

CEO *pulse*

Number 07
August 2010



Views from the top ...

Australia's leading chief executives on:

- The federal election
- What they'd say to Julia Gillard
- What they'd say to Tony Abbott
- Economic outlook
- What keeps them awake at night

Highlights from the CEOs surveyed this month:**CEOs on the Economy**

- Optimism about prospects for the Australian economy in the next 12 months amongst surveyed CEOs has decreased slightly this month (54% compared to 60% in July) and it is currently the lowest it has been since we started the survey in February 2010.
- Optimism about the prospects for their own organisation in the next 12 months has remained steady (82% this month and in July). This optimistic sentiment has increased over the course of the year.
- Expectations of capital investment, profit and sales levels in the next 12 months have stalled slightly, with a shift from expecting increases to expecting them to stay the same on all three measures.
- Surveyed CEOs' average score of the government's performance in managing the economy has remained steady at 4.3 out of 10 (same as last month).

CEOs on the Election

- Overall, surveyed CEOs report that they prefer Coalition policy over the ALP in all major policy areas, although more CEOs said they prefer neither parties' position on Climate Change policy (48%).
- On health policy, support appears to have switched from the ALP (27% down from 40%), to the Coalition (42% up from 27%).
- Surveyed CEOs report that the issues which they believe have had the most impact on this election campaign are economic management (63%), leadership style (48%), mining tax (40%) and asylum seekers (32%). However, the issues most important to them in this election are economic management (84%), health reforms (26%), company tax (26%) and climate change (21%).
- Surveyed CEOs are significantly more likely to report that they think Tony Abbott would make the better Prime Minister (52% compared to 26% for Julia Gillard).
- About half of surveyed CEOs (53%) report having given consideration to how their business will engage with the Greens, given their potential new role holding the balance of power in the Senate.

CEO Advice to the Prime Minister, Julia Gillard

- When asked what advice they would give the Prime Minister in the context of the upcoming election, the three key themes in CEO's comments were: be honest and clear about what she stands for; be herself; and focus on developing a strong economy.

CEO Advice to the Opposition Leader, Tony Abbott

- When asked what advice they would give the Opposition Leader in the context of the upcoming election, the three key themes in CEO's comments were: articulate policies more clearly and demonstrate his and his teams' understanding and expertise; be himself; and go harder on the Labor party, but do not oppose for opposition's sake.

Methodology

Research design and analysis for the CEO Pulse was conducted by GA Research, an independent market and social research firm that is a member of the Association of Market and Social Research Organisations (AMSRO) and accredited to AS: ISO 20252. Fieldwork was conducted by independent operator AFS.

The sample comprised n=62 CEOs of organisations with an Australian turnover of \$100 million or more who opted to participate in a five minute survey conducted over the phone or online between Wednesday 4 August and Sunday 15 August 2010. CEOs who participated in the survey did so anonymously and represented listed, unlisted and not-for-profit Australian companies as well as the Australian operations of global companies. Industry sectors included professional, commercial and other services including legal and financial services, manufacturing, healthcare, hospitality, retail, mining and agriculture.

Note that some percentages for single response questions presented in this report may not add up to 100% due to rounding. Significant differences between July 2010 and August 2010 at the 5% level (95% confidence) are reported where relevant.

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GA Research on (02) 9552 8996 or research@garesearch.com.au.

If you are a CEO and wish to register your interest in participating, please go to
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CEO pulse

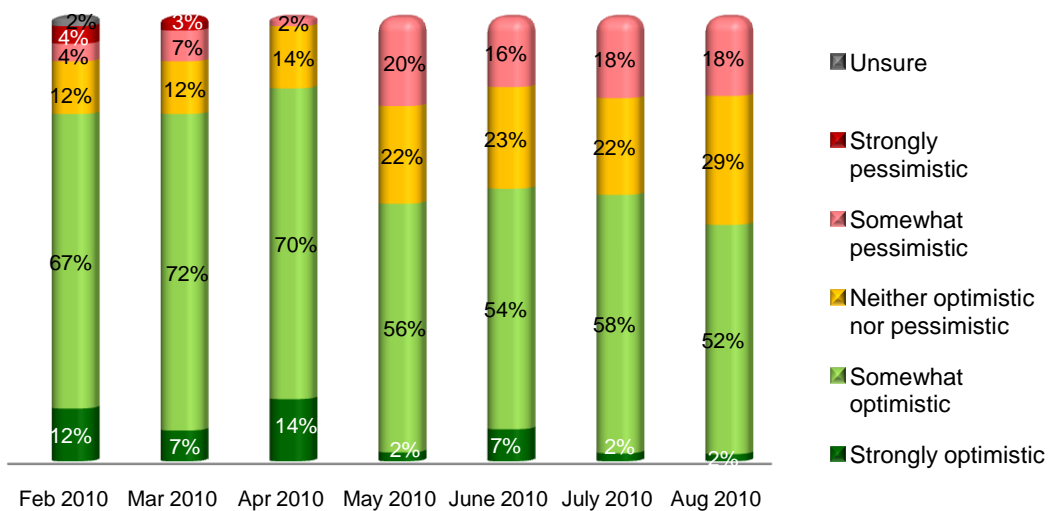
CEO Sentiment

Question 1: To what extent are you optimistic or pessimistic about...? (Feb 2010; n=51, March 2010; n=75, April 2010; n=56, May 2010; n=50, June; n=83, July; n=55, August; n=62)

