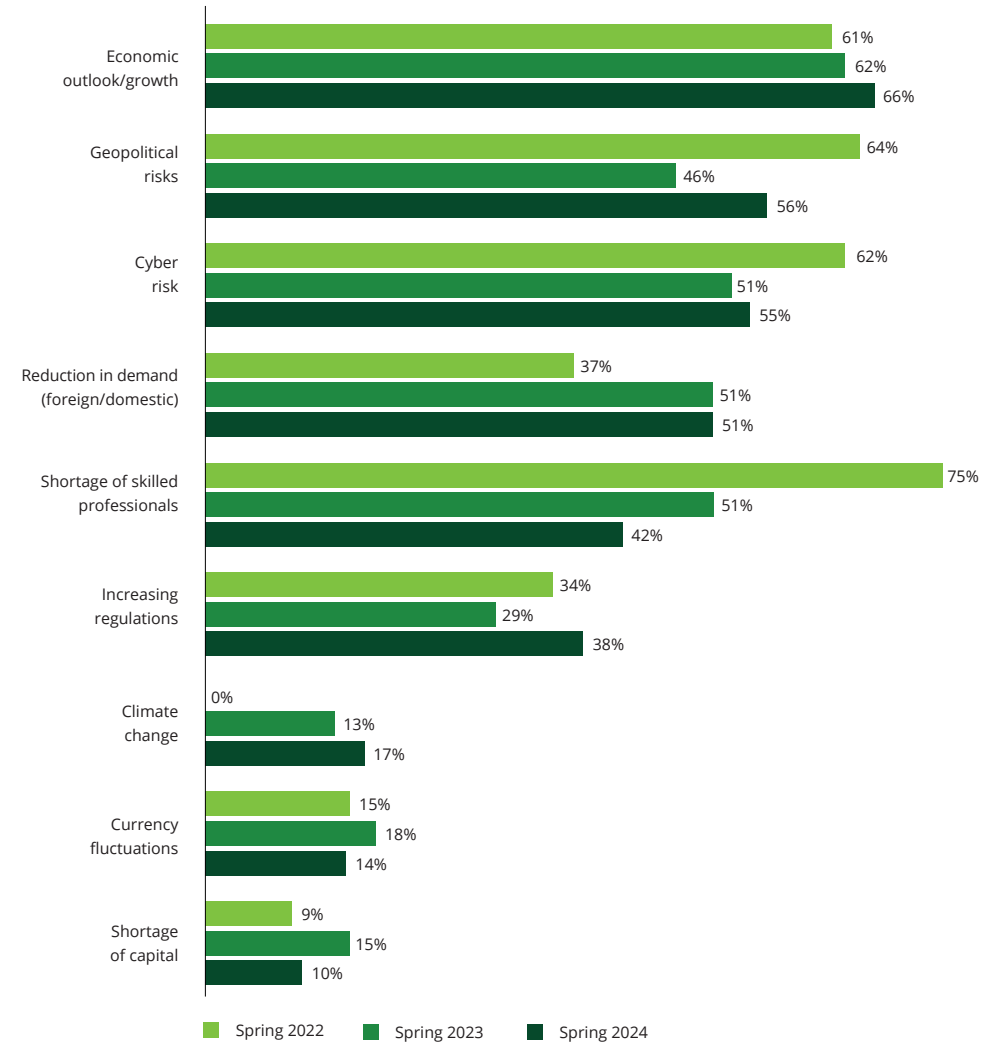


In the views of respondents, the number one perceived risk over the next 12 months is economic outlook/growth (66 per cent of respondents), followed by geopolitical risks (56 per cent), cyber risk (55 per cent) and falling demand (51 per cent).

An interesting development in the perception of risk is that the number of CFOs identifying a shortage of skilled professionals as a risk is nine percentage points lower than in 2023 and 33 percentage points lower than in 2022. An explanation could be that the international workforce is increasing in size, and companies are less dependent on the local workforce. Another explanation could be that technology and generative AI (GenAI) is reducing the need for talent in specific positions.

