

BusinessSpectator

GA RESEARCH

CEO *pulse*

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Number 14
December 2011



Views from the top ...

**Australia's leading
chief executives on:**

- The strength of the Australian dollar and its effect on business
- Economic outlook
- Outlook for their organisation
- What keeps them awake at night
- What they'd tell the Governor of the RBA, Glenn Stevens

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Highlights from the CEOs surveyed this quarter:

CEOs on the Economy

- Optimism about prospects for the Australian economy in the next 12 months amongst surveyed CEOs has remained steady compared to Quarter 3 this year but is still down significantly from earlier in the year. CEO's optimism about the prospects for their own organisation in the next 12 months has increased slightly compared with Quarter 3 (60% compared to 55%) but is also still down significantly from earlier in the year.
- Expectations for profit, sales and operating expenditure are continuing to drop. However, the outlook for employment and capital investment appear to have levelled out.
- CEO's scorecard for the government's performance in managing the economy appears to have bucked the recent trend, up to 3.3 out of 10, a significant increase from 2.6 in Quarter 3 and back to the score of Quarter 2.

CEOs on the strength of the Australian Dollar

- When asked about the impact of the increase in the Australian Dollar over the last year, around half of surveyed CEOs said it has had a negative impact on their company (48%) and their industry (54%). When asked about its impact on the Australian economy as a whole, almost eight in ten surveyed CEOs (78%) said it has had a negative impact.
- Over two-fifths (42%) of surveyed CEOs say their company has not taken any actions as a result of the increased value of the Australian Dollar. Around one in five say they have changed their business strategy (23%), changed their hedging strategy (22%) and/or are importing more non-labour inputs (20%).
- Most (88%) surveyed CEOs have factored the USD-AUD exchange rate to be at (43%) or around parity (25% 0.9-0.99 and 20% 1.01-1.1) into their assumptions and forecasts for 2012.

CEO Advice to the Governor of the Reserve Bank of Australia, Glenn Stevens

- When asked what advice they would give the Governor of the Reserve Bank of Australia, Glenn Stevens, surveyed CEOs said they would like to see lower interest rates and for a broad range of influences to be considered, including the potential impact on the economy in the longer term.

CEOs on Using Technology to Improve Their Business

- The issue that surveyed CEOs say is most likely to keep them awake at night is to 'improve operational efficiencies' (38%). Note that this is the first time that 'source and retain skilled staff' was not the number one issue since the survey commenced in early 2010.
- When asked about the likelihood of investing in new technology to tackle these issues, CEOs say they are most likely to invest in new technology to help improve operational efficiencies (88% say they are likely) and achieve top-line growth (76% say they are likely).
- When presented with a list of possible ways to improve current and prospective customer engagement, CEOs are most likely to select leveraging customer insights (45%) as a high priority.
- When presented with a list of technologies they may invest in next year, CEOs report they are most likely to invest in mobile technology (52%) and business intelligence and analytics (48%).

Methodology

Research design and analysis for the **Business Spectator GA Research 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=128 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 28 November and Sunday 11 December 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 GA Research 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 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.

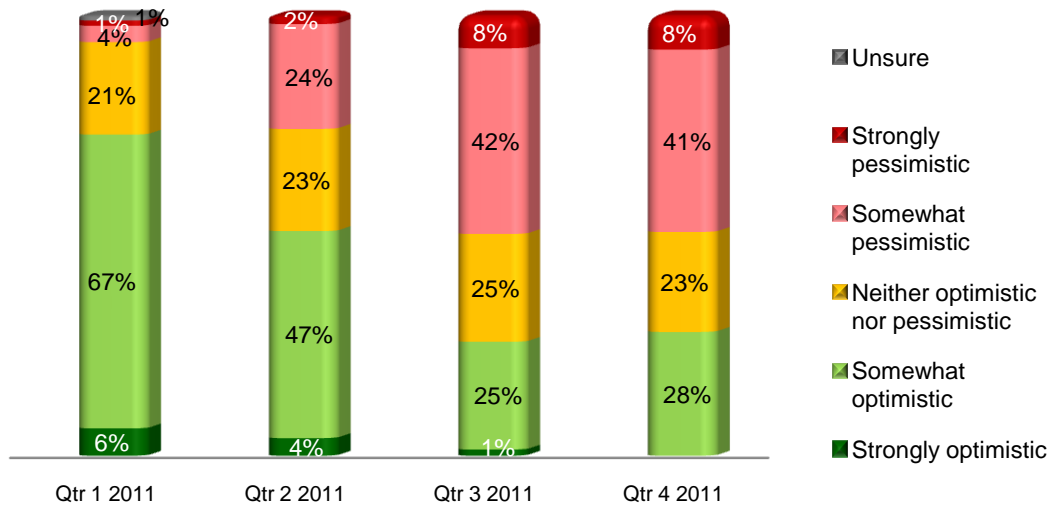
CEO Sentiment

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, Qtr 4 2011; n=128)

