



2009 CEO Survey

Views on the Economy & How to Manage Within It

October 01, 2009

Table of Contents

Introduction 3

Purpose of the Survey 3

The Participants 3

The Survey Questions 4

Executive Summary of Results 5

Part 1: Collective View on the Economy 7

Part 2: Collective View on how to Manage within this Environment 11

Checklist: Top 10 Things for Managing in the Current Environment..... 16

APPENDICES: 17

Introduction

Purpose of the Survey

Forty Boston area CEOs responded to this survey.

The purpose of the survey is to help the “reader” CEO to:

1. Validate their own thoughts and opinions about the economy and how to manage within it
2. Enhance their general business & strategic acumen through reading an executive level overview
3. Challenge their own thinking about business by identifying gaps (what they hadn’t thought about) or insights they hadn’t considered (new ways of looking at things)
4. Continue to see the value of peer to peer learning and its positive impact on CEO effectiveness

The results will also be used as a basis for discussion at follow-on Raffoni CEO Consulting events.

The Participants

We would classify the participants of this survey as CEOs of growing mid-size companies ranging from pre-revenue start up to 200 million with employee levels ranged from 5 to 1,500.

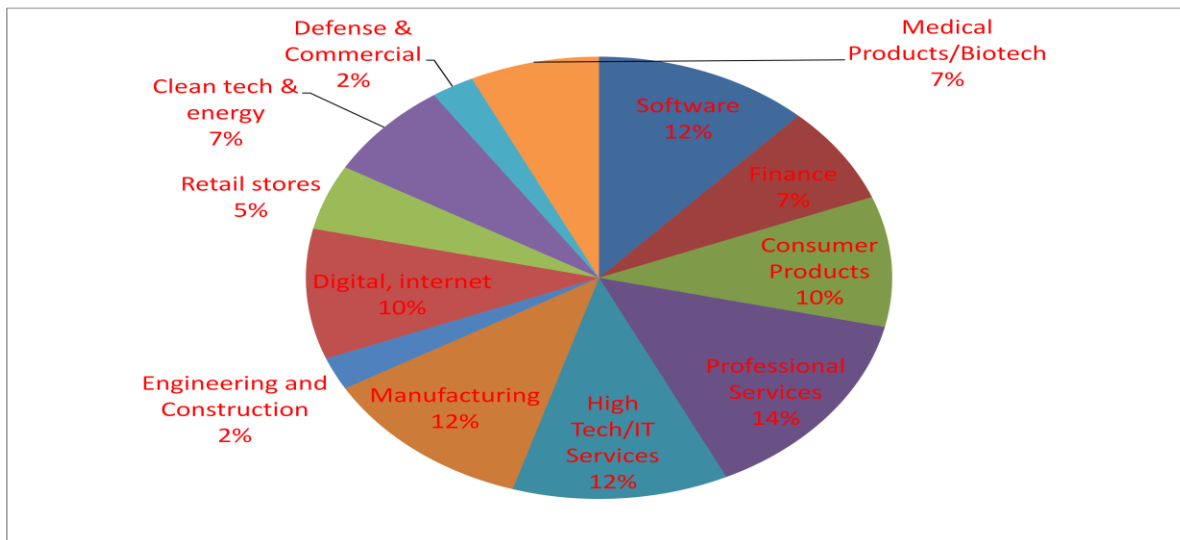
62.5% of the CEOs are currently members of a Raffoni CEO Consulting peer group program.

Ownership structures also range from private to investor backed to public.

The average CEO tenure is 9.7 years with the median at 7.

While there was a strong level of diversification by industry, the respondent results showed quite a bit of consistency around themes. The industry mix of the participants indicates little bias by industry. Below is the distribution of the industries represented:

40 CEO Respondents- Diversified Mix



The Survey Questions

Below are the key questions that were included in the survey:

1. Through 2010, where do you see as the biggest opportunities for your company?
2. What specifically is your company doing to take advantage of these opportunities?
3. Given the current economic climate, have you had to change your value proposition or model to adjust?
4. During the last two years, what changes have significantly affected the way you do business?
5. What is significantly different about how you will conduct business during the next 5 years versus the past 5 years?
6. With respect to your business, what's keeping you up at night
7. In today's business climate, what should every CEO be thinking about?
8. How would you describe your outlook for the remainder of 2009 and into 2010?
9. During this event, what specific topics or questions would you like the CEOs to address?

In presenting the results, we organized the responses into two categories:

Part 1: Collective View on the Economy

This includes questions: 8, 1, 4, and 6

Part 2: Collective Views on how to Manage within this Environment

This includes questions: 2, 3, 5, 7, and 8

Executive Summary of Results

The survey results include some great data and detail on how successful CEOs both see the economy and are managing it within the current economic environment.

Included in this report are some themes we believe every CEO should be reflecting on as they plot their company's course for 2010 and beyond.