Figure 7. Risks in the next 12 months

Which of the following factors are likely to pose a significant risk to your business over the next 12 months? (Multiple choice question)



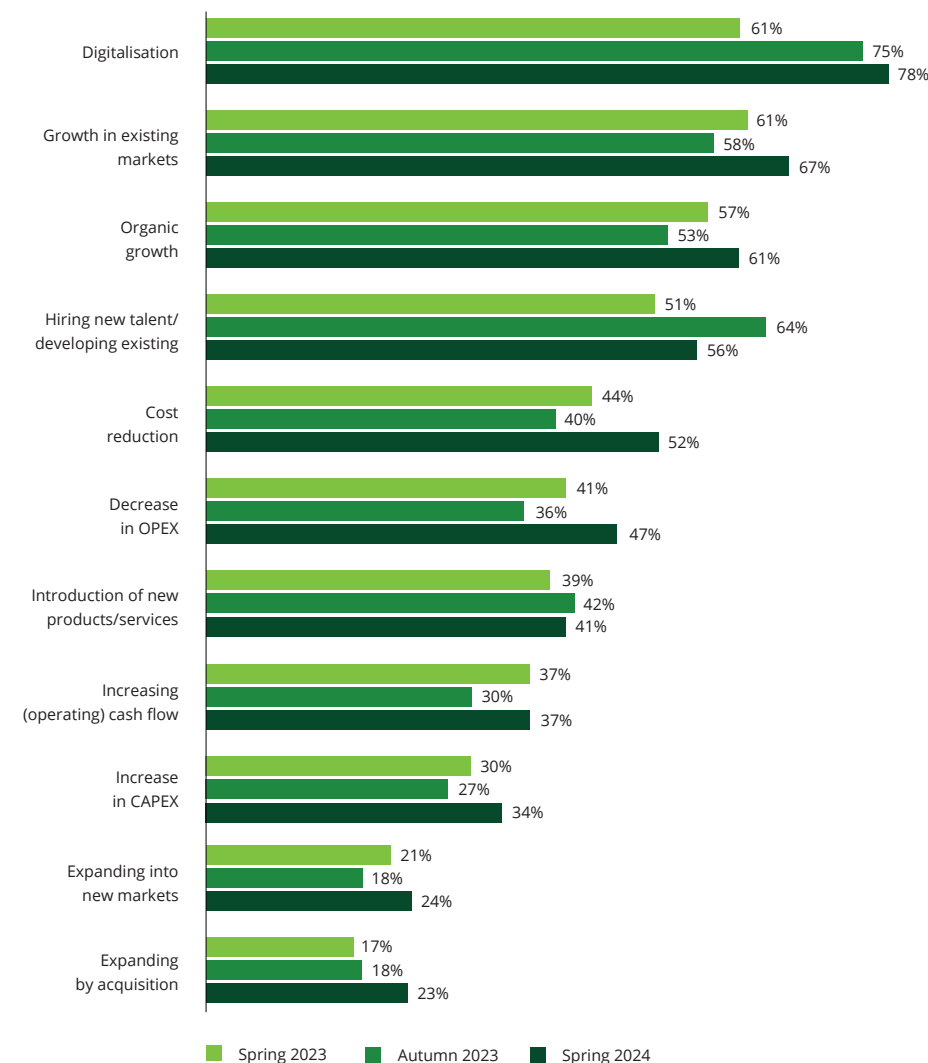
Prioritise smarter working and greater efficiency

Asked about their priorities for the upcoming year, many CFOs identified digitalisation, an increase of 17 percentage points compared to one year ago. This may be connected to the prioritisation of decrease in operating expenditure (OPEX) and other costs. Companies are trying to work smarter and increase their efficiency. GenAI is, for example, important in this context as many companies aim to put the technology into practical solutions. There is also a general focus on growth, as growth in existing markets and organic growth are rated as second and third priorities.

With the increase in risk appetite, it might be considered that priority is also being given to a willingness to change the business and develop the business portfolio more broadly. If the companies want to invest in new technologies, be more effective and launch new products, they also need additional capital. Capital allocation is the theme we cover in a later section.

