

CEO *pulse*

Number 01
Feb 2010



Views from the top ...

Australia's leading chief executives on:

- How they see the future
- Threats to national prosperity
- How they rate the government
- What keeps them awake at night
- Climate change
- What they'd tell the PM

Highlights

CEOs on the Economy

- The CEOs surveyed are optimistic about the prospects for their organisation (80%) and the Australian economy (79%) in the next 12 months and the majority are forecasting growth in sales and profit.
- Nearly a third (31%) of CEOs expect employment levels in their organisation to increase in the next 12 months with almost one in five (18%) expecting employment levels to decrease.
- CEOs surveyed believe the biggest threats to Australia's long term economic growth and prosperity are the slowdown of other economic markets and increased competition, particularly in relation to manufacturing in Asia.
- The three issues most likely to keep CEOs awake at night are increasing competition, changes in customer demand and being able to source skilled staff.
- On average, the CEOs surveyed give the federal government 5.4 out of 10 for its performance in managing the economy.

CEOs on Climate Change

- Climate change is accepted as a reality by most of the CEOs surveyed (76%). Around 41% of those surveyed said they believe the global climate is changing mainly due to human activity and 35% believe that the global climate is changing mainly due to natural processes. A small minority (8%) do not think the climate is changing and 16% are unsure.
- Although the majority of CEOs think there will be net negative economic impacts from a transition to a low carbon economy, many also think the changes will be positive for the environment in Australia and the future of the country as a whole. On average they think it will have less negative impact on their own company and industry than it will have on the Australian economy as a whole.
- None of the current climate change policy proposals have strong support. A third of CEOs surveyed say they prefer the opposition's climate change policy (33%). A fifth (20%) prefer the federal government policy. Almost one in five (18%) want a different model and the same proportion (18%) don't care what the model is as long as they get planning certainty.
- Around two-thirds (67%) of CEOs report that climate change and related legislation is having an impact on their company's capital investment decisions, although only 8% say it is having a big impact.

CEO Advice to the Prime Minister

- When CEOs were asked to offer advice to the prime minister the most common theme was in relation to his leadership style and personality. CEOs feel Kevin Rudd should 'listen more', 'take a less bureaucratic approach', 'be himself', 'be a leader' and 'become more human'.

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 ISO 20252. Fieldwork was conducted by independent operator AFS.

The sample comprised n=51 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 15 February and Tuesday 23 February 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 retail, manufacturing, services, IT, financial services, energy, mining, food and beverage, healthcare and tourism.

Note that some percentages for single response questions presented in this report may not add up to 100% due to rounding.

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The Business Spectator Accenture CEO Pulse and GA Research.

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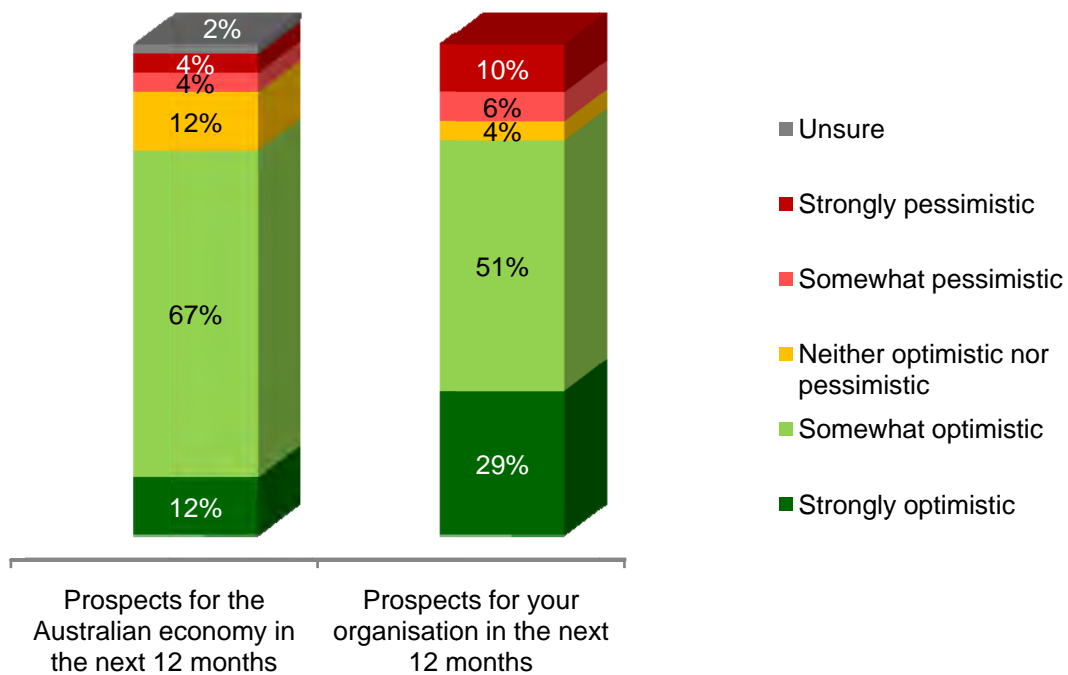
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CEO Sentiment

