

# CEO *pulse*

Number 11  
March 2011



## Views from the top ...

### Australia's leading chief executives on:

- Energy efficiency
- Preparedness for the introduction of a price on carbon
- Capital investment
- Economic outlook
- What keeps them awake at night
- What they'd tell Tim Flannery

# CEO pulse

## 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 compared to Quarter 1 2010 (73% compared to 79%), CEO's optimism about the prospects for their own organisation in the next 12 months is on par with Quarter 1 2010 (76% compared to 75%).
- Compared to Quarter 1 2010, significantly more CEOs are expecting increases in employment (57% compared to 40%) and capital investment (64% compared to 47%), while slightly more are expecting increases in profits (73% compared to 66%). In terms of sales, more CEOs are expecting decreases compared to Quarter 1 last year (12% compared to 6%).
- CEO's scorecard for the government's performance in managing the economy shows a drop to 3.9 out of 10 (compared to 4.8 in October and 5.0 across Qtr 1 2010), the lowest score given in the year this survey has been running.

### CEOs on Energy Efficiency

- CEOs surveyed were asked about their opinion on climate change, and compared to February 2010, a higher proportion reported that, in their opinion, climate change is mainly due to human activity (57% compared to 41%). Significantly fewer CEOs reported that, in their opinion, climate change is mainly due to natural processes (17% compared to 35%).
- When asked to rate their organisation out of ten on its preparedness for future increases in electricity prices, surveyed CEOs on average gave their organisation 5.0. On average, they rated their organisation's preparedness for the introduction of a carbon price within the Australian government's term as 3.9 out of ten. For overall progress in terms of energy efficiency, on average surveyed CEOs rated their organisation 5.0 out of ten.
- When asked to choose the statement that best matched their organisation's activities, almost eight in ten surveyed CEOs (78%) indicated that their organisation has put in place initiatives, tools or programs to improve energy efficiency or reduce energy use. Almost half (48%) report that they have analysed their energy use and improved where possible, while 30% report they have made significant inroads into improving their energy use.
- The most popular measure surveyed CEOs report having in place in their organisation in order to improve energy efficiency or reduce energy use is measurement and monitoring of energy usage across the whole organisation (56%).

### CEOs on Capital Investment

- When determining capital investment levels, almost six out of ten CEOs (57%) report that their organisation's approach is always to prioritise initiatives and then determine the funding requirements. Around 14% report that they always set the capital budget first and then determine the best way to allocate it.

### CEO Advice to the Climate Commissioner, Tim Flannery

- When asked what advice they would give to the Australian Climate Commissioner, Tim Flannery, the most common theme mentioned by CEOs was to educate Australians (both consumers and businesses) on climate change and the things they could do to reduce the impacts. They suggested the messages should be clear, simple and factual and seek to remove some of the confusion surrounding climate change.

## 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=81 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 Thursday 17 February and Thursday 3 March 2011. 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.

In 2011, the Business Spectator Accenture CEO Pulse has moved from a monthly survey with a minimum sample of 50 to a quarterly survey with a larger sample of CEOs of organisations with an Australian turnover of \$100 million or more.

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



**GA Research** is a specialist market and social research firm with particular expertise in corporate, financial, issues and sustainability projects.

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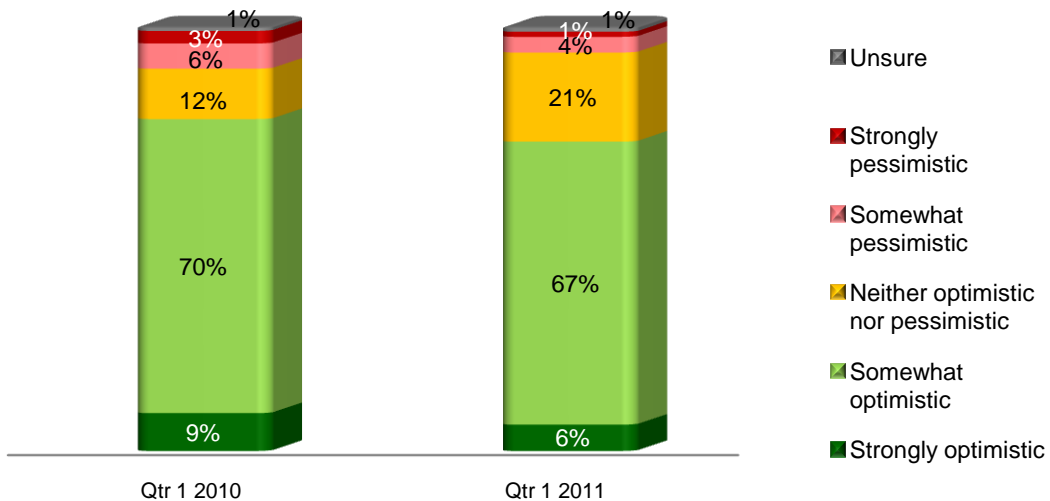
## CEO Sentiment

