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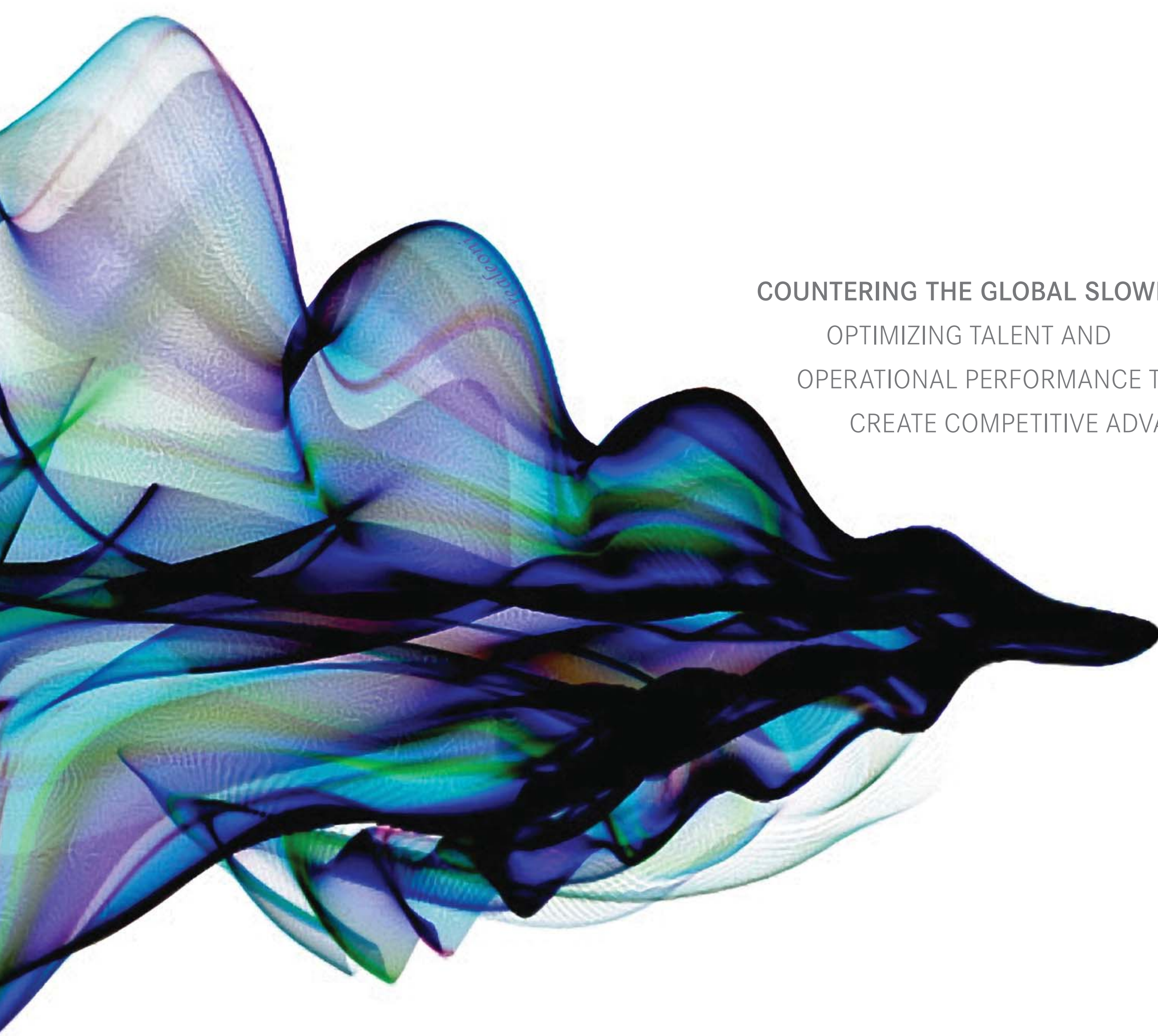
Summary Report



COUNTERING THE GLOBAL SLOWDOWN

OPTIMIZING TALENT AND
OPERATIONAL PERFORMANCE TO
CREATE COMPETITIVE ADVANTAGE

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CEO Challenge® 2013

Countering the Global Slowdown: Optimizing Talent and Operational Performance to Create Competitive Advantage

Summary Report

RESEARCH REPORT 1511-13-ES
by Charles Mitchell, Rebecca L. Ray, and Bart van Ark

EXECUTIVE SUMMARY

THE TOP FIVE CHALLENGES

1 Human Capital

2 Operational Excellence

3 Innovation

4 Customer Relationships

5 Global political/ economic risk

In today's slow growth global economy, CEOs are taking a hard look at their own organizations, their employees, their customers, their levels of efficiency, and their innovation skills to plot a winning course in a challenging environment. This is the most important new insight to emerge from responses to the 2013 edition of ***The Conference Board CEO Challenge®*** survey. Compared to last year's survey, CEOs appear somewhat less concerned than participants in previous years about external factors in the business environment that they cannot control (e.g., macro issues of risk and regulation). Instead, they are focusing on people-driven strategies to counter slow market and economic growth and improve performance.

Managing in a slow-growth environment presents a unique set of challenges for business leaders across the globe as they seek to leverage human capital, innovation, and operational excellence to create value. In many ways, meeting these challenges is about engaging and retaining talent and improving processes and existing customer relationships to stay neck and neck with competitors or even an inch or two ahead.

Other results from this year's survey include:

- **Human Capital** is the number one challenge globally and in Asia and Europe, with the latter region ranking representing a dramatic rise from seventh in 2012. The other four global challenges in rank order are **Operational Excellence**, **Innovation**, **Customer Relationships**, and **Global Political/Economic Risk**.
- The top five strategies selected by CEOs to meet the **Human Capital** challenge focus on current employees, not supervisors, managers, or the senior team. This indicates a move toward overall organizational capability building and away from the narrower approach of previous surveys that emphasized individual high potential talent. *Grow talent internally* is the top-ranked strategy for all three regions and for China and India.
- There is considerably more regional agreement on challenges in this year's results than there was in 2012—a reminder of the interdependency of global business and a growing commonality of success formulas for world commerce and competitiveness. **Human Capital**, **Operational Excellence**, **Innovation**, and **Customer Relationships** make the top five challenge lists in Asia, Europe, and the United States.
- *Raising employee engagement and productivity* is seen as a critical factor in achieving **Operational Excellence**, a new challenge category that replaces the **Cost Optimization** category used in previous surveys. CEOs in Asia, where growth is relatively strong compared to other regions, rank *invest more in new technologies* second as a way to meet this challenge, which is the highest ranking for any region. U.S. and European CEOs are more focused on *reducing baseline costs* as way to improve operations.

