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# Foreword

In previous years, the Danish CFOs have shown great optimism about the financial prospects. However, this positive spirit is fading a bit in 2019, as important changes are at hand. Brexit is just around the corner, and it is too soon to say how long the political negotiations will continue. Of course, companies have prepared for the potential outcomes in some time, but no one knows the actual consequences for business. At the same time, we see a tendency towards protectionism in important markets such as the US.

In this light, more than one fourth of the Danish CFOs rates the overall level of external financial and economic uncertainty facing their business as 'high'.

In times of great uncertainty, there is no room for falling behind - and in this regard, digitalisation has a great role to play. Last year, we predicted that the Danish CFOs have been late movers when it comes to digital transformation. Fortunately, in 2019, we are happy to note that the Danish CFOs have truly embraced the opportunities that new technologies hold. Several new technologies are frequently more applied in 2019 compared to the past two years, and more than half of the Danish CFOs consider themselves and their finance department mature when it comes to digital transformation.

However, two out of three CFOs think they lack knowledge and skills to be able to bring new digital tools into play. Therefore, having the right skills and the right people is also a key focus area in the years to come. In Vestas, that is one of the core priorities for CFO Marika Fredriksson:

"Having success in a highly demanding market requires the right people and a culture that reflects the market environment. Employees, who can make fast decisions as well as go act on them immediately and a culture that spur this behaviour. You need to have people you can trust, people who can make decisions, and people who can act."  
- Marika Fredriksson, CFO at Vestas

We also focus this year's CFO Survey on the sustainable agenda, which we see an increasing interest in among Danish companies. The Sustainable Development Goals (SDGs) set by the United Nation hold great opportunities for growth. Vestas and Chr.

Hansen are great examples of this. At the World Economic Forum 2019 in Davos, Chr. Hansen was recently named 'the world's most sustainable company'.

**"It is not enough to control the finances. As CFO I need to set the direction on areas such as sustainability and digitalisation."**

**Søren Westh Lonning, CFO at Chr. Hansen**

There is no doubt that sustainability and sustainable investments are important focus areas for all companies. However, our survey shows that most Danish CFOs are lacking knowledge about the SDGs and their specific role as CFOs in driving the sustainability agenda. If you are looking to stay ahead, there are plenty of inspiration to get from the companies at the sustainable frontline including Vestas and Chr. Hansen.



**Kim Hendil Tegner, partner**  
CFO Programme lead and head of CFO Services



**Contact**  
Kim Hendil Tegner  
Partner, CFO Programme lead and head of CFO Services  
+45 30 93 64 46 / ktegner@deloitte.dk

# Methodology

The Danish CFO Survey of May 2019 comprises data from 128 CFOs from Danish companies in the private (81 %) and financial sector (19 %). Most CFOs (71 %) come from larger Danish companies with 100 employees or more.

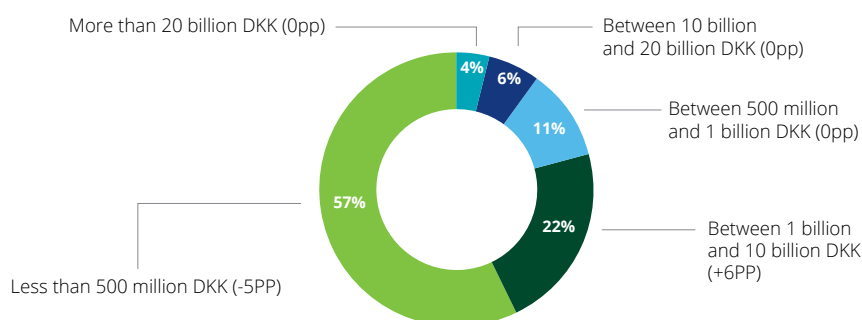
We have asked the CFOs about their primary concerns, priorities and expectations to the economy for the next 12 months. The survey also analyses the big challenges and possibilities facing finance departments today. Based on our previous biannual CFO Surveys from 2018 and 2017, we can compare the answers and provide an overview of the main concerns on the CFO agenda.

The goal of this year's survey is to provide you with relevant insights divided into three areas: Prospects and challenges (1) in relation to business, (2) in relation to digitalisation of the finance department (3) and for the first time also in relation to finance's role in adopting the Sustainable Development Goals (SDGs) into the company.

The CFO Survey is a quantitative questionnaire survey conducted by Epinion on behalf of Deloitte. Fieldwork was performed from February to March 2019 based on a set of questions provided by Deloitte. Deloitte Denmark carries out the CFO Survey as part of a biannual European CFO Survey.