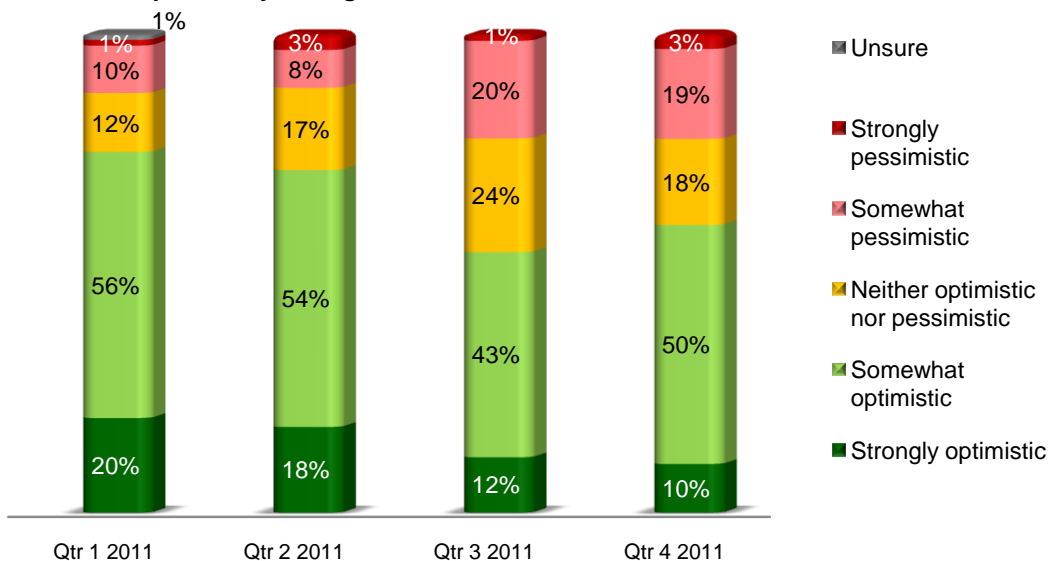
Optimism about prospects for the Australian economy in the next 12 months amongst surveyed CEOs has remained steady compared to Quarter 3 this year but is still down significantly from earlier in the year.

CEO's optimism about the prospects for their own organisation in the next 12 months has increased slightly compared with Quarter 3 (60% compared to 55%), but is also still down significantly from earlier in the year.

Prospects for the Australian economy in the next 12 months



Prospects for your organisation in the next 12 months

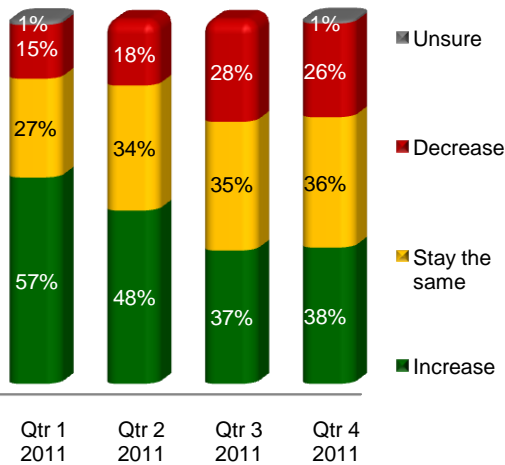


Short Term Company Outlook

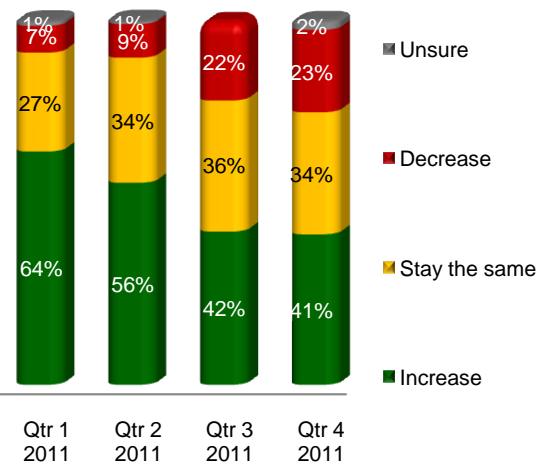
Question 2: Thinking about your organisation in the next 12 months, do you expect the following to increase, decrease or stay the same? (Qtr 1 2011; n=81, Qtr 2 2011; n=150, Qtr 3 2011; n=147, Qtr 4 2011; n=128)

Expectations for profit, sales and operating expenditure are continuing to drop. Expected increase in profit is down from 73% at the beginning of the year to 51% this quarter, expected increase in sales is down from 69% in the first quarter to 56% this quarter and expected increase in operating expenditure has gone from 54% in the first quarter to 45% this quarter. However, the outlook for employment (38% expecting an increase compared to 37% last quarter) and capital investment (41% expecting an increase compared to 42% last quarter) appear to have levelled out.