- There appears to be some easing of concern among CEOs about the global risk environment. **Global Political/Economic Risk**, which was the third-ranked challenge in 2012, slips to fifth in the 2013 survey. Regionally, the challenge fell from second rank to sixth in the United States and from first to a tie for third in Europe. While the risks haven't declined that much, CEOs have become more used to them and have put the necessary risk management processes in place. Executives are also focusing on strengthening their own resilience.
- In what should sound a warning to CEOs in other regions about the dangers of complacency, CEOs in Asia rank **Innovation** their number two challenge—the highest of any region. CEOs in China, a nation hungry to move up the global value chain and shake its reputation as a copier rather than a creator, rank **Innovation** first.
- U.S. CEOs rank **Government Regulation** second after **Operational Excellence**, which reflects issues related to the "fiscal cliff" and a widespread aversion among U.S. CEOs to deep government interventions in health care and other areas. Globally, even though the costs of compliance have increased and regulations have intensified, the challenge of **Government Regulation** has fallen off the top five. It is, however, the top challenge for CEOs in the financial services sector, which, given its recent history, should come as no surprise.

HUMAN CAPITAL AND *OPERATIONAL EXCELLENCE* ARE THE TOP CHALLENGES IN 2013

The global economy is under stress. As 2013 arrives, much of Europe is in a recession. In the United States, the hoped-for acceleration in growth remains fairly anemic, and the economy is still not creating enough new jobs. The cooling of the once white-hot growth rates of China, India, and Brazil means there will not be an emerging market miracle to offset the stagnation and weak growth in the mature economies. In its global economic outlook for the coming year, The Conference Board predicts a weak global GDP growth rate of just 3 percent (it was 3.2 in 2012). This projection means that the decline of the global annual growth rate, which has slipped from between 4 and 5 percent 10 years ago, will continue.[1]

The ongoing political drama in Washington, the once-in-a-decade leadership transition in China, the unresolved outcomes in countries that were part of the Arab Spring, the lingering debt crisis—a sword of Damocles that hangs over Europe and, to varying degrees, the entire global economy—and a creeping protectionism that is causing international trade tensions and tougher job competition are clouding the business environment and challenging corporate growth strategies while continuing to create risk and volatility in global markets.

Since 1999, The Conference Board CEO Challenge survey has asked CEOs, presidents, and chairmen across the globe to identify their most critical challenges for the coming year. Four of the five top challenges selected by the 729 respondents to this year's survey—**Human Capital**, **Operational Excellence**, **Innovation**, and **Customer Relationships**—show executives' determination to "control the controllable" and prime their organizations for the slow-growth slog ahead. (The fifth-ranked **Global Political/ Economic Risk** challenge is the exception.) This mood of self-examination and focus on managing the firm through a weakening business environment is a definite change from the sentiment of the 2012 survey results, which gave concerns related to the macro business environment (global risk, regulation, and global expansion) a more prominent role.

1 Bart van Ark, "Global Economic Outlook 2013: Is the Global Economic Speed Limit Slowing Down?" ***StraightTalk***®, The Conference Board, 23, no. 3, November 2012.

Human capital and _operational excellence_ are the top global challenges for 2013

2012 N=776	CHALLENGES	2013* N=729
2	Human capital	**1**
NA	Operational excellence	**2**
1	Innovation	**3**
7	Customer relationships	**4**
3	Global political/ economic risk	**5**
4	Government regulation	**6**
5	Global expansion	**7**
9	Corporate brand and reputation	**8**
8	Sustainability	**9**
NA	Trust in business	**10**

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. For information about how the scores were created, see "About the 2013 Survey" on page 25.

*__Operational Excellence__ was added to the list of challenges in 2013 to replace **Cost Optimization**. **Trust in Business** was also added in 2013 to replace **Investor Relations**.

The consensus among CEOs who responded to the 2013 survey is:

- In a slow-growth environment, you have to compete harder and think more about building new markets and wringing out new efficiencies. You also need to pay more attention to the fundamentals.
- Building internal strength and creating value in a weakened business environment require a focus on your people, your suppliers, and your customers, as well as an enterprise-wide dedication to true excellence regardless of the task, the function, or the external challenge.
- Innovation of both products and processes is a "must have"— not a luxury— in today's environment, as history has shown that innovators can prosper even during recessions and slow-growth periods.[2] This is when innovative companies need to step up their game and position their organizations to take advantage of the inevitable upturn. The conventional wisdom: a down economy is the time to upgrade and upskill your workforce to improve your innovation capacity and operational efficiency.

Is Trust Really An Issue?

In addition to **Operational Excellence**, the other new challenge in the 2013 survey is **Trust in Business**, which replaces **Investor Relations**. During follow-up interviews to last year's survey, several CEOs mentioned a lack of trust in business as a serious threat to growth and an issue that was souring relations with customers, society, and governments. Respondents to the 2013 survey do not share their concerns, and **Trust in Business** is the bottom-ranked challenge globally and in each of the individual regions. One possible explanation for this low ranking could be that new regulations and their more consistent enforcement have created even greater transparency, which is the first step in restoring an atmosphere of trust. What is clear is that many executives believe business has done a poor job of telling its story and let hostile critics define it by the misdeeds and malfeasance of a minority of corrupt individuals. It is worth noting that 11 of the top 15 strategies selected to meet the **Trust in Business** challenge are directly related to human capital and leadership behaviors, including a CEO's focus on his or her own behavior, better communication of corporate values, and more accountability for compliance with company ethics policies.

2 For a more detailed discussion of how companies have positioned themselves to take advantage of growth opportunities presented by distressed economic situations such as the Great Depression in the United States, see Charles Mitchell, *Corporate Brands: Meeting the Challenges of Changing Times*, The Conference Board, Council Perspectives 15, February 2010.

THE TOP FIVE CHALLENGES

The top five strategies to meet the top five global challenges

	1 Human capital	2 Operational excellence	3 Innovation	4 Customer relationships	5 Global political/ economic risk
1	Grow talent internally	Raise employee engagement and productivity	Apply new technologies (product, process, information, etc.)	Enhance quality of products/services	Integrate long-term risk recognition into strategic planning
2	Provide employee training and development	Focus on reduction of baseline costs	Engage in strategic alliances with customers, suppliers, and/or other business partners	Sharpen understanding of customer/client needs	Reduce exposure to risky countries/regions
3	Raise employee engagement	Break down internal silos	Find, engage, and incentivize key talent for innovation	Engage personally with key customers/clients	Implement contingency plans for crises (e.g., geographical, political, relocation of employees)
4	Improve performance management processes and accountability	Continual improvement (Six Sigma, total quality, etc.)	Create culture of innovation by promoting and rewarding entrepreneurship and risk taking	Increase speed of products and services to market	Manage currency risk
5	Increase efforts to retain critical talent	Seek better alignment between strategy, objectives, and organizational capabilities	Develop innovation skills for all employees	Use competitive intelligence to better understand customer/ client needs	Establish crisis management teams and procedures

1 Human Capital

In addition to being the top-ranked challenge globally, **Human Capital** is closely linked to the next three top challenges—**Operational Excellence**, **Innovation**, and **Customer Relationships**—in that they all demand a talented, engaged, and properly motivated workforce to be successful. It is number one in both Asia and Europe and number five in the United States. CEOs in India also rank **Human Capital** their most critical challenge, while their peers in China rank it second after the related challenge of **Innovation**. The critical lesson to be learned: if you do not have the right approach in place on the human capital side of the organization, you will struggle to be innovative, customer friendly, and operationally sound.