## Respondents

*Revenue split (DKK)*



# The great optimism among CFOs is fading

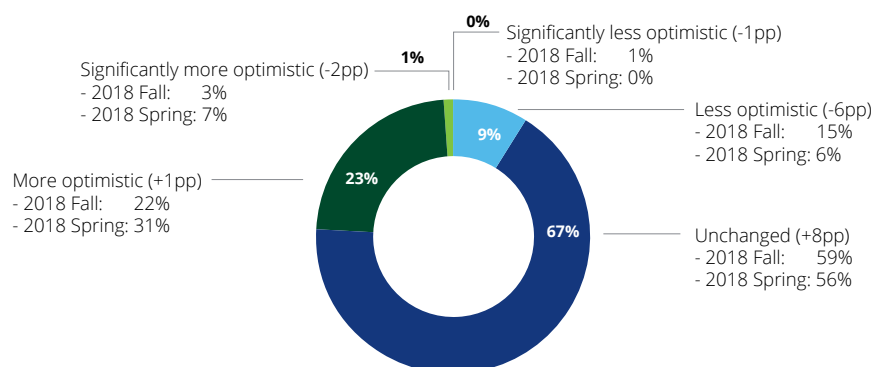
## Political uncertainty affects the optimism

Danish CFOs find themselves in a landscape of great uncertainty: Brexit is just around the corner, and no one knows whether it will be a hard or a soft exit from the European Union – and how this will affect trading and exchange rates. Across the Atlantic, the US president Donald Trump is pulling out from international agreements in areas such as trading and climate. In addition, China's economic growth has dropped to a historically low level.

Therefore, it does not come as a surprise that the great optimism among Danish CFOs is diminishing. The CFO 2019 Survey shows that fewer CFOs are optimistic about the financial prospect of their company compared to last year (figure 1). Rather, their expectations for the financial prospects are unchanged. Moreover, 26 per cent of CFOs rate the overall level of external financial and economic uncertainty facing their business as 'high' compared to only seven per cent a year ago (figure 2).

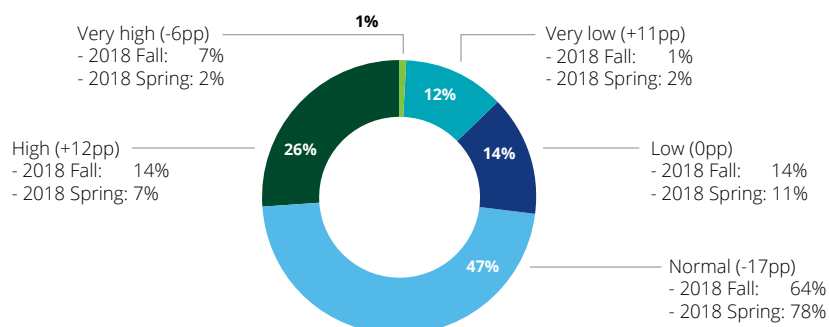
**Figure 1. Financial prospects**

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



**Figure 2. External financial and economic uncertainty**

Question: How would you rate the overall level of external financial and economic uncertainty facing your business?



### Cost reduction and organic growth

In 2019, most CFOs are focused on reducing costs, but organic growth is also high on the CFO agenda. Increasing operating expenditure as well as capital expenditure used to be of high priority for the CFOs but are less of a core priority in 2019 (figure 3).

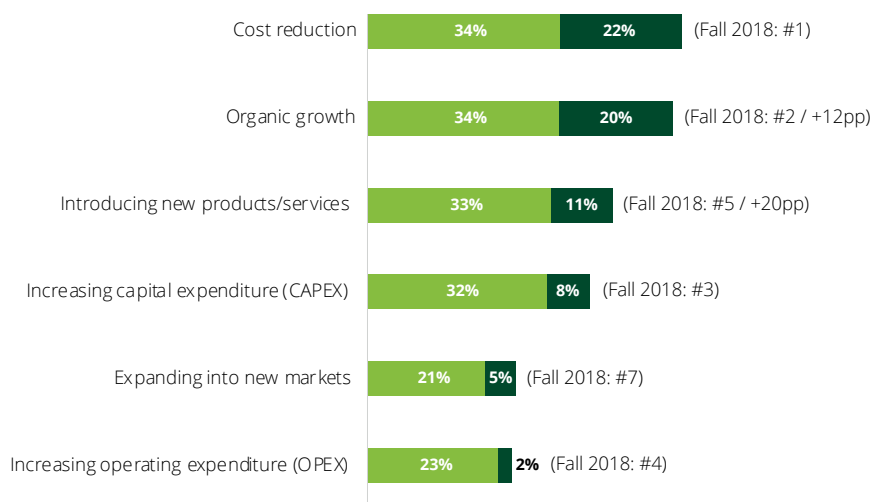
The uncertain economic growth outlook is considered to pose the biggest risk to their company over the next 12 months. Furthermore, a lack of candidates with the right skills necessary to lead the growth is another big concern. Most CFOs also fear a reduction in demand, and increasing regulations are now also considered a major risk for the Danish CFOs (figure 4).

