

CEO *pulse*

Number 13
September 2011



Views from the top ...

Australia's leading chief executives on:

- Productivity and Prosperity in Australia
- The Federal Government's plan to put a price on carbon
- Economic outlook
- What keeps them awake at night
- What they'd tell Chairman of the Productivity Commission, Gary Banks

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

- Optimism about prospects for the Australian economy in the next 12 months has decreased significantly compared to Quarter 2 this year (26% compared to 51%) and correspondingly, pessimism has increased significantly since Quarter 2 (50% compared to 26%). CEO's optimism about the prospects for their own organisation in the next 12 months has also decreased significantly compared with Quarter 2 (55% compared to 72%).
- Compared to Quarter 2, significantly fewer CEOs are expecting increases in capital investment (42% compared to 56%) and sales (56% compared to 68%), with significantly more CEOs who are expecting a decrease in capital investment in the next 12 months (22% compared to 9%).
- CEO's scorecard for the government's performance in managing the economy continues the downward trend to 2.6 out of 10, a significant decrease compared to Quarter 2.

CEOs on Productivity and Prosperity in Australia

- When asked about the importance of several factors in measuring the prosperity of Australia as a country, surveyed CEOs were most likely to say that economic growth (e.g. productivity) was extremely important (79%). This was followed by social well-being (e.g. education, safety) (77%) and political stability (e.g. security, freedom) (77%).
- To ensure sustainable prosperity in Australia over the next 15 years, CEOs surveyed were most likely to nominate increased productivity (93%) and investment in innovation by the business community (86%) as extremely important.
- Surveyed CEOs were most likely to nominate the manufacturing industry as the sector that requires the greatest investment in innovation (37%) and requires the greatest productivity increase (47%), to ensure sustainable prosperity in Australia over the next 15 years.
- They were also most likely to nominate declining productivity as the most urgent issue for government to address (46%) and the most urgent issue for business to address (63%) in order to ensure sustainable prosperity.

CEOs on the Federal Government's plan to put a price on carbon

- A majority of surveyed CEOs say that the Federal Government's plan to put a price on carbon will have a negative impact on their company (62%), their industry (66%), the Australian economy (76%) and the future of Australia as a whole (59%).

CEO Advice to the Chairman of the Productivity Commission, Gary Banks

- When asked what advice they would give to the Chairman of the Productivity Commission, Gary Banks, surveyed CEOs offered a diverse range of advice and feedback. Many CEOs expressed a desire to see more significant and real headway being made on productivity levels in Australia as well as a more proactive and independent (of the government) approach to improving productivity levels. There was also sentiment from surveyed CEOs that the Productivity Commission should strengthen its relationship with industry and private enterprise in order to better understand their needs.

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=147 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 Monday 22 August and Sunday 4 September 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 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

[GA Research](#) is a specialist market and social research firm with particular expertise in corporate, financial, issues and sustainability projects.

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If you are a CEO and wish to register your interest in participating, please go to www.businessspectator.com.au/CEOPulse.

CEO pulse

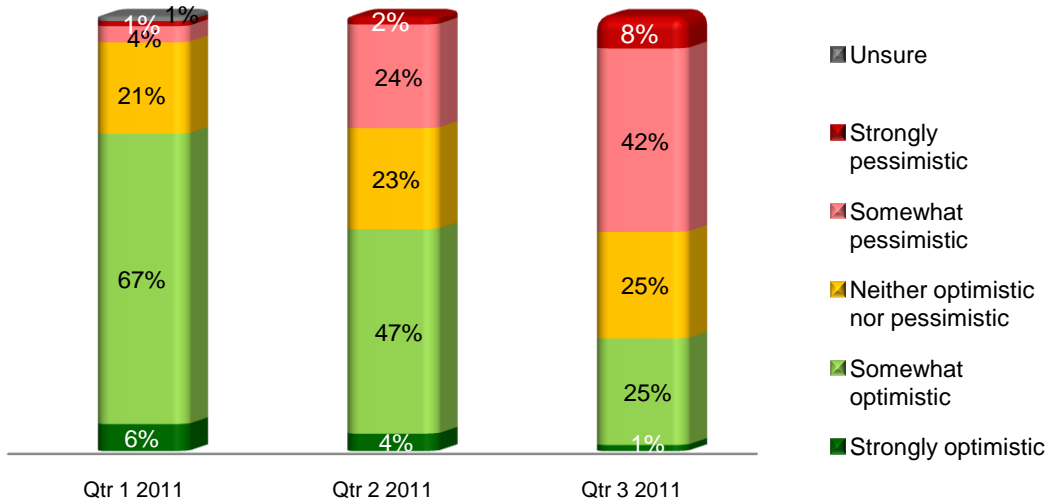
CEO Sentiment

Question 1: To what extent are you optimistic or pessimistic about...? (Qtr 1 2011; n=81, Qtr 2 2011; n=150, Qtr 3 2011; n=147)