Figure 8. Priorities over the next 12 months

To what extent are the following strategies likely to be a priority for your business over the next 12 months? (Multiple choice question)





Ulrica Fearn
Group CFO of Carlsberg

“Our growth algorithm is very clear”

After battling the pandemic, inflation and the turbulence of global conflicts, Carlsberg is once again ready to accelerate growth. Group CFO Ulrica Fearn is making sure that capital is allocated to the right activities – and she is very upfront about what growth algorithm is fit for the historic brewery.

” The external events of the past few years have definitely had a large impact on our markets, but they have also created a very strong focus on performance. Today, our tools for monitoring costs are very solid; we have a robust portfolio model, and we are very clear on outcomes when it comes to allocating capital. This ‘performance rhythm’ is absolutely essential for steering the company. It is our muscle for creating profitable growth,” Ulrica Fearn explains.

According to Ulrica Fearn, the stabilisation of the global markets was the main reason for reviewing the strategic priorities in late 2023 and early 2024, after which Carlsberg announced a refresh of the SAIL’27 strategy, called ‘Accelerate SAIL’:

” Launching ‘Accelerate SAIL’ in February 2024 was our way of saying that we now feel that we are standing on more solid ground and that we are therefore ready to sharpen our focus on growth. From a capital allocation point of view, this also means that we are ready to increase our investments in our biggest growth drivers. Of course, we will still keep our well-embedded cost focus, and we will continue to improve our supply chain, but the goal right now is to accelerate growth and secure long-term sustainable cash flows.”

A holistic view on capital

Although Carlsberg is entering an era of accelerated investments, Ulrica Fearn is committed to upholding a financial model that has a holistic view on capital:

” To me, capital allocation ultimately starts with the financial model that in Carlsberg resides in our FP&A team. This is really where we make sure that our capital allocation

is aligned with our long-term strategy and that we see the holistic impact of our investment decisions. From there, we can work with shorter-term and dynamic decisions that pass through the regions, the Executive Committee and the Board as appropriate. What is important, however, is that we not only see each initiative on its own merits. Effective capital allocation is about seeing the marginal improvement and how each investment fits in the big picture.”

In line with her stringent approach, Ulrica Fearn also insists that prior capital allocation decisions are continuously reviewed:

” Both on our capex and opex investments, I would say that Carlsberg today has very strong review processes. We review costs every month, we perform regular post-investment reviews, and we continuously work to improve the transparency of our numbers. My philosophy is that there are so many decisions in a company that are not financial in nature, so the least we can do is to have our house in order. It starts with financial discipline, and then we can take it from there.”

Financial discipline is also what Ulrica Fearn brings to Carlsberg’s Executive Committee, something she sees as one of the core responsibilities of being a CFO:

” To me, capital allocation is not just part of my job; it is what I do – and I do it in a way where it is controlled, where it follows our strategy, and where it contributes to the overall success of our company. Group Commercial and the three regions and countries come with the commercial content, I align it with the financial model, and the CEO puts it all together. That is really the essence of my job.”

Looking to the future

Carlsberg’s long-term successful and trusted financial model will continue with Ulrica Fearn at the steering wheel, she confirms – even in a new era of growth:

” Although we have now chosen to accelerate growth, I am very pleased that we have been able to uphold the principles of our current financial model, which is also what our shareholders know and trust. To me that is really the core of consistent capital allocation: We are transparent about our financial policy, we are ambitious about our goals, and we are 100 per cent clear about what it takes to get there. Who can argue with that?”



Three pieces of advice from Ulrica Fearn on capital allocation

- 1. Be clear on your capital allocation criteria and stick to your principles:** Make sure that you have a global portfolio model that clearly weighs your investment choices. Do not just make it up as you go along.
- 2. Put processes in place to make sure you get the right information:** Capital allocation does not just sit with the CFO. It has to be closely connected to the commercial business and fully aligned with the strategy.
- 3. Do not look at initiatives on their own merits:** Apply a holistic perspective to capital allocation and look at the marginal impact of investment decisions. Clarity, transparency and consistent choices are key elements for fuelling a growth algorithm that matches both your long-term and short-term ambitions.