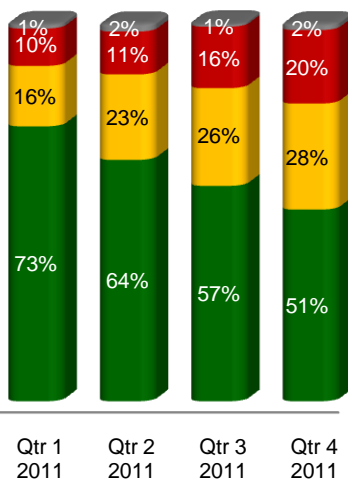
Employment



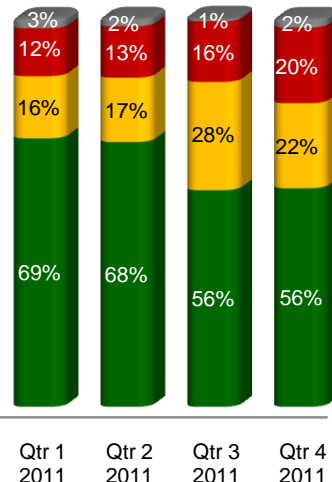
Capital Investment



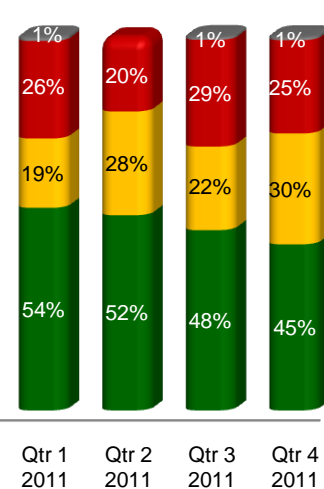
Profit



Sales



Operating Expenditure



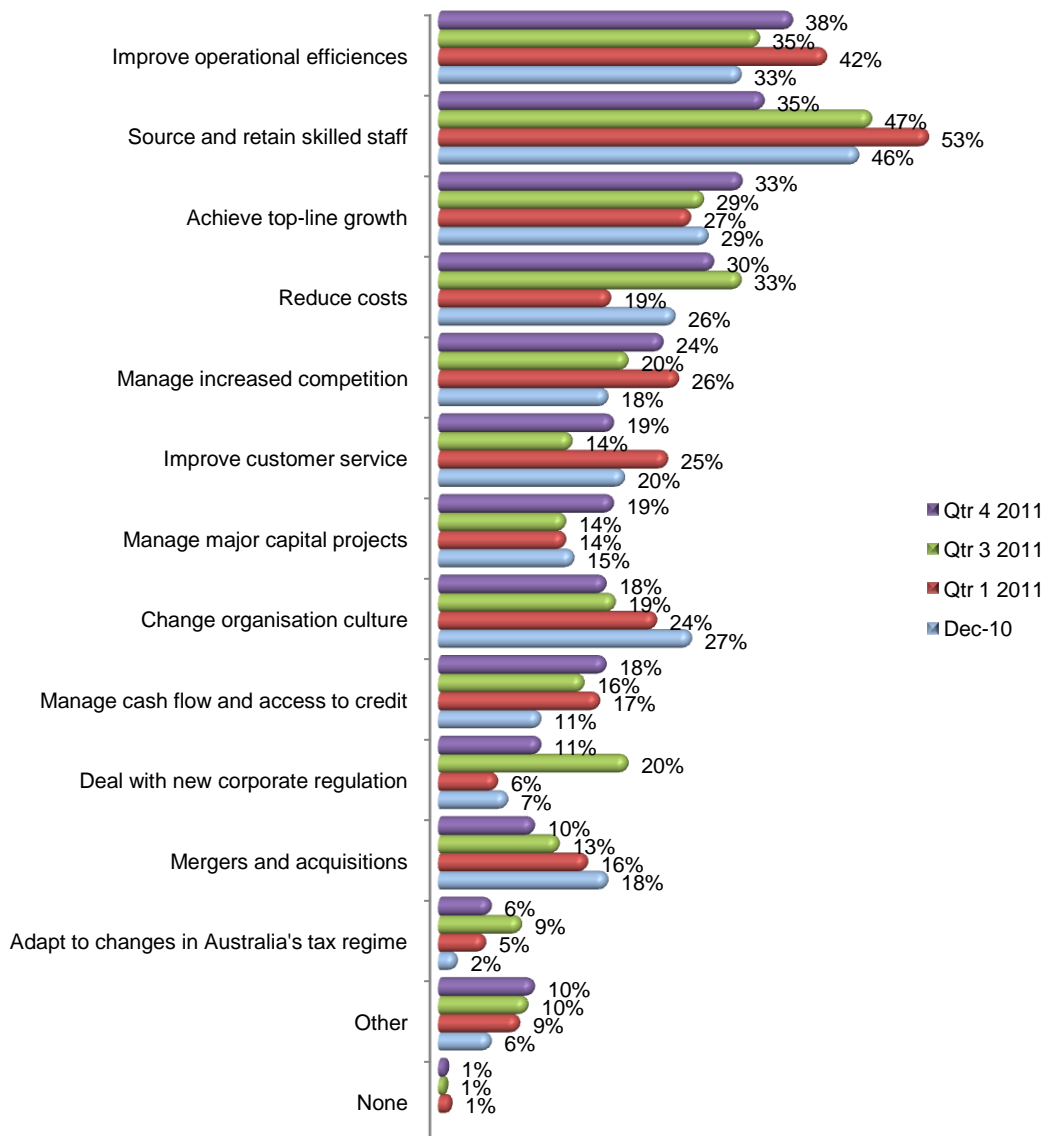
Issues Keeping CEOs Awake at Night

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, Qtr 4 2011; n=128) 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 'improve operational efficiencies' (38%). Note that this is the first time that 'source and retain skilled staff' (35% significantly down from 47% last quarter) was not the number one issue since the survey commenced in early 2010.

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

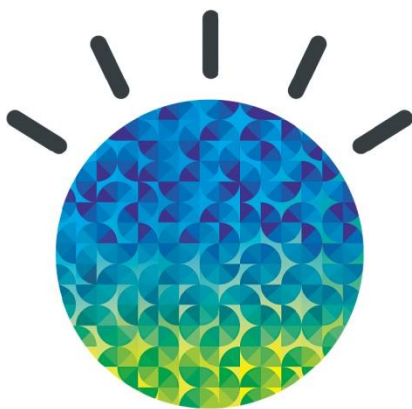
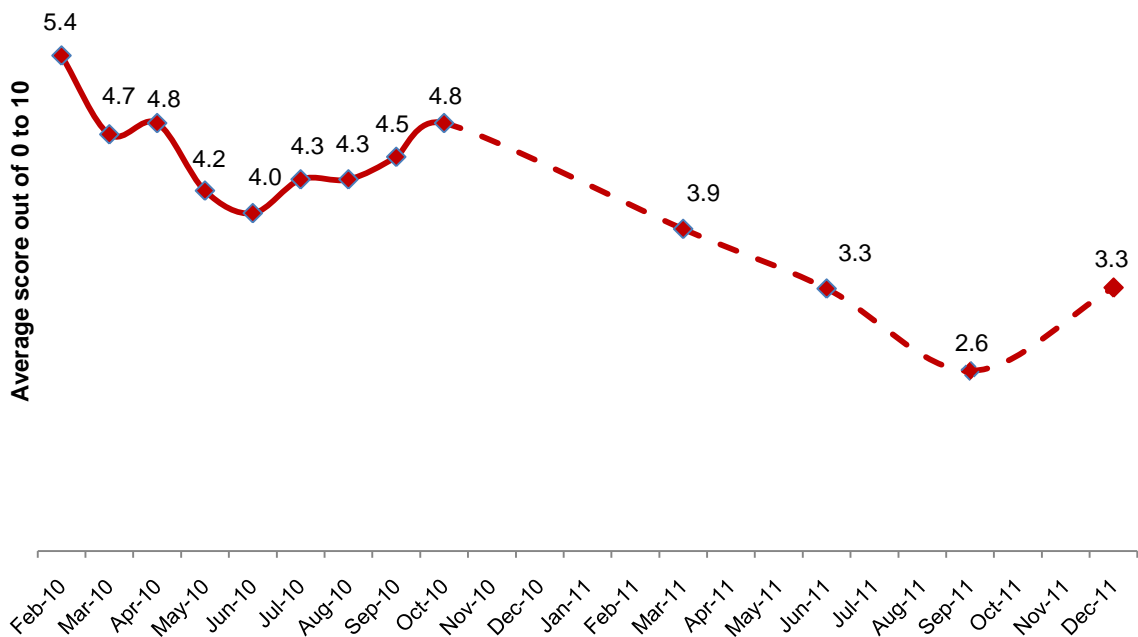
- Achieve top-line growth (33%)
- Reduce costs (30%)