- In a clear indication of the stress across the global talent market and the scarcity of quality talent available on the open market, particularly in Asia, where wage and title inflation are rampant, *grow talent internally* is the top strategy in all three regions and in China and India. Despite slowing growth, talent shortages are not abating.
- The five top strategies selected by CEOs to tackle their human capital challenges—*grow talent internally*, *provide employee training and development*, *raise employee engagement*, *improve performance management processes and accountability*, and *increase efforts to retain critical talent*—are all internally focused and put an emphasis on current employees and not on supervisors, managers, or the senior team. This indicates a shift toward overall organizational capability building and away from a narrower approach that emphasizes individual high-potential talent. In other words, it makes sense to develop, retain, energize, and manage the employees you have, especially when they may well be your best option in a tight global talent market.

- *Improve leadership development programs*, which respondents ranked second as a strategy in 2012, drops to tenth in the current survey. Instead, *provide employee training and development* is ranked second in the 2013 survey, which is another indication that many organizations are looking to broaden their definition of "talent" (the biggest lever a company has to improve performance) beyond high potentials. It may also reflect a realization that hiring *more talent in the open market*, the fourth-ranked **Human Capital** strategy in 2012 strategy, has been unsuccessful.
- In what appears to be a disconnect between CEOs and those responsible for talent management, the strategy most closely tied to human capital analytics (*require the use of analytics to articulate the business impact of key human capital initiatives and programs*) finishes dead last among CEOs for the second year in a row. While human capital professionals regard such analytics as a critical factor in helping their function contribute to business success, CEOs may think "big data" are the purview of the business-line leaders or not trust the veracity of human capital-related data.
- The use of expats is decidedly not a top strategy when it comes to the **Global Expansion** challenge. *Increase the use of expats to manage businesses locally* ranks last as a strategy to meet the expansion challenge, while *reduce use of expats in favor of local management talent* is, at number six, a relatively highly rated strategy. This echoes findings in *The State of Human Capital 2012: False Summit: Why the Human Capital Function Still Has Far to Go*, a report that was published in October 2012 by The Conference Board and McKinsey & Company (see box on page 10). The report recommends that companies mandate the development of local talent as a key requirement of expat assignments. Ironically, in some Asian markets, the opportunity for local talent to work alongside expats can actually be a recruitment tool for multinationals, giving younger generations a chance to interface with people of different cultural backgrounds, something that local firms, regardless of size, cannot always do.
- Despite the growth of contract workers in both the United States and in Europe and the apparent willingness of new generations of workers to embrace nontraditional work arrangements, CEOs in all three regions do not see *increase the use of contractual or contingent workers* as a viable strategy to cope with talent shortages. The strategy ranks no higher than sixteenth in any region, reflecting another divergence between CEOs and senior human capital executives who view this as an important approach.[3]
- CEOs also differ from human capital practitioners in their low ranking of *expand talent pools by recruiting nontraditional workers* as a workable strategy to address talent shortfalls. According to research conducted by The Conference Board, human capital professionals who are faced with building talent pipelines view this as an important strategy, especially in emerging markets.[4]

3 Rebecca L. Ray, Charles Mitchell, Amy Lui Abel, Patti Philips, Emily Lawson, Bryan Hancock, Allison Watson, and Brooke Weddle, *The State of Human Capital 2012: False Summit: Why the Human Capital Function Still Has Far to Go,* The Conference Board and McKinsey & Company, Research Report 1501, 2012; and Charles Mitchell and Amy Lui Abel, *Talent Management Tomorrow: Seeing Around the Corner to Meet Strategic Business Needs*, The Conference Board, Council Perspective 43, 2012.

4 Ray et al., *The State of Human Capital 2012*; and Mitchell and Abel, *Talent Management Tomorrow.*

The Challenge to Human Capital Professionals

As the pace and sweep of change intensify, human capital professionals are coming under increased pressure to be innovative and strategic and implement their programs and initiatives more efficiently. Despite making good progress in many areas—the introduction of HR-related technology, increasing workforce diversity, and becoming more globally focused—a 2012 report by The Conference Board and the management consulting firm McKinsey & Company shows the human capital profession still has a long way to go before it can claim complete relevance as a strategic business partner. *The State of Human Capital 2012* reveals that there is little innovation and a distinct lack of confidence within the human capital function, as well as little correlation between implemented programs and impact. Few human capital leaders have the time to develop the innovation and strategic planning skills needed, and, even if they had a plan of attack, many lack the budget needed to implement necessary changes. When asked about taking action, 58 percent are taking action on priority items, but only 35 percent are doing anything innovative and slightly less than one-third have high confidence that what they are doing will have the impact they desire.

In addition to a comprehensive literature review, the report is based on a survey of more than 500 HC professionals worldwide and insights gained from 18 focus groups consisting of more than 175 HC professionals who are members of The Conference Board Councils. *The State of Human Capital 2012* identifies the following as critical issues holding back the progress of the human capital function:

- Human capital professionals are still unable to confidently and assertively solve business issues with line leaders.
- Many human capital departments still have a support function mindset and cannot convincingly communicate the value of their function as a strategic business partner.
- There is a lack of access to data that prevents many human capital practitioners from relating the ROI or business impact of their function.
- A crisis of confidence in the function is leading to a lack of faith in the ability to execute necessary changes.
- The function suffers from a low strategic license that restricts its role, the talent and tools available, and the expertise needed to be strategic.

Source: Rebecca L. Ray, Charles Mitchell, Amy Lui Abel, Patti Philips, Emily Lawson, Bryan Hancock, Allison Watson, and Brooke Weddle, *The State of Human Capital 2012: False Summit: Why the Human Capital Function Still Has Far to Go,* The Conference Board and McKinsey & Company, Research Report 1501, 2012.

2 Operational Excellence

Operational Excellence, which replaces **Cost Optimization** in 2013's list of challenges, is in the top three challenges for all of the regions. Successfully addressing this challenge can create an obvious competitive advantage over less-efficient competitors, especially in a weak business environment, and a failure to achieve some level of operational efficiency can quickly lead to an organization's demise. But **Operational Excellence** is more than cost optimization, which was ranked sixth in the 2012 survey. As mentioned earlier, CEOs recognize a clear connection to **Human Capital** in their ranking *raise employee engagement and productivity* as the number one strategy to improve operations. **Operational Excellence** is also more about culture than process because to maintain excellence you have to "keep score" with performance accountability and recognize and reward those who outperform. Above all, **Operational Excellence** requires consistency and a true commitment to strategy. A CEO can't drive an organization from pillar to post to follow the newest idea that may not fit with the overall strategic direction. Instead, he or she should demonstrate consistency of direction and commitment.