[Read the full interview here.](#)

Split in Danish CFOs' views on the importance of capital allocation

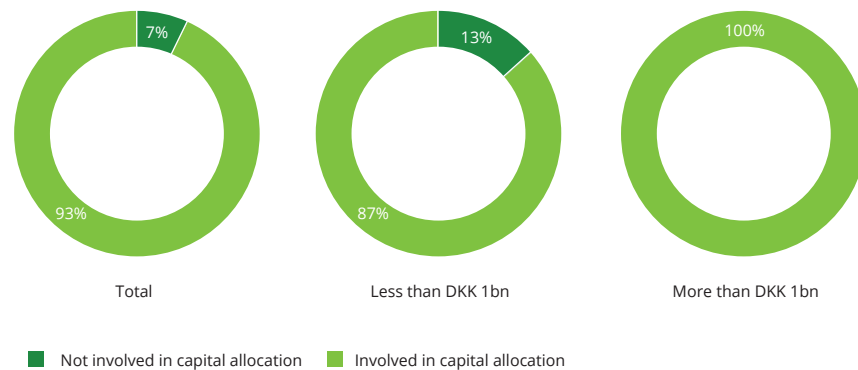
Most Danish CFOs are involved in the capital allocation process in their companies: 93 per cent say that they are involved, but only 45 per cent of those have a key role.

CFOs' involvement in capital allocation

93 per cent of survey respondents are involved in capital allocation, and 7 per cent are not involved. Looking at the difference between the companies with annual revenue above and below DKK 1bn, 100 per cent of the CFOs in the large companies but only 87 per cent from medium-sized and smaller companies are involved.

Figure 9. CFO involvement in capital allocation

Are you involved in capital allocation in your company/organisation?



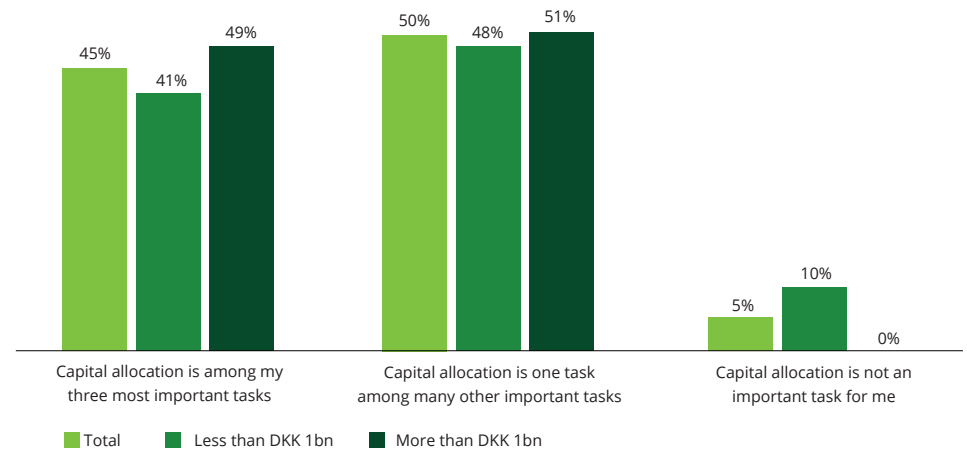
Note: Base sizes are n=67 for "Less than DKK 1bn" and n=68 for "More than DKK 1bn".

There is a big difference in how much of the time of Danish CFOs is taken up by capital allocation-related tasks. 45 per cent of respondents say that capital allocation is one of their three most important tasks, 50 per cent consider the task to be one among many others, and 5 per cent say that capital allocation is not an important task in their work.

Again, company size is relevant: 10 per cent of the CFOs from companies with revenue less than DKK 1bn say that capital allocation is not an important task for them.