**Question 1: To what extent are you optimistic or pessimistic about...? (Qtr 1 2010; n=126, Qtr 1 2011; n=81)**

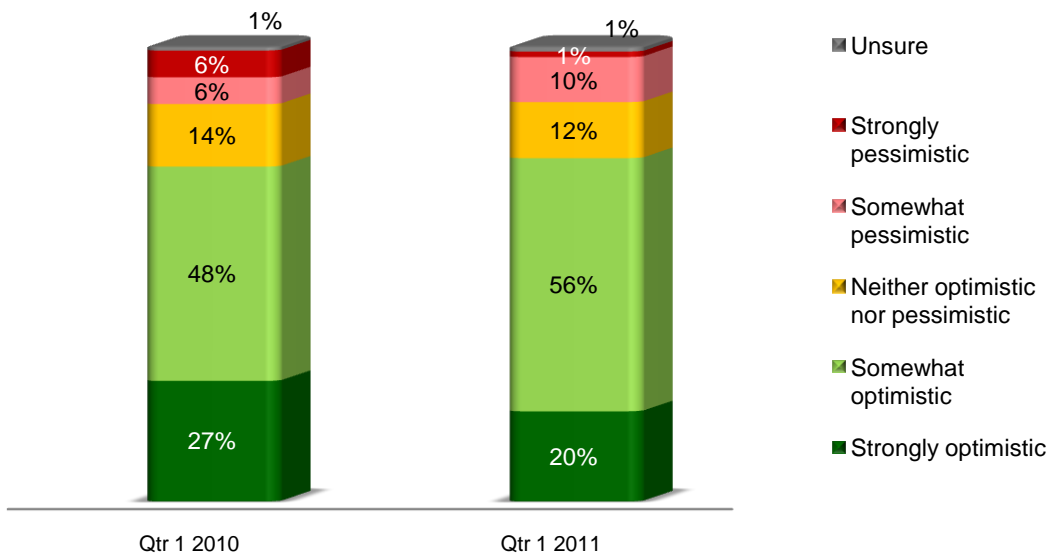
Optimism about prospects for the Australian economy in the next 12 months amongst surveyed CEOs has decreased slightly compared to Quarter 1 2010 (73% compared to 79%). Pessimism has also decreased since Quarter 1 2010 (5% compared to 9%), while those who are sitting on the fence has increased with 21% of surveyed CEOs reporting they are neither optimistic nor pessimistic, compared to 12% in Quarter 1 2010.

CEO's optimism about the prospects for their own organisation in the next 12 months is on par with Quarter 1 2010 (76% compared to 75%).