Question 1: To what extent are you optimistic or pessimistic about...? (n=51)

Most of the CEOs surveyed are optimistic about the prospects for their organisation (80% somewhat/strongly optimistic) and the Australian economy (79% somewhat/strongly optimistic) in the next 12 months.

However, they are more confident about the prospects for their own company than they are about the prospects for the Australian economy more broadly. Almost one third (29%) are strongly optimistic about the prospects for their own organisation, while only 12% are strongly optimistic about the prospects for the Australian economy.



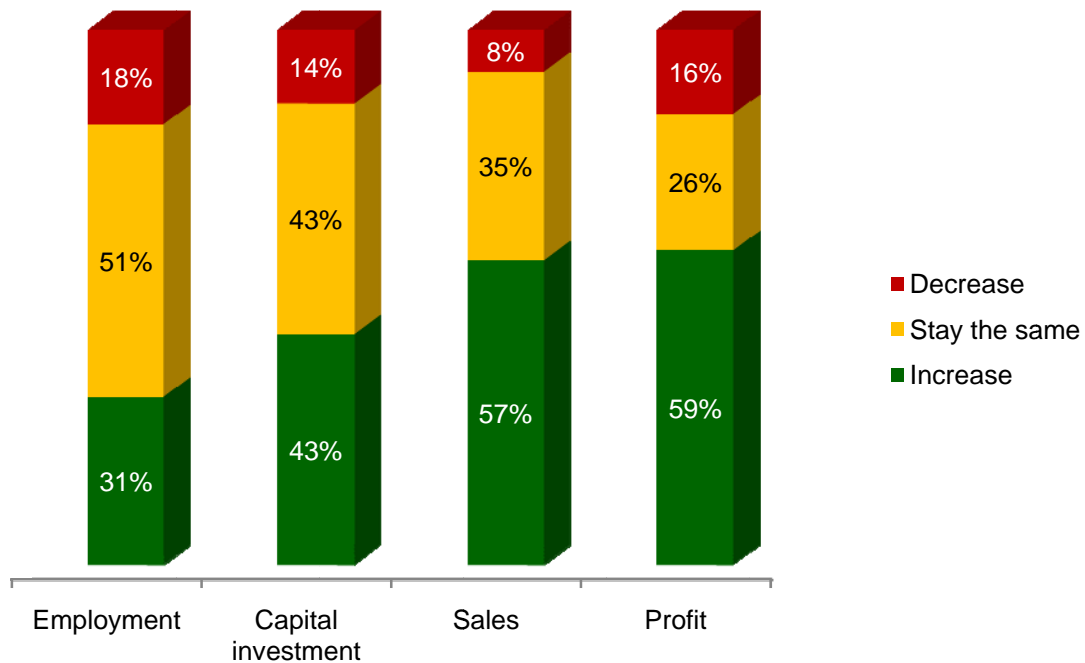
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Short Term Company Outlook

Question 2: Thinking about your organisation in the next 12 months, do you expect the following to increase, decrease or stay the same? (n=51)

Reflecting their optimism, the majority of CEOs surveyed expect short term growth. Overall, 59% of CEOs expect profit to increase in the next 12 months and 57% expect sales to increase. Many (43%) also forecast increases in capital investment.

While nearly a third (31%) expect employment levels in their organisation to increase in the next 12 months, almost one in five (18%) expect employment levels to decrease.



Perceived Threats to Australia's Long Term Economic Growth and Prosperity

Question 3: What do you believe is the biggest threat to Australia's long-term economic growth and prosperity? [Unprompted, open-ended question. Responses coded by GA Research into key themes] (n=51)

Almost a third (31%) of surveyed CEOs believe the biggest threat to Australia's long term economic growth and prosperity is the slowdown of other economic markets, in particular China, the United States and India.

