

A rude awakening –  
discontinuities are the new normal



# A darker tone



Pekka Mattila – Professor of Practice,  
Aalto University School of Business

The survey's respondents were in tentative and pragmatic mood this year, with hard decisions looming after a long period of growth. This is due to factors in the business environment, some of which could not be predicted – let alone controlled – by large corporations.

## Driving with hands off the wheel

Large companies' confidence in Finnish policymakers remains weak. Is the slight rise in this score due to crisis leadership compensating for poor economic policy, or to the expected change of government after the coming general election? It's anybody's guess.

Only 1.5 per cent of respondents think that balancing of the public finances is on track, while more than nine out of ten believe the opposite. They give the same crushing verdict in response to questions on control of public debt, and structural drags and incentive traps. It would be no exaggeration to state that almost all respondent companies despair of the current administration's economic prowess.

## A fractured continent

After years of adapting to the idiosyncrasies and risks of the eastern market, large corporations were surprised by Russia's attack on Ukraine. Their responses reveal the strength of their reaction: they have eliminated Russia from their list of target markets either permanently or

long-term, and see no realistic prospect of moving production there in the near future. There is slightly more optimism about traditional demand for exports to Russia, but only after hostilities have ended.

Russia's aggression may also have prompted a rethink about the subcontracting and export titan, China. More than two fifths of respondents viewed China's growing strength as a threat to their sector – and just one in four as an opportunity. The scales are also tipping from 'opportunity' towards 'threat' when assessing the future prospects of one's own company.

## Belt tightening

There has been a dramatic change of mood at big firms. Almost half of respondents aim to focus on improving efficiency and productivity in 2023, while less than a fifth feel confident about expansion or further development. Confidence has collapsed since last year; the post-pandemic high spirits were short-lived.

Fortunately, appetite to invest seems more promising. Companies still intend to invest in expanding production and capacity, while digitalisation, employee development and – above all – the sustainability transition are reasonably high up their list of growing investments.

## An employee's market

As they prepare for an economic downturn and efficiency measures, corporations say that they are encountering fiercer competition for good employees and specialists. Not a single respondent disagreed with this, while the percentage agreeing reached levels only seen in North Korean elections.

More than half also view competition for talent as a threat. Fewer than a third, on the other hand, trust in their reputation and view the labour shortage as a relative strength. This turns the tables on the trend in previous surveys – we now have an employee's, not an employer's, market.

## Bouquets for the bean counters

Soaring inflation is a new experience for many in the new generation of executives. Nine tenths of respondents feel that growing inflation will cause problems for their companies and four fifths regard it as a threat. Another storm cloud, rising interest rates, is treated as less menacing. This is understandable, since many large companies are self-sufficient – sensitivity to interest rates lies mainly in their customers, not them.

The responses suggest that financial strength is precisely what protects big businesses from shocks and discontinuities. They have been wise to prepare, despite public criticism of their profitability focus and bloated balance sheets, which are now prized assets.

## Responsibility that stays the course

Covid-19, Russia's war of aggression, and the looming recession have put companies' values to the test, as well as their finances. It is already clear that responsibility is no longer a fair-weather pastime.

ESG commitments have outlasted the years of crisis, being strategic choices rather than imitation of competitors. In addition, social responsibility now tops the agenda, alongside the environment.

Big companies are increasingly ready to curtail short-term growth and profitability in favour of responsibility goals, while keeping a firm eye on business continuity. Ultimately, such prioritisation gives corporate giants a basis for sustainable actions and deeds.

This positive trend has been fixed into place by greater interest among boards: executive pay depends on meeting sustainability targets at a growing number of companies.

The tables have turned.  
We now have an employee's,  
instead of an employer's, market.

## Over ten years of holding up a mirror to large corporations

The Survey of Large Corporations, which is unique in Finland and internationally, has just been completed for the eleventh time. Many companies and persons involved have been responding since its first year, an impressive commitment given the time needed to answer the broad range of questions.

The report gathers the views of executives at Finland's largest enterprises, particularly businesses with billions in net sales. Many such companies are global market leaders, and an even bigger group of respondents is striving for market leader status.

The survey is based on good academic practices, but its true impact lies in its ability to stimulate discussion in various social and economic forums.

# Finnish large corporations look ahead to the post-crisis era with confidence



Katja Keitaanniemi – President and CEO,  
OP Corporate Bank

In many ways, 2023 was another exceptional year. Post-pandemic optimism was soon superseded by the humanitarian crisis of the Ukraine conflict and tumult in the global economy. The energy crisis and rising inflation have changed the Finnish and international markets – permanently in some respects.

Published for the eleventh time, the Survey of Large Corporations reveals that Finnish large companies have strong finances, despite the storm clouds on the economic horizon.

In 2022, cumulative net sales grew more rapidly than ever, by almost a third compared to 2021. Average net profit compared to net sales also rose to a record level. As Finland's biggest lender to the private sector, we too regard the situation of large corporations as stable. Many large companies have a strong balance sheet and good liquidity.