**Prospects for the Australian economy in the next 12 months**



**Prospects for your organisation in the next 12 months**

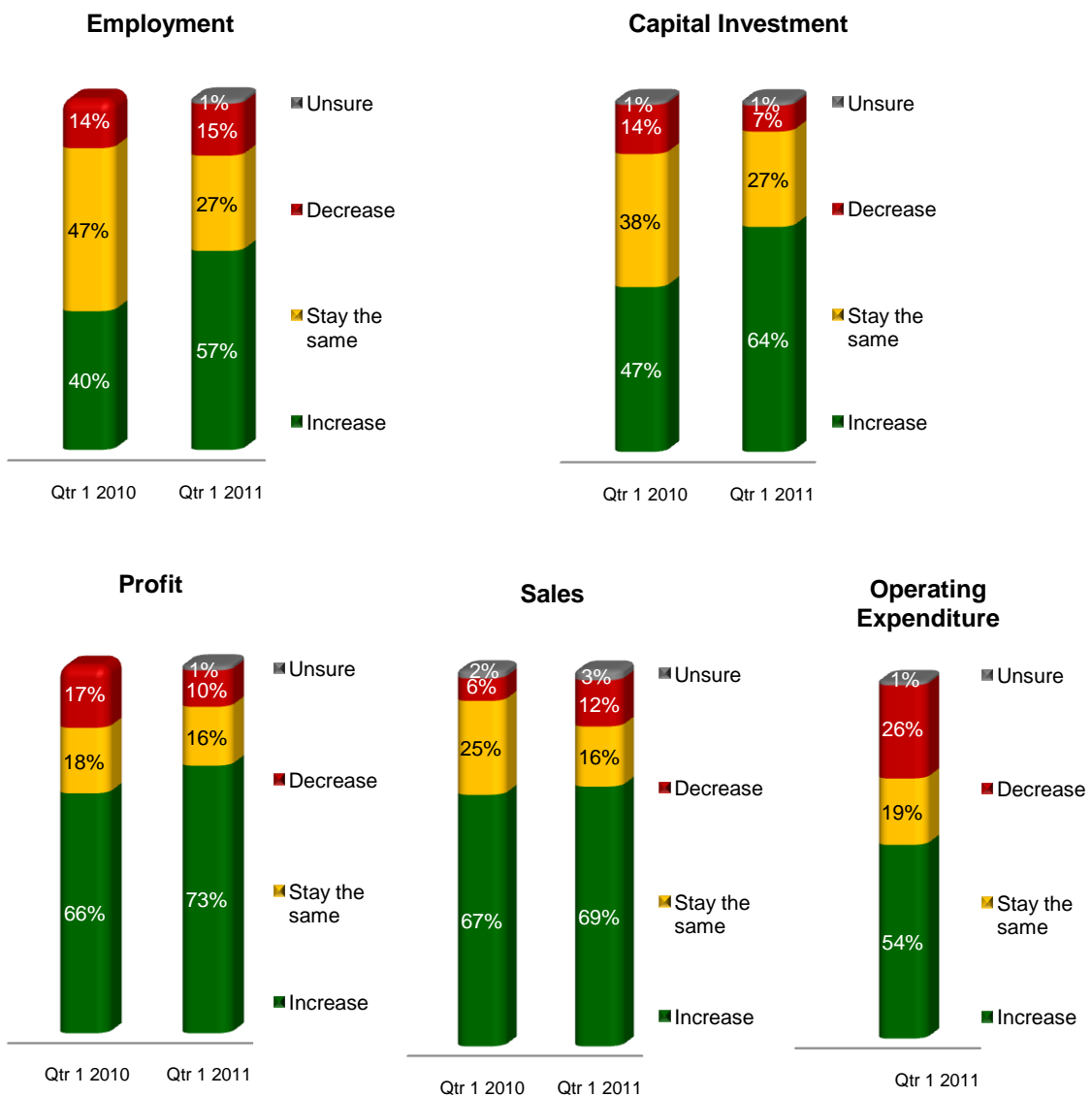


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## Short Term Company Outlook

**Question 2: Thinking about your organisation in the next 12 months, do you expect the following to increase, decrease or stay the same? (Qtr 1 2010; n=126, Qtr 1 2011: n=81)**

Compared to Quarter 1 2010, significantly more CEOs are expecting increases in employment (57% compared to 40%) and capital investment (64% compared to 47%), while slightly more are expecting increases in profits (73% compared to 66%). In terms of sales, more CEOs are expecting decreases compared to Quarter 1 last year (12% compared to 6%). Over half (54%) expect operating expenditure will increase in the next 12 months.