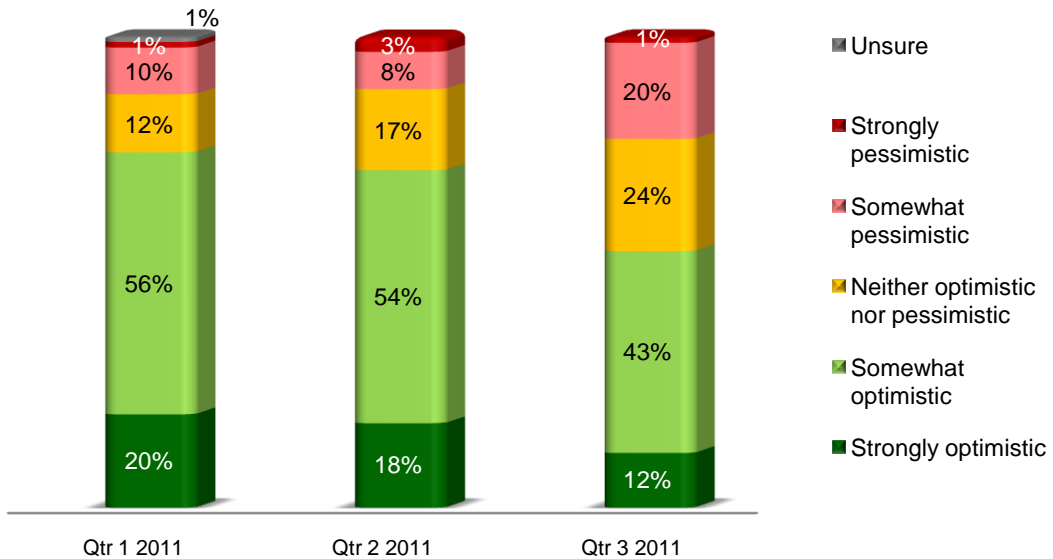
Optimism about prospects for the Australian economy in the next 12 months amongst surveyed CEOs has decreased significantly compared to Quarter 2 this year (26% compared to 51%) and correspondingly, pessimism has increased significantly since Quarter 2 (50% compared to 26%).

CEO's optimism about the prospects for their own organisation in the next 12 months has also decreased significantly compared with Quarter 2 (55% compared to 72%).