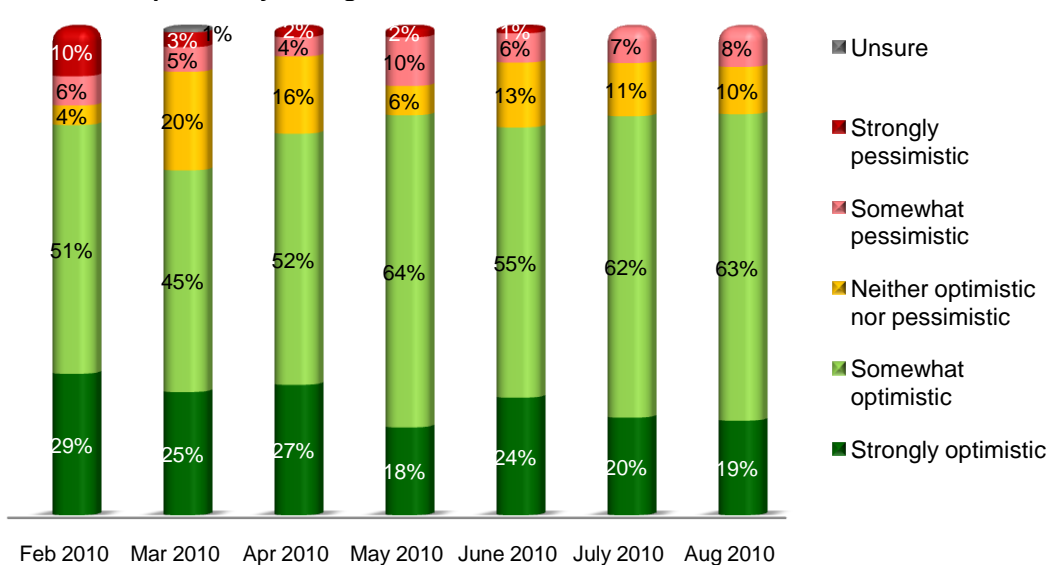
Optimism about prospects for the Australian economy in the next 12 months amongst surveyed CEOs has decreased slightly this month (54% compared to 60% in July), and it is currently the lowest it has been since we started the survey in February 2010.

Optimism about the prospects for their own organisation in the next 12 months has remained steady (82% this month and in July). This optimistic sentiment has increased over the course of the year.

Prospects for the Australian economy in the next 12 months



Prospects for your organisation in the next 12 months



CEO pulse

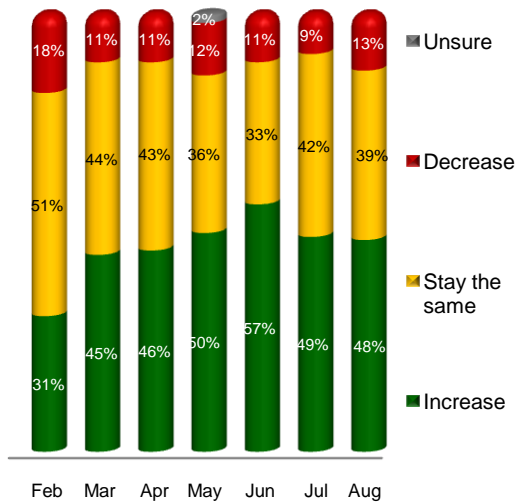
Short Term Company Outlook

Question 2: Thinking about your organisation in the next 12 months, do you expect the following to increase, decrease or stay the same? (Feb 2010; n=51, March 2010; n=75, April 2010; n=56, May 2010; n=50, June; n=83, July; n=55, August; n=62)

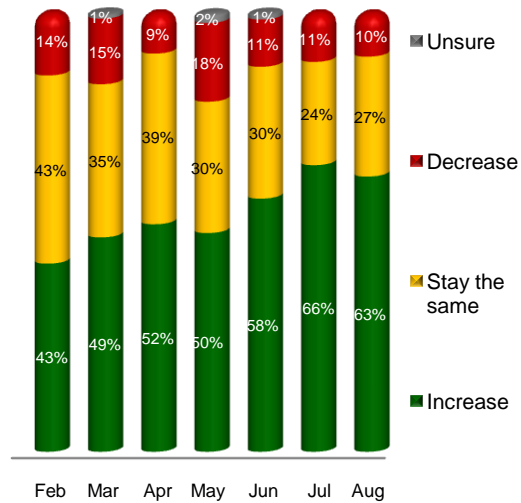
Expectations of capital investment, profit and sales levels in the next 12 months have stalled slightly, with a shift from expecting increases to expecting them to stay the same on all three measures.