### More willing to take on risk

Even though the optimism is fading, our results also show that 32 per cent of CFOs are ready to take greater risk onto the balance sheet, which is an increase of seven percentage points compared to six months ago. According to economic experts, interest rates as well as the inflation rate is expected to stay low. At the same time, oil prices remain relatively low, which is good for business. The Danish economy is strong, and a potential increase in domestic demand might compensate for the lower global growth.

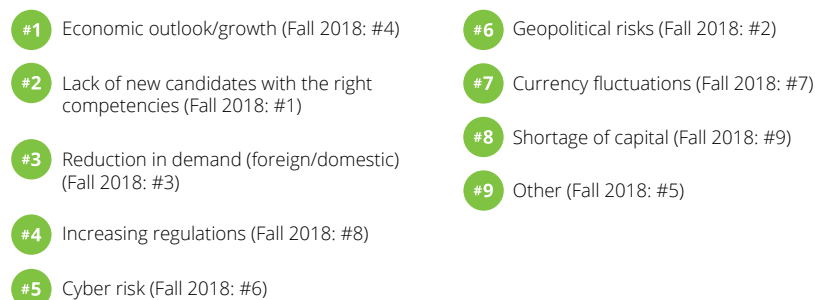
**Figure 3. Prioritized strategies**

Question: To which degree are the following strategies likely to be a priority for your business over the next 12 months?



**Figure 4. Top risks in the year to come**

Question: Which of the following factors are likely to pose a significant risk to your business over the next 12 months?





## Case

# Vestas CFO: It's all about having the right competencies

Speed of change forces CFOs to take on greater responsibility and make faster decisions. Having the right people is crucial, says CFO at Vestas, Marika Fredriksson.

When Marika Fredriksson took up the position as CFO for Vestas in 2013, her job description was unambiguously to ensure the survival of the company. Turning a DKK 500 million deficit of the year 2013 into a solid profit of DKK 5.1 billion in 2018 has been a tough and, at times, brutal ride. But Fredriksson has never doubted the recipe for Vestas' financial success.

"It was all about getting the company back on its feet again. I spent a lot of time defining which activities we should keep and which we should skip in order to generate more money for the company," she says.

A significant part of the work force was removed in order to create a solid base for growth. The manoeuvre was based on the facts and figures. There was no time for being emotional, Marika Fredriksson says.

"We had to start from scratch raising money, renegotiating with banks, creating transparency and rebuilding trust," she says.

"I have made turnarounds before in cyclical engineering industries, and I have learned how to deal with both upturns and downturns. But in order to succeed, you need to have the right competencies and create the right culture to drive a turnaround."

### Taking the company to the next level

With a balance sheet of more than DKK 20 billion in 2019, Vestas has gained a remarkably solid financial position. A necessity if you want to survive in a constantly changing market.

"We have been through difficult phases in a very short time frame, but we have managed to grow the company year by year. Now, the challenge is to take the company to a higher level, and that is actually harder than doing a turnaround," Fredriksson says.

"Everyone has an opinion on what to prioritise. The balance act is to keep up with the speed of change and be competitive in the market, without letting individual interests influence your judgement and prioritisation."

### People you can trust

The speed of change heavily influences the role of the CFO who must assume greater responsibility, gain deeper insight into the business and increase the company's financial power of decision-making. To do so, a CFO needs employees that embrace the speed of things, Fredriksson explains:

"Having success in a highly demanding market requires the right people and a culture that reflects the market environment. Employees, who can make fast decisions as well as go act on them immediately and a culture that spur this behaviour. You need to have people you can trust, people who can make decisions, and people who can act."

In this regard, Vestas has an advantage of being a modern industry, being able to bring the purpose of the business – green energy – to the forefront, she adds:

"Candidates see this as a growth potential, and we attract highly skilled employees. We get the best, because they look for a clear purpose with their work."

### Digitalisation is a competitive differentiator

Besides the right people and culture, digitalisation enables Vestas to be one step ahead of competition.