Caution predominates in the survey results, despite the respondents' lack of financial concerns. A year ago, a record high share of big businesses intended to expand; this time, the share of such companies fell by over 15 percentage points, to only a fifth of the respondents. In 2023, 45 per cent of large corporations will aim for greater operational efficiency and productivity rather than expansion.

The good news is that investments will continue, despite the focus on efficiency. Large companies' investment projects are often long term and not easily deflected by sudden market fluctuations.

On the other hand, the energy and inflation crises have prompted big companies to turn frugal, focusing investment more on continuity than before. Forecasts of investment growth have fallen in almost all categories, for both tangible and intangible investments, since last year. However, almost 90 per cent of large companies say they are ready to invest rapidly if prospects emerge of medium-term growth in demand.

The survey reveals confidence about the post-crisis period. More than three out of four respondents felt that their companies were clear about how they would develop their businesses in the environment following the Ukraine war.

Big companies view financial resources as their strongest means of fast adaptation. Other sources of resilience include customer relationships and core, production-related activities. Respondents name rising inflation, labour shortages and unreliable supply chains as their greatest vulnerabilities.

Our Survey of Large Corporations has again lifted the curtain on the mood inside big companies in Finland. I would like to give my warm thanks to the contributors. We now, more than ever, need the insights of large companies to help us penetrate the mist shrouding the global economy and Finnish enterprise.

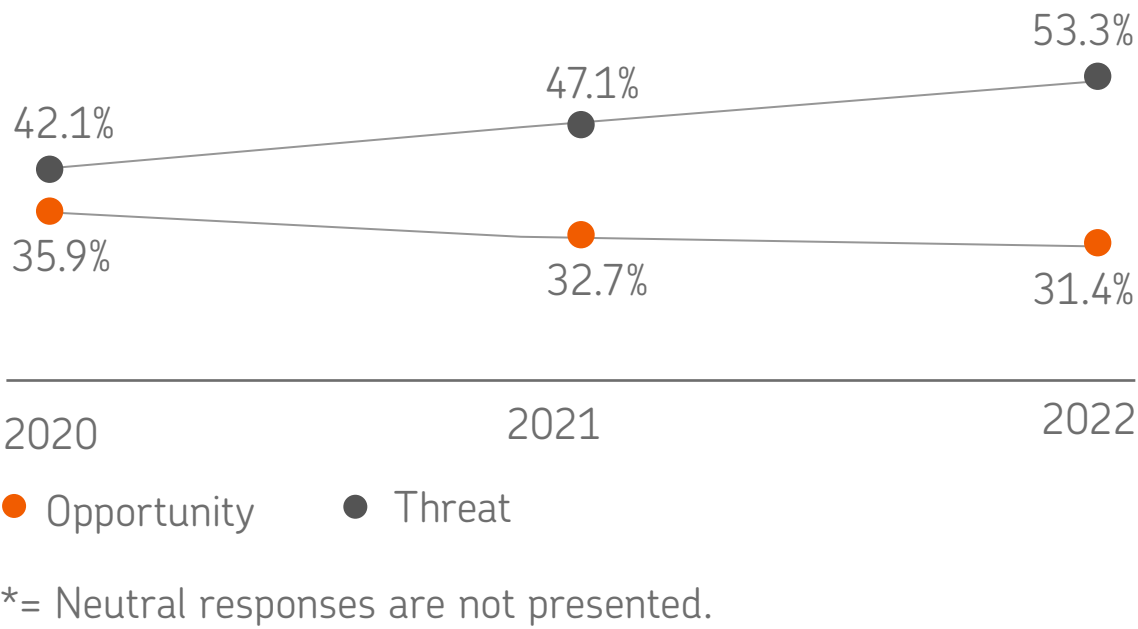


# Optimistic under pressure

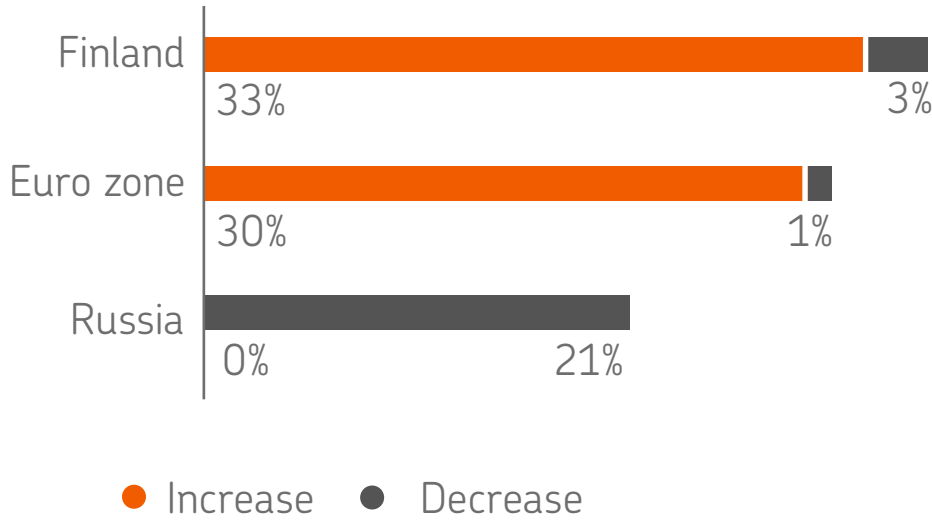


will mainly focus on efficiency:  
a rise of over 15 percentage points  
since last year.

