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CEO *pulse*

Number 05
June 2010



Views from the top ...

Australia's leading chief executives on:

- Sourcing and retaining skilled staff
- Economic outlook
- What keeps them awake at night
- What they'd tell Glenn Stevens
- What they'd tell Julia Gillard

GA RESEARCH

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

- Optimism about prospects for the Australian economy in the next 12 months has increased slightly this month (61% compared to 58% in May), however, it is still lower than earlier in the year.
- Optimism about the prospects for their own organisation in the next 12 months has decreased slightly this month (79% compared to 82% in May). However, pessimism has also decreased compared to last month (7% compared to 12% in May).
- Expectations of employment and capital investment levels in the next 12 months have continued a broad positive trend, while expectations of profits have remained steady compared to last month. Fluctuations in reported expectations of sales have continued.
- CEOs average score of the government's performance in managing the economy has slightly decreased again to 4 out of 10 (compared to 4.2 last month). This continues the downward trend since the beginning of the year.

CEOs on Sourcing and Retaining Skilled Staff

- There is higher concern amongst surveyed CEOs about being able to source and retain staff with technical specialist skills and managerial talent than trade and vocational skills or unskilled or lower skilled labour and service staff.
- CEOs surveyed report that they believe high salary expectations amongst skilled staff (63%) contributes most to issues around sourcing and retaining skilled staff for their organisation.
- Of the specific initiatives to attract and retain staff that were asked, most surveyed CEOs report that their organisations are already using more flexible work arrangements (70% already doing and 13% planning to do) and the introduction of new models for training and skill development (54% already doing and 28% planning to do) to attract and retain staff.
- Of the less conventional measures to address the issue of a lack of skilled staff, 93% of surveyed CEOs reported they already are (63%) or would consider (30%) retraining staff from other areas of the business, and 85% reported they already are (51%) or would consider (34%) employing and training unskilled labour to the required skill level.
- Rating the effectiveness of specific incentives used to retain skilled staff within their organisation, 67% of surveyed CEOs report that they have found that training management to be better leaders and supervisors to be extremely (19%) or very (48%) effective in retaining skilled staff within their organisation.

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

- The most common piece of advice to the Governor of the Reserve Bank of Australia, Glenn Stevens was to say that interest rates should be kept at the same level. Many are satisfied with his performance as the Governor of the Reserve Bank of Australia, stating that he should keep 'doing what he is doing' and 'continue the good work'. Some CEOs also suggested that he would benefit from taking a broader consultative approach when making decisions about the economy.

CEO Advice to the Prime Minister, the Hon. Julia Gillard

- The most common thing the surveyed CEOs would ask or would like to say to the new Prime Minister Julia Gillard involved doing something about the Resource Super Profit Tax (RSPT) – either dropping it altogether or finding a compromise with the mining industry, as well as fixing or improving other government programmes and policies. Other comments related to unions and their perceived allegiance with and influence on the Labor Party.

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=83 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 16 June and Sunday 27 June 2010. A sample of n=22 of those CEOs also answered a question on what they would say to the new Prime Minister, the Hon. Julia Gillard. 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 and other services including legal and financial services, manufacturing, healthcare, hospitality, retail, mining and agriculture.

Please note that the Hon. Julia Gillard became Prime Minister of Australia during fieldwork this month.

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

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The Business Spectator Accenture CEO Pulse and GA Research.

For more information regarding the research please contact Damon Jalili at
GA Research on (02) 9552 8996 or djalili@garesearch.com.au.

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

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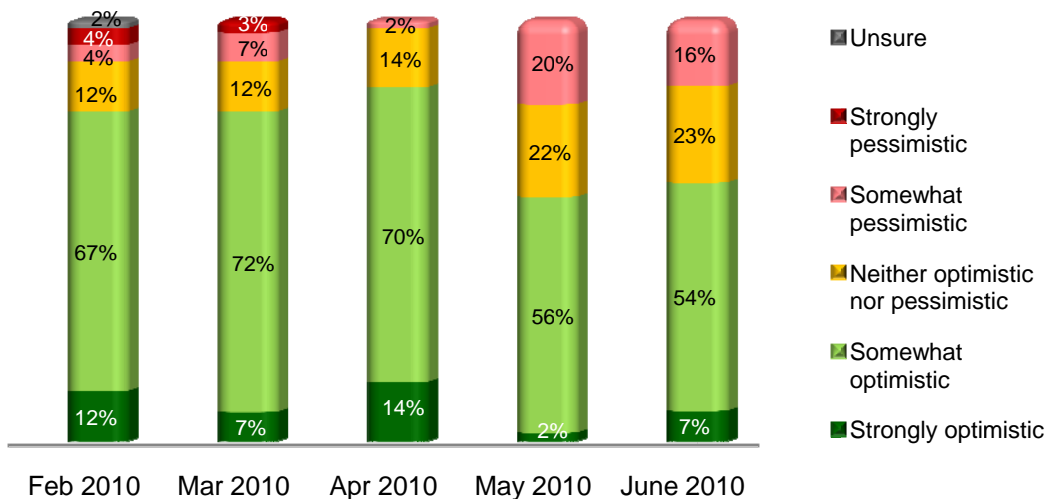
CEO Sentiment

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)