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, Qtr 4 2011; n=128)

CEO's scorecard for the government's performance in managing the economy appears to have bucked the recent trend, up to 3.3 out of 10, a significant increase from 2.6 in Quarter 3 back to the score of Quarter 2.



Building a smarter planet:

Smarter customers demand smarter commerce.

Today, customers are deciding when and where the buying process begins, when it ends, who will be part of that process, what order it will follow, and how all elements in the chain – market, buy, sell and service – will be linked.

Each individual's data is the key to connecting the value chain to the customer – helping businesses to understand and predict customer needs and to orchestrate partners and suppliers in greater responsiveness to changes in buying behaviour.

The opportunity is enormous. According to a recent IBM® Institute for Business Value survey, more than US\$15 trillion in inefficiencies comes from waste throughout the global commerce system, such as inventory backlogs and failed product launches*.

Given the rise of new generations of empowered and digitally literate customers, it's clear that the world's commercial systems have to become as smart as the individuals who are now driving them. Fortunately, they can – and in the process, will redefine how we buy, market and sell on a smarter planet.

Let's build a smarter planet. Join us and see what others are doing at ibm.com/smarterplanet/au

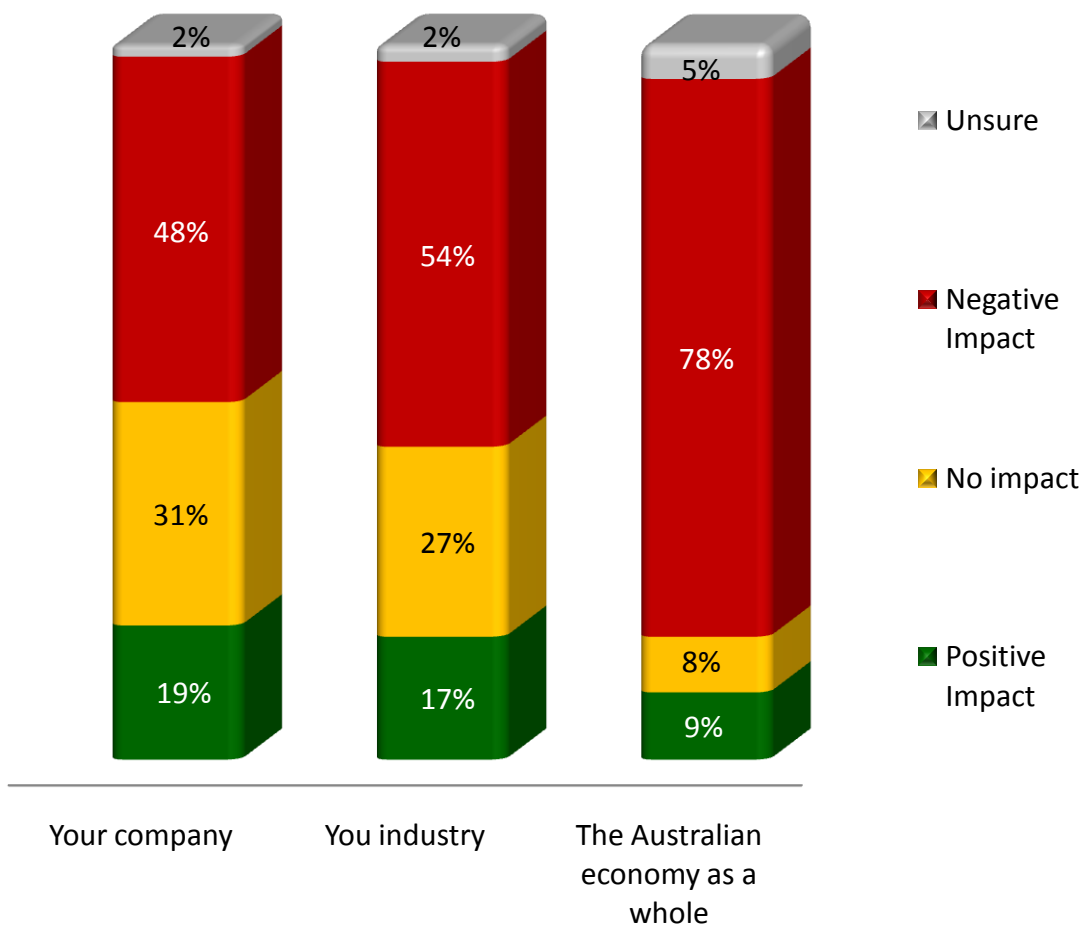


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CEOs on the Impact of the Strength of the Australian Dollar

Question 5: Has the increase in the Australian Dollar over the last year had a positive or negative impact on...? (n=128)

When asked about the impact of the increase in the Australian Dollar over the last year, around half of surveyed CEOs said that it has had a negative impact on their company (48%) and their industry (54%). When asked about its impact on the Australian economy as a whole, almost eight in ten surveyed CEOs (78%) said that it has had a negative impact.