- Asia is the only region to rank *invest more in new technologies* in its top five strategies to achieve **Operational Excellence**. (In China, this strategy receives the top rank.) This regional divergence makes sense from a macroeconomic view. In Asia, technological progress is critical to maintaining current high returns and speeding up the productivity "catch up" with mature economies, as well as helping the emerging economies in the region climb the value chain. In the more mature economies, in contrast, there are signs that the contribution of technology to growth rates and productivity has peaked, and intangibles (e.g., human capital and training and development) are emerging as more important contributors to future growth.
- CEOs in the United States and Europe rank the reduction of baseline costs third as a strategy to meet the **Operational Excellence** challenge. In Asia, despite wage inflation and pressure on energy and commodity costs across the region, CEOs rank the strategy thirteenth. In India, however, CEOs rank *focus on reduction of baseline costs* their top strategy, which is a reflection of a tight talent market that is creating pressure on wages, and especially in the technology and business process outsourcing sectors, and structural rigidities in labor, product and capital markets that add a significant cost to businesses in India. Senior business leaders in China suggest that controlling costs will become a much more important issue in the region in 2013.
- Asia is also the only region where CEOs are looking to emphasize middle management accountability and performance as a critical contributor to improving **Operational Excellence**. This approach speaks to the shortage of experienced managers in the region and a concern that accelerating leadership development to meet aggressive growth targets may mean newly promoted managers are not yet fully capable of handling their positions effectively.
- In the mature economies of Europe and the United States, CEOs are seeking to *break down internal silos* to achieve operational efficiency, improve organizational performance, and open the door to new innovations in products and services.
- In a surprising result, the *deeper integration of global operations* is an important strategy for CEOs in Asia, where it is ranked third in the region, but it is not a concern for CEOs in the United States or Europe, even though functional executives say it is one of the most challenging issues they face. Members of councils of The Conference Board in such diverse disciplines as talent management, leadership development, compensation and benefits, quality, and corporate security agree that the coordination of programs and metrics while developing a common organizational leadership language on a global basis is an essential step to building an effective and globally competitive organization. These executives also acknowledge this is a concern that requires considerable time and resources and remains one of their most elusive goals. In other words, U.S. CEOs may believe their organizations are further along in global integration than they actually are.

3 Innovation

In today's slow growth environment, **Innovation** is a double-edged sword. It is your friend—and it can certainly be your enemy. Just consider some of the world's iconic brands (Kodak, Sharp, SAAB) that are in severe distress because of their inability to adapt, reinvent themselves, and innovate at the same pace as their competition. The third-place ranking for **Innovation** indicates that CEOs are concerned about recognizing the "next big thing" that could revolutionize their industry.

- Although CEOs see technology as the primary driver of innovation, there is a clear recognition of the equal importance of a people-driven approach. Six of the top 10 global strategies to support innovation are related to human capital. *Creating a culture of innovation*, *develop innovation skills for all employees,* and *find*, *engage, and incentivize key talent for innovation* are three of the top five strategies in both Europe and the United States. The human capital function plays a critical role in these strategies by creating agility within the organization, emphasizing diversity of thought in the leadership pipeline, and bringing together leaders with the skills and competencies needed to manage cross-functional, multi-cultural teams that can successfully fulfill the innovation mandate. The high ranking of *develop innovation skills for all employees* points to the realization that truly innovative companies understand that innovation is not the purview of a specially chosen few in an organization.
- CEOs in Asia and the United States rank *engage in strategic alliances with customers, suppliers, and/or other business partners*—a longer-term approach for growth—a top five strategy. None of the regions are eager to *pursue "open innovation" concepts*, which represent a step that can challenge an organization's business model and competitive strategy.
- Roughly two-thirds of the executives surveyed by The Conference Board for a 2012 report on IP protection felt theft of trade secrets presents an extensive risk in emerging markets.[5] Respondents to the 2013 CEO Challenge survey do not share this view and are not overly concerned about this potential threat to innovation. *Strengthen intellectual property and patent protection* ranks no higher than eleventh in any of the regions as an innovation strategy.

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5 Daniel Sandy Bayer, Ronald E. Berenbeim, and Rebecca Walker, *Protecting Intellectual Property and Preventing Corrupt Activities in the Global Supply Chain*, The Conference Board, Research Report 1512, 2012.

4 Customer Relationships

Although it was ranked only seventh as a challenge in last year's survey, respondents to the 2013 survey rank **Customer Relationships** fourth globally, and it is one of the top five challenges in all three regions. Slowing growth and stagnant markets are creating more intense competition for existing customers and markets. Meeting the challenge of maintaining a solid customer base can be viewed as a defensive strategy—making sure you keep what you have when there is little to no growth to be had elsewhere.

- For CEOs in all three regions, the top strategies to improve **Customer Relationships** are *enhance quality of products and services, sharpen understanding of customer/client needs,* and *engage personally with key customers/clients*.
- CEOs in all three regions also agree on the importance of competitive intelligence to better understand customer/client needs. Retaining and expanding market share requires clear and accurate insights into your markets and those of your competitors—not just information feeds, but analysis that explains competitive behavior, competitive intentions, and identifies competitive opportunities. Competitive intelligence can also play a role in improving the chances of an innovation's success by helping firms get a handle on the consumer of the future. The pace of change and innovation is such that your customer or consumer is not the same person as he/she was a month ago. Simply reacting to what customers want means you will always be behind your competition.
- European CEOs are the only group to select the *broaden range of products/services* strategy as one of their top five. Seeking to expand their range of products clearly fits with the expressed desire of CEOs in the region to increase incremental innovation as a way to meet their **Innovation** challenge and spur growth.
- A willingness to *use social media and new communication technologies* as an outreach to build customer relationships is relatively low in both Asia (ninth) and the United States (twelfth). The strategy does place slightly higher in Europe (sixth). These results are consistent with a 2012 survey of CEOs, board directors, and senior executives by The Conference Board and Stanford University that found executive respondents did have a general awareness of the potential of social media as a marketing and sales platform, but few companies said they were acting on this knowledge to make operational decisions. The survey also found that most respondent companies were relatively unsophisticated when it comes to data collection and analysis related to social media, which means those organizations cannot fully incorporate social media into strategy, operational plans, and risk management.[6]
- There is a subtle link between **Innovation** and **Customer Relationships** that can be seen in the importance CEOs place on the *engage in strategic alliances with customers, suppliers, and/or other business partners* as an innovation strategy. The connection relates to the growing use and acceptance of design thinking and design-centered innovation. Design thinking is a process that incorporates a more holistic, customer-driven approach to innovation that is built on ideas based on contextual observation. These first-person observations provide insights that are unavailable through traditional means (e.g., satisfaction surveys and focus groups). Knowing your customers, while always an element of business success, is critical today for successful innovation.[7]

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6 David F. Larcker, Sarah M. Larcker, and Brian Tayan, *What Do Corporate Directors and Senior Managers Know about Social Media?* The Conference Board, Director Note, 4, no. 12, 2012.