Overall, the largest THEMES were as follows:

- 1) **CEOs are looking for “paths to revenue”.** How do you increase the funnel and improve the close rate? Strategically and tactically, a full analysis should be done and continue to be honed. The analysis should include but not limited to an assessment of value propositions, markets, internal staff/budget resources, and process efficiencies.
- 2) **CEOs are seeing this as a “once in a life time opportunity” to upgrade staff.**
- 3) **Innovation remains top of mind** and more important than ever (regardless of whether you are a product or service company).
- 4) **Unpredictable access to funds is radically changing strategies.** The actual changes are obviously industry and opportunity dependent, but “cash continues to be king” in most areas.
- 5) **CEOs emphasize the importance of not neglecting the impact of technology in their plans.** The impact of the web should not be overlooked. Internally, technology can and should be leveraged to improve operating efficiencies. Externally, the web is radically reshaping many how people buy and communicate.

With Respect to the CEOs' View on the Economy:

The majority of the CEOs who responded to the survey have a favorable outlook on the remainder of 2009 and 2010. 67% noted their outlooks as “favorable” and 8% as “very favorable” (totaling 75%).

The top three things CEOs note as affecting the way they do business are:

1. Decreased consumer spend
2. Limited access to funds
3. New innovations

The top three things keeping CEOs up at night include:

1. How to get the most out of the sales channel
2. The volatility of customer spending patterns
3. Customer pricing pressure

With Respect to How CEOs are Managing within in this Environment:

63% of the respondents have changed their value propositions or business model to adjust to the current economic climate.

When asked, “What should every CEO be thinking about”, four categories of answers emerged:

1. A strong, honed value proposition
2. Access to cash
3. People
4. Strong financial and operational management

The key topics that CEOs desire to collaborate with CEO peers on are:

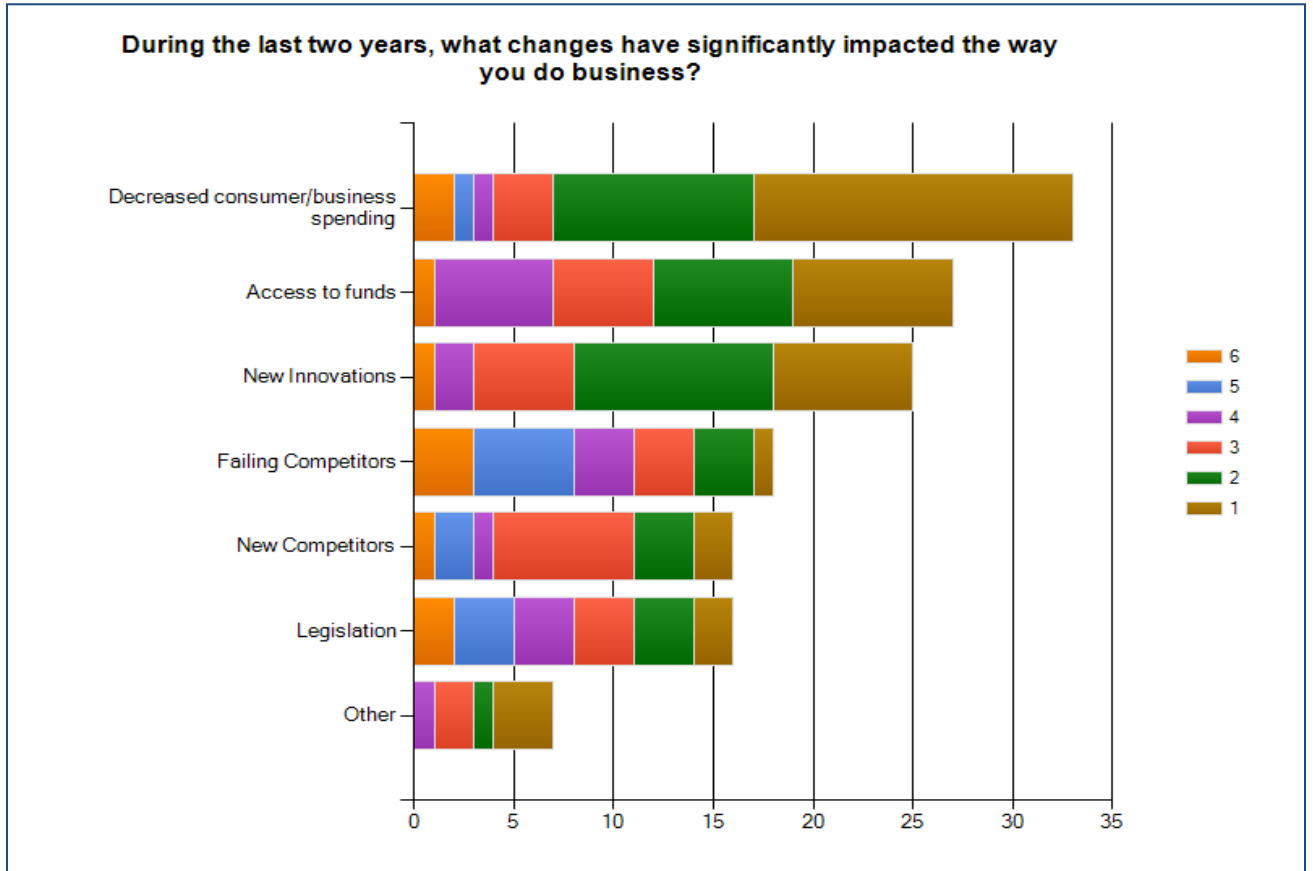
1. Partnership strategies
2. The general economic climate and how to manage within it
3. New talent acquisition
4. Financing strategies

