

# Gearing up for growth... finally

## Finnish and Global Executives’ Assessments of Their Firms in 2017



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By Boris Groysberg and Kalle Heikkinen

**NAG**

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## *About Authors*

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## *About NAG*

**NAG** is a Finnish top management consulting firm that serves its clients in making and implementing key choices in strategy and organizational performance. It boasts a dedicated and experienced team with wide fields of expertise, and puts emphasis on providing unique, tailored solutions to its clients.

## *About the Survey*

For the past ten years, a group of C-level Finnish executives and their colleagues have responded to an annual survey that has solicited their assessments of their companies' performance on drivers of organizational performance. This survey has been conducted as part of an annual forum that the Finnish management consulting firm NAG has hosted for top executives in Finland since 2008. The participants, all C-level managers, have represented prominent private, public and state-owned companies, ranging from traditional industrials to financial services. The forums have consisted primarily of case discussions and presentations on the latest thinking about leadership, innovation, and talent management. Survey respondents have been asked to rank their companies against peers on areas such as leadership, innovation, organizational design, strategy, culture, and managing human capital. The survey has also included six open-ended questions about the company's current strengths, weaknesses, threats and opportunities. In 2017, we received 86 responses from 28 Finnish organizations.

The 2017 scores of the Finnish companies surveyed have been benchmarked against a 2017 global average, calculated using 5,590 responses from 450 companies representing every region of the world and virtually every industry. Surveyed companies are mostly large or medium sized public or private companies. All surveys have been conducted in English.

## *Gearing up for growth... finally*

### *Finnish and Global Executives' Assessments of Their Firms in 2017*

For the first time in our global survey that we have conducted since 2009, we see signs that Finnish companies are starting to gear up for growth. Compared to 2016:

- Willingness to grow core business increased 11%
- Similarly, willingness to grow related business increased 11%
- Additionally, even willingness to diversify into new businesses (even though still low in global comparison) increased by 10%.

Fitting with the above, Finnish senior executives have a more positive view of the business environments overall; expected demand growth is up by 13% compared to 2016.

Looking at the underlying fundamentals in global comparison, we note again that Finnish companies stand out most by having clear and well-communicated strategies (2017 Finnish score was 8% higher than for global peer group). “Our strategy is clear and developing. Focus areas are well known and communicated,” summarized one senior executive. Another one commented that the company’s “vision is clear, strategy must be updated, but the overall direction most probably remains the same.” Similarly, Finnish executives see that their ability to execute and operationalize strategies continues to be at a somewhat higher level than for global peers. “We are strong in operational excellence and productivity improvements,” summarized one senior executive.

We also note an increase in the number of responses that indicate that Finnish companies are at the leading edge of innovation in their industries (2017 Finnish score is 6% higher than for the global peer group). Having said this, most of the innovation and growth of the Finnish companies is likely come from current

products and services, not from riskier new breakthroughs: scores for willingness to support experimentation remain as low as they have been in the previous years and substantially lower than for global peers (2017 Finnish score is -11% vs global peer group). “Business and product development should have much more freedom to do experimenting and fund strong innovation,” said one executive. Similarly, willingness to cannibalize current revenue streams via innovation remains low in the Finnish companies. Reflecting this, one Finnish executive said, “We as management team are somewhat securing our present positions, not seeing huge opportunities”

Some issues remain. Finnish top executives still contend that their companies do not have a good understanding of their competitors and their competitors’ strengths and weaknesses (2017 Finnish score is -14% vs global peer group). In their qualitative comments, many are concerned especially about new entrants and emergence of totally new types of competitors, and are pondering how to adjust their business models to digitalization. “Our greatest risk is the new innovative entries from competition. We are somewhat lagging in digital disruption,” said one executive. Another executive summarized, “Emergence of competing solutions or business models, commoditization of the basic product and service offering are a key threat”. Considering that many firms in the global marketplace are now seeking innovation via strategic cooperation, we note that ability to work with strategic partners remains low in global comparison (2017 Finnish score is -14% vs the global peer group).

## *Conclusions*

Overall, we conclude that positive signs for growth now outweigh the negative.

Based on these findings, it looks realistic to expect efforts for stronger growth from Finnish companies. To boost the growth further, some of the areas that remain in need of attention from Finnish companies are:

- Developing tools and practices that enable experimentation,
- Developing tools and strategies for working with outside partners (models for open innovation) and
- Ensuring that business models incorporate the challenges and opportunities driven by digitalization
- Investing in leadership bench and developing a diverse talent pool.

Table 1. Most notable changes in Finnish executives' ratings of their own firms (Scale 0–5)

Survey item	FIN 2017	Yearly change, %
How likely is the company to grow its core business	4.0	+11%
How likely is the company to build related businesses	4.0	+11%
How often is the company at the leading edge of innovation in its industry?	3.7	+9%
How well does the company operationalize and execute against its strategy?	3.7	+6%
In the next 12 months, how likely is the company to expect demand growth greater than GDP growth	3.5	+13%
How likely is the company to diversify into new businesses	3.4	+10%

Table 2. Most notable changes in Finnish executives' ratings of their own firms vs. global (Scale 0–5)

Survey item	FIN 2017	FIN vs. Global, %
How likely is this company to be the target of a merger or acquisition?	2.4	-17%
How bureaucratic is the company? (high score=the company is not bureaucratic).	2.8	-13%
How good is the company at supporting experimentation?	3.1	-11%
How well does the company understand its competitors and their relative strengths and weaknesses?	3.2	-14%
How effective is the company at identifying and working with strategic partners?	3.2	-14%
How likely is the company to: Expand geographically	3.3	-8%

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