7 See *Design-Centered Innovation: Observe, Learn, Innovate*, a forthcoming Council Perspectives report from The Conference Board Council on Innovation.

5 Global Political/Economic Risk

Ranked third in 2012, **Global Political/Economic Risk** slips to fifth in the 2013 survey. In regional terms, U.S. CEOs rank it sixth, European executives rank it third (down from number one in 2012), and leaders in Asia rank it fourth (up one rank from 2012). While there are signs of some stabilization in the European financial markets, the downside risks remain high because of ongoing weaknesses in the most troubled economies and contagion risks for larger economies (e.g., France, Italy, and Spain). Despite wild speculation about the imminent collapse of the euro, Europe will probably manage to muddle through. The risks, such as a more fragmented and less competitive Europe, are much more medium term. The same can be said of fiscal problems in the United States and even China's increased financial instability. The strategies selected by CEOs to cope with global risk show an interesting mix of long-term strategic planning (United States), managing currency risk (Europe), and a more reactive choice of implementing crisis and contingency plans (all three regions).

- CEOs in Europe, Asia, and the United States all recognize the importance of incorporating long-term risk into their strategic plans, which highlights the delicate balance between short-term goal setting and long-term sustainable performance. *Integrate long-term risk recognition into strategic planning* is the number one strategy globally and in the United States. In many organizations, long-term strategic planning gets ahead of risk assessment. Strategies are devised without a review of long-term risks that could make those strategies irrelevant.[8]
- CEOs are also paying attention to the operational side of risk mitigation within their own organizations. *Reduce exposure to risky countries/regions* is the second-ranked strategy globally, as well as in both the United States and Europe. (CEOs in Asia, a region where companies may be more comfortable doing business in more risky emerging market environments, rank it seventh.) *Implement contingency plans for crises* and *establish crisis management teams and procedures* are also among the top strategies across all the regions.
- Interestingly, *raise capital reserves*, last year's second-ranked strategy globally and in Europe and a top-ranked strategy in Asia, has given way to concerns over how to *manage currency risk*, which is in the top five strategies for Europe (first rank), Asia (fourth rank), and the United States (fifth rank). Many companies have made progress in the last few years by strengthening their war chests against manageable short-term financial risks, and the liquidity position of large businesses is generally fairly strong. However, uncertainty about currency movements has become more important. As debt-ridden countries keep printing money, which creates downward pressures on their currencies, there is the risk in the Euro zone of a sharp devaluation. The luster has even faded off the Chinese RMB, which has felt the downward pressure of internal financial stability, a shrinking trade surplus, and persistent inflationary pressures.
- Similar to last year's survey, few CEOs have serious concerns about cyber security, though there are some indications that recent high profile incidents involving attacks on U.S. banks in September and talk of China and North Korea's cyber warfare capabilities may be capturing the attention of some. As a risk mitigation factor, *increase funding for cyber security* moves to eighth in risk mitigation strategies for U.S. CEOs—up from twelfth a year ago. It also gains some traction in Asia, where it is sixteenth (after being unranked in 2012). European CEOs rank it second to last on their strategy list.
- CEOs do not see a role for themselves when it comes to the resolution of various regional debt crises. *Partner with governments to address sovereign debt issues* ranks dead last as a risk mitigation strategy globally and in the United States, and its position is not much higher in Europe (sixteenth rank) or Asia (seventeenth rank).

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8 Charles Mitchell, *Water Worries: How Incorporating Long-Term Risk into Strategic Planning Pays Off*, The Conference Board, Council Perspective 39, 2012.

REGIONAL VIEWS
GLOBAL CONVERGENCE ON CHALLENGES, REGIONAL DIFFERENCES ON STRATEGIES

In the 2013 survey, there is considerable regional convergence when it comes to the challenges. Four challenges—**Human Capital**, **Operational Excellence**, **Innovation**, and **Customer Relationships**—make the top five challenges in Asia, Europe, and the United States. CEOs in Europe and Asia agree on **Global Political/Economic Risk**. The U.S. results have an outlier in the second ranking of **Government Regulation**, which did not make the top five in any other region or country, except India, where CEOs rank it fifth.[9]

Regional results reflect a global convergence on challenges

2013 CHALLENGES*	Global N=729	Europe N=136	United States N=138	Asia N=395	China N=54	India N=55
Human capital	1	1	5	1	2	1
Operational excellence	2	2	1	3	5	4
Innovation	3	T3	4	2	1	3
Customer relationships	4	5	3	T5	6	6
Global political/economic risk	5	T3	6	4	4	2
Government regulation	6	6	2	7	T8	5
Global expansion	7	7	7	T5	T8	7
Corporate brand and reputation	8	9	8	8	7	9
Sustainability	9	8	10	9	3	8
Trust in business	10	10	9	10	10	10

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. For information about how the scores were created, see "About the 2013 Survey" on page 25.
In addition to other countries, the Asia category includes China, India, and Australia.

*__Operational Excellence__ was added to the list of challenges in 2013 to replace **Cost Optimization**. **Trust in Business** was also added in 2013 to replace **Investor Relations**.

9 Respondents to the survey from outside of the three listed regions have been categorized as "rest of the world" (ROW). Their responses are included in the global results, but results for this category are not discussed separately. The geographic dispersion and economic disparity between the countries that make up the ROW category defies meaningful analysis.

The United States: Is Government Regulation Getting in the Way?

Operational Excellence is the first-ranked challenge in the United States, followed by **Government Regulation**. The United States is the only region where **Government Regulation** is a top five challenge. Despite the availability of relatively large cash reserves, the continuing polarization of U.S. Congress over taxes, spending, and regulation has created a partial paralysis in the private sector when it comes to new investment. It would appear that many CEOs are taking the view that regulation is a hindrance to growth rather than an opportunity to create new products and processes that can meet or exceed regulations and create a market advantage over slower-moving competitors.

Government regulation continues to be a critical challenge in the United States

CHALLENGES	United States 2012 N=248	United States 2013* N=138
Operational excellence	NA	1
Government regulation	1	2
Customer relationships	6	3
Innovation	3	4
Human capital	4	5
Global political/economic risk	2	6
Global expansion	7	7
Corporate brand and reputation	8	8
Trust in business	NA	9
Sustainability	9	10

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. For information about how the scores were created, see "About the 2013 Survey" on page 25.

*__Operational Excellence__ was added to the list of challenges in 2013 to replace **Cost Optimization**. **Trust in Business** was also added in 2013 to replace **Investor Relations**.