Expectations of employment have fallen with a slight increase in surveyed CEOs who expect employment to decrease in the next 12 months (up to 13% this month from 9% last month).

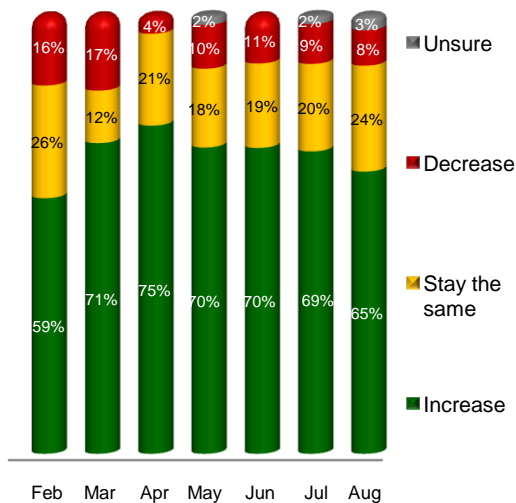
Employment



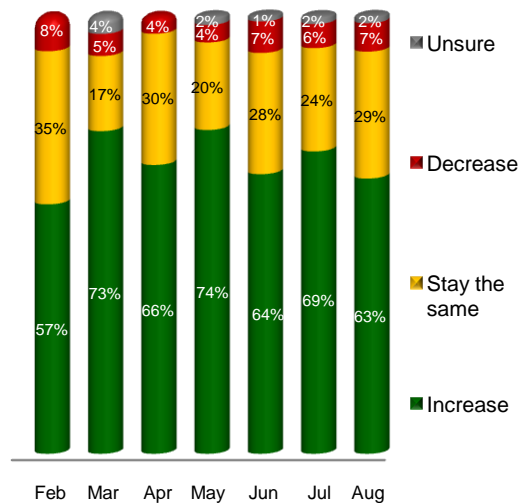
Capital Investment



Profit



Sales



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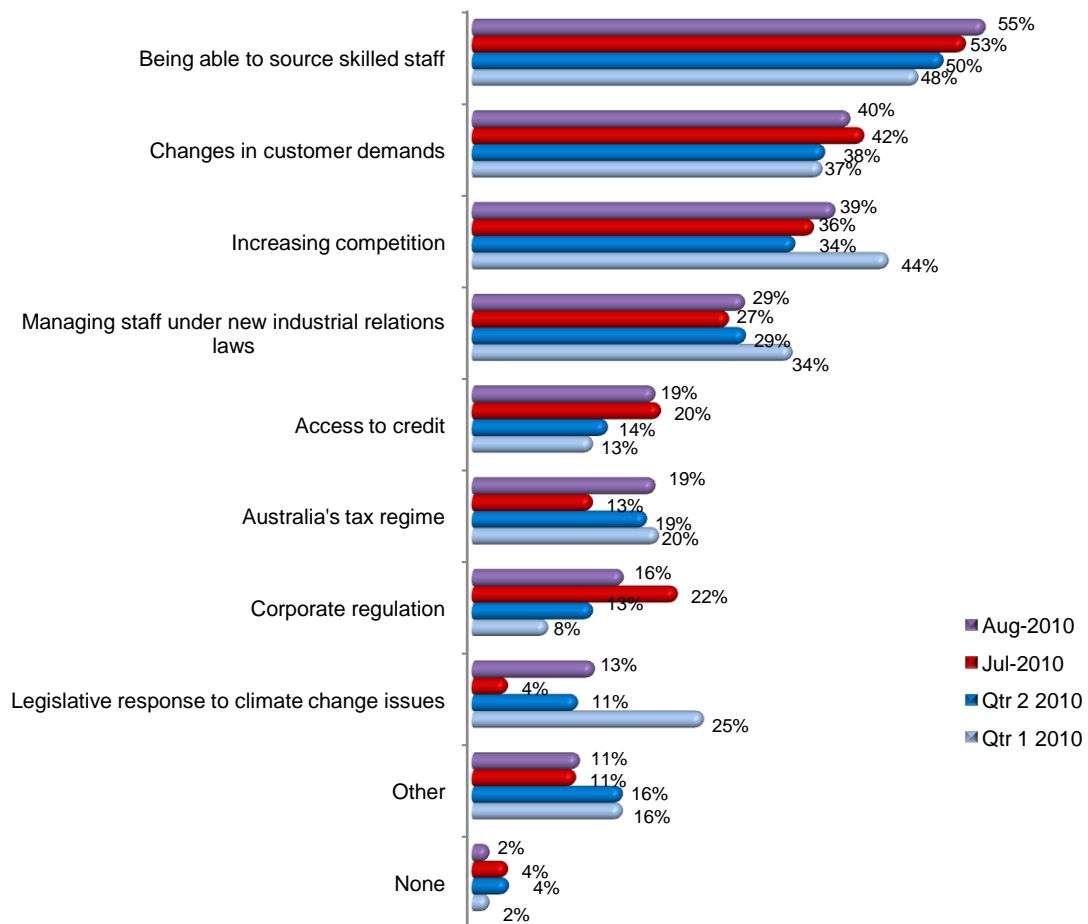
Issues Keeping CEOs Awake at Night