Prospects for the Australian economy in the next 12 months



Prospects for your organisation in the next 12 months

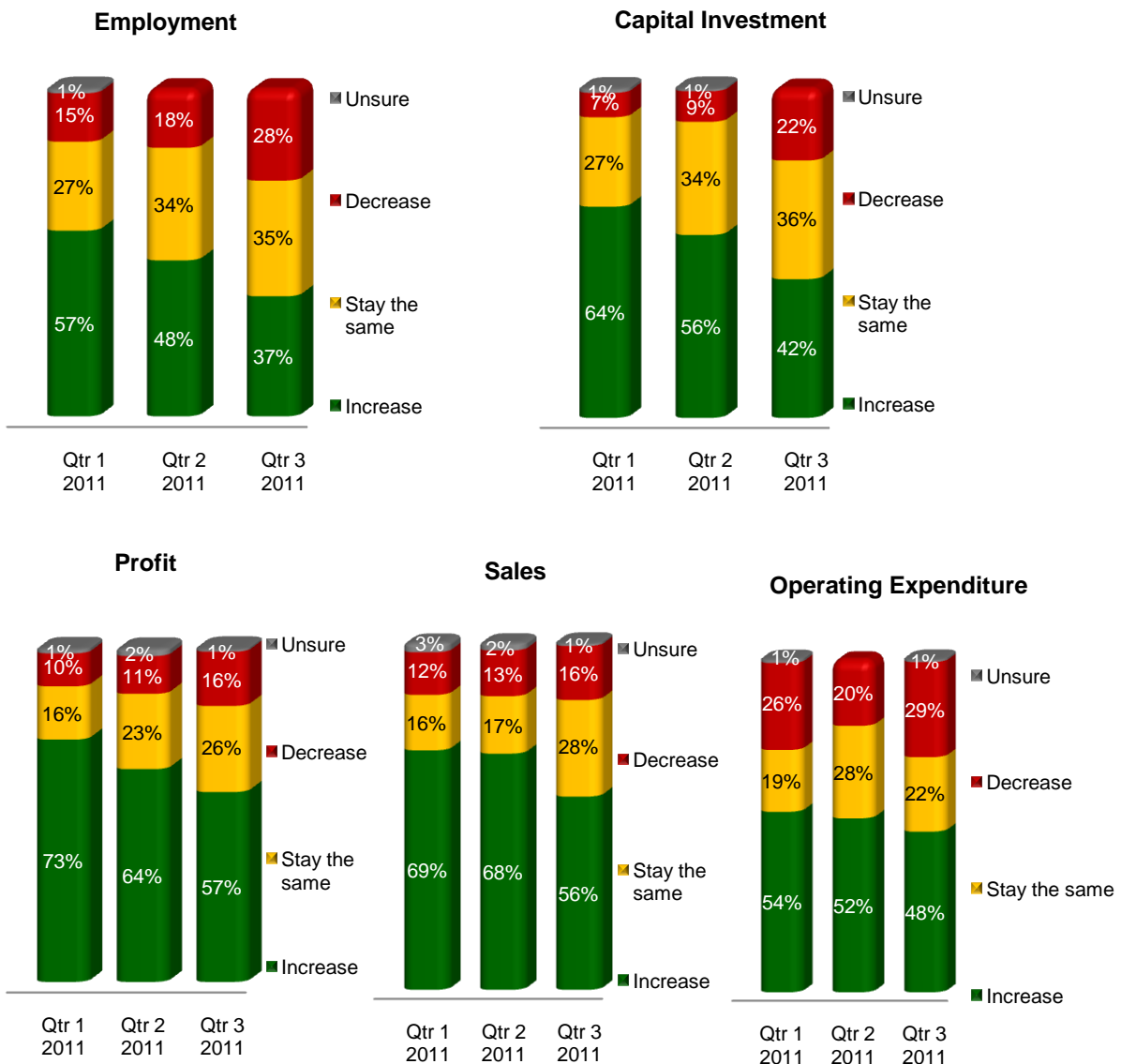


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Short Term Company Outlook

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 2011; n=81, Qtr 2 2011; n=150, Qtr 3 2011; n=147)

Compared to Quarter 2, significantly fewer CEOs are expecting increases in capital investment (42% compared to 56%) and sales (56% compared to 68%), with significantly more CEOs who are expecting a decrease in capital investment in the next 12 months (22% compared to 9%).



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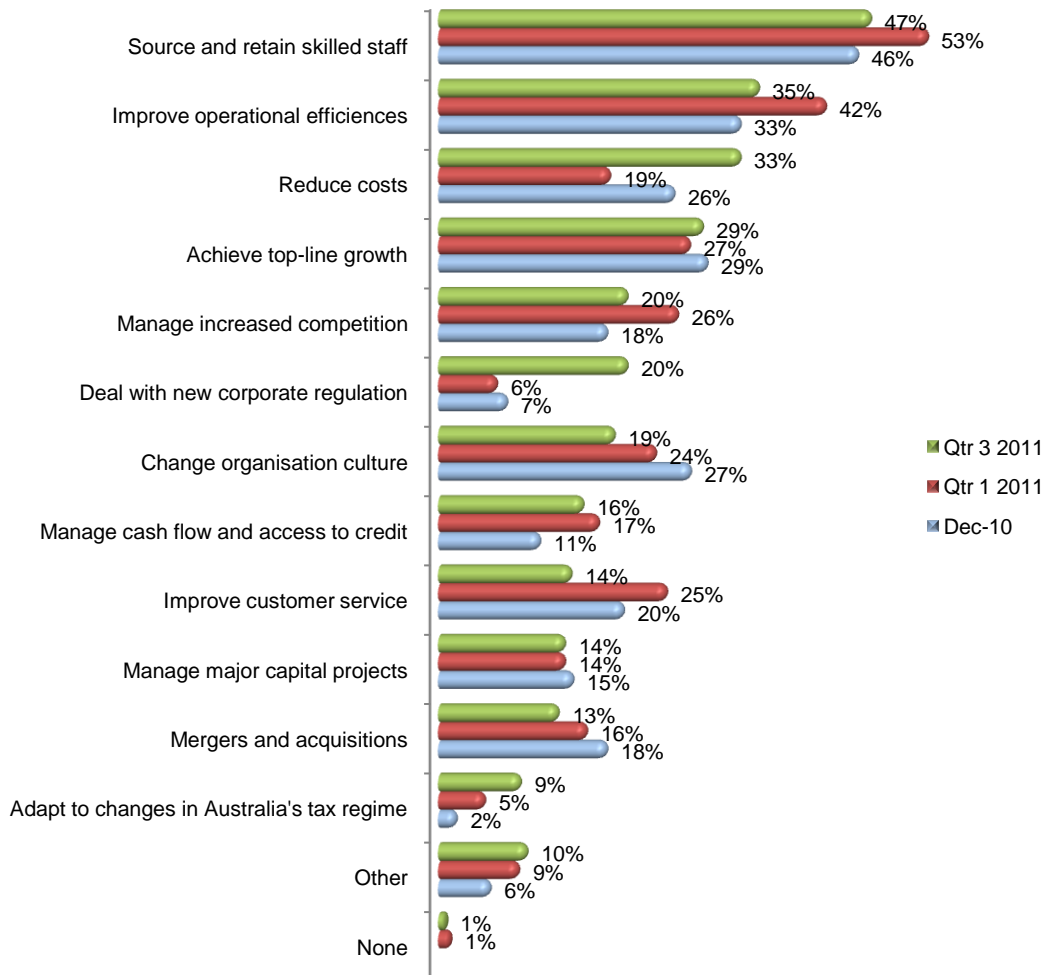
Issues Keeping CEOs Awake at Night