- CEOs in the United States rank **Human Capital** fifth, which is the lowest ranking for the top-ranked global challenge of any region. As for strategies to meet the **Human Capital** challenge, U.S. CEOs give the highest ranking of any region to *hire more talent on the open market*, which indicates a belief that recessionary layoffs and a weak recovery in employment have created a buyer's market for talent. The relatively low ranking for **Human Capital** by U.S. CEOs may also indicate that they feel more confident than their peers that they have the right processes in place to maximize their workforce. They are also the only regional group of CEOs to rank *improve performance management processes and accountability*, which has a clear link to **Operational Excellence**, a top five strategy.
- U.S. CEOs give their second highest strategy ranking for **Operational Excellence** to *continual improvement* through Six Sigma, Total Quality, etc. (They rank *raise employee engagement and productivity* first.) CEOs in Asia, a region where the quality of export products is a major concern, also place the strategy in their top five.
- The decline of *increase efforts to retain critical talent* in the **Human Capital** strategy rankings of U.S. CEOs from sixth in 2012 to ninth in 2013 may be a reflection of the belief in the "buyer's market" mentioned previously.
- To meet the **Government Regulation** challenge, CEOs in the United States are looking to get their own houses in order. They rank *strengthen internal regulatory compliance processes* their number one strategy and *encourage more industry self-regulation* number five. U.S. CEOs do, however, see the value of engaging *with competitors to influence the regulatory agenda and with the public to influence government*, both of which are ranked in their top five strategies.

Europe: Countering the Doom and Gloom

Even if Europe's governments somehow managed to instantly resolve the region's sovereign debt crisis, their problems would be far from over. With the average unemployment rate running as high as 11.7 percent in the Euro Area in October 2012 (and over 25 percent in Spain and Greece), the road to recovery will be stressful and uncertain. Overall growth expectations for the region are not encouraging.[10] Europe still accounts for a very large portion of the global economy (between 20 and 25 percent), so its troubles have hurt emerging markets, as well as the United States and other key trading partners that export to Europe.

Human capital grew as a challenge in Europe in 2013

CHALLENGES	Europe 2012 N=158	Europe 2013* N=136
Human capital	7	1
Operational excellence	NA	2
Innovation	2	T3
Customer relationships	6	T3
Global political/economic risk	1	5
Government regulation	3	6
Global expansion	T4	7
Corporate brand and reputation	8	9
Sustainability	9	8
Trust in business	NA	10

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. For information about how the scores were created, see "About the 2013 Survey" on page 25.

*__Operational Excellence__ was added to the list of challenges in 2013 to replace **Cost Optimization**. **Trust in Business** was also added in 2013 to replace **Investor Relations**.

Against this gloomy backdrop, European CEOs are looking to people-driven strategies to improve operational inefficiency, fuel innovation, and reconnect with customers to drive growth and, in some cases, ensure survival. Unlike 2012, when they were highly focused on external challenges—**Government Regulation**, **Global Political/Economic Risk**, and **Global Expansion**—CEOs in Europe have shifted their focus inward to concentrate on strong leadership, good management, and excellent execution.

CEOs in Europe need to reposition their companies to secure profits in mature markets through restructuring, incremental product innovation, and operational excellence while shifting their emphasis to emerging global markets. Managing this transition is not so much a challenge of shifting funds/investments as it is about managing the **Human Capital** implications that go along with it—a real challenge because of Europe's inflexible labor markets. CEOs in the region must have the leadership capabilities to manage both ends of the equation—costs and profitability in Europe and innovation and growth in developing markets. They must also keep the employees that they want to retain engaged in Europe and find the right ones in emerging markets. All of these factors may be behind the dramatic jump of **Human Capital** from seventh in 2012 to its current top rank in the region.

- European CEOs are highly focused on the human side of innovation, and they assign *apply new technology* a lower ranking as a strategy to enable **Innovation**. (This strategy is ranked third in Europe and number one in both Asia and the United States.) Instead, their focus is on the human capital strategies related to *create culture of innovation by promoting and rewarding entrepreneurship and risk taking* (ranked number one) and *develop innovation skills for all employees* (ranked number two). No other region ranks these two strategies as high.
- *Encourage more product specific incremental innovation for the short term* is the fifth-ranked **Innovation** strategy in Europe, up from twelfth in 2012. This result offers a clear indication that CEOs in the region are feeling bottom-line pressures to bring new products to market to retain customers and improve revenue.
- Concerning **Human Capital** strategies, *improve leadership development programs* dropped from fifth in 2012 to twelfth in 2013, and *improve effectiveness of front-line supervisors and managers* fell from tenth to sixteenth. In what is likely a signal that CEOs in Europe are feeling the need for better performance—not only from themselves, but also from their most immediate direct reports—*enhance effectiveness of the senior manager team* moved up from sixteenth in 2012 to eleventh in 2013.

10 Van Ark, "Global Economic Outlook 2013."

- Europe is the only region to rank *invest in education systems to improve workforce readiness* a top five strategy to meet the **Human Capital** challenge, and while this is a long-term approach, it is a clear reflection of the long history of strong partnerships with vocational and academic institutions in the region. It may also be a reaction to the realization that *hire more talent in the open market*, which dropped from third in 2012 to seventh in 2013, is not really effective in the long term. Human capital practitioners in Europe who participated in the focus groups conducted for *The State of Human Capital 2012* report cited "settling" for available talent as an issue for their organizations.
- CEOs in Europe rank *increase diversity and cross-cultural competencies* fifth, which is much higher than the rankings given by their counterparts in Asia (fourteenth) or the United States (tied for seventeenth).

Asia: Focused on Growth

CEOs in Asia are the only regional group to rank both **Human Capital** and **Innovation** within their top three challenges. Both are seen as essential to maintaining the region's growth trajectory – even if it is slowing slightly.

CEOs in Asia are focused on human capital and innovation

			Asia		China		India	
2013 CHALLENGES*	Global N=729	Asia N=395	2012 N=259	2013 N=395	2012 N=156	2013 N=54	2012 N=46	2013 N=55
Human capital	1	1	2	1	1	2	1	1
Operational excellence	2	3	NA	3	NA	5	NA	4
Innovation	3	2	1	2	2	1	3	3
Customer relationships	4	T5	8	T5	9	6	T6	6
Global political/economic risk	5	4	5	4	5	4	2	2
Government regulation	6	7	7	7	7	T8	5	5
Global expansion	7	T5	T3	T5	8	T8	T6	7
Corporate brand and reputation	8	8	9	8	4	7	9	9
Sustainability	9	9	T3	9	3	3	8	8
Trust in business	10	10	NA	10	NA	10	NA	10

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. For information about how the scores were created, see "About the 2013 Survey" on page 25.

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- The second-place ranking CEOs in Asia give to **Innovation** (the highest ranking of any region) is a clear sign that the traditional flow of innovation from the West to the East is being challenged. This is a logical outcome of the eastward tipping of consumer markets and wealth creation and the movement of emerging economies up the global value chain, as they transform from cheap sources of product manufacturing to product creators and innovators. The quest is no longer a product label that says "Made in" but rather one that boasts "Designed in" or "Created in." Executives in other regions should also take note that CEOs in China rank **Innovation** their number one challenge.