Figure 10. Importance of capital allocation in the CFO's role

How important do you consider the capital allocation task to be for you in your role?

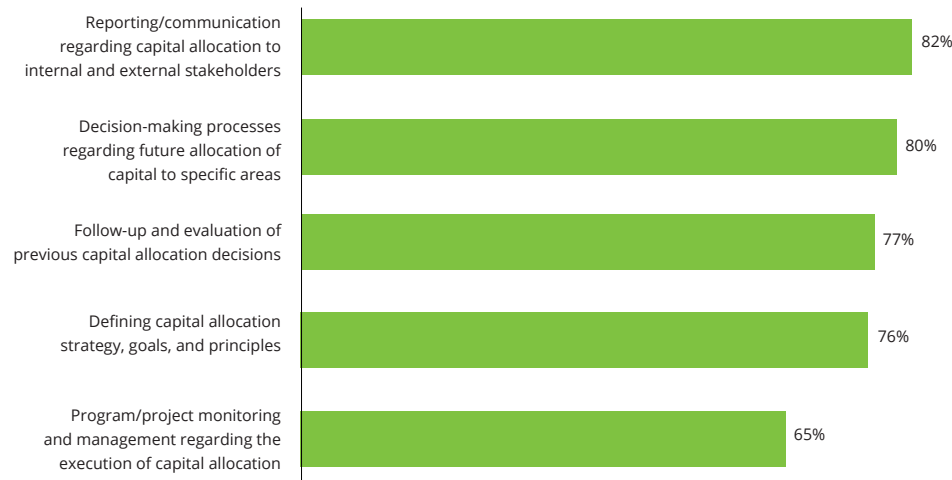


Note: The base of this question is CFOs who are involved in capital allocation. Base sizes are n=126 for "Total", n=58 for "Less than DKK 1bn" and n=68 for "More than DKK 1bn".

CFOs take on a range of functions related to capital allocation. The primary functions are: 1) reporting/communication regarding capital allocation to internal and external stakeholders, 2) decision-making regarding future allocation of capital, 3) follow-up and evaluation of previous capital allocation decisions, 4) defining capital allocation strategy, goals and principles and 5) programme/project monitoring and management regarding the execution of capital allocation. 43 per cent of respondents are involved in all five functions.

Figure 11. CFO tasks related to capital allocation

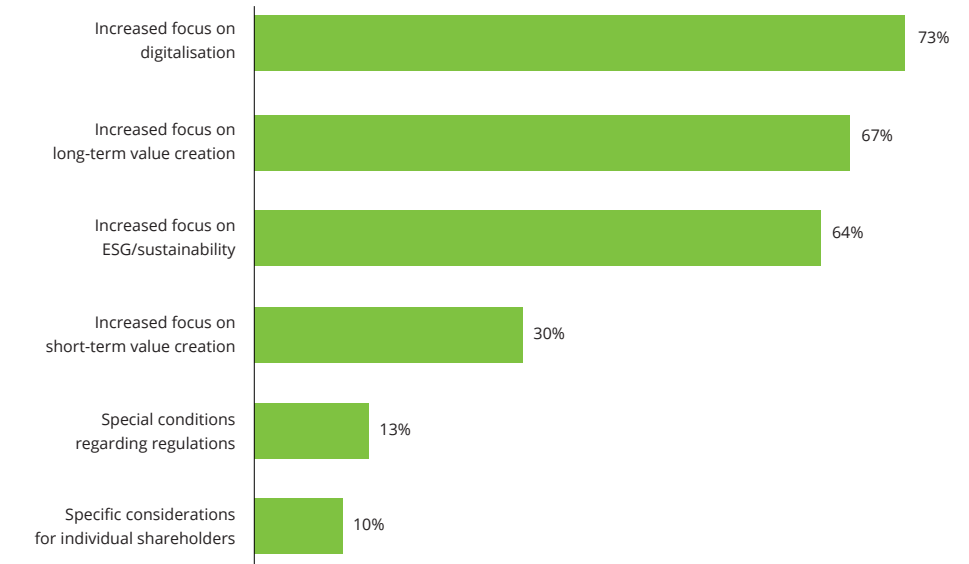
Which of the following tasks related to capital allocation are you involved in, in your company/organisation? (Multiple choice question)