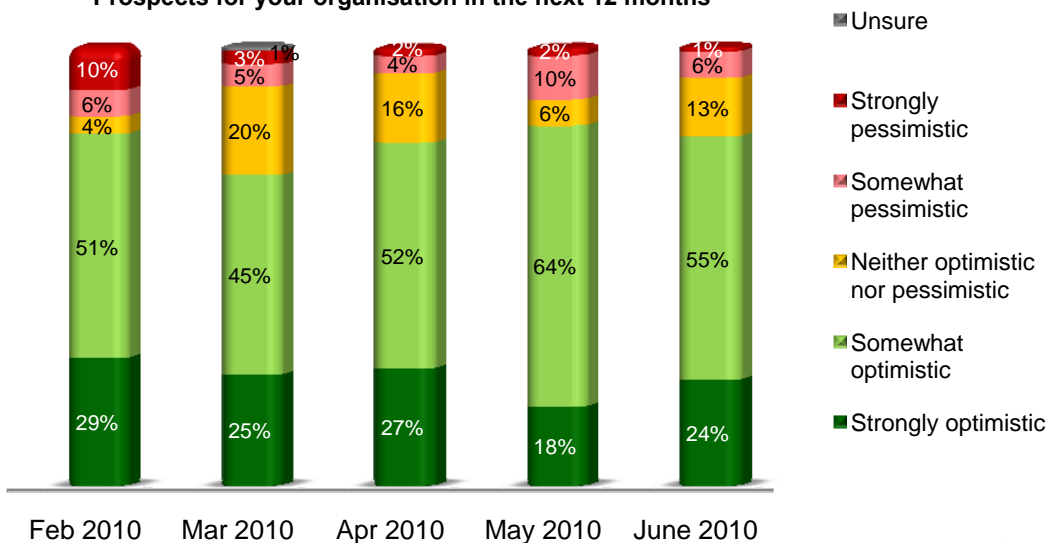
Optimism about prospects for the Australian economy in the next 12 months amongst surveyed CEOs has increased slightly this month (61% compared to 58% in May), however, it is still lower than earlier in the year. Pessimism has decreased slightly (16% compared to 20% last month), but is still much higher than earlier in the year.

Optimism about the prospects for their own organisation in the next 12 months has decreased slightly overall this month (79% compared to 82% in May). However, pessimism has also decreased compared to last month (7% compared to 12% in May).

Prospects for the Australian economy in the next 12 months



Prospects for your organisation in the next 12 months



CEO pulse

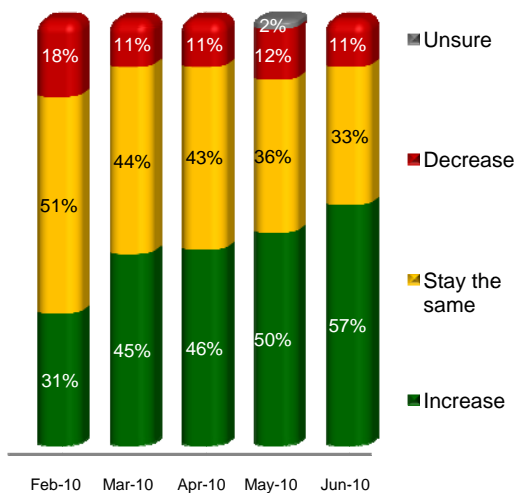
Short Term Company Outlook

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)

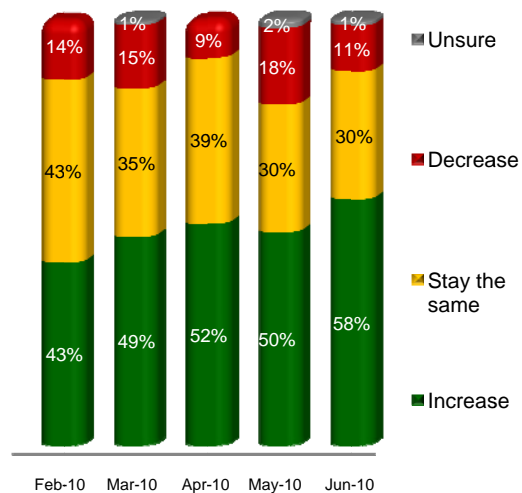
Expectations of employment and capital investment levels in the next 12 months have continued a broad positive trend, with 57% of surveyed CEOs reporting they expect increases in employment and 58% reporting they expect increases in capital investment.

Expectations of profits have remained steady compared to last month, with 70% of surveyed CEOs reporting they expect increases in profit (same as May). Fluctuations in reported expectations of sales have continued, with 64% of surveyed CEOs reporting they expect an increase in sales (compared to 74% in May and 66% in April).