Question 3: Which, if any, of the following issues facing your company are most likely to keep you awake at night? (Dec 2010; n=55, Qtr 1 2011; n=81, Qtr 3 2011; n=147) 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’ (47%). 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 (35%)
- Reduce costs (33%)
- Achieve top-line growth (29%)



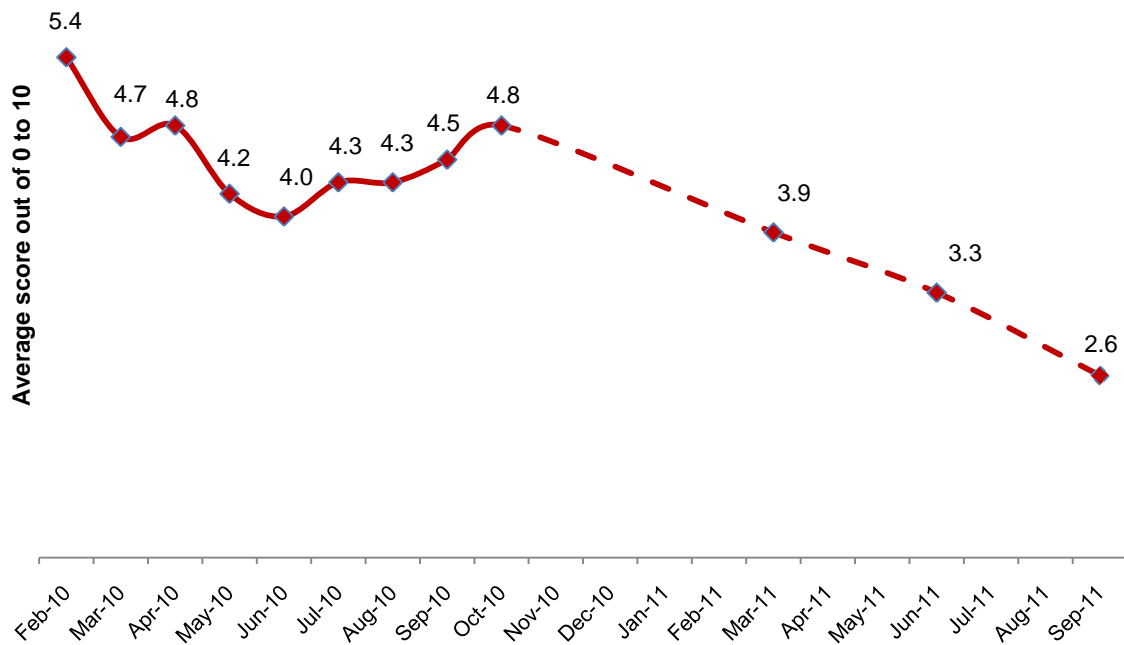
A small number of surveyed CEOs (10%) say that a range of other issues is most likely to keep them awake at night. These include challenges such as exchange rates, the economy and reduced demand.

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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, Qtr 2 2011; n=150, Qtr 3 2011; n=147)

CEO's scorecard for the government's performance in managing the economy continues the downward trend to 2.6 out of 10, a significant decrease compared to Quarter 2. The median score is also down to 2 out of 10.



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CEOs on the Factors of Prosperity in Australia

Question 5: Thinking now about the prosperity of Australia as a country, and how it should be measured, in your opinion, how important are each of the following factors as a measure of prosperity in Australia? (n=147)

When asked about the importance of several factors in measuring the prosperity of Australia as a country, surveyed CEOs were most likely to say that economic growth (e.g. productivity) was extremely important (79%). This was followed by social well-being (e.g. education, safety) (77%) and political stability (e.g. security, freedom) (77%).

Surveyed CEOs were least likely to nominate environmental stability (e.g. lower carbon emissions) (14% extremely important) as an important factor in measuring prosperity in Australia.