"Asian slow down and USA double dip."

"Continued economic health of our main trading partners is essential."

"I think any further financial bumps or collapses like the South East Asian [one] ... or any further blips in the American economy or the European economy. The biggest risk for us is from South East Asia because we are so closely tied to them for the bulk of our mineral and coal exports."

While concerns about a slowdown in other markets is seen as the biggest threat overall, increased off-shore competition, particularly in relation to manufacturing in China and other Asian markets, is identified by 16% of surveyed CEOs as a threat to Australia's long term economic growth and prosperity.

"The biggest threat is that we lose our manufacturing (value adding) to the emerging markets such as China and India."

"The rapid decline of manufacturing competitiveness in this country. The increasing threat of low cost product being manufactured in Asia."

Other mid-level threats to Australia's long term economic growth and prosperity identified by surveyed CEOs include:

- The size of government debt as a result of large spending on the stimulus package
- A reduction in the availability of credit

"Slow down in China ... debt overhang for governments, causing interest rates to increase and banks to ration credit."

- A decrease in manufacturing
- Impact of a strong Australian dollar on exports

"Strong Australian dollar in terms of tourism; drives locals overseas and Australia becomes too expensive."

"Foreign exchange... strong Aussie dollar weakens exporting companies where the majority of business is."

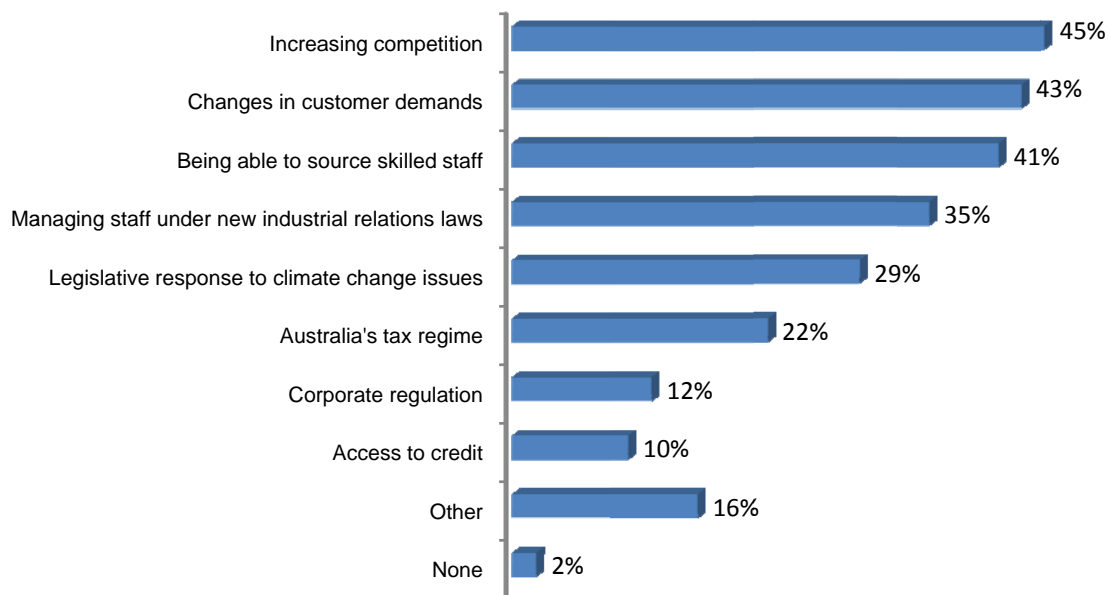
Other threats mentioned by small numbers of CEOs related to the nature of the government's policies – some think they are introducing populist and short-term policies while others believe they are 'over-regulating.'