CEOs on their Response to the Increased Value of the Australian Dollar

Question 6: Has your company done any of the following as a result of the increased value of the Australian Dollar? (n=128)

Over two-fifths (42%) of surveyed CEOs say their company has not taken any actions as a result of the increased value of the Australian Dollar, with 57% saying they had taken some kind of action

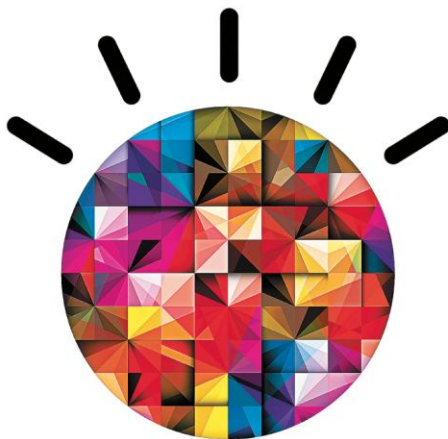
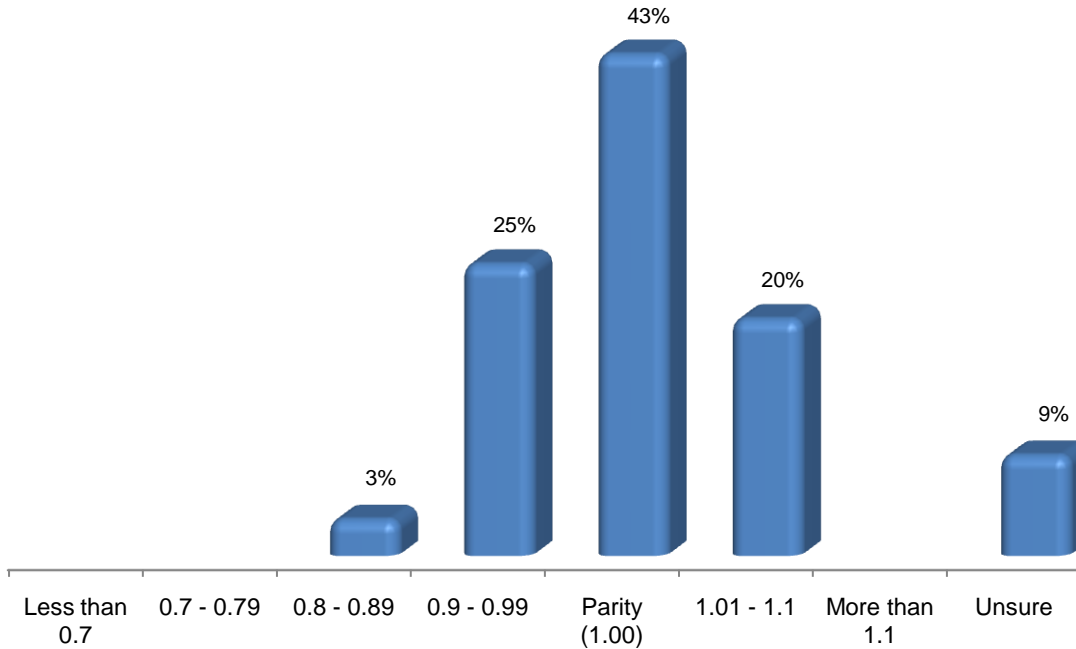
Around one in five say they have changed their business strategy (23%), changed their hedging strategy (22%) and/or are importing more non-labour inputs (20%).



CEOs on Exchange Rate Predictions

Question 7: Roughly, what exchange rate (USD-AUD) have you factored into your assumptions and forecasts for 2012? (n=128)

Most (88%) surveyed CEOs have factored the USD-AUD exchange rate to be at (43%) or around parity (25% 0.9-0.99 and 20% 1.01-1.1) into their assumptions and forecasts for 2012.



Smarter computing builds a smarter planet:

Bringing smarter computing to big data.

90% of the data in the world today has been created in the last two years alone. Just as data is increasing, so are the possibilities.

We now have the capacity to understand, with greater precision, how our world actually works. Advanced technologies such as stream computing, can filter gigabytes of data per second, analyse these while they're still in motion and decide on the appropriate action for the data, such as real-time alerts or store an insight in a data warehouse for later analysis.

Continuously analysed data can help organisations be what they want to be. From farmlands and universities, to hospitals and large corporations, these organisations are empowered to make better informed decisions, which helps them increase revenue and reduce operation costs.

Let's build a smarter planet. Join us and see what others are doing at ibm.com/smarterplanet/au



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CEO Advice to Governor of the Reserve Bank of Australia, Glenn Stevens

Question 8: 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 Governor of the Reserve Bank of Australia, Glenn Stevens? Please finish this sentence: "I think Glenn Stevens should..." (n=128)
[Unprompted, open-ended question. Responses coded by GA Research into key themes]

When asked what advice they would give the Governor of the Reserve Bank of Australia, Glenn Stevens, surveyed CEOs said they would like to see lower interest rates and for a broad range of influences to be considered, including the potential impact on the economy in the longer term.

On interest rates, most CEOs say they would like to see a continued strategy of incremental decreases.