Invented Here: China's Move up the Value Chain

In a major indication of its move up the global value chain, China is now the world's top patent filer. According to a research report by Thomson Reuters and the Derwent World Patents Index, the patents produced by the country now surpass those registered in the United States and Japan. Published applications from China's patent office have increased an average of 16.7 percent annually between 2006 (171,000) and 2010 and 2011 (nearly 314,000), and it is this increase that has secured China's status as the world leader in patent application volume. Thomson Reuters projects that China will publish 493,000 patent applications annually by 2015. For comparison, the United States will publish close to 400,000 and Japan 300,000 during the same period. The report also finds that China's global ranking for citations in international science papers increased from thirteenth in 2006 to eighth in 2012.[a]

But patents do not always translate into successful commercial products or processes. The quality of China's patent filings also matters, and research conducted by The Conference Board China Center reveals that patent applications in China, which are mostly "utility patent filings," are considered to be of low quality and are not representative of increased innovation capability. Similarly, while China's intangible investment (which is critical to fostering innovation) has risen swiftly as a share percentage of GDP over the past two decades, it has not yielded the expected returns in terms of increased output per person. This suggests that, despite substantial top-line growth, overall spending on intangibles in China has largely been policy driven and has not been the result of firm-level innovation, which is where most innovation is eventually moved from initial concept to finished product.[b]

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a "Chinese Patenting: Report on the Current State of Innovation in China," Thompson Reuters, December 2011 (img.en25.com/Web/ThomsonReutersScience/China_Report_2011.pdf); and Lee Chyen Yee, "China Tops U.S, Japan to Become Top Patent Filer," Reuters, December 21, 2011 (www.reuters.com/article/2011/12/21/us-china-patents-idustre7bk0lq20111221).

b For a more detailed look at intangible investment in China, as well as the role intangibles play in the growth of the global economy, visit The Conference Board Intangibles and Innovation website (www.conference-board.org/data/intangibles).

- In another reflection of the aggressive growth mentality of CEOs in Asia, it is the only region to rank **Global Expansion** in its top five (it is tied for fifth with **Customer Relationships**).
- The top four strategies selected by CEOs in Asia to deal with the **Human Capital** challenge—*grow talent internally, provide employee training and development, raise employee engagement*, and *increase efforts to retain critical talent*—are all inwardly focused and center on employees rather than management. *Improve effectiveness of front-line supervisors and managers*, which is the fifth-ranked strategy, focuses on one of the region's perceived weak points—the supply of experienced middle managers. This inward focus on retention may be a reaction to slowing regional economies, a revolving door of high employee turnover, and the realization that employee development is a critical driver of higher engagement and productivity. Of particular interest is the bounce of the *raise employee engagement* strategy, which jumped from ninth in 2012 to third in 2013.

- Another indication that the **Human Capital** focus has shifted to employees in the region is the drop in ranking for *improve leadership development programs*, which was third in 2012 and twelfth in 2013.
- Even as more Asia-based companies expand their operations globally, CEO respondents appear to be paying less attention to diversity issues. *Increase diversity and cross-cultural competencies*, which tied for third in the 2012 strategy rankings, falls to fourteenth rank in 2013. One possible explanation for this is that the expansion rate for Asian multinationals has slowed and, since diversity is not predominantly internally focused as in the U.S. model, its status as a critical driver has lessened.
- *Improve corporate brand and employee value propositions to attract talent* is the third-ranked strategy to meet the **Human Capital** challenge in China, which is the highest ranking of any region or country for the strategy. This is a clear reflection of the growing competition between multinational companies and domestic enterprises that are beginning to tout their global opportunities aspirations.
- When it comes to **Operational Excellence**, CEOs in Asia, unlike their U.S. and European peers, do not see a need to *break down internal silos*. As a strategy, they rank it tenth, compared to first in Europe and fourth in the United States. The traditional collective culture, where the individual is subsumed by the group, may account for this not being as large a concern in Asia as it is in other regions.
- **Sustainability**, which has never ranked particular high globally or in the United States and Europe in previous surveys, dropped out of the top five challenges in Asia in 2013. (It was third in 2012.) With growth slowing in the region, CEOs appear to be turning to more immediate concerns that can affect growth. **Sustainability** does, however, remain the third-ranked challenge for CEOs in China, where the government included an aggressive sustainability program in its twelfth five year development plan released in March 2011. Contributing positively and demonstratively to the sustainability agenda in China is seen as an increasingly important component to the value proposition for multinational corporations operating in the country.
- Quality is job one when it comes to meeting the **Customer Relationships** challenge. CEOs in Asia are the only executives to rank *enhance quality of products/services* as their number one strategy for this challenge.
- As a **Human Capital** strategy, *redesign financial rewards and incentives* ranks higher in China than in India (or any region for that matter), which may reflect the need to adjust wages that have skyrocketed in recent years. Slower growth may mean talent moves less and has less room to demand higher pay and benefits because of fewer employment choices.

CHALLENGES BY INDUSTRY

Government regulation is the top challenge for financial services

2013 CHALLENGES*	Global N=729	Manufacturing N=256	Financial services N=92	Nonfinancial services N=361
Human capital	1	1	4	1
Operational excellence	2	2	3	4
Innovation	3	3	6	3
Customer relationships	4	6	2	2
Global political/economic risk	5	4	5	6
Government regulation	6	7	1	5
Global expansion	7	5	10	7
Corporate brand and reputation	8	9	9	8
Sustainability	9	8	8	9
Trust in business	10	10	7	10

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. For information about how the scores were created, see “About the 2013 Survey” on page 25.

***Operational Excellence** was added to the list of challenges in 2013 to replace **Cost Optimization**. **Trust in Business** was also added in 2013 to replace **Investor Relations**.

When it comes to industry sectors, there are divergent views among CEOs as to their most critical challenges—a reflection of the unique business environments faced in manufacturing, financial services, and nonfinancial services. Only **Human Capital** and **Operational Excellence** are ranked in the top five across all three sectors.

- CEOs from both service sectors rank **Government Regulation** in their top five challenges, with CEOs from the heavily regulated financial services sector ranking it their top challenge for 2013. Nonfinancial services CEOs rank it fifth, and manufacturing executives rank it seventh.
- CEOs in manufacturing rank **Human Capital** and **Operational Excellence** as their top two challenges, reinforcing the notion that true operational efficiently can only take place with an engaged and committed workforce.
- CEOs in both service sectors give **Customer Relationships** second rank.
- Financial services CEOs are the only group to leave **Innovation** out of their top five challenges. Close regulation, especially since the collapse of financial markets in 2008–2009, has stifled creativity in this sector. For example, Britain’s Financial Conduct Authority, which will be launched in April 2013, will have the power to ban the sale of products that the government feels pose unacceptable risks to consumers for up to 12 months and will not need to wait for results from a full investigation into the product’s feasibility.[11]

11 *The Financial Conduct Authority; Approach to Regulation*, The Financial Services Authority (www.fsa.gov.uk/pubs/events/fca_approach.pdf).