Question 3: Which, if any, of the following issues facing your company are most likely to keep you awake at night? (Qtr 1 2010; n=126, Qtr 2 2010; n=189, July; n=55, August; n=62) Pick up to three. [Up to three responses permitted – percentages add to more than 100%]

As it has been all year, the issue mostly likely to keep surveyed CEOs awake at night remains 'being able to source skilled staff'. This month's results show a slight increase compared to last month (55% compared to 43% last month), and is close to the highest level all year for this measure (second only to 57% in April 2010).

The other key issues in descending order of importance are:

- Changes in customer demand (40% compared to 42% last month)
- Increasing competition (39% compared to 36% last month)
- Managing staff under new industrial relations laws (29% compared to 27% last month)
- Access to credit (19% compared to 20% last month)



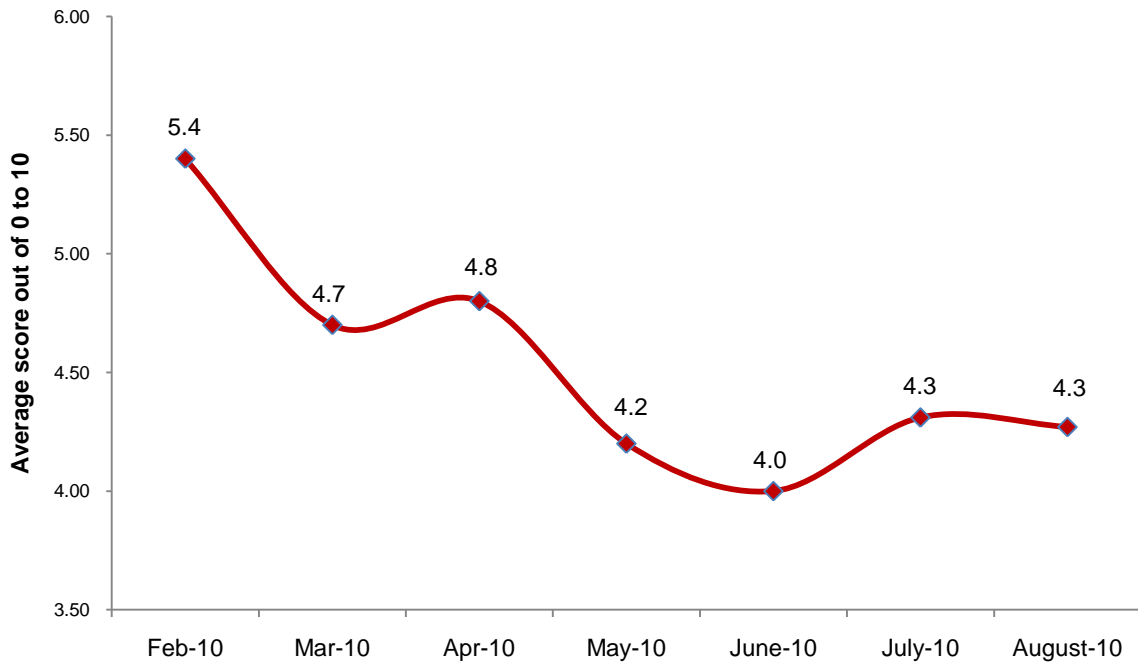
A small number of surveyed CEOs (11%) say that a range of other issues facing their company are most likely to keep them awake at night. These include concerns around exchange rates, new business opportunities, risk management, managing profitability, government regulation and having a Labor government.

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Perceptions of Government Performance on the Economy

Question 4: Give the federal government a score out of 10 on its performance in managing the economy, where 0 means it is doing an extremely poor job and 10 means it is doing an outstanding job. (Feb 2010; n=51, March 2010; n=75, April 2010; n=56, May 2010; n=50, June; n=83, July; n=55, August; n=62)

Surveyed CEOs' average score of the government's performance in managing the economy has remained steady at 4.3 out of 10 (same as last month). The median score remains 4 out of 10 (same as last month).