While the emerging themes were relatively consistent, lot of variations on emphasis and detail did exist. So much so, we have attached some of the more interesting responses to specific questions in an appendix in hopes that a reader CEO will glean a nugget of inspiration or insight.

Part 1: Collective View on the Economy

1. During the last two years, what changes have significantly affected the way you do business? (Q1)

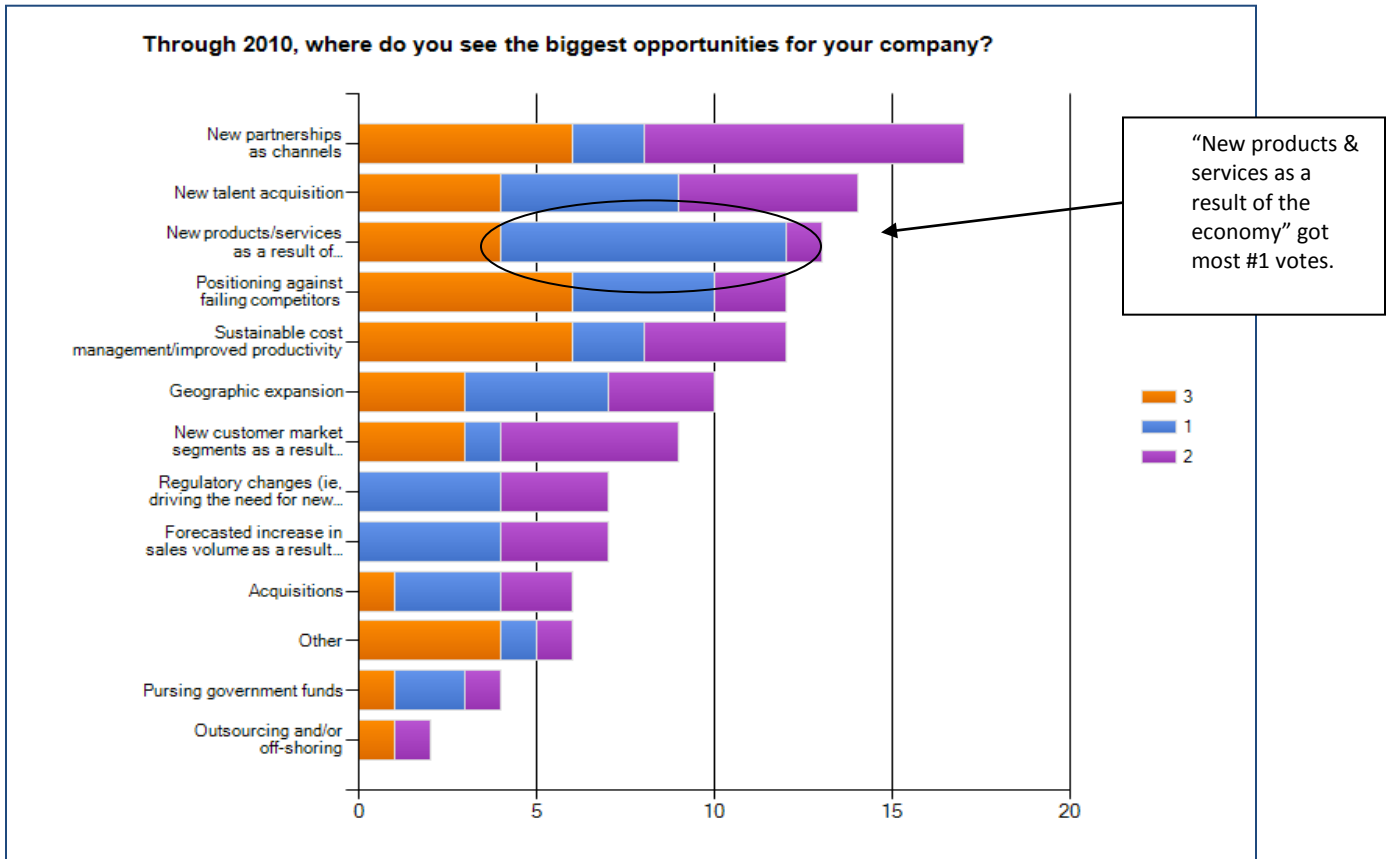
Below is a summary of the results:



It was noted that decreased spending was not only a result of customer hesitancy to spend, but not but also as a result of the failure or shrinking of their customers base, resulting in a downstream domino effect.