The three main considerations affecting companies' capital allocation are increased focus on digitalisation (e.g. investments in GenAI, cloud, automation), long-term value creation (e.g. investment in R&D or acquisition of companies) and ESG/sustainability (e.g. investment in measures to reduce CO2 emissions). These types of investments are all projects that create value over a long time scale. 40 per cent of the CFOs say that increased focus on all three – digitalisation, long-term value creation and focus on ESG/sustainability – affect their companies' capital allocation.

Figure 12. Considerations affecting capital allocation

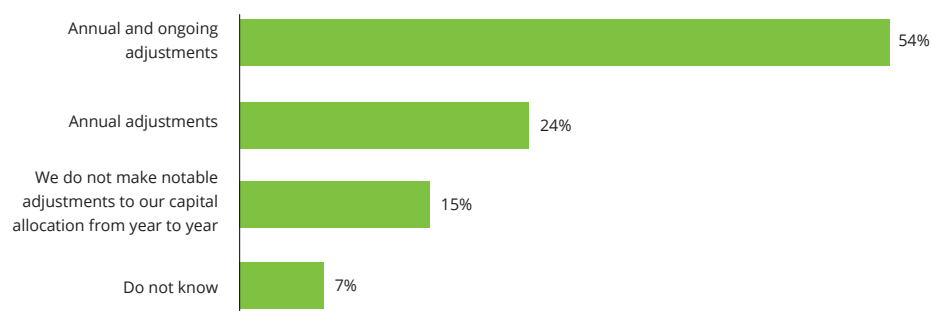
Which of the following considerations affect your company/organisation's actual capital allocation this year? (Multiple choice question)



There are differences in how companies approach their capital allocation strategy: 15 per cent do not make any notable adjustments from year to year, 24 per cent make annual adjustments, and 54 per cent make both annual and ongoing adjustments.

Figure 13. Approach to capital allocation

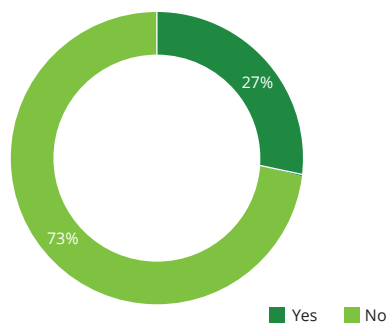
Which of the following statements best describes your company/organisation's approach to capital allocation goals and -adjustments?



When asked about future challenges, 27 per cent of respondents state the challenge of greater demands from external and internal stakeholders regarding transparency in capital allocation strategies and decisions. This indicates that transparent and consistent communication with stakeholders can be considered a key consideration in capital allocation.

Figure 14. Capital allocation challenges

Does your company/organisation face the challenge of greater demands from internal and external stakeholders regarding transparency in capital allocation principles and decisions? (Multiple choice question)





Anders Lonning-Skovgaard
CFO of Coloplast

“Capital allocation should be a dynamic process”

In 2020, the management of Coloplast decided to accelerate their search for acquisition opportunities alongside organic growth. For Anders Lonning-Skovgaard, it became the start of a transition that has made the role as CFO broader, busier and more exciting.

Dynamic and responsive

” When it comes to capital allocation for commercial activities, there are far more investment opportunities than we in Coloplast can say yes to. Structurally, it works in such a way that the regions come forward with wishes and ideas, which are then presented to our investment board. It is important to us that we have a dynamic process where we continuously allocate capital and that there is always room for good ideas. However, this does not mean that the ‘bank’ is always open, but it means that we are always responsive. This applies regardless of whether the ideas are about sales, marketing, digital initiatives or the opening of new markets.”