"Digitalisation enables us to differentiate, simplify and improve the turbines, and that is where we start. Most recently, we launched

"Luckily, we have been able to invent even more intelligent wind turbines and reduce our costs, but also create more value for our customers, for instance through digitalisation."

the modular design, which lowers the levelised cost of energy and accelerates the global transition to a more sustainable energy mix,” Fredriksson says.

Digitalisation has also made the company more resilient to sudden price drops in the market. The prices of wind turbines have fallen by 20 per cent in recent years. If prices continue to drop, and the finance department does not adapt instantly, the company will be dead at some point, Fredriksson explains.

“Luckily, we have been able to invent even more intelligent wind turbines and reduce our costs, but also create more value for our customers, for instance through digitalisation,” she says.

#### **Do not jeopardise growth**

Digitalisation, compliance and most recently the UN’s Sustainable Development Goals (SDGs) are important areas, which all interlink with the core of the business.

“Today, you cannot jeopardise investment in technology, compliance or the SDGs. Then you jeopardise growth. As a CFO, you need to understand the underlying trends and engage yourself in all areas. None of these are sidekicks, so you have to take responsibility for educating the whole company to make sure that the financial perspectives of all investments are understood by everyone,” she says, adding:

“The implications of e.g. being non-compliant today are enormous. You may be wiped off the map in a second.”

The purpose of Vestas producing green energy plays well with the whole SDG agenda. Vestas has committed to six SDGs and put a great effort into human work in Africa and South America, building schools for girls, advising on birth control and ensuring clean drinking water.

“But we cannot take green for granted as a competitive factor. We are on a journey, trying to push the boundaries for sustainability, CSR and local community commitment around the world. Because wind energy has become so cheap, the key today is not cost alone, but to create value across stakeholders and the SDGs are a way to make that tangible,” Fredriksson says.

#### **Opportunity lies in the risk**

Despite the speed of change influencing all parts of the company and the market, Marika Fredriksson persistently keeps on track. The financial target this year is a double-digit margin.

“I keep emotions and opinions out of all financial dispositions. The facts and figures are what count, and our digital infrastructure helps me collect and analyse the right data. But there must also be a risk factor because opportunity lies in the risk,” she says.

“Nonetheless, everything starts with the team and the right people. People are what make the difference.”





# Digitalisation is speeding up

## A digital era in finance

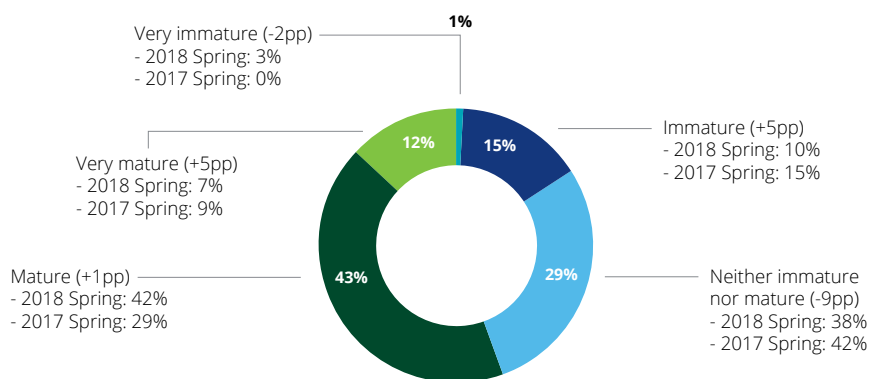
In previous years, the CFO Surveys has shown a disturbing picture of Danish CFOs lacking behind when it comes to digital transformation. Fortunately, in 2019, we are happy to note that the Danish CFOs are finally starting to capitalise on the great opportunities that new technologies hold.

For the first time in our CFO Survey history, more than half of the Danish CFOs consider themselves and their finance department mature when it comes to digital transformation and adapting new technologies (figure 5).

Almost eight out of ten CFOs focus on automating manual processes, and most of the CFOs have already appointed a designated data lead in their finance section. Half of the CFOs even state, that due to automation their finance function now focuses on developing the company's business model and increase cross-functional cooperation (figure 6).