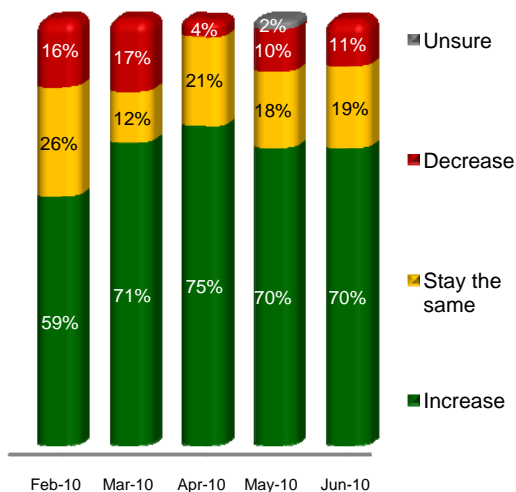
Employment



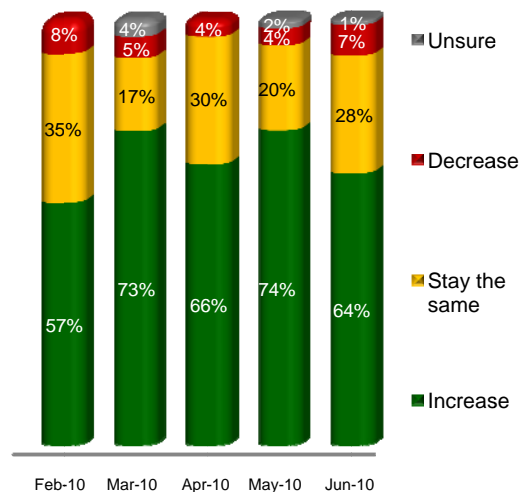
Capital Investment



Profit



Sales



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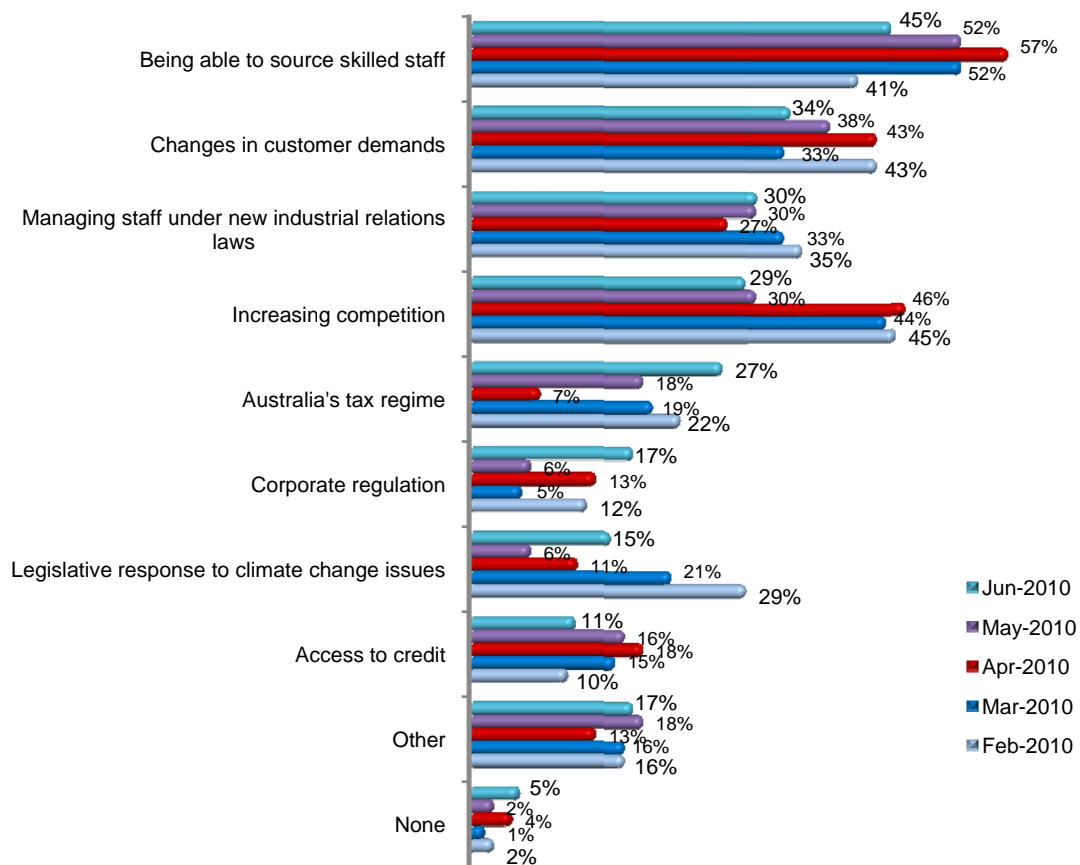
Issues Keeping CEOs Awake at Night

Question 3: Which, if any, of the following issues facing your company are most likely to keep you awake at night? (Feb 2010; n=51, March 2010; n=75, April 2010; n=56, May 2010; n=50, June; n=83) Pick up to three. [Up to three responses permitted – percentages add to more than 100%]

This month, the issue mostly likely to keep surveyed CEOs awake at night remains ‘being able to source skilled staff’ (45%, compared to 52% last month), although this proportion has been steadily declining over the last few months.

The other key issues in descending order of importance are:

- Changes in customer demand (34% compared to 38% last month)
- Managing staff under new industrial relations laws (30%, same as last month)
- Increasing competition (29% compared to 30% last month)
- Australia’s tax regime (27% compared to 18% last month)



A small number of surveyed CEOs (17%) say that a range of other issues facing their company are most likely to keep them awake at night. These include concerns around increased government regulation, reduced profitability and the strength of the Australian dollar. Issues such as the proposed Resource Super Profits Tax, the dominance of grocery retailers, lack of new business opportunities, and how the new government will act were also mentioned.