More large companies view tough competition  
for talent as a threat\*



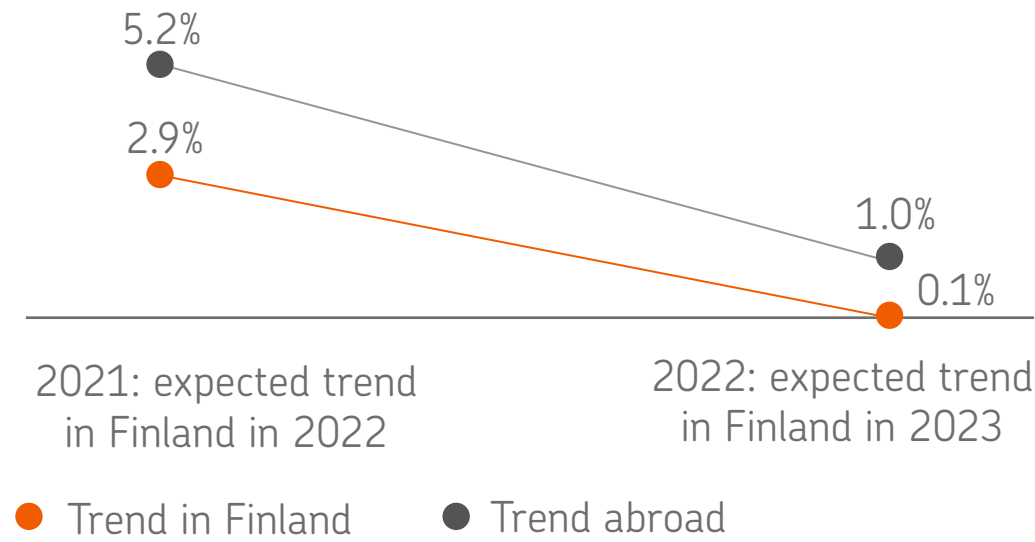
Expected near-term trend  
in production



Strong finances guarantee survival  
– three key strengths

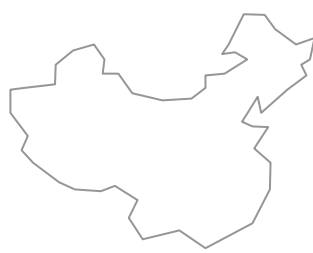


Growth in demand is slowing  
in Finland and abroad



93%

believe that the Russian  
market will remain closed  
in the future.



30%

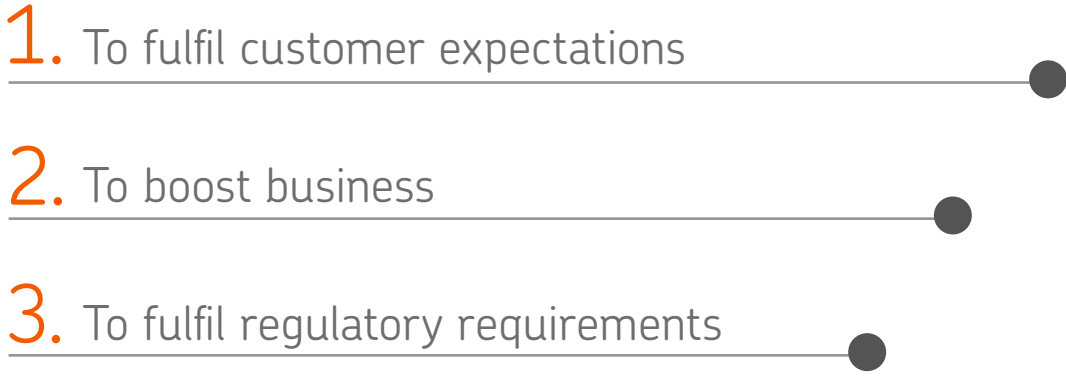
view the rise of  
China as a threat  
to their business.

The sustainability transition is customer-led

4.4 %

Investment  
in sustainable  
business to  
grow in 2023.

Companies are taking  
responsibility:



86%

believe that  
NATO membership  
will draw investments  
to Finland.

Due to rounding, the figures presented do not necessarily add up to one hundred per cent.