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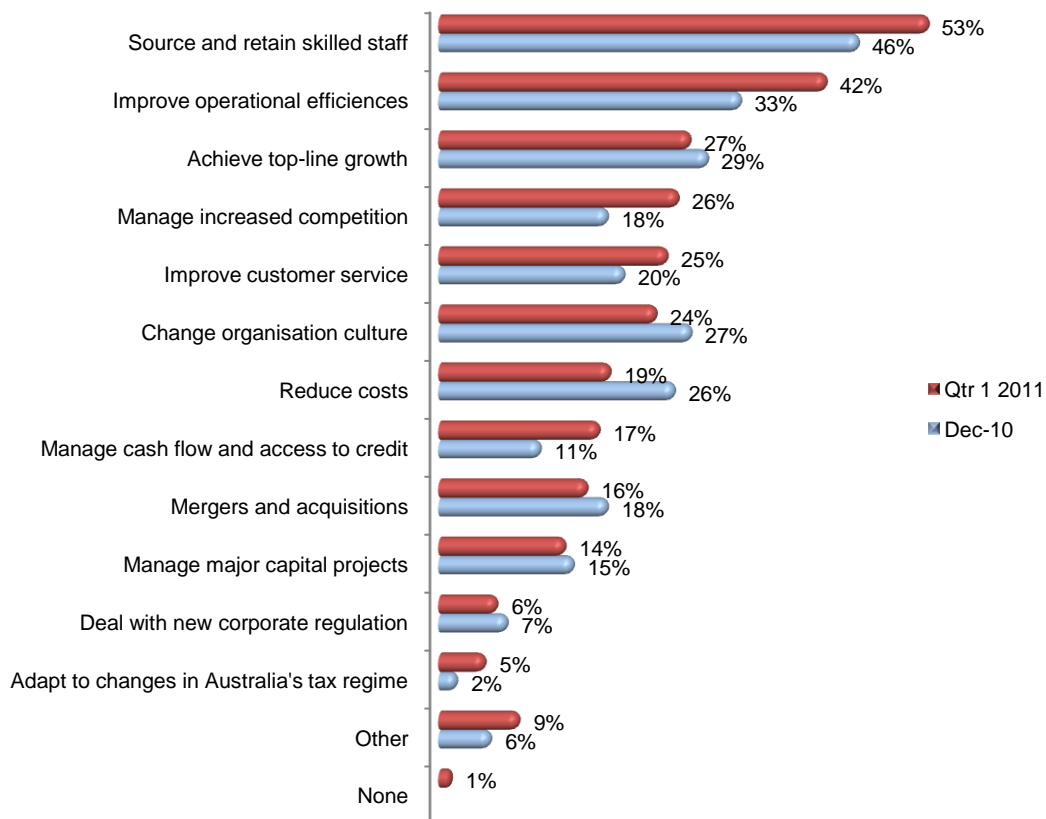
## Issues Keeping CEOs Awake at Night

**Question 3: Which, if any, of the following issues facing your company are most likely to keep you awake at night? (Qtr 1 2011; n=81, Dec 2010; n=55) Pick up to three. [Up to three responses permitted – percentages add to more than 100%]**

The issue that surveyed CEOs say is most likely to keep them awake at night is to 'source and retain skilled staff' (53%). This has consistently been the number one issue since the survey commenced in early 2010.

The other key challenges, in descending order of importance are:

- Improve operational efficiencies (42%)
- Achieve top-line growth (27%)
- Manage increased competition (26%)
- Improve customer service (25%)



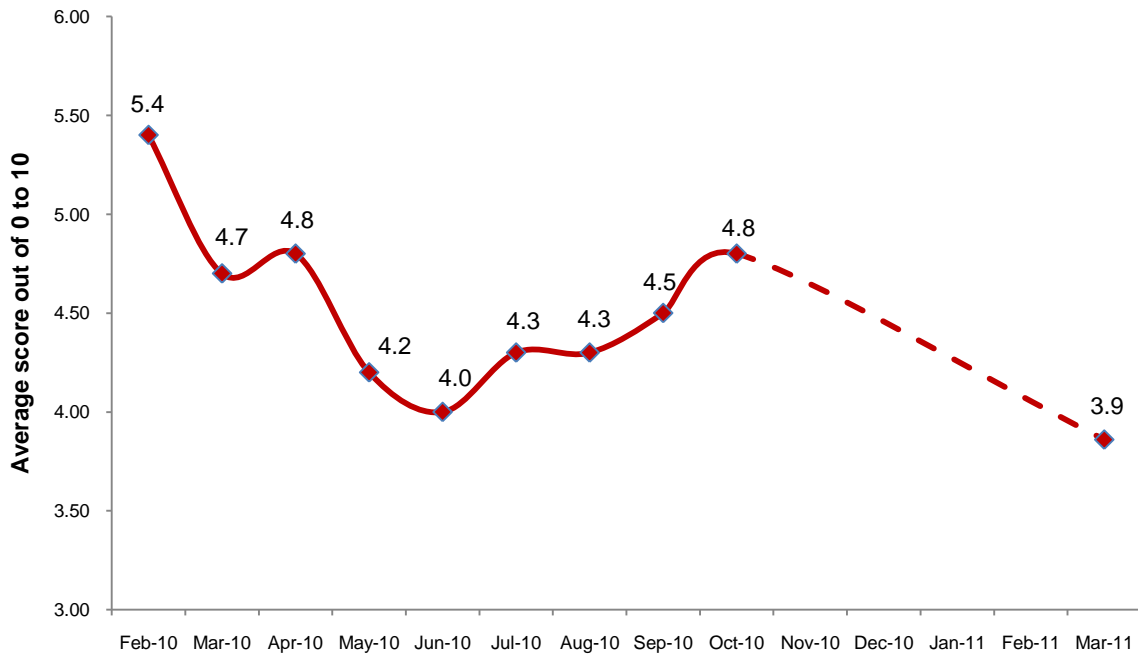
A small number of surveyed CEOs (9%) say that a range of other issues is most likely to keep them awake at night. These include challenges such as exchange rates, extreme weather events and the economy.