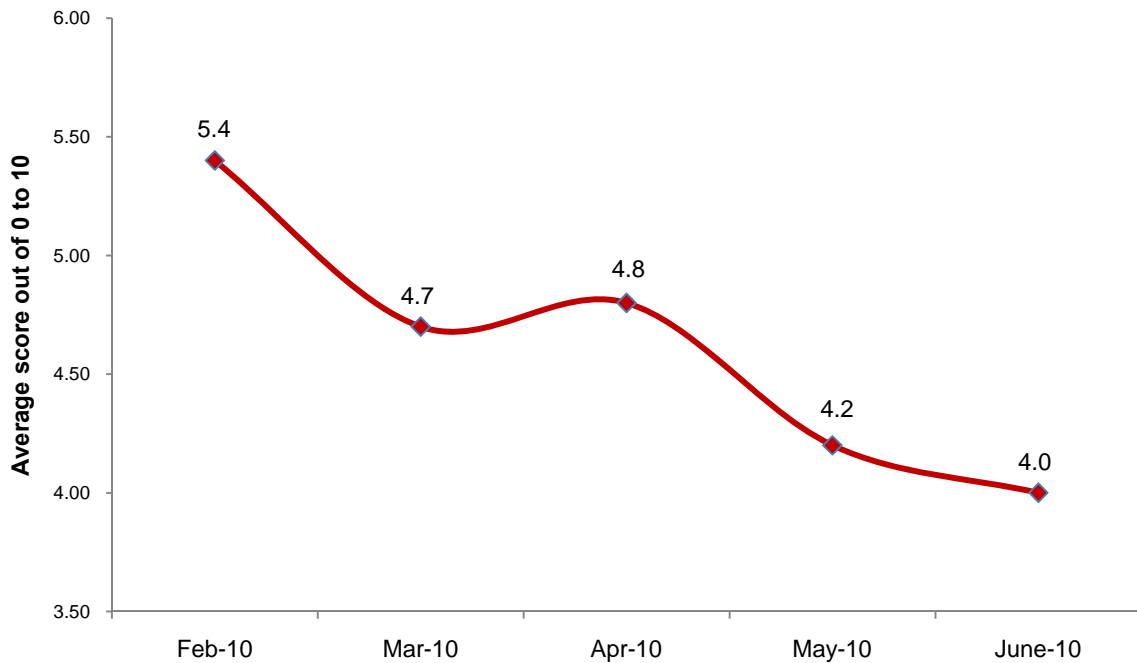
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Perceptions of Government Performance on the Economy

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)

Surveyed CEO's average score of the government's performance in managing the economy has slightly decreased again to 4 out of 10 (compared to 4.2 last month). This continues the downward trend since the beginning of the year.

The median score is 3 out of 10 (compared to 4 last month and 5 the month before).



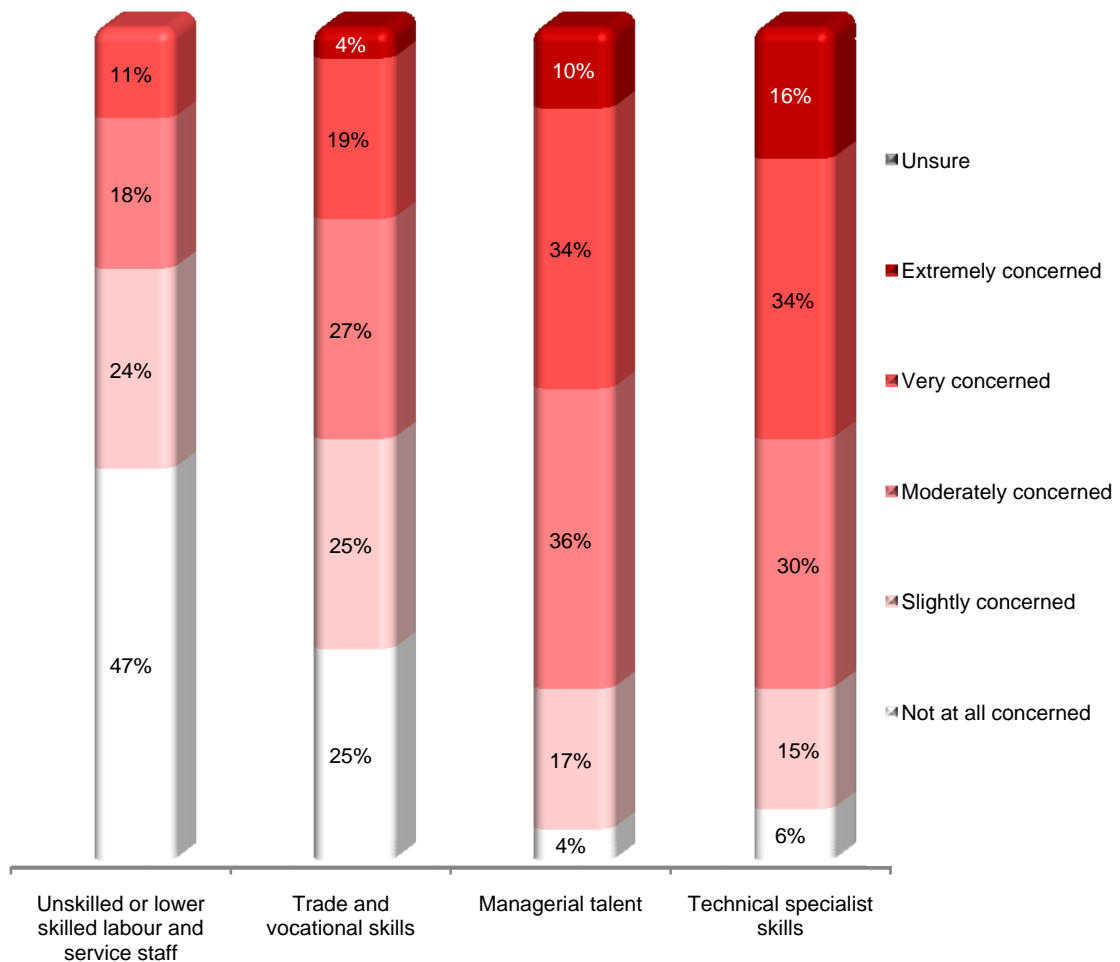
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Level of CEO Concern about Sourcing and Retaining Specific Skills