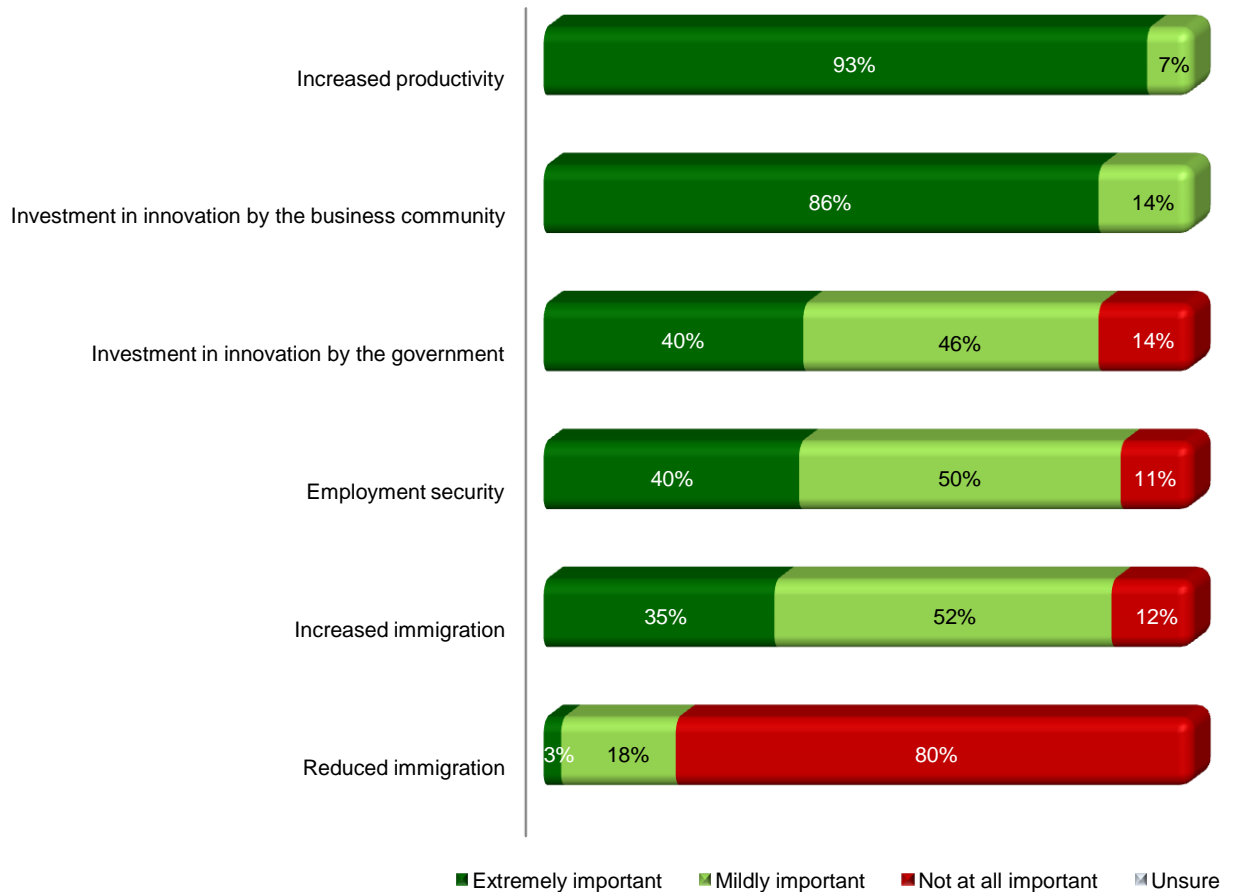
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CEOs on Ensuring Sustainable Prosperity

Question 6: How important are each of the following to ensuring sustainable prosperity in Australia over the next 15 years? (n=147)

To ensure sustainable prosperity in Australia over the next 15 years, CEOs surveyed were most likely to nominate increased productivity (93%) and investment in innovation by the business community (86%) as extremely important.

Around 4 out of 5 surveyed CEOs (80%) responded that reduced immigration is not at all important to ensuring sustainable prosperity in Australia over the next 15 years.