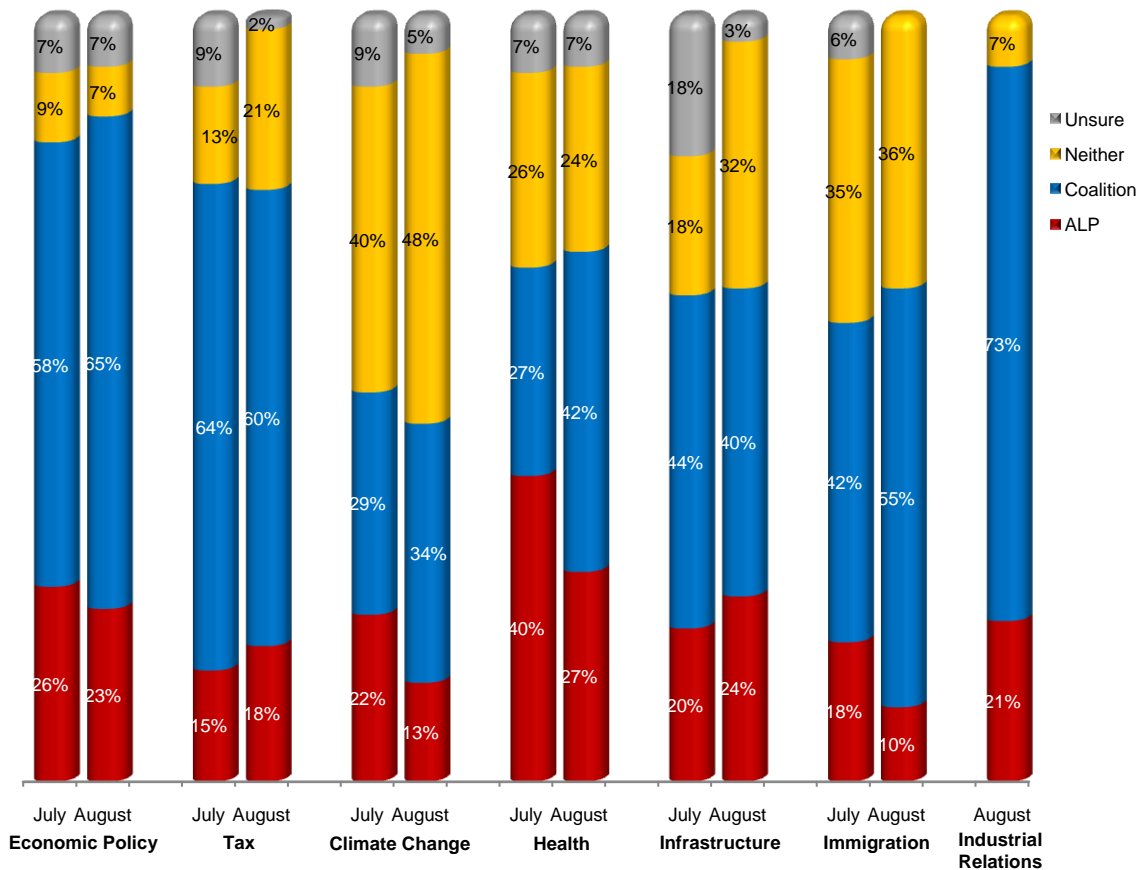
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CEO Election Policy Preferences

Question 5: Thinking about the following federal policy areas and the two major parties' positions on them, please indicate whether you, as a CEO, prefer the ALP or Coalition parties' position for each? (July; n=55, August; n=62)

Overall, surveyed CEOs report that they prefer Coalition policy over the ALP in all major policy areas, although more CEOs said they prefer neither parties' position on Climate Change policy (48%).

- The Coalition has the most support for their industrial relations (73%), tax (60%), economic (55%), immigration (55%) and infrastructure (40%) policies.
- Support for health policy amongst surveyed CEOs appears to have switched from the ALP (27% down from 40%), to the Coalition (42% up from 27%).
- In July, 18% of surveyed CEOs were unsure which infrastructure policy they preferred. This month, significantly fewer were unsure (3%), and most of those who were previously unsure, now appear to prefer neither of the major parties' policies (32% up from 18%).



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CEO Perceptions of Election Issues