Question 5: Being able to source skilled staff has been a common issue reported in previous Business Spectator Accenture CEO Pulse surveys. How concerned are you about being able to source and retain staff with each of the following types of skills? (n=83)

There is higher concern amongst surveyed CEOs about being able to source and retain staff with technical specialist skills and managerial talent than trade and vocational skills or unskilled or lower skilled labour and service staff.

- Half of surveyed CEOs (49%) report they are extremely or very concerned about being able to source and retain staff with technical specialist skills, and 43% reported similar concern for managerial talent.
- In comparison, 23% report being extremely or very concerned about being able to source and retain staff with trade and vocational skills and 11% report they are very concerned about sourcing and retaining unskilled or lower skilled labour and service staff.



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CEO Perceptions of the Source of Issues around Skilled Staff

Question 6: Which of the following do you believe contributes most to issues around sourcing and retaining skilled staff for your organisation? (n=83)

CEOs surveyed report that they believe high salary expectations amongst skilled staff (63%) contributes most to issues around sourcing and retaining skilled staff for their organisation.

The other key contributors in descending order of importance are:

- People not wanting to do the type of work you offer (40%)
- Lack of employee mobility (34%)
- Lack of specific critical skills in the market (23%)
- Ageing population (22%)



Around a quarter of surveyed CEOs (23%) say that a lack of specific critical skills in the market contributes most to issues around sourcing and retaining skilled staff for their organisation. These specific skills included engineering, technology and IT, nursing, tradespeople, management, sales and marketing, hospitality, agriculture and other company and industry specific skills, reflecting the organisations the CEOs are from.

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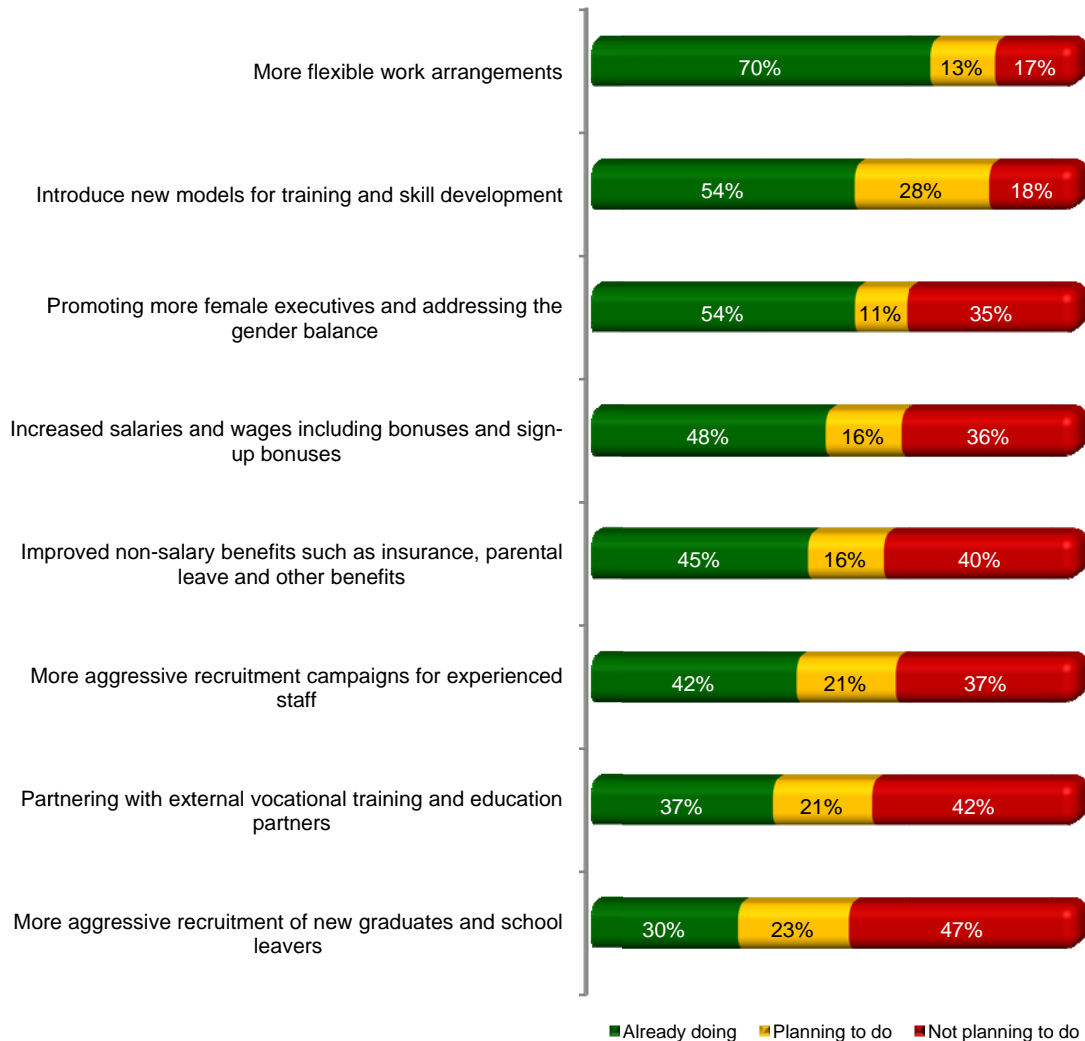
Initiatives to Attract and Retain Staff

Question 7: Which of the following initiatives is your organisation already doing or planning to attract and retain staff? (n=83)

Of the specific initiatives to attract and retain staff that were asked, most surveyed CEOs report that their organisations are already using more flexible work arrangements (70% already doing and 13% planning to do) and the introduction of new models for training and skill development (54% already doing and 28% planning to do) to attract and retain staff.