Continue small (0.25%) reductions in interest rates despite the difficulties of a two speed economy.

Cut rates by 50 points in December 2011 to start stimulating consumer spending.

You need to drop interest rates - manufacturing is gasping for air and needs oxygen through a lift in consumer confidence

While many suggest immediate action on interest rates, others suggest holding and monitoring to see what happens in the new year. These CEOs ask Glenn Stevens to take into consideration a broad range of influences including Europe, the mining sector, retail sales and impacts on both small and large Australian businesses.

Carefully consider the fragility of the underlying non-mining economy and consumer demand when considering interest rate changes.

Cautiously monitor conditions in the EU and ensure that our interest rate settings reflect the high exposure of the non-resource section of the Australian economy to international factors...

Consider impacts on the range from small to large businesses. Small business are the customers of the large and a core element of the economy.

Many CEOs also stressed the importance of taking action cautiously, and the need to consider the medium to long term future when making decisions.

Be cautious before acting given complex and varying signals and volatility of issues.

Give more public statements about medium to long range issues. The media frenzy over each RBA Board meeting outcome is ridiculous and only serves to undermine consumer confidence.

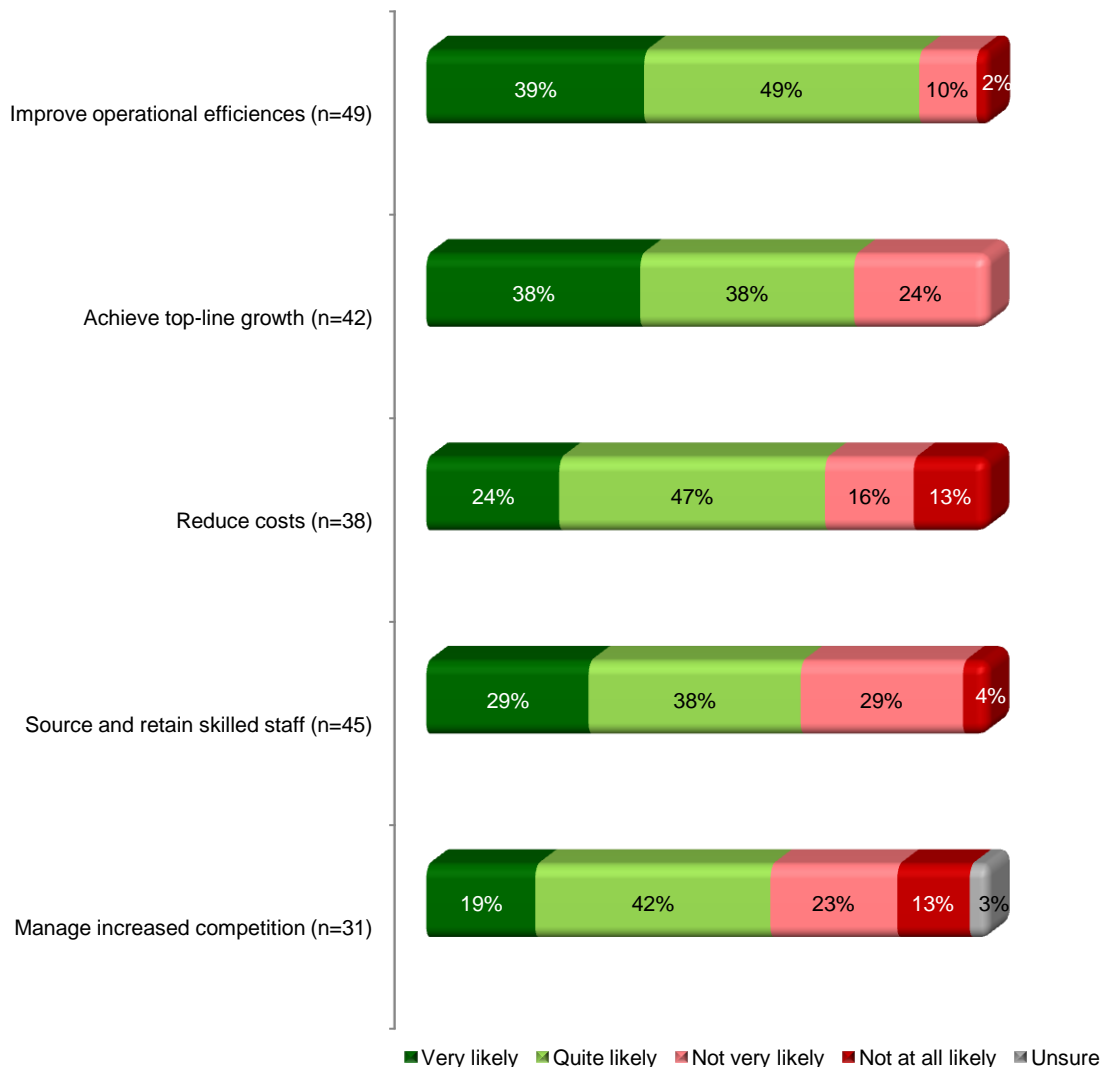
Look to the future more than the rear vision mirror. We know the outcomes of Europe despite the time it is taking, hence calculate the impact and address policy in advance by reducing interest rates.

Take a longer term view of the RBA decisions and their impact on the future of the Australian nation.