Issues Keeping CEOs Awake at Night

Question 4: Which, if any, of the following issues facing your company are most likely to keep you awake at night? (n=51) Pick up to three. [Multiple responses permitted – percentages add to more than 100%]

The issues most likely to keep CEOs awake at night in descending order of importance are:

- Increasing competition (45%)
- Changes in customer demand (43%)
- Being able to source skilled staff (41%)
- Managing staff under new industrial relations laws (35%)
- Legislative response to climate change (29%)



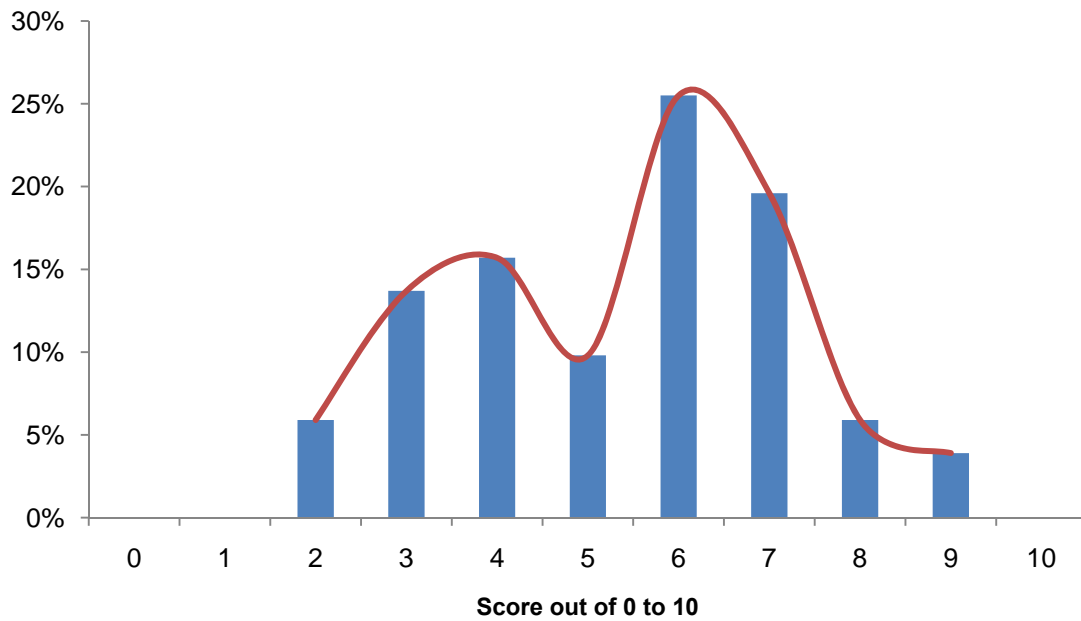
A small number of CEOs (16%) reported that a range of other issues facing their company were most likely to keep them awake at night. These included issues around the exchange rate, the viability of the manufacturing industry in Australia, challenges with intellectual property, lack of production volumes, NSW government dysfunction, political populism and supply of raw materials.

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Perceptions of Government Performance on the Economy

Question 5: 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. (n=51)

On average, the CEOs surveyed give the federal government 5.4 out of 10 for their performance in managing the economy. The median score was 6 out of 10.



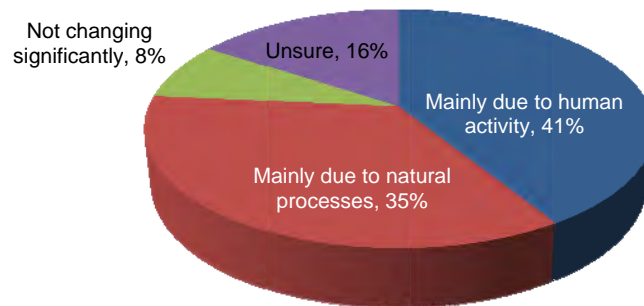
CEOs and Climate Change

Question 6: Which of the following statements comes closest to your opinion about climate change? (n=51)

Climate change is accepted as a reality by most of the CEOs surveyed (76%).

Around 41% of those surveyed said they believe the global climate is changing mainly due to human activity and 35% believe that the global climate is changing mainly due to natural processes.

Almost one in ten (8%) are of the opinion that the global climate is not changing significantly. A further 16% are unsure.