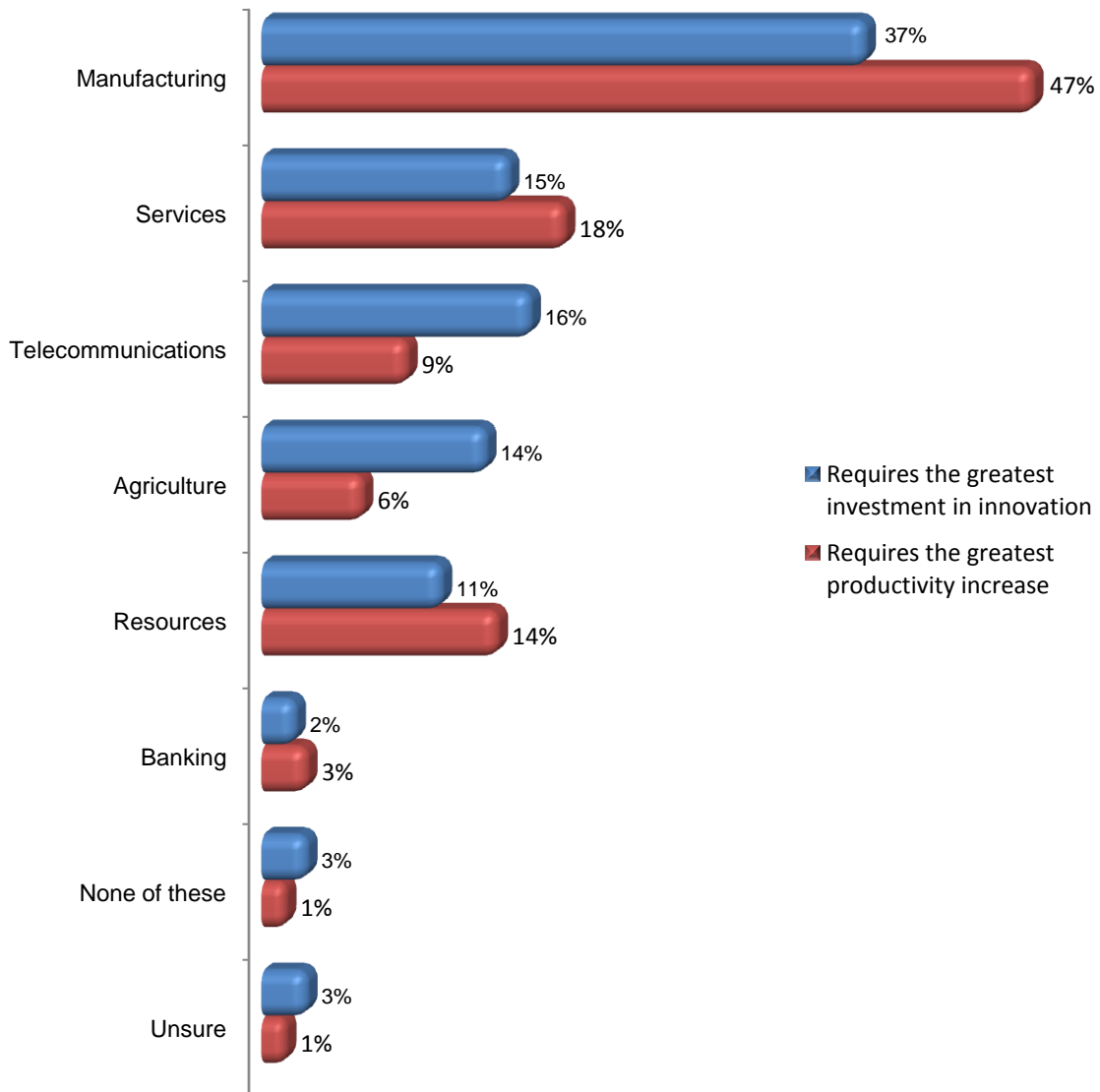


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CEOs on the Sectors in Need of Investment in Innovation and Productivity

Question 7: Still thinking of ensuring sustainable prosperity in Australia over the next 15 years, of the following sectors listed below, please indicate which one you think requires the greatest investment in innovation and which one you think requires the greatest productivity increase? (n=147)

Surveyed CEOs were most likely to nominate the manufacturing industry as the sector that requires the greatest investment in innovation (37%) and requires the greatest productivity increase (47%), to ensure sustainable prosperity in Australia over the next 15 years.



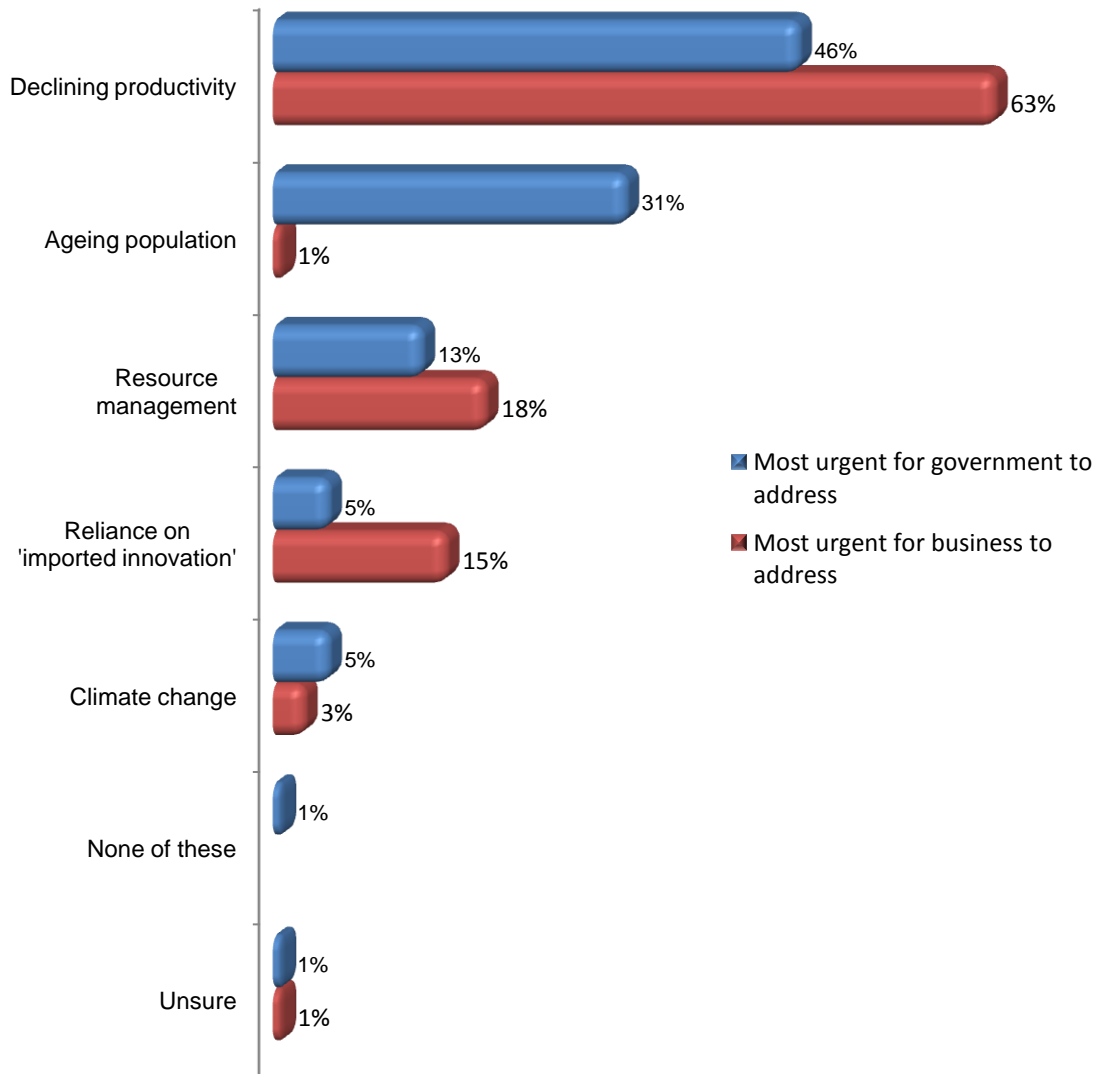
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CEOs on Issues to Address to Ensure Sustainable Prosperity