CEOs on Investing in New Technologies

Question 9: For each of the issues facing your company that you identified earlier in the survey as most likely to keep you awake at night, how likely are you to invest in new technology to help you tackle these challenges in the next 12 months? (n=128)

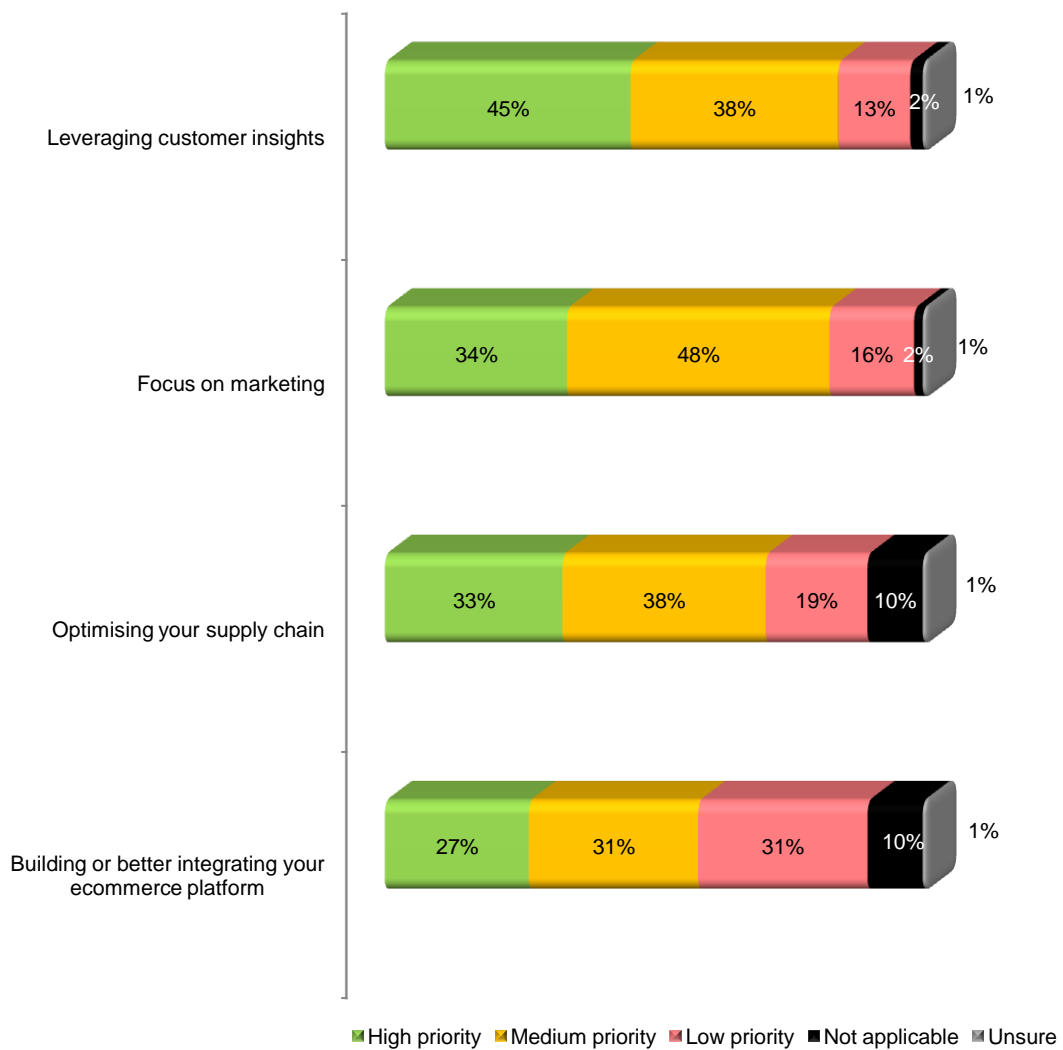
When asked about the likelihood of investing in new technology to tackle the issues keeping them awake at night, CEOs say they are most likely to invest in new technology to help improve operational efficiencies (88% say they are likely) and achieve top-line growth (76% say they are likely).



CEOs on Priorities to Improve Customer Engagement

Question 10: Following are some ways in which your organisation may be looking to improve current and prospective customer engagement. For each, please indicate whether it is currently a high, medium or low priority for your organisation to pursue. (n=128)

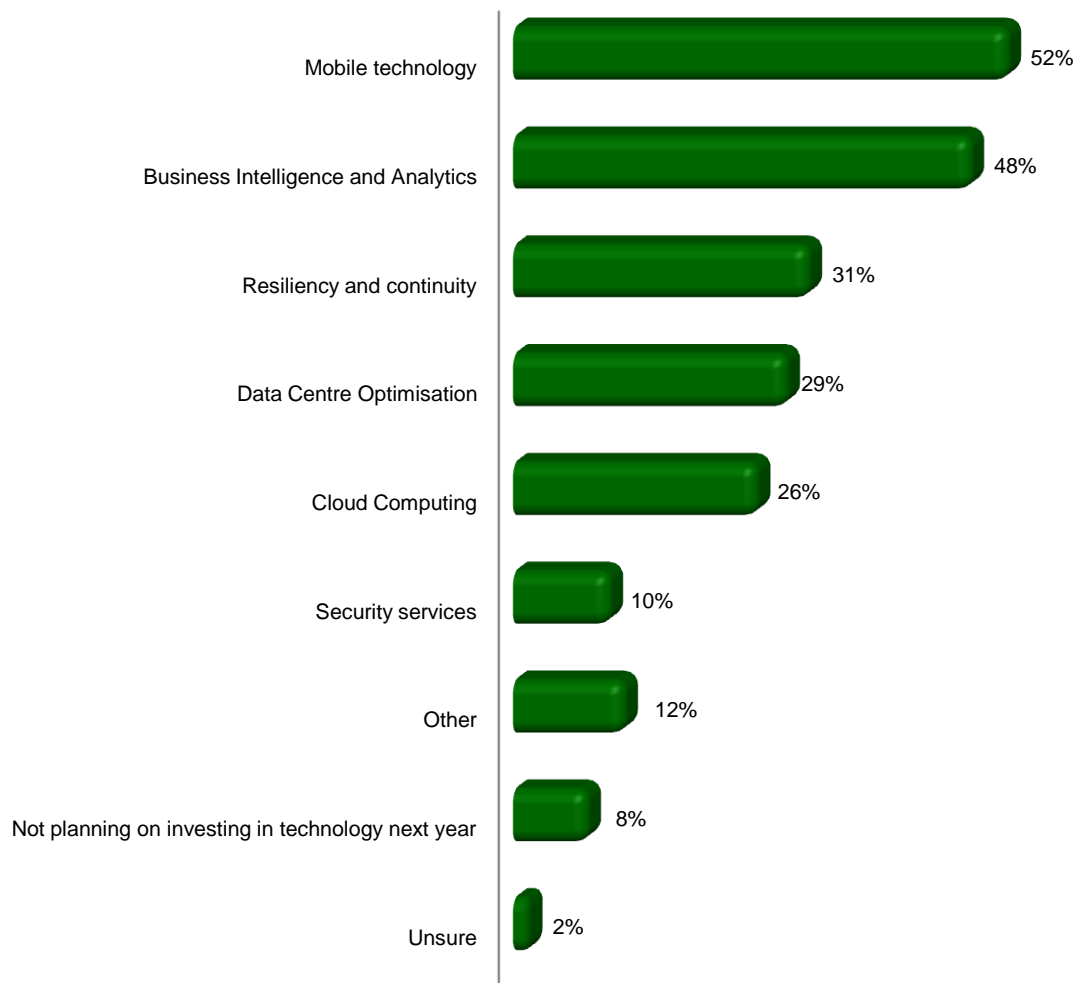
CEOs were most likely to select leveraging customer insights (45%) as a high priority to improve current and prospective customer engagement.