Similarly, on the innovation side, Coloplast works with a dynamic capital allocation, Anders Lonning-Skovgaard explains:

” Besides commercial investments, innovation is clearly our most important growth driver, and I would say that we now have a best-in-class innovation team across our business. Our guidance is that we currently allocate around 4% of our revenue to innovation, but we can choose to extend that limit if someone comes up with a great idea. Here, too, we have an innovation board, which makes the final decision in close collaboration with the executive team. At the same time, innovation is an area where we do not just look internally, but also outside our company. This is especially true for urology, where we have made external investments and we are still looking for early-stage technologies and smaller additions to our portfolio.”

Introducing 'Strive 25'

A few years ago, Coloplast made a big decision: Alongside organic growth, acquisitions would become a core element of the new strategy that was dubbed 'Strive 25'. The goal was to ensure annual growth of 7-9%, later adjusted to 8-10%, and a long-term EBIT margin of above 30%. At the same time, the management had a desire to use the capital structure more efficiently and proactively, Anders Lønning-Skovgaard explains:

” The launch pad for 'Strive 25' was the fact that in 2020 we were in a situation where we had a strong cash flow and no debt. This led us to say that we wanted to use our capital structure more effectively, including looking at acquisition opportunities, and that these opportunities should be within either large strategic plays, distribution, sales channel expansion or product development. We presented this vision first to the board and then to the capital markets, where we received a very positive response. It was clear that the market wanted to see us move actively into M&A”.

Onwards and upwards

The passing of time also means that 'Strive 25' is now coming to an end, and Anders Lønning-Skovgaard and his team are entering the next strategy period: From organic growth to large acquisitions and now, in the coming years, with a strong focus on integration:

” Towards 2030, there is no doubt that both I and my entire team will continue to work with the building blocks we have now laid. After all, acquiring companies is not just about spending money; it is also about delivering growth, integrating, reaping synergies, moving to IT platforms, using shared services and having a clear and transparent dialogue about performance. Personally, I would not say that I spend a lot of time on capital allocation as such, but I spend a lot of time on how we as a company create value. The fact that we have now become much bigger only makes my role even more exciting, but of course extremely challenging and busy.”



Three pieces of advice from Anders Lønning-Skovgaard on capital allocation

- 1. Make sure to create a dynamic process that runs throughout the year:** Capital allocation should be focused but at the same time agile, and it should be possible to adjust when someone either comes up with a good idea or when something does not work.
- 2. Create a team with depth and breadth:** As the business becomes more complex, the CFO role becomes equally more complex. Have people around you who master the many disciplines involved in capital allocation, both when it comes to acquisitions and organic growth.
- 3. Be transparent and consistent without being rigid:** The job as CFO becomes easier when the capital markets experience transparent and consistent communication that is based on transparent and consistent capital allocation principles. Spend time and energy on investor relations. It is worth the effort.

[Read the full interview here.](#)

Kim Tegner

North South Europe Leader,
Finance & Performance and Leader
of Deloitte's CFO Programme



“CFOs are missing out on opportunities to optimise capital allocation”

Many Danish CFOs already use capital allocation diligently to position their company for long-term growth. Others have the opportunity to take a more prominent role in the capital allocation process and potentially enable significantly higher value creation according to Kim Hendil Tegner, North South Europe Leader, Finance & Performance and Leader of Deloitte's CFO Programme.

Ask yourself this simple question: What does a CFO really do?

There are of course many answers to that questions: CFOs manage a range of support functions including finance, ensuring timely and adequate external and internal reporting, running the financial planning process, managing relationships with banks and investors etc. We all know this already.

But the best CFOs do more than that, according to Kim Hendil Tegner who is North South Europe Leader, Finance & Performance and Leader of Deloitte's CFO Programme. Besides the traditional CFO tasks, they also spend a considerable part of their time making sure that capital is allocated in a way that supports long-term sustainable growth in cash flow generation.