**Figure 5. Maturity of financial departments regarding digital transformation**

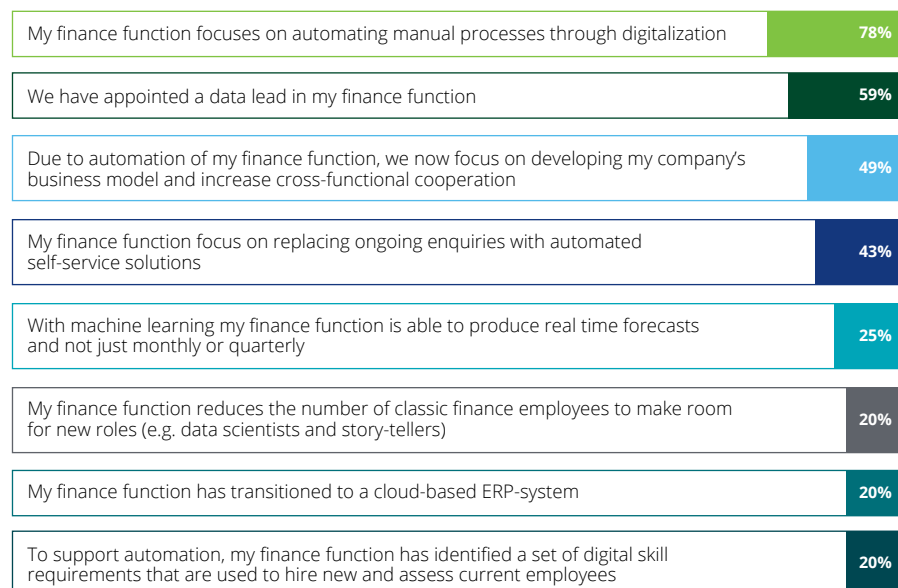
Question: How do you rate the preparation of your company's finance team in terms of digital transformation?



Note: 4 per cent of the respondents answered 'Don't know' in the Spring 2017 version

**Figure 6. Digitalization statements**

Question: Do you agree with the following statements?



## Greater awareness – but more skills are needed

One explanation to the digital development could be the increasing awareness among CFOs of how and where new technologies are used. However, most CFOs do not feel confident that they have the necessary level of knowledge and skills to truly drive the digital transformation. The survey shows that two out of three think they lack knowledge to be able to bring new digital tools into play, and they also find it hard to assess, which digital competences that are required to support the use of digital tools. The biggest challenge for the CFOs is to contribute to the work of implementing new technologies (figure 7).

## Great opportunities in the future

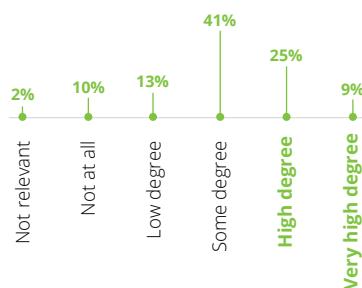
Today, the primary reason for using new digital tools is cost optimisation. However, new technologies lead to many other great advantages – and increasingly more of the CFOs are aware of that. For instance, the second-most important goal for the CFOs is to use digital tools such as predictive analytics to support decision-making (figure 8).

There are many other great opportunities to pursue in future: Technologies such as blockchain, in-memory computing and cognitive computing still hold great potential that is no wear near to be fully realised, as the next chapter shows.

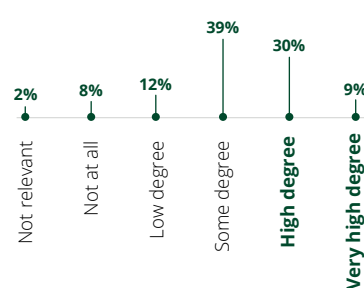
**Figure 7. Level of knowledge and skills**

Question: Based on the technologies mentioned on page 11, to which degree do you believe that you have the necessary level of knowledge and skills to...

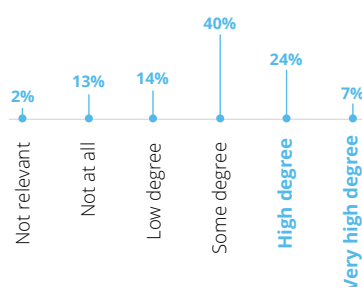
... Bring new digital tools into play



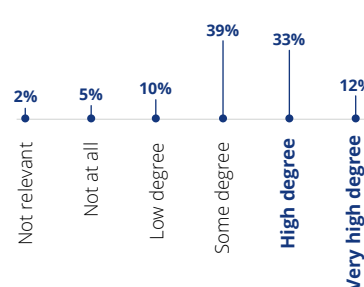
... Assess the required digital competencies



... Contribute to the design and implementation



... Utilize digital tools to create value for your company



**Figure 8. Primary goals of financial digitalization strategies**

Question: What are the primary goals of the financial department's digitalization strategy? (Max 3 answers)

- |                                    |  |
|------------------------------------|--|
| #1 Cost optimization               | #4 Reduce production and delivery time         |
| #2 Improve decision-making support | #5 Increase flexibility and scalable solutions |
| #3 Reduce error rates              | #6 Improve employee satisfaction               |

# New technologies in finance

Every technology included in the survey has become more frequently applied today compared to 2018 and 2017. From the list below, you can see which of them are most frequently used in 2019 and learn more about each technology.