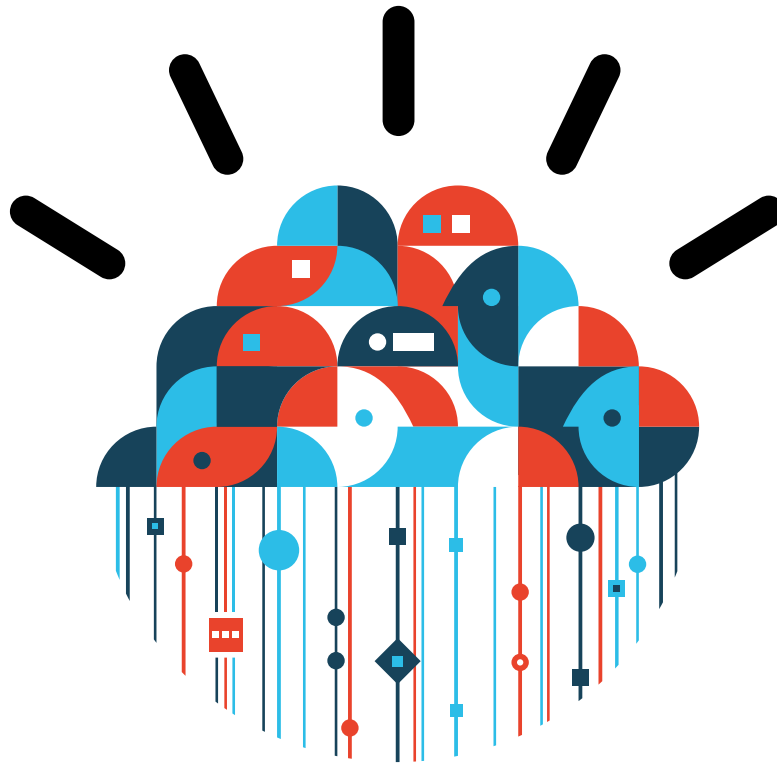


CEOs on Technologies They Are Planning on Investing In

Question 11: Which, if any, of the following types of technology is your organisation planning on investing in 2012? (n=128) [Up to three responses permitted – percentages add to more than 100%]

CEOs report they are most likely to invest in mobile technology (52%) and business intelligence and analytics (48%) in 2012.





Smarter computing builds a smarter planet:

Smarter computing needs smarter clouds.

To build a smarter planet, we need smarter computing – computing that is designed for big data, tuned for specific tasks and managed in the cloud.

Cloud computing, in particular, is a hot topic these days. Many businesses are discovering this new model's power to step-change IT infrastructure management – with benefits in economics, performance and integration. The incorporation of cloud computing services and systems is transforming the data centre.

With cloud, international trade services firm GHY has achieved four times its prior data centre capacity, cut its IT budget by 14% and reduced IT time spent on server management from 95% to 5%. Leading marketing services provider Acxiom Corporation added 2,700 new servers without adding to their data centre footprint and is realising five times the performance of their previously installed dedicated servers. Signature Mortgage Corporation is using cloud to help its customers securely review and sign mortgage applications electronically from the convenience of their home or office, reducing loan-processing time from an average of 7 days to 24 hours.

Consolidation, data centre efficiency and lower costs, though, are just the start. Leading companies are unlocking the deeper potential of cloud as a new way to manage not just their IT but also their businesses. They're discovering how cloud can help create new marketplaces, profitable new revenue streams and smarter business services. And providing these services to innovators can profoundly change the way a company is experienced by customers, partners and society. True Value used cloud to help transform the management of its supply chain across 5,000 hardware stores in 54 countries, reducing lead time by 56% and back orders by 85%.

But while they are moving to cloud, these companies are not willing to compromise on fundamental business standards. They insist on strong governance to help safeguard the security and resilience of critical processes.

IBM® Cloud Solutions offer exciting opportunities to improve the way organisations and businesses are run, how they ensure security and how they unleash innovation – while changing the way our world actually works.

Let's build a smarter planet. Join us at
ibm.com/smarterplanet/au