- There is considerable divergence when it comes to the strategies CEOs in each sector favor to meet the common challenges of **Human Capital** and **Operational Excellence**. *Grow talent internally* and *provide employee training and development* are the only two **Human Capital** strategies that rank in the top five for every sector. Only one **Operational Excellence** strategy—*raise employee engagement and productivity*—makes all three top five lists.
- Even in the financial services sector, whose reputation has taken a beating following the financial markets collapse, **Trust in Business** finishes seventh, which is the highest sector ranking for the challenge.

CONCLUSION
MANAGING THE REALITY OF SLOW ECONOMIC GROWTH

Five years after the eruption of the global financial and economic crisis in 2008, the global business environment remains weak. The ongoing crisis in Europe and Japan, a relatively anemic recovery in America, and little potential for emerging markets to be the post-recession global growth heroes offer little potential for anything close to the eye-popping expansion and rapid growth of recent years. Continued downside risks also plague the economic and business outlooks.

Businesses have armed themselves to mitigate and manage risks in the short and the medium term by streamlining their organizations, building their human capital potential, and seeking the creation of more value by improving and diversifying existing products and services and paying more attention to their increasingly sophisticated and restless customer base.

Companies in Asia, an area where growth continues, albeit at a slower pace (but still one that other global regions would be thrilled to have), have a different perspective than those in mature economies. They also have considerably more options to leverage their critical growth drivers—**Human Capital**, **Innovation**, and **Operational Excellence**—to sustain growth. In mature markets, the focus is on strengthening the "people factors" through greater engagement of employees, leveraging and cultivating internal talent, integrating suppliers and customers in the value chain, and driving a softer people-driven version of innovation.

While the downside risks for business are dominant, it is important to realize that during times of "negativism" and somber outlooks, positive trends and events may be brewing beneath the surface. History shows that pressures for change may be gradually building up on the lee side of the crisis, where there is little immediate pressure for high returns and more time for experimentation and improvement.

But the burden of steadying the ship does not rest solely on the shoulders of the private sector. Positive change requires a policy commitment to restore and strengthen the working of critical markets in finance, labor, and major product areas in both mature and emerging economies. The creeping protectionism and potential fragmentation of global trade exhibited through a plethora of bilateral and multilateral regional agreements may be misguided and unlikely to create the confidence needed to bring about a global economy where sustainable growth and rising middle classes are possible. The global economy is now so deeply integrated that countries run the risk of shooting themselves in the foot by trying to protect their workers and industries from competition. But in a down economy, political sentiment often leans toward protectionism, even at a time when global coordination is needed the most.

The potential mix of bad policy and high risk may create the biggest obstacle to reaping the fruits of the focus on strengthening organizational business performance—the most important theme that emerged in this year's CEO Challenge survey.

ABOUT THIS REPORT

Survey Methodology

This report is based on responses from CEOs, presidents, and chairmen to ***The Conference Board CEO Challenge®*** survey, distributed between September and November 2012. Respondents were asked to rank order their top five challenges, a change from the 2012 survey when they were asked to give only their top three.

To reach the aggregate ranking of challenges and to develop an importance-adjusted score, two additional computations were conducted. First, to reflect the ranking of the challenges by the respondents, each challenge was assigned a weight: if a particular challenge was ranked one, it was given a weight of five, a number two rank was given a weight of four, and a ranking of number three was given a weight of three, and so forth through the top five. (Challenges that were not ranked by respondents among the top five received zero weight.)

Second, each weighted score was then assigned an additional weight based on the share of respondent's country GDP as a proportion of all countries represented in the survey sample relative to the share of that country's respondents in the total of 729 responses. Similar weights were assigned to regions, industry sectors, and revenue groups.

For greater insight into how CEOs plan to meet their challenges, respondents were also asked rank order five critical "strategies" (or strategic priorities) for meeting each of their top five challenges, which were weighted in the same way as the challenges.

We acknowledge that a survey of 729 respondents creates limitations regarding the statistical significance of the rankings. Therefore, the results presented are mostly for groupings of more than 50 respondents. In particular, for the smaller samples, the rankings provide a qualitative and directional indication of the importance of challenges.

Two additional adjustments were made in the list of challenges presented to respondents in the 2013 survey. **Operational Excellence** replaced the more narrowly defined **Cost Optimization** as a challenge, as did **Trust in Business** for **Investor Relations**. Changes were also made in several of the strategy lists to better reflect the reality of the business environment.

Definition of Challenges

Corporate brand and reputation How your organization and its product and services are viewed by stakeholders.

Innovation Creating value through new products, new processes, business models, and organizational structures to meet and anticipate customer demands and remain competitive in a global marketplace.

Global political/economic risk Dealing with social, political, economic, and physical and cyber-security factors in the global business environment.

Global expansion Seeking growth in multiple markets outside your home country.

Operational excellence The measure of effectiveness, efficiency, and alignment of an organization's processes, strategies, tactics, culture, and methodologies in such functions as finance, talent, governance, and operations that must be optimized to achieve business objectives and goals.

Trust in business The faith and expectation that corporations and business leaders will do the right thing, will operate in an ethical manner, and meet the social, moral, and environmental expectations of stakeholders by doing business according to societal norms, values, rules, and laws.

Customer relationships How your company interacts with customers; winning and retaining customers.

Sustainability Corporate commitment to accountability for the triple bottom line of financial, social, and environmental obligations and opportunities. These include elements of corporate citizenship, environmental sustainability, and green business.

Government regulation The impact on the business environment of government rules, regulations, and reporting requirements.

Human capital Addresses the full spectrum of the employee/employer experience, which includes understanding global labor markets and workforce readiness; determining the skills and competencies companies need to compete and win; creating a compelling employment brand; managing compensation, benefits, and wellness programs; attracting, developing, rewarding, engaging, and retaining diverse talent; managing performance; growing leaders at all levels; managing succession; and articulating the impact of these efforts in business terms.

ABOUT THE 2013 SURVEY

Region	Count	Percentage
Asia	395	54.2%
Europe	136	18.7
United States	138	18.9
Rest of the world	60	8.2
TOTAL	729	100.0%

Industry	Count	Percentage
Manufacturing	256	36.1%
Finance	92	13.0
Service	361	50.9
TOTAL	709	100.0%

Revenues	Count	Percentage
Less than $100 million	289	40.6%
$100 million to under $1 billion	161	22.6
$1 billion to under $5 billion	121	17.0
$5 billion and above	141	19.8
TOTAL	712	100.0%

	Asia		Europe		United States		Rest of the world	
Revenues	Count	%	Count	%	Count	%	Count	%
Less than $100 million	175	45.5%	55	41.0%	37	27.6%	22	37.3%
$100 million to under $1 billion	97	25.2	15	11.2	30	22.4	19	32.2
$1 billion to under $5 billion	60	15.6	25	18.7	24	17.9	12	20.3
$5 billion and above	53	13.8	39	29.1	43	32.1	6	10.2
TOTAL	385	100.0%	134	100.0%	134	100.0%	59	100.0%

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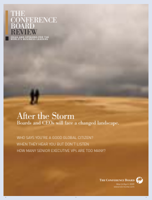

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