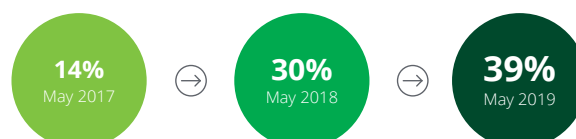
## Cloud computing

Cloud is a kind of computing that uses scalable, elastic technology to deliver services over the Internet. Instead of making large investments up front, finance departments can get the full stack of finance functionality “as-a-service,” delivered through public, private, or hybrid clouds.



## Robotics Process Automation (RPA)

Process robots automate transaction processing and communication across multiple technology systems. Robots perform recurring processes just like humans, but with less risk of errors and fatigue.



## Visualization

Visualisation refers to the innovative use of images and interactive technology to explore large, high-density data sets. Visualisation suites complement business intelligence and analytics platforms, offering rich graphics, interactivity and usability on par with leading consumer experiences.



## Advanced analytics

Analytics has long been part of the finance arsenal, but new techniques are helping business people tackle the crunchy questions with insightful answers. Often that means combing through big data to see patterns that suggest future opportunities.



## Cognitive computing

Cognitive computing and artificial intelligence (AI) simulate human thinking. This technology includes machine learning, natural language processing, speech recognition and computer vision.



## In-memory computing

In-memory computing refers to storing data in the main memory to get faster response times. Because the data is compressed, the storage requirements are reduced. The result is speed and access to quantities of data that were previously unimaginable.



## Blockchain

Blockchain is a digital distributed ledger, where transactions are verified and securely stored on a network of distributed and connected nodes, without a governing central authority.



# Sustainability on the agenda

In society today, we see an increasing interest in sustainability and the business opportunities it creates. In Deloitte's annual report, Industry 4.0, global leaders rank social responsibility and sustainable growth the number one priority when doing business.

The CFO has a crucial role to play here. However, our survey shows that most Danish CFOs are lacking knowledge in this area. Half of the CFOs are not familiar with the Sustainable Development Goals (SDGs) set by the United Nation (figure 9).

Only 17 per cent of the CFOs actively uses the SDGs to reach strategic goals, and only 14 per cent uses them as a framework for innovation and business development. Less than one third uses the SDGs to measure and report social and environmental impact (figure 10).

These are alarming numbers, since the SDGs can be a great tool for sustainability. The Danish bioscience company Chr. Hansen is a great example of that. Learn about their journey to becoming the world's most sustainable company in the following chapter.

Figure 9. Sustainable Development Goals (SDG)

Question: To what degree do you know about the 17 Sustainable Development Goals?

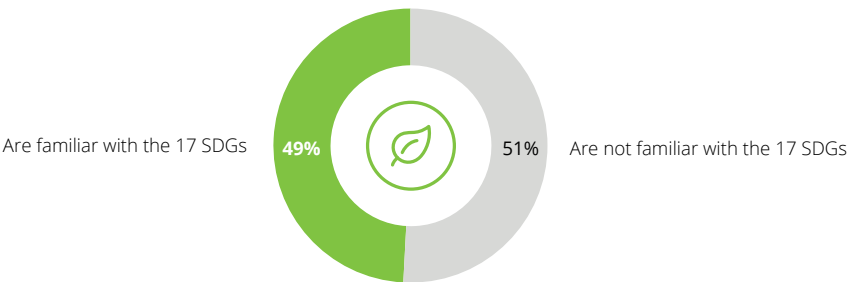
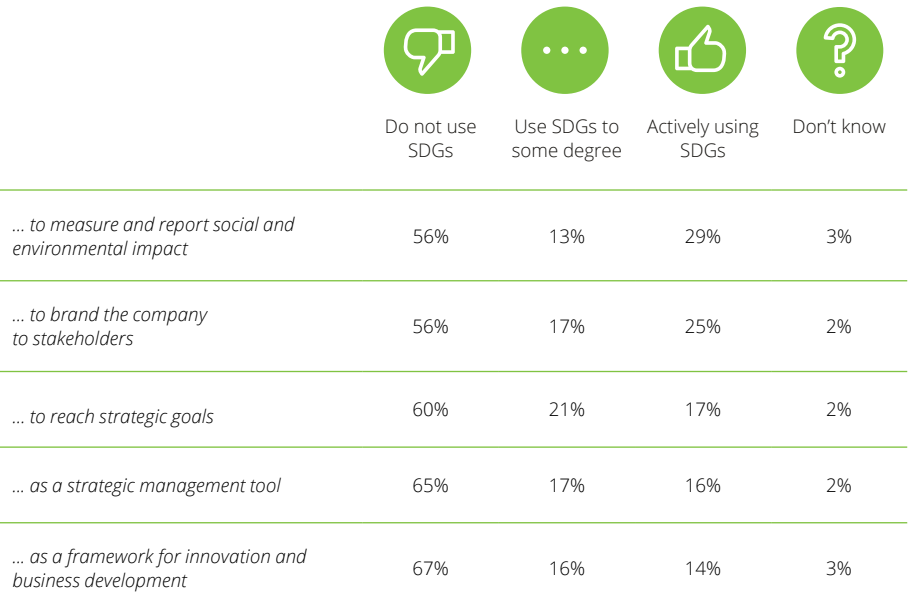