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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, September; n=56, October; n=56, Qtr 1 2011; n=81)**

CEO's scorecard for the government's performance in managing the economy shows a significant drop to 3.9 out of 10 (compared to 4.8 in October and 5.0 across Qtr 1 2010). The median score is 4 out of 10.



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## CEOs on Capital Investment Decisions

**Question 5: Thinking of your organisation's approach to managing capital investments, please indicate how often your organisation takes each of the following approaches when determining capital investment levels, allocating funding from the capital budget and releasing capital budget funds for projects? (n=81)**

When determining capital investment levels, more than half of CEOs (57%) report that their organisation's approach is always to prioritise initiatives and then determine the funding requirements. However, only 14% report that they always set the capital budget and then determine the best way to allocate it.

The process is more evenly split when it comes to allocating funding from the capital budget as 43% of CEOs report that their organisation always allocates funding based on an initiative's expected contribution against a set of strategic targets, while 33% report that funding is always allocated based on an upfront detailed business case and "beating" a defined hurdle rate.

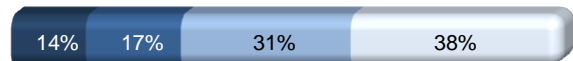
When releasing capital budget funds for projects, 25% of CEOs reported that their organisation always uses a strong stage gated funding release governance process and 7% reported that their organisation always realises allocated funds for projects and only reviews if overspending occurs.

### Determining capital investment levels

Prioritise initiatives and then determine the funding requirements



Set the capital budget and then determine the best way to allocate it



### Allocating funding from the capital budget

Based on an initiative's expected contribution against a set of strategic targets

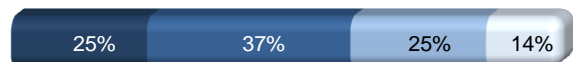


Based on an upfront detailed business case and "beating" a defined hurdle rate

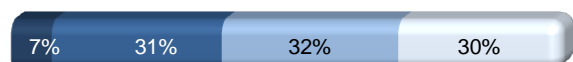


### Releasing capital budget funds for projects

A strong stage gated funding release governance process



Allocated funds for projects are released and only reviewed if overspending occurs