Other popular initiatives CEOs report their organisations are already doing include:

- Promoting more female executives and addressing the gender balance (54%)
- Increased salaries and wages including bonuses and sign-up bonuses (48%)
- Improved non-salary benefits such as insurance, parental leave and other benefits (45%)



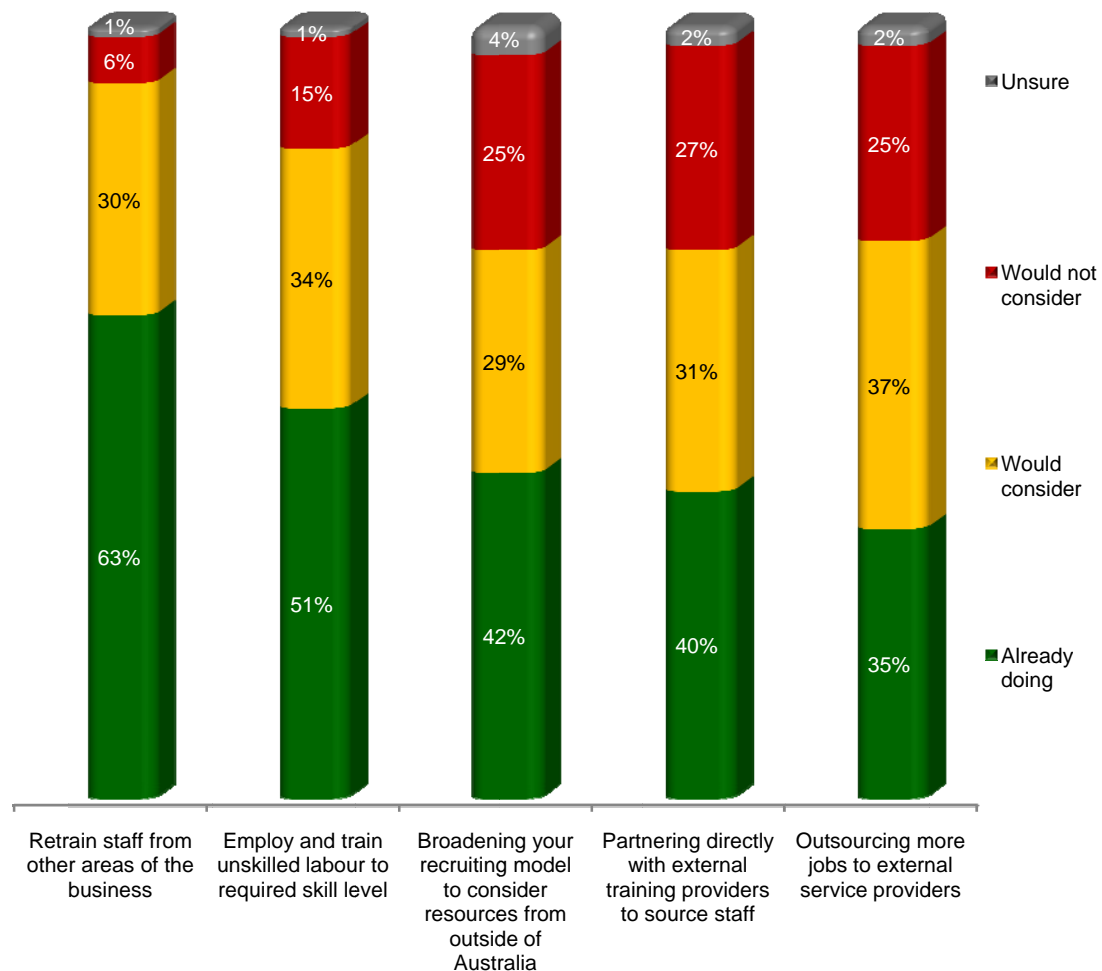
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CEO Consideration of Less Conventional Measures to Address the Lack of Skilled Staff

Question 8: Which of the following less conventional measures would you consider doing to specifically address the issue of a lack of skilled staff going forward? (n=83)

Of the less conventional measures to address the issue of a lack of skilled staff, 93% of surveyed CEOs reported they already are (63%) or would consider (30%) retraining staff from other areas of the business, and 85% reported they already are (51%) or would consider (34%) employing and training unskilled labour to the required skill level.

While fewer surveyed CEOs reported interest in the other less conventional measures, around 70% still reported they are already doing them or would consider them going forward.