Figure 10. Sustainable Development Goals (SDG)

Question: To what degree do you use it ...



## Case

# Chr. Hansen CFO makes sustainability a core priority

Strategic investments and concrete measures have made Chr. Hansen the most sustainable company in the world. Today, 82 per cent of its revenue directly supports the Sustainable Development Goals set by the United Nations.

Søren Westh Lønning has good reason to be proud. A few months ago, when his bioscience company was ranked the world's most sustainable company at the World Economic Forum in Davos, the CFO was pleased to see the energy dedicated to sustainable work over the past couple of years materialise in such an accolade.

"We are humble about receiving this prize, and we only just started the sustainability journey. It will remain a core priority for the finance and IR department as well as the rest of the business in the coming years," he says.

When Lønning first took the CFO-chair in 2015, he saw a huge potential in sustainability as a growth lever, and it quickly rose to the top of his team's agenda.

"From an investment perspective we could see, that sustainability created access to lots of great capital opportunities, both among our shareholders, but also from external sources such as sustainability financing," he says.

Chr. Hansen started investigating how the company could make the most sustainable impact based on what the company sells, and then link this to the 17 Sustainable Development Goals (SDGs) set by the United Nations. All 3,000 of the company's products were analysed, until they decided on three specific goals to pursue: zero hunger, good health and well-being, and responsible consumption and production.

"Our product portfolio matches perfectly to these concrete goals," the CFO says.

Chr. Hansen's core product – good bacteria – allows yogurt to stay fresh longer which in turn enables consumers to reduce food waste. The bacteria also play an increasingly important role in human health research, the CFO explains:

"Studies document that specific bacteria minimise the risk of a flu during winter, and it helps solve different stomach issues. We are



only just starting to see how big an impact bacteria has on our health condition, and we can make a great impact in this area in the future."

### Measuring impact is key

Today, 82 per cent of the company's revenue directly supports the three UN Global goals. And it is a core priority for the CFO to be able to measure this impact, meaning that reporting on sustainability progress has become an integrated part of external auditing.

"It creates a high degree of credibility for investors and customers. We are pioneers when it comes to measuring our sustainable impact, and it is a key element in our strategic planning and company culture. This is also where I have an important role to play as CFO," Søren Westh Lønning says.

There are many ways to measure positive impact, he adds. The SDGs are only one aspect of it. Another is to regularly measure the company's CO<sub>2</sub>-emissions as well as water and electricity use. It is also highly relevant to measure employee satisfaction, diversity and inclusion in the company, the CFO says.

"It is about choosing the most important parameters for the company and then making sure that the reporting is of high quality. I think we have taken a big step on this."

### New focus areas

For Søren Westh Lonning, such classic CFO tasks as reporting, compliance and investor relations are still primary focus areas. But he continuously spends more of his optional time on the sustainability agenda.

"It is truly inspiring to work for a company that transformed from a producer of bacteria into a company that helps solve some of the big challenges, the world faces," he says.

"And I am convinced that a modern CFO needs to take on new tasks like these. It is not enough to control the finances. As CFO, I need to set the direction on areas such as sustainability and digitalisation."

IT and new technologies also take up more of Søren Westh Lonning's time. He has brought the IT and finance departments closer together to find out, which digital platforms and new technologies to invest in. Robotic Process Automation (RPA) is one technology that is very interesting to the team; automation and streamlining processes are key priorities according to Lonning:

"We are about the same number of people today in Finance as we were when I first started in the company ten years ago - even though the company has grown three times in size. Streamlining processes has made this possible, and I believe RPA will help us further on this journey."