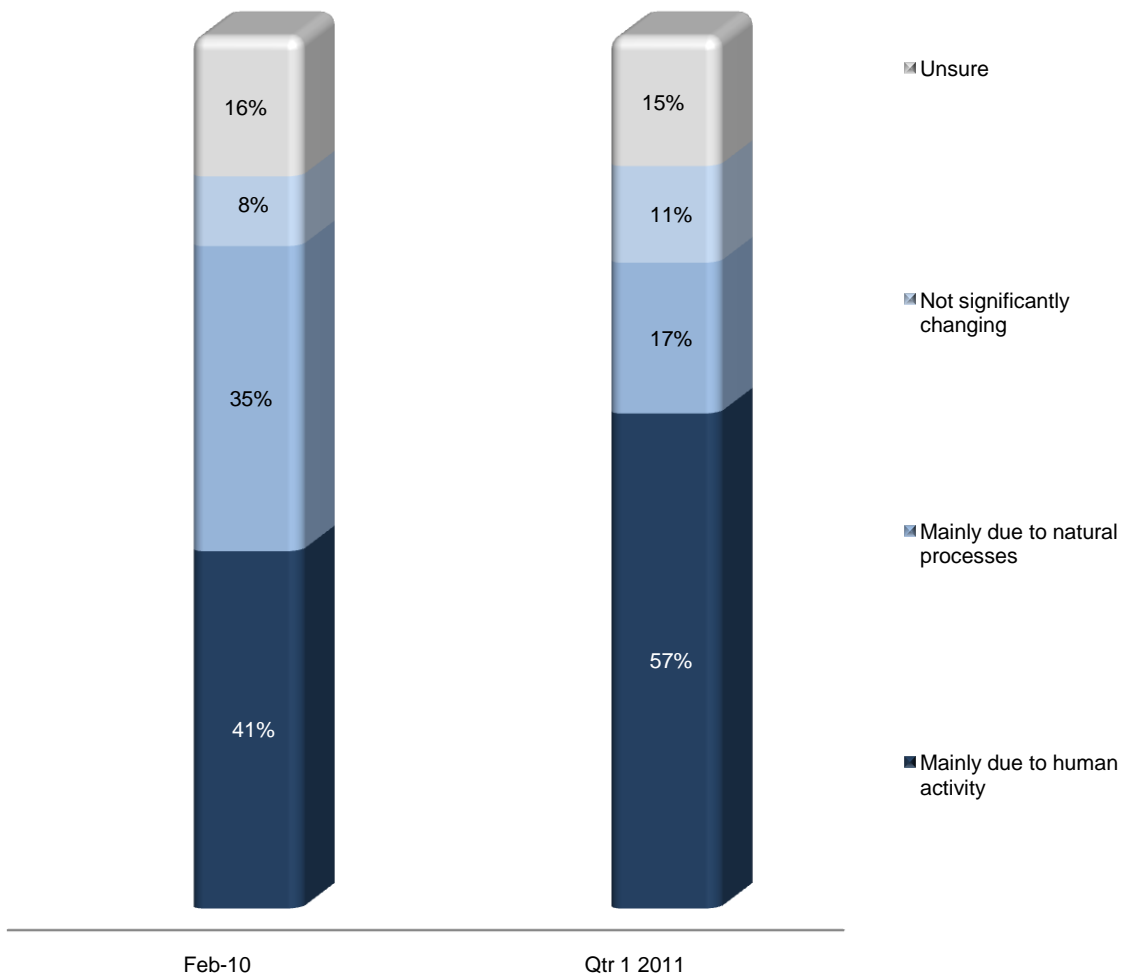
■ All of the time ■ Most of the time ■ Some of the time ■ Never

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## CEOs and Climate Change

**Question 6: Which of the following statements comes closest to your opinion about climate change? (Feb 2010; n=51, Qtr 1 2011; n=81)**

CEOs surveyed were asked about their opinion on climate change, and compared to February 2010, a greater proportion of surveyed CEOs reported that, in their opinion, climate change is mainly due to human activity (57% compared to 41%). Significantly fewer CEOs reported that, in their opinion, climate change is mainly due to natural processes (17% compared to 35%).