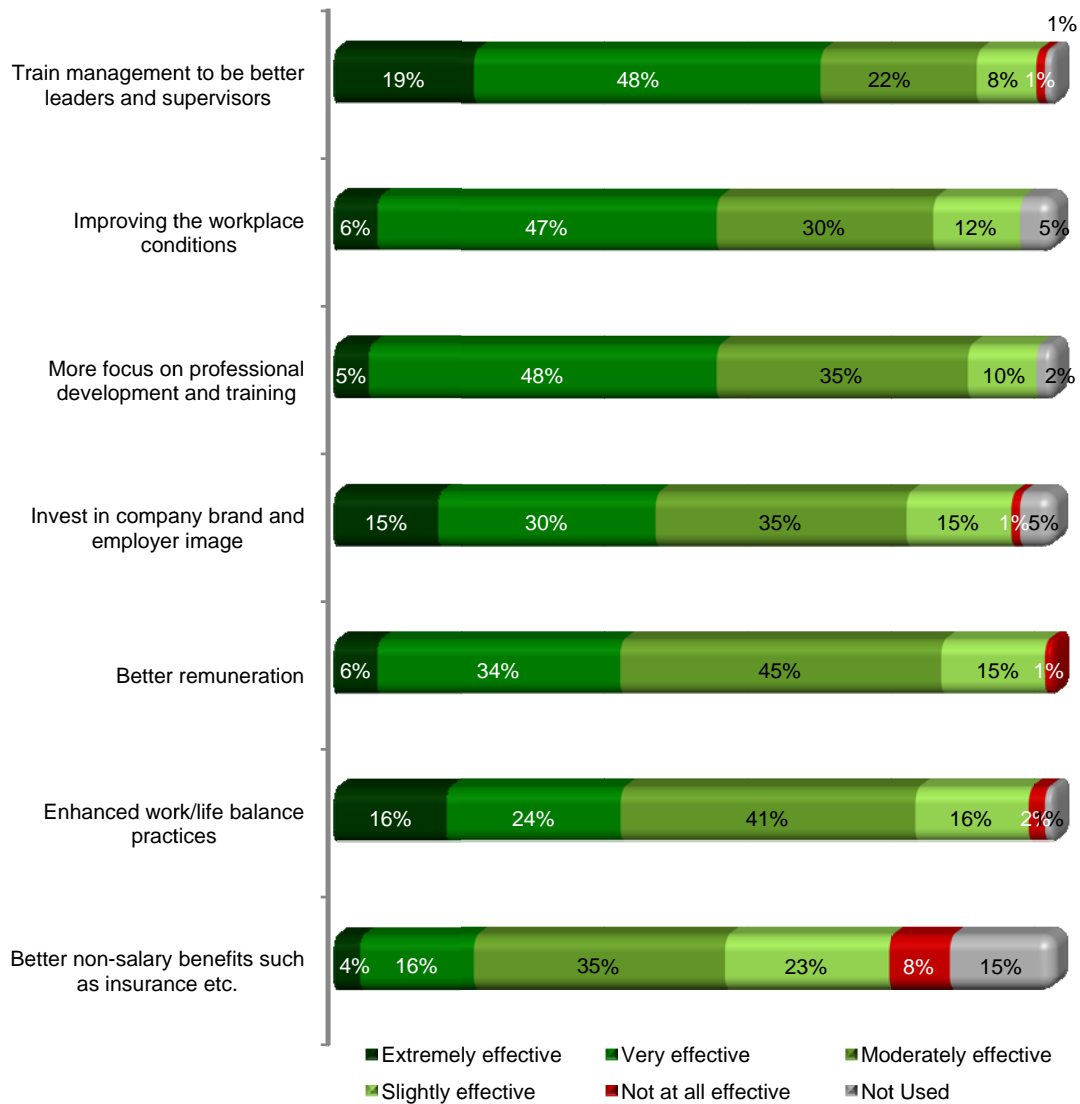
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Effectiveness of Incentives in Retaining Skilled Staff

Question 9: How effective have you found each of the following types of incentives in retaining skilled staff within your organisation? (n=83)

Rating the effectiveness of specific incentives used to retain skilled staff within their organisation, 67% of surveyed CEOs report that they have found training management to be better leaders and supervisors to be extremely (19%) or very (48%) effective in retaining skilled staff within their organisation.

Surveyed CEOs also report that improving workplace conditions (53%) and more focus on professional development and training (53%) has been extremely (5%) or very (48%) effective.



CEOs' Advice to Leading Public Figure: Governor of the Reserve Bank of Australia, Glenn Stevens

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 Governor of the Reserve Bank of Australia (RBA), Glenn Stevens? Please finish this sentence: "I think Glenn Stevens should....." (n=83)
[Unprompted, open-ended question. Responses coded by GA Research into key themes]

When asked to give advice to the Governor of the RBA Glenn Stevens, some CEOs took the opportunity to comment on interest rates, while others reflected on his performance or gave advice in relation to his approach.

Around one quarter of surveyed CEOs commented that interest rates should be kept at the same level and that Glenn Stevens needs to 'sit tight' and 'hold off' before making further increases.

"[Glenn Stevens should] advise the RBA Board that no further interest rate rises are necessary at this time."

"Keep a lid on the interest rate. Increases like this always have a lag effect and he should first understand the effect over a decent period of time before adjusting or increasing the rate again."

"I think Glenn Stevens should leave interest rates alone for a while."

"Steady as she goes and not rush into more rate rises."

Around one fifth of the CEO sample specifically commented that they are satisfied with Glenn Steven's performance as the Governor of the RBA, stating that he should keep 'doing what he is doing' and 'continue the good work'.