Machine learning and bioinformatics are other areas that the IT team investigates together with the R&D organisation. Every investment in new technologies needs to add value for the customers, Søren Westh Lonning says.

"The value add relates to our innovation and ability to introduce new products to the market. This is where machine learning and bioinformatics have a role to play; we cannot afford to fall behind in the fast-moving developments on these areas. We are an innovation driven company, and we have to take the lead."

### A turbulent landscape

Even though Chr. Hansen can afford to prioritise investments in sustainability and digitalisation, Søren Westh Lonning pays full attention to the geopolitical and economic developments that comprise the increasing threats.

"We see the macro landscape changing when it comes to trade agreements, economy and politics. These threats are bigger today than a year ago," he says.



Therefore, enterprise risk - such as related to cyber security and compliance - are at the top of the agenda. The IT and finance teams are very focused on having the right people with the right skills to be able to detect, or quickly recover from, a cyberattack. Lonning created a task force to oversee this area and get all the facts on the table to make the right decisions and be cost effective at the same time.

"However, it is not enough to look at the current risks that we are facing today. When it comes to risk management and investments, we need to look ten years ahead. This takes up much of my time these days," he adds.

Historically, Chr. Hansen has not only survived financial crises but has also been able to sustain growth. During the financial crisis in 2008/2009, the company grew by eight per cent.

"This does not mean that we are immune to crises, but it gives us the serenity needed to make the right investments that create growth. Today, the goal is to grow by eight to ten per cent organically per year," Søren Westh Lonning says.

Some of this growth will likely stem from digitalisation but also from sustainable investments, and M&As may enable new growth paths, he says.

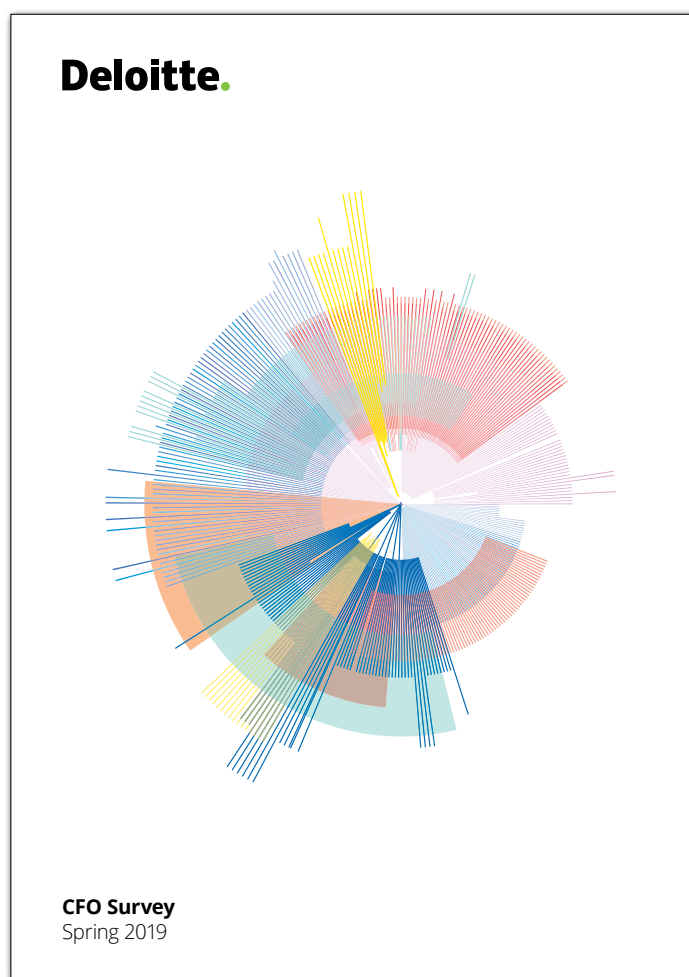
"Even if they do not result in the fast payback that would normally justify such investments, we may choose to make them anyway because of the impact they create. Most likely, we will look at other SDGs at some point, as we are taking the next steps on our sustainable journey."



# The European Deloitte CFO Survey Spring 2019

This is the third time Deloitte Denmark takes part of the European CFO Survey: A biannual report conducted across 20 countries in Deloitte EMEA. If you wish to gain insight into the perceptions of the European CFOs and compare these to those of the Danish CFOs, you can download the European CFO Survey [here](#).

**Indsæt link**





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