Survey – “Managing During Economic Turbulence”

The fourth annual NYSE EURONEXT CEO SURVEY Reveals How Some of The World’s Most Influential Companies Are Navigating The Current Rough Waters.

Managing During Economic Turbulence

In addition to the complexities that arise from running their businesses on an ever more international stage, corporate leaders are dealing with a soft and uncertain U.S. and global economy. Themed “Managing During Economic Turbulence,” the NYSE Euronext 2009 CEO Report captures the CEOs’ belief that, now more than ever, a solid back-to-basics strategy, coupled with innovative and clear-eyed leadership, is the best path to future growth.

Smart leadership in tough times, say CEOs responding to the survey and in numerous related interviews, means a renewed focus on a strong balance sheet, sensible acquisitions, and attracting and keeping the best workforce around the globe. In fact the men and women running the world’s top businesses believe that these challenging times will ultimately separate the merely adequate companies from the great ones.

Still, the CEOs say, they have their work cut out for them. Nine out of 10 respondents to this year’s survey describe the U.S. economy as fair or poor. Just 10 percent of U.S.-based business leaders venture to call the economy good, and not a single one of them categorizes it as excellent. To put those numbers in context, consider that just last year, more than 80 percent of U.S. CEOs described the U.S. economy as good or excellent. And distance hardly dulls the painful perception. More than 90 percent of respondents from outside the U.S. call the American economy fair or poor.

Surprisingly, U.S. consumers — despite having their household budgets pummelled by rising food and gas prices — are more optimistic than the CEOs. In mid-March, an Opinion Research Corp./Caravan survey found nearly one in five respondents hopeful enough to label the U.S. economy as good or excellent, with 83 percent calling it poor or fair. Even that optimism may have tempered somewhat by May when a study by The Conference Board pegged U.S. consumer confidence at a 16-year low.

Back to Basics

A by-product of today’s turbulent times is greater difficulty attracting and retaining investors. Despite the fact that a higher percentage of respondents say it’s easier rather than more difficult to attract shareholders today, they are less confident than they were in either 2006 or 2007: In this year’s survey, nearly one out of three business leaders indicates that it has become more difficult to attract investors, compared with roughly one in five who answered that way last year.

Heads of financial services companies feel the most pain, with 45 percent indicating that it is harder to attract investors, compared with fewer than 20 percent from that industry last year. Overall, respondents believe consistency counts with investors.

In the current environment, investors have shifted their focus to business metrics such as cash flow from operations and free cash flow, which are seen as more important to shareholders than stock price.

Management Rules

A steady hand on the wheel and a sound plan for growth provide the best operating strategy in a bleak economy, the CEOs suggest. Management is a big part of accomplishing that goal, say nearly three-quarters of respondents, who expect their management team to be the internal factor with the biggest impact on revenue growth in the year ahead.

Other internal factors affecting revenue growth that rank near the top include new product development, brand strength, strategic partnerships and alliances, and new technology. Interestingly, last year's respondents ranked new technology alone as the second greatest internal factor having an impact on revenues.

When respondents consider corporate profits, operational efficiency is the most crucial factor: More than four out of five business leaders believe that running a tight ship is the No. 1 factor affecting their company's bottom line. They also give credit to the management team, new product development and new technology.

Issues such as compliance and health-care costs — anxiety-producing line items in years past — appear to be less of a concern for 2009. For instance, in 2006 fully 70 percent of CEOs said that compliance costs associated with the Sarbanes-Oxley Act and other governance initiatives would have an impact on corporate profits.

The Corporate & SR Priority

While they are protecting their bottom line, business leaders also acknowledge their duty to carefully manage their companies' effects on the communities in which they operate. For the first time, the report asks respondents to weigh in on corporate social-responsibility actions. A majority — 63 percent — say their companies need to ensure that all labour practices are ethical across the organization. More than one-third report that they are formalizing positions and policies related to corporate responsibility, and about 30 percent say they are initiating and sustaining "green" practices.

Embracing a Global World

As they look beyond their home base, CEOs are four times as likely to view the global trade environment as favourable rather than unfavourable. Among the global markets respondents most often address are the BRIC countries. More than half of the CEOs based in the U.S. say the economies of Brazil, Russia, India and China present opportunities, and close to 80 percent of CEOs based outside the U.S. feel this way.

Establishing or expanding local marketing and sales activity is, by far, the leading action CEOs say they will take in these countries however businesses have to adapt to operating in markets with very high growth rates. It puts a strain on manufacturing capabilities and demand for talent."

Job Satisfaction Up

CEOs say there is also a great deal that they, personally, can do in their capacity as business leaders in these challenging times. Respondents indicate that they're working harder — but enjoying their jobs more than ever. Similar to previous years, 95 percent of responding business leaders indicate that their post is more time-consuming than it was three years ago.

Still, a growing percentage of respondents say that the work is more rewarding than it's ever been: Fully six out of 10 report they love their jobs, compared with 45 percent in 2006. The positive emphasis is even greater among CEOs outside the U.S. , as 81 percent find their jobs more rewarding, compared with 52 percent of U.S. CEOs. Perhaps with governance reporting issues settling down and companies having addressed health-care concerns, executives can return to the responsibilities of management.

Deshel can help provide the interim support that a company requires iin developing Cost Optimisation and Profit Improvement

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