"Continue as is, his approach to the economy and corrections to official interest rates appear be conservatively appropriate with a longer term view rather than simply short term and reactive."

"Maintain his position on inflation and housing debt levels - the economy is still fragile and outside influences from Europe or a China slowdown can still have marked consequences for Australia."

"[I think he should] stay in his job for a long time - he is an excellent independent RBA Governor."

A smaller proportion of the surveyed CEOs suggest that Glenn Stevens and the RBA would benefit from taking a broader consultative approach when making decisions about the economy. This includes using alternative information sources as well as learning from other countries' experiences as a way to improve the RBA's decision making.

"Ensure the data and information you view is current rather than historical and out of date."

"Look at more than just their 'indicators'. The more people pay in interest the less they spend within the economy."

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“Spend more time learning how industry/manufacturing operate and how they are impacted by policy changes, and be less interested in being in the media and playing politics.”

“Walk through shopping centres and experience the underlying pain facing many retailers.”

“To base interest rate decisions on more global data instead of the usual economist opinions that appear in the media.”

Surveyed CEOs also provided advice on a wide range of topics, from specific sector and policy issues to broader fiscal concerns.

“Consider that interest rate increases will only impact the struggling ‘mortgage belt’ and won’t dampen expenditure by Gen Y and Baby Boomers - the Federal Government needs advice from him that other measures are required.”

“Offer special rate or loan for organisations that provide products and services to non-profit / humanitarian aid organisation.”

“There is no such thing as normal interest rates there is only the best rate position for current conditions.”

Other recurrent themes provided by surveyed CEOs included advice relating to reducing interest rates, ‘being cautious’ and making sure that the RBA acts independently from the government and the media.

“Try to explain to senior politicians that business and consumers actually power the economy, government are an interested spectator who should keep their hands off our money and stop distorting the economy for their social and political end.”

“Exercise fearless independence in managing the Australian economy.”

“Carefully consider any further interest rate increases - disposable incomes have been hit by rising interest payments and increased charges for water and electricity, reducing consumers’ capacity to spend and maintain economic growth.”

CEOs' Advice to Leading Public Figure: Prime Minister The Hon. Julia Gillard

Question 11: As I'm sure you are aware, it has been announced this morning that The Hon. Julia Gillard is the new Prime Minister of Australia. As part of this month's Business Spectator Accenture CEO Pulse, we would like to give Australia's top CEOs a voice at this important moment. If you could speak to the new Prime Minister Julia Gillard right now, what is the one thing that you would ask or say to her? (n=22) [Unprompted, open-ended question. Responses coded by GA Research into key themes]

The most common thing the surveyed CEOs would ask or would like to say to Julia Gillard involved doing something about the Resource Super Profit Tax (RSPT). For around one third of the CEOs who answered the question this meant either dropping the tax altogether, or coming to some compromise with the mining industry to end the uncertainty being felt by the business community.

"How will you manage the huge uncertainty in the resource sector with regards to the RSPT and ensure it does not destabilise future investment in this sector of the economy?"

"What are you planning with the mining tax and how soon will it be sorted out?"

"Drop the super tax on mining industry!"

Around one quarter of those CEOs who answered the question made some comment related to unions and their perceived allegiance with and influence on the Labor Party.

"Don't show too strong an allegiance to the union movement, as it scares business and investors."

"Please don't let unions have any more power! It looks like they got you into the seat, now don't let them pick who fills the rest of the seats."

"How do you cope with the fact that you are controlled by the unions?!!"

Other comments focussed on fixing or improving programmes such as the National Broadband Network and Building the Education Revolution, as well as policies around asylum seekers, industrial relations and superannuation.

"Sort out the RSPT, BER, NBN, refugees, insulation and ETS debacles BEFORE you go to an election. Deliver the so-called tax reform agenda, don't go too far with new industrial awards...Be careful when you go to the poll – be very careful. Don't underestimate the protest vote – he was on the nose for more than one reason".

"How can you possibly think this is an effective and simple industrial relations system? It is complex, unrewarding and will not meet the modern expectations of Australian workers."

"In a short period of time overseas business perception of Australia as an investment option and country to do business has changed. We are now seen as a risky investment bet with inconsistent government policies and consumer sentiment not helped by government uncertainty on ETS, mining tax, infrastructure investment, financial management and some poor fundamental management of such things as insulation and school investment. So provide certainty and consultation to business and consumers in

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general. Add commonsense, frugality and professionalism with an increased level of consultation to business and the public.”

A small number of the CEOs who answered the question offered congratulations to the new Prime Minister and wished her well, yet a similar number were also disappointed in the way she obtained the position.

“Dear Julia, congratulations on achieving your new role as our new leader.”

“The way in which the Labor party removed the Prime Minister was unacceptable given that there appears to be no change of policy only a different face.”

In one case these two sentiments were expressed in the one comment.

“Julia, I have always respected you, your abilities and ethics. I even took my 8 year old daughter to question time at Canberra to see you in action, and to show that women can do anything! But I don't approve of what you have done to seize power from a principled person and a good leader. The polls would have bounced back! I do not think you are an appropriate role model for my daughter anymore.”

Note: The announcement of the Hon. Julia Gillard as the new Prime Minister of Australia took place during the June 2010 fieldwork. The above question was quickly added to the survey and those who had already participated were given the opportunity to respond by email. Of the 83 CEOs surveyed in June, 22 managed to answer this question, as such the results should be seen as only broadly indicative of the whole June CEO sample.

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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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