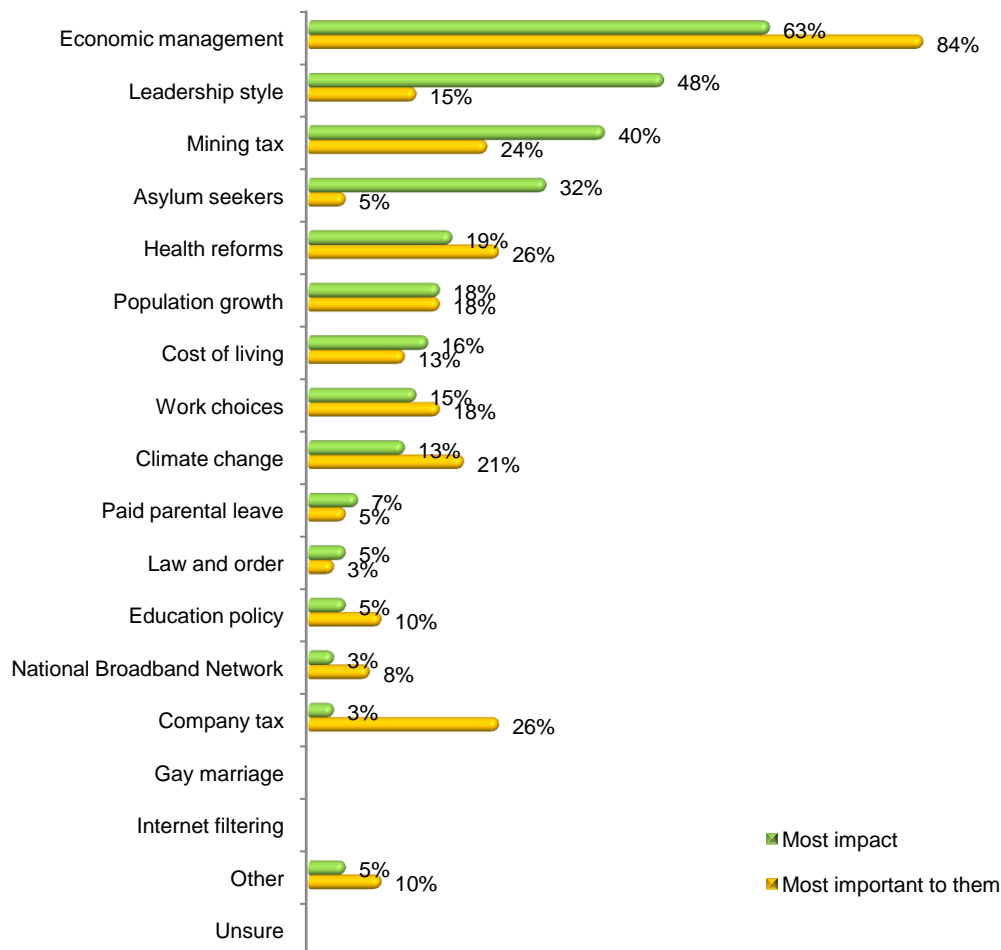
Question 6: Which of the following issues do you think has had the most impact on this election campaign? (n=62)

Question 7: As a CEO, which of the following issues are the most important to you in this election campaign? (n=62)

[Up to three responses permitted for each question – percentages add to more than 100%]

Surveyed CEOs report that the issues which they believe have had the most impact on this election campaign are economic management (63%), leadership style (48%), mining tax (40%) and asylum seekers (32%).

However, the issues most important to them in this election are economic management (84%), health reforms (26%), company tax (26%) and climate change (21%).



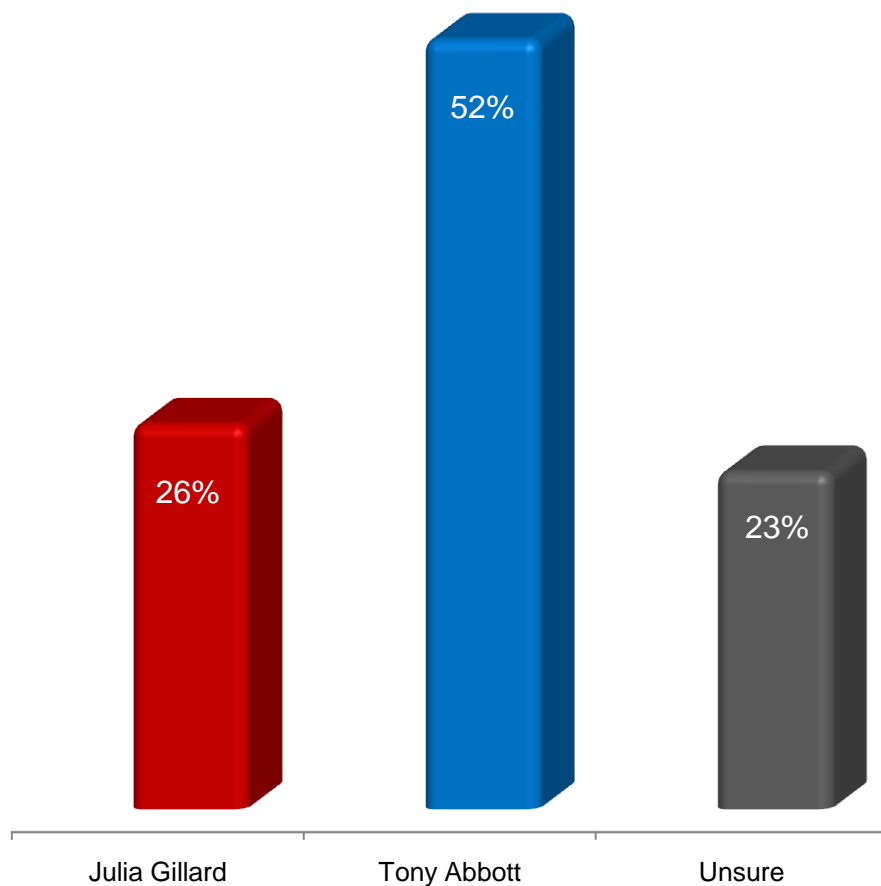
A small number of surveyed CEOs (5% and 10% respectively) say that a range of other issues have had the most impact or are the most important to them in this election campaign. Other issues that have had the most impact centre around Kevin Rudd, both in terms of the leadership change, as well as accusations of leaking. Other issues that are most important to surveyed CEOs include aged care policy, immigration, industry policy, infrastructure investment, superannuation and wage pressures.