Question 8: Which of the following issues do you consider as most urgent for government to address in order to ensure sustainable prosperity and which do you consider as most urgent for business to address in order to ensure sustainable prosperity? (n=147)

When presented with a range of issues, surveyed CEOs were most likely to nominate declining productivity as most urgent for government to address (46%) and most urgent for business to address (63%) in order to ensure sustainable prosperity.

Almost one third of surveyed CEOs (31%) nominated the ageing population as the most urgent issue for government to address.



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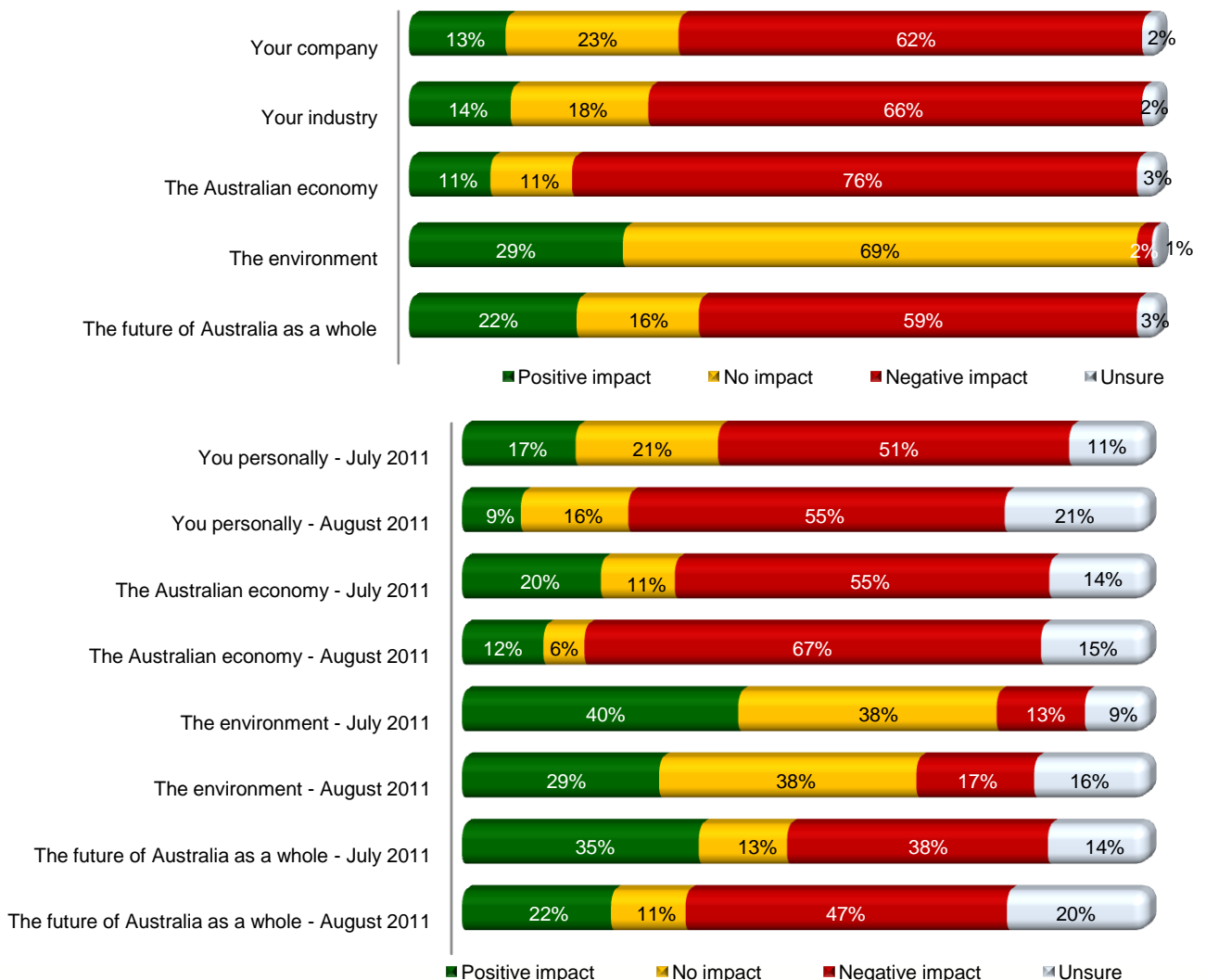
CEOs on the impact of the Federal Government's plan to put a price on carbon