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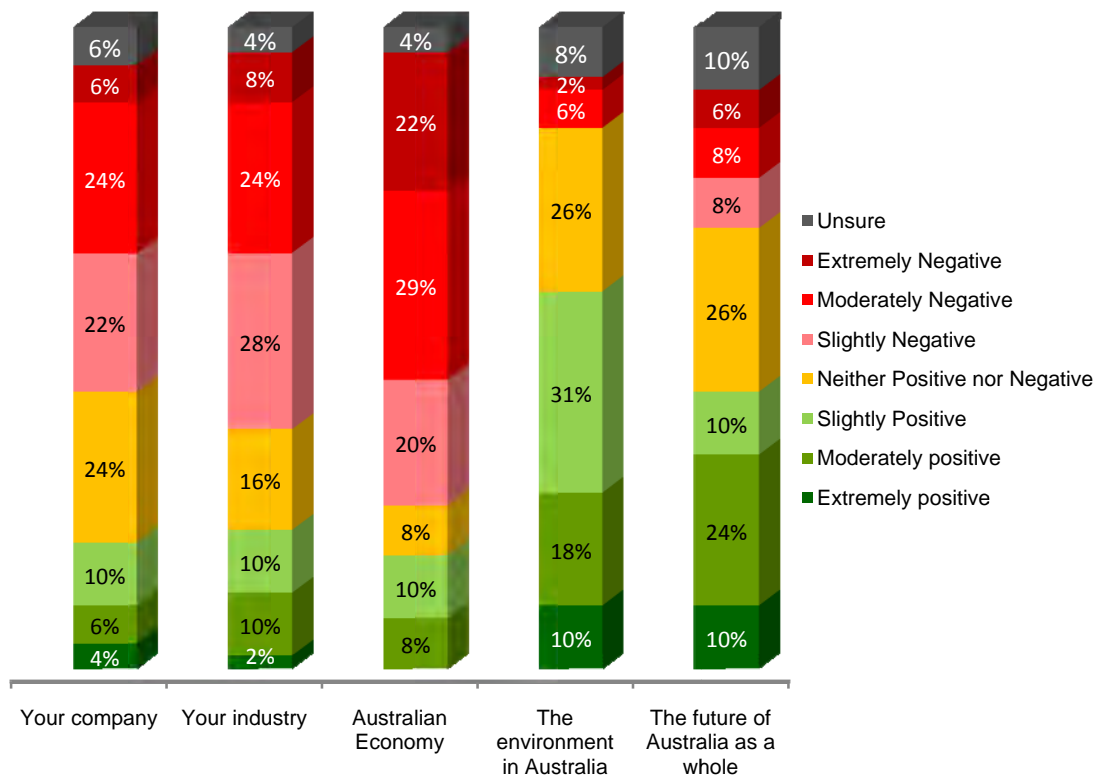
Perceived Impact of Transition to Low Carbon Economy

Question 7: In principle, do you think that, over the next 10 years, an enforced transition to a low carbon economy in Australia would have a net positive or negative impact on: (n=51)

Although the majority of CEOs think there will be net negative economic impacts from a transition to a low carbon economy, many also think the changes will be positive for the environment in Australia and the future of the country as a whole.

CEOs surveyed think that an enforced transition to a low carbon economy in Australia will have a greater net negative impact on the Australian economy (71% negative) than it will have on their industry (59%) and their own company (51%) over the next 10 years. Around 44% report that they think it will have a positive or no net impact on their company over the next 10 years.

By contrast, around one in five (22%) think it will have a net negative impact on the future of Australia as a whole, with 43% saying it will have a net positive impact.



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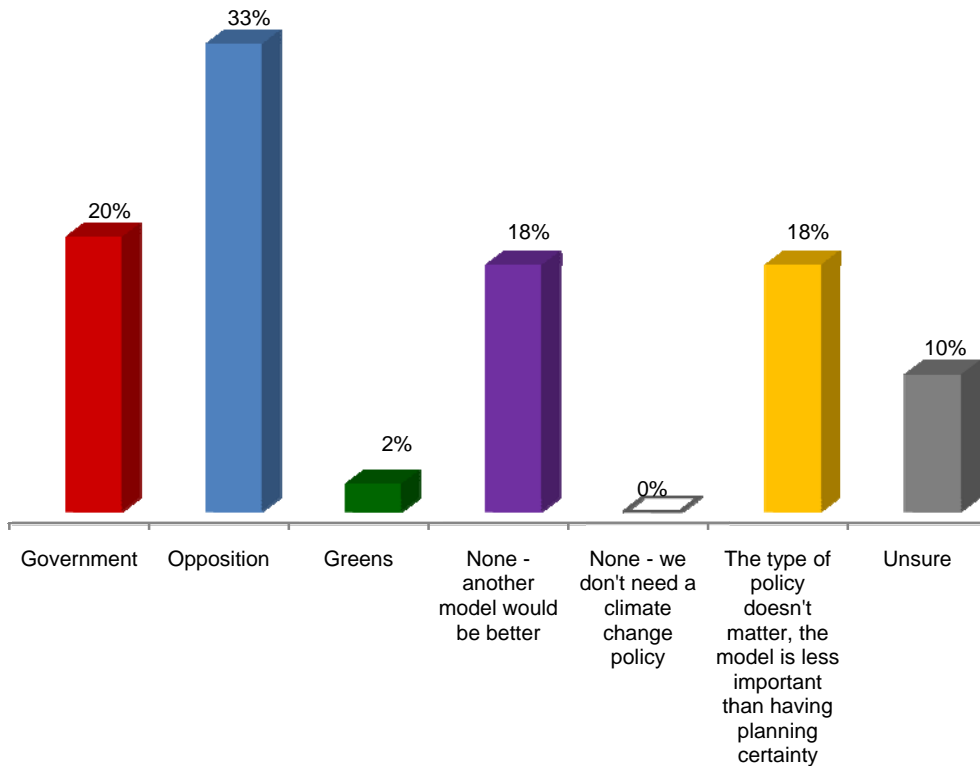
CEOs' Climate Change Policy Preferences