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CEO Opinions on Who Would Make the Better Prime Minister

Question 8: Who do you think would make the better Prime Minister? (n=62)

Surveyed CEOs are significantly more likely to report that they think Tony Abbott would make the better Prime Minister (52% compared to 26% for Julia Gillard).



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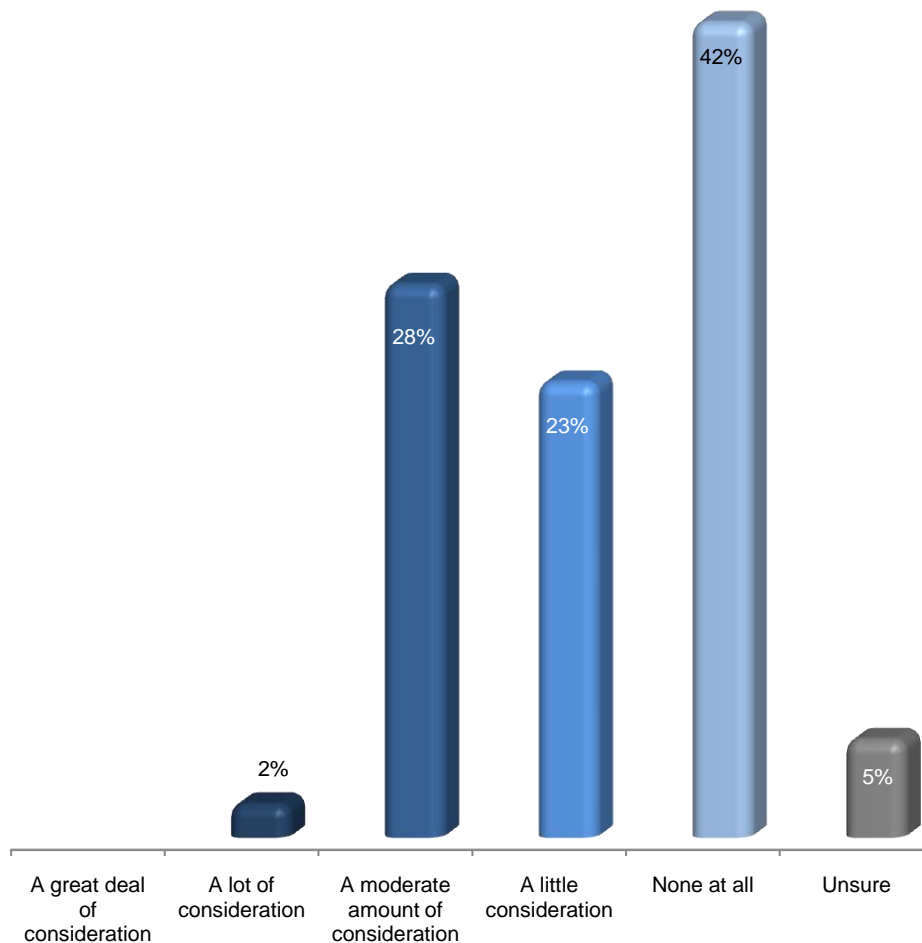
CEO Consideration of Potential New Role for The Greens

Question 9: Given the Greens' potential new role holding the balance of power in the Senate, have you as a CEO given any consideration to how your business will engage with the Greens? (n=60)

About half of surveyed CEOs (53%) report having given consideration to how their business will engage with the Greens, given their potential new role holding the balance of power in the Senate.

However, of these, 28% have given it moderate consideration and 23% have only given it a little consideration.

42% of surveyed CEOs report that they have not given it any consideration at all.