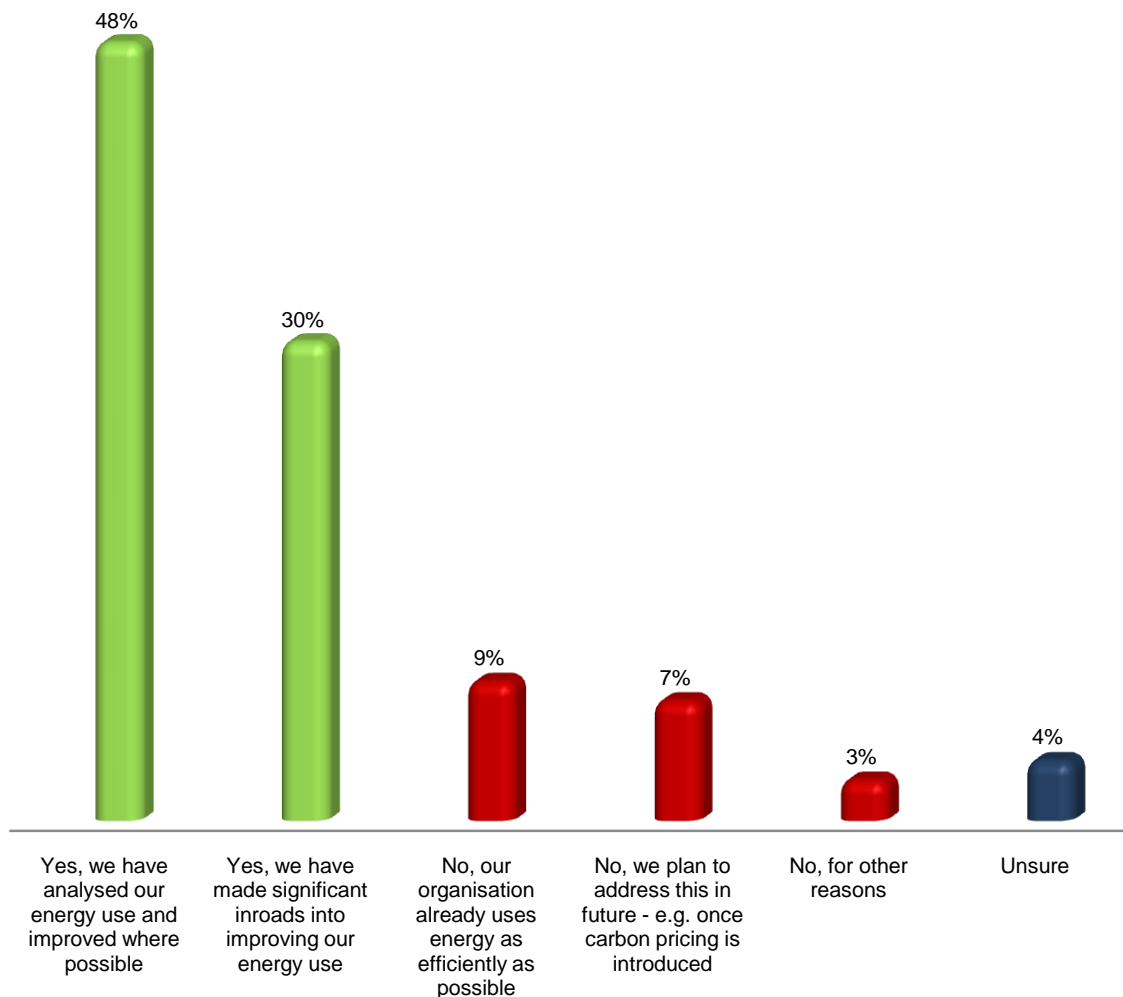
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## CEOs and Energy Efficiency Measures

**Question 7: Has your organisation put in place any initiatives, tools or programs to improve energy efficiency or reduce energy use? (n=81)**

Almost eight in ten surveyed CEOs (78%) report that their organisation has put in place initiatives, tools or programs to improve energy efficiency or reduce energy use. Almost half (48%) of the surveyed CEOs report that they have analysed their energy use and improved where possible and 30% report they have made significant inroads into improving their energy use.

Almost one in five (19%) of surveyed CEOs report that they have not done anything to improve energy efficiency. This is made up of 9% who report this is because their organisation already uses energy as efficiently as possible and 7% who report that they plan to address this in the future, for example once carbon pricing is introduced. Fewer (3%), report they have not done anything for other reasons such as lack of assistance in making changes to rental properties and still being in the process of writing the plan.



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## CEOs on Energy Efficiency Measures

**Question 8: Which, if any, of the following does your organisation have in place in order to improve energy efficiency or reduce energy use? (n=81)**

The most popular measures surveyed CEOs report having in place in their organisation in order to improve energy efficiency or reduce energy use are:

- Measurement and monitoring of energy usage across the whole organisation (56%)
- Measures to minimise electricity use in heating/cooling (49%)
- Employee training on how they can reduce energy use at work, and why this is important (44%)
- Measures to minimise electricity use in lighting (43%)