Not all agree

On the surface, one could argue that it is difficult to disagree with this view; yet, Deloitte's Spring 2024 CFO Survey shows differently. Here, less than half of the surveyed CFOs consider capital allocation to be among their top three most important tasks. Kim Hendil Tegner is not surprised by the numbers:

” What the numbers show, at least, is that capital allocation is still an underprioritised discipline in many companies and that many Danish CFOs have a big opportunity ahead to make sure that their companies invest enough in the right things and that capital is distributed back to the owners in the right amounts and ways.”

” Even in larger companies, some CFOs have the opportunity to make a lot more impact in this area. In fact, not prioritising capital allocation in a disruptive economy could severely weaken a company’s ability to make adequately informed decisions and ultimately be a stepping stone to eroding shareholder value over time.”

Positioned for long-term success

While some CFOs are clearly missing out on opportunities to allocate capital to match a growth agenda, many CFOs are doing everything in their power to position their company for long-term success through diligent and proactive capital allocation. This includes how to trade off investments in sales, marketing, R&D, supply chain, production capacity, support functions, technology, M&A and more with repayment of debt, dividends to shareholders, buying back shares and so forth. Kim Hendil Tegner is pleased to see CFOs take on this important work:

” Today, many CFOs not only have a stringent model and a transparent flow of information for evaluating which investments will contribute most to long-term growth; they have also implemented a dynamic process through which capital allocation decisions are continuously evaluated, and through which learning and feedback are embedded into decisions to boost performance. In our 2024 CFO Survey, 54 per cent of Danish companies confirm that they do both annual and ongoing adjustments to their capital allocation. That number could of course be higher, but it is still a good start.”

From having worked with CFOs across many sectors and countries, Kim Hendil Tegner has seen first-hand how capital allocation decisions can mean the difference between failure and success:

” When we look at the top performers within capital allocation, the results are actually striking: From allocating capital based on past experience to allocating capital based on the future growth agenda. From putting together yearly budgets to working dynamically with investments without being restricted by the calendar. From leaning back on commercial conservatism to pursuing an active long-term growth agenda. This is really an area where we see some CFOs take a very proactive and successful stance.”

Will it become easier to be a CFO in the coming years?

Kim Hendil Tegner believes that companies with CFOs who are an integral part of the capital allocation strategy, principles and process will be long-term winners – and not just in their current industry:

” Drawing on my experience with leading companies across Europe, there is really no doubt in my mind that CFOs should be an integral part of the management team’s continuous effort to create a long-term sustainable strategy that ensures the value creation. However, it is in the execution of the strategy through preparing, evaluating, the follow-up and the communication around the actual capital decisions that the CFO must excel.”

Finally, Kim Hendil Tegner urges CFOs to start preparing for future growth now:

” Will it become easier to be a CFO in the coming years? Absolutely not. If you have not started yet, now is for sure the time to upgrade your capital allocation procedures and capabilities to handle the increased complexity in capital allocation decisions we have already seen over the last 5-10 years. These complexities include geopolitical risks, supply chain complications, digital disruption, cunning M&A and the global transformative ESG agenda, just to mention a few examples. You may not be dealing with all of these agendas now, but you will likely very soon, so start preparing now.”

Three pieces of advice from Kim Hendil Tegner on capital allocation

- 1. Create the right foundation:** Make sure you have the right long-term financial model, data and team to support you. Ensure that the governance process is appropriately set up, so the business stakeholders are engaged in the right way and kept accountable for their commitments.
- 2. Take the full investor view:** You have to understand all of your investors preferences. Many companies have investors with different appetites for financial leverage, debt vs. share buyback etc. You have to listen to them and then define a capital allocation plan that you adhere to. Make sure to be transparent to the market on your decision-making while also making sure to ‘under-promise, over-deliver’.
- 3. Finally, think ahead:** Capital allocation will only become more and more difficult as the years progress, so start preparing now. You need to expand your financial model and governance to these new types of investments.

[Read the full interview here.](#)

The Deloitte European CFO Survey

Since 2017, Deloitte has conducted the European CFO Survey giving voice twice a year to senior financial executives from across Europe. The data for the spring 2024 edition were collected in February and March 2024 and garnered responses in 13 countries and across a wide range of industries – including 135 from Denmark.



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