CEOs' Advice to Leading Public Figure: Prime Minister, Julia Gillard

Question 10: Each month we will ask you to give a single piece of advice to a leading public figure. This month, we'd like to give you the opportunity to give advice to both the Prime Minister, The Hon. Julia Gillard and the Opposition Leader, the Hon. Tony Abbot in the context of the federal election. Remember this survey will be published on Tuesday 17 August. Firstly, what advice you would you like to give the Prime minister, Julia Gillard? Please finish this sentence: "I think Julia Gillard should....." (n=62)

[Unprompted, open-ended question. Responses coded by GA Research into key themes]

When asked what advice they would give the Prime Minister in the context of the upcoming election, the three key themes in CEO's comments were as follows:

1. Be honest and clear about what she stands for and stop the spin. As part of this, some say she must accept some responsibility for policies under the Rudd administration and for the way she treated Kevin Rudd.

State her true position on matters. She should tell us where she really stands on previously (unpopular and unsuccessful) matters. What she will do differently in the future to that which she has so stridently supported in the past?

Accept her role in current labour policy mistakes and stake a clear claim of what she stands for.

Stop the spin – admit that the problem is Muslim immigration in Western Sydney and its effect on those marginal electorates. Then talk about how to address those problems, i.e. better infrastructure to improve traffic times, more police to deal with any perceived crime issues. Otherwise we may end up reducing the immigration and in particular the skilled immigration we so desperately need.

Accept that she has to take responsibility in the labour party's standing with the Australian people due to her role as former deputy prime minister. There is too much bad history for her.

2. Be herself. Don't try to reinvent herself during the election campaign as a result of pressure from unions and Labor Party factions, media or focus groups.

I think Julia should have the courage to stand firm on principle rather than bend to media/focus group whims.

Stop being fake as people see through this. You don't just become an AFL fanatic overnight.

Be herself and engage with the Australian people without worrying about Labor factions and minders! She is at her best when she is herself. Great orator!!

Commit to stronger management/control of unions.

3. Focus on developing a strong economy and, in this context, control the power of the unions.

Concentrate on proactive aspects of the policy criteria that added to growth of the economy.

Engage industry more, not just the unions.

Layout her plan for making Australia and Australians more competitive in the global economy rather than just talking about high level platitudes and how much of the economic value of the mining boom she is going to squander.

Place more emphasis on stimulus, consider business growth as opposed to pleasing the unions and raising the burden on business by inflexible work practices. Australia's cost base is out of control and this will come back to bite us!

CEOs' Advice to Leading Public Figure: Opposition Leader, Tony Abbott

Question 10 (cont): And what advice would you like to give the Opposition Leader, Tony Abbott? Please finish this sentence: "I think Tony Abbott should....." (n=62)

[Unprompted, open-ended question. Responses coded by GA Research into key themes]

When asked what advice they would give the Opposition Leader Tony Abbott in the context of the upcoming election, the three key themes in CEO's comments were as follows:

1. Tony Abbott should articulate policies more clearly and demonstrate his and his teams' understanding and expertise in different areas. Policies should be costed correctly and be more thought through and should not shy away from talking about complex issues of the future.

[He should] ... be enunciating better policies on the big issues we face - health, education, industrial law and the environment.

Push some policies of substance on the economy with real views as to workable outcomes - the current position is offensive and silly.

Assemble a more credible front bench and start building a policy and performance platform that will win the next (2014) election.

2. Surveyed CEOs also provided comments relating to Tony Abbott's personal leadership style which suggested that he should not be afraid to be himself and show that he is a strong, honest and straight-talking leader who is prepared to govern the country. On the contrary a handful of surveyed CEOs said that Tony Abbott should think before he speaks, be more considerate and less conservative in his personal views.

[He should]... just be himself. People like people for who they are, not what they're trying to be. So don't try so hard Tony.

Have the guts to take a personal stance on important matters, because the party one is too close to the centre. He should do what's right and lead the party to the right.

Demonstrate strong leadership, focus more on the financial waste of the Labor party.

Be his own man and run the election campaign on what he believes is his best chance to win and get out from under his minders.

Think before he speaks, recognise he does need to invest, it just has to be in the right things.

Soften his strongly held personal views based on catholic values and seek to appeal to a more contemporary society.

3. Another theme that emerged is the way Tony Abbott engages with the Labor Party during the election campaign. Whereas some CEOs say that he should go harder on the Labor party and attack their policies, some say that the gains made by Gillard/Rudd government should be recognised and not be opposed for opposition's sake.

[He should]...be more aggressive towards the failures of ALP and involvement of the PM in those failures.

Continue to focus on the incompetence and mismanagement of the Rudd/Gillard government but also clearly state his actions and promote his teams competencies and record.

Provide more clarity of where he and his party stand on key policies rather than just shooting down the government.

Give some credit regarding GFC outcomes amidst otherwise fair criticism of spending problems of the BER and home insulation program.

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A blue butterfly is flying towards a pink flower stem that is being held by a chameleon. The chameleon is perched on a branch, and its tongue is extended towards the flower. The background is a dark, lush green forest with ferns.

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