Question 9: Based on what you know about the Federal Government's plan to put a price on carbon, if it is implemented, do you think that on balance, it will have a positive or negative impact on? (n=147)

The question above was also included in a GA Research survey of the general public in two national online surveys fielded by iView - the first wave with a sample of n=1,048 respondents fielded from July 14 to 18, 2011 and the second wave with a sample of n=1,037 respondents fielded from 22 to 23 August, 2011.

A majority of surveyed CEOs say that the Federal Government's plan to put a price on carbon will have a negative impact on their company (62%), their industry (66%), the Australian economy (76%) and the future of Australia as a whole (59%).

This is broadly consistent with the most recent results from surveys conducted amongst the general public, where over or around half of respondents say that the Federal Government's plan to put a price on carbon will have a negative impact on them personally (55%), the Australian economy (67%) and the future of Australia as a whole (47%).



CEO Advice to Chairman of the Productivity Commission, Gary Banks

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 Chairman of the Productivity Commission, Gary Banks? Please finish this sentence: "I think Gary Banks should..." (n=147)

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

When asked what advice they would give the chairman of the Productivity Commission, Gary Banks, surveyed CEOs had a range of advice. Feedback generally fell into three categories.

- a.) Many CEOs expressed a desire to see more significant and real headway being made on productivity levels in Australia. They want to see the recommendations of the Productivity Commission have real and tangible results. They had a range of suggestions of how this could be done:

"Realistically compare Australian productivity with other developed and developing countries aiming to find alternative actions to improve our productivity. He should listen to a variety of sectors and come up with a plan for the long term future of Australia."

"There is a need to get increased productivity back in the mainstream. Our future standard of living is better served by productivity than the lower cost of imports."

"Concentrate on the basic core imperative of reversing the steady decline in productivity by identifying the relevant constraints and drivers and mitigating/facilitating them with effective policy and regulatory changes."

"Find a way to push through 'red tape' or other market blockers and achieve one or two 'wins' in our most important areas. E.g. if innovation is important, focus on it and achieve an outcome. If it's investment/capital, focus on that."

- b.) Also evident in the advice given by surveyed CEOs was their desire to see the Productivity Commission take a more proactive and independent (of the government) approach to improving productivity levels:

"The perception of the Productivity Commission has been that it invests tremendous resources investigating for nought as the Federal Government rarely applies key (or a significant number of the) outcomes. Banks needs to ensure that the Productivity Commission becomes more relevant to, and engages more effectively, with the Federal Government."

"Be provocative and be honest with the government about the dis-enablers of productivity- fair work and government intervention."

"Increase capacity of the Commission to influence take up of its recommendations."

"Annunciate a clear plan for the future and the parameters of engagement to achieve the plan as set out."

- c.) Finally, there was sentiment from surveyed CEOs that the Productivity Commission should strengthen its relationship with industry and private enterprise in order to better understand their needs:

"I think Gary Banks should ensure that he has good engagement, participation and input from the technology sector."

"Have a good look at the manufacturing sector. It's in the news now, but the horse has bolted. It has been left to its own devices for too long. How about some form of support for local manufacturers rather than funding auto manufacturers to source offshore."

"Engage more effectively with the business community and get greater cut through to get more meaningful outcomes and commitment to improving Australia's productivity."

"Publicise that real productivity is falling and invite industry to provide the top 5 barriers that need to be reduced to support its increase in both innovation and cost reduction."

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If you innovate,
they will come.

In a recent Accenture survey, 89% of executives agreed that innovation is as important as cost management for high performance. But while many companies are investing more in innovation, only a few have a rigorous approach for managing the process. As a result, even innovative companies often fail to realize the benefits that their new ideas could produce. To see how our vast experience and research can help you maximize your return on innovation, visit accenture.com

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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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