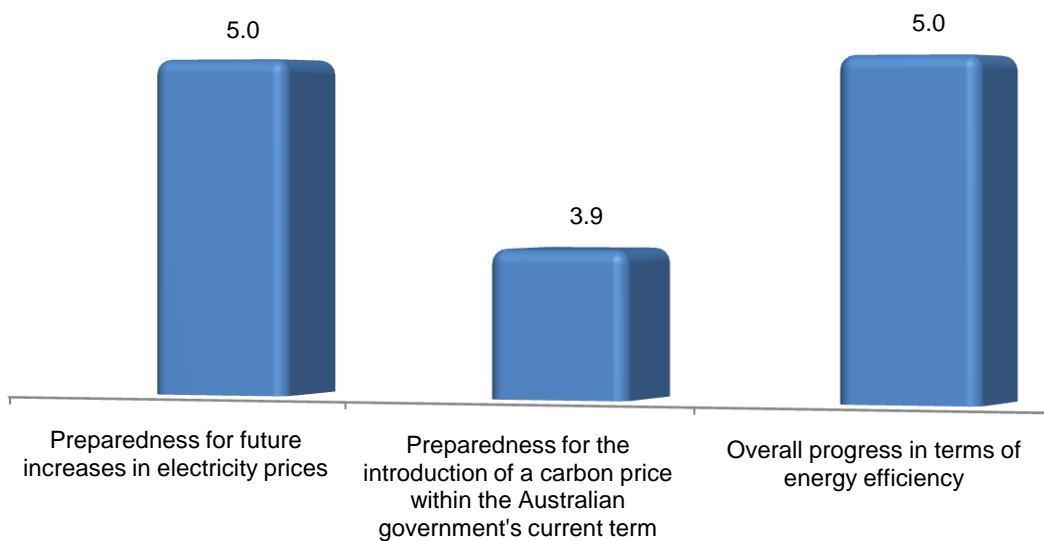


## CEOs on Progress in Energy Efficiency

**Question 9: How would you rate your organisation on the following, using a scale of 0 to 10, where 0 is not at all and 10 is totally? (n=81)**

When asked to rate their organisation out of ten on its preparedness for future increases in electricity prices, surveyed CEOs on average gave their organisation a score of 5.0. On average, they rated their organisation's preparedness for the introduction of a carbon price within the Australian government's term as 3.9 out of ten.

For overall progress in terms of energy efficiency, on average surveyed CEOs rated their organisation 5.0 out of ten.



## CEOs' Advice to Leading Public Figure: Climate Commissioner, Tim Flannery

**Question 10: Each month we will ask you to give a single piece of advice to a leading public figure. This month, what advice would you like to give the Australian Climate Commissioner, Tim Flannery? Please finish this sentence: "I think Tim Flannery should..." (n=81)**  
[Unprompted, open-ended question. Responses coded by GA Research into key themes]

When asked what advice they would give to the Australian Climate Commissioner, Tim Flannery, the majority of the CEO's surveyed gave advice regarding the proposed carbon tax. In terms of the advice given, responses fell into three broad categories.

The most common theme mentioned by CEOs was to educate Australians (both consumers and businesses) on climate change and the things they could do to reduce the impacts. Furthermore, the advice was to be clear, simple and factual in delivering these messages, and to help remove some of the confusion surrounding climate change.

*"I think that Tim Flannery should educate consumers on issues around climate change. The rank and file person is not engaged and would believe that issues around climate are not relevant to them."*

*"Focus on educating all Australians about the impact of climate change and how we can be more effective in managing its impact."*

*"Understand that climate change is confusing and issues need to be communicated in a clear and concise way."*

*"Simplify the climate change debate so that everyday Australians can understand the implications and the type of actions being proposed by the opposing sides."*

CEOs also suggested that he ensures all the facts are considered before making decisions about carbon pricing. Furthermore, they suggested that the public's opinion should be taken on board and that he should make objective, unbiased decisions without being influenced by politics.

*"Be prepared for a diverse range of opinions on how best to deliver to a sceptical Australian public climate change improvements, particularly where those 'improvements' are likely to further erode today's standard of living for tomorrow."*

*"Invite the nation to offer ideas as to how we can achieve both 'growth' and CO<sub>2</sub> reductions."*

*"Stick to the facts, ignore the politics and above all ensure that the true negative and detrimental impact on Australian manufacturing is clearly understood, quantified and reported. Competing imports already enjoy significant cost advantages over and above the impact of the strong AUD. Introducing another significant cost disadvantage will result in catastrophic reduction in Australian manufactured goods over the longer term."*

*"Open his mind and consider all sources of information. This will allow him to remain unbiased."*

Finally, the other common piece of advice was to not compromise Australia's market position by merely trying to position the country as a leader in energy efficiency.

*"Consider that Australia must not be placed in an uncompetitive market position for the sake of being seen as the world leader in energy efficiency etc, particularly given the minimal impact of our emissions on a world basis."*

*"I think Tim Flannery should articulate Australia's response to climate change in relation to what other large consumers of energy such as China and the US are likely to do. I don't think Australia can afford to become globally uncompetitive by being an early adopter of a carbon tax."*

*"Think about the economy and our ability to compete in a global market and the real impact that we might have if no one else changes."*

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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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