Question 8: From your perspective as a CEO, do you prefer the federal government's, the opposition's or the Greens' current climate change policies? (n=51)

A third of CEOs surveyed say they prefer the Opposition's climate change policy (33%), with a fifth (20%) preferring the Federal Government policy.

A further 18% report that they would prefer another model with another 18% reporting that the type of policy doesn't matter as the model is less important than having planning certainty.

All CEOs surveyed indicated that some kind of policy is needed but 10% were unsure which policy they prefer.

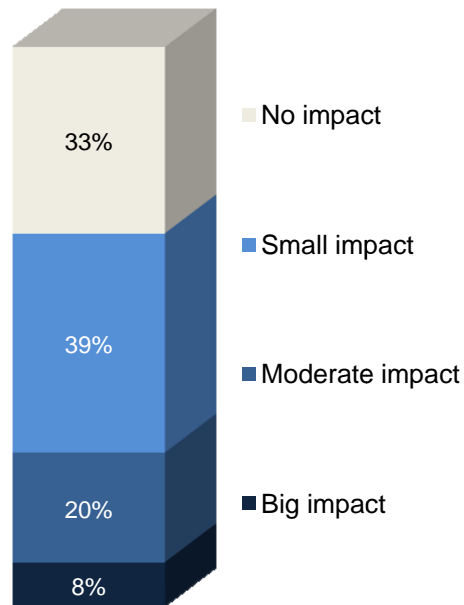


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Perceived Impact of Climate Change on Capital Investment

Question 9: How much of an impact are the implications of climate change and related legislation having on your company's capital investment decisions? (n=51)

Around two-thirds (67%) of CEOs report that climate change and related legislation is having an impact on their company's capital investment decisions, although only 8% say it is having a big impact. One third of CEOs (33%) say this issue is currently having no impact on their capital investment decisions.



CEOs' Advice to Leading Public Figure: The Prime Minister

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 to the Prime Minister Kevin Rudd? Please finish this sentence: "I think Kevin Rudd should...." (n=51) [Unprompted, open-ended question. Responses coded by GA Research into key themes]

The most commonly offered piece of advice from CEOs to Kevin Rudd related to his leadership style and personality (20%). This group feels the prime minister should 'listen more', 'take a less bureaucratic approach', 'be himself', 'be a leader', 'and 'become more human'. As some respondents put it:

"Toughen up. He seems to be losing a little confidence and authenticity and looking over his shoulder at the opposition. He should explain policy decisions in simple terms. Arrogance is a dangerous thing. Don't assume that business or the public get it because the intellectual arguments are compelling."

"Stick to being Kevin Rudd as people will only elect authentic leaders."

"I think Kevin Rudd should stop the 'political spin' and get closer and communicate better with people. We still do not know who Kevin Rudd is!"

The next most frequent theme in the advice, offered by 16% of CEOs, was that the prime minister take a 'less talk/more action' approach and deliver on the promises he took to the 2007 election. Respondent comments included:

"I think Kevin Rudd should get out of the policy review, discussions, public input and committee rooms and start following through on his election promises."

"Actually do something rather than saying you will....We need a leader who will drive major change, rather than talk about it."

"Stop being symbolic and start acting."

Other lower level themes included:

- The need to focus on economic management and growth
- Implementing major reform in particular policy areas such as industrial relations, education and health
- The need to focus on domestic rather than international issues