2. Through 2010, where do you see the biggest opportunities for your company? (Q4)

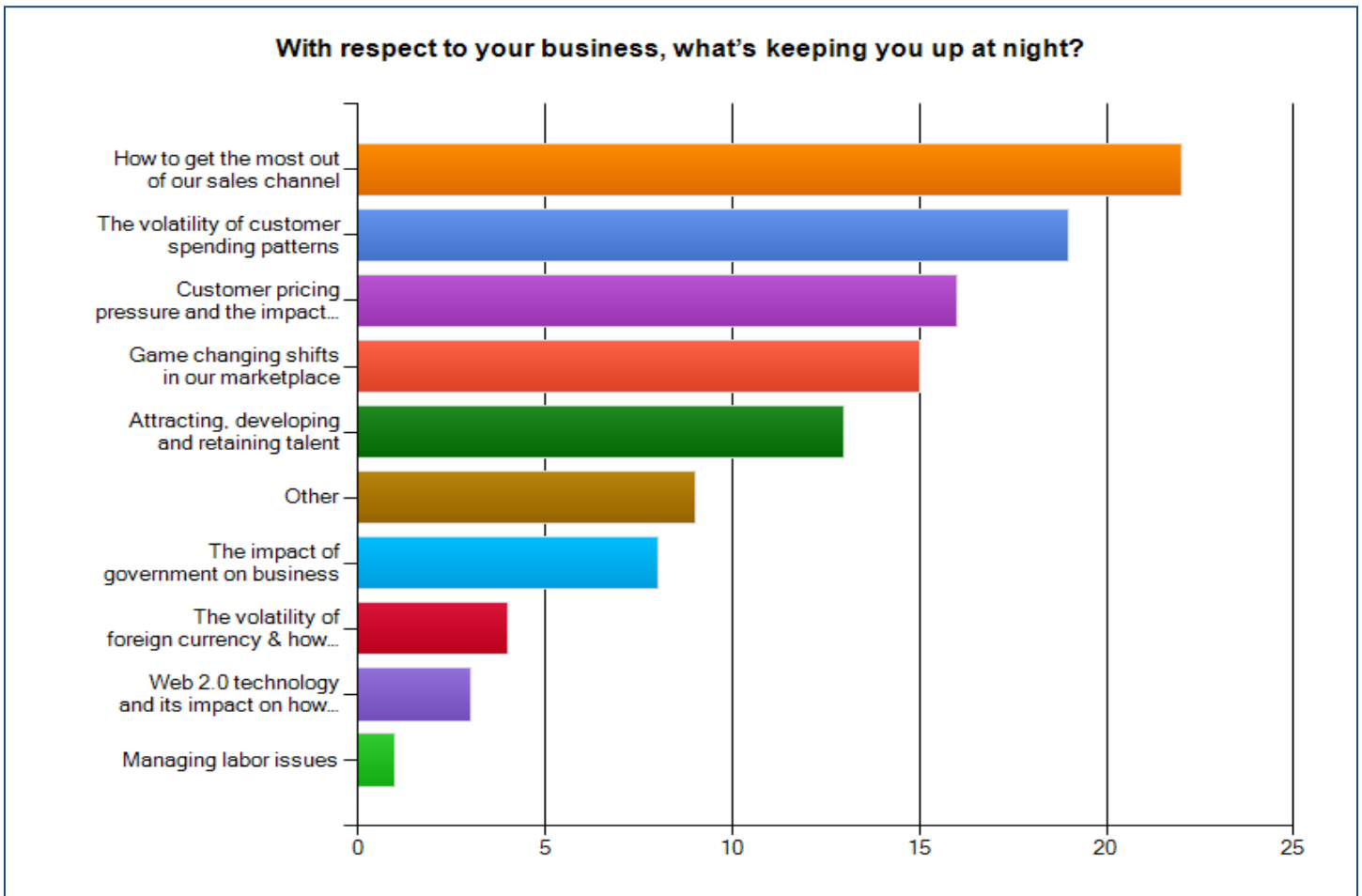
Below is a summary of the results:



We suspect the desire to talk about partnerships is based on the desire to improve paths to revenue coupled with the fact that successful partner/channel relationships are difficult to achieve. It seems obvious, but difficult to do.

3. With respect to your business, what is keeping you up at night? (Q6)

Below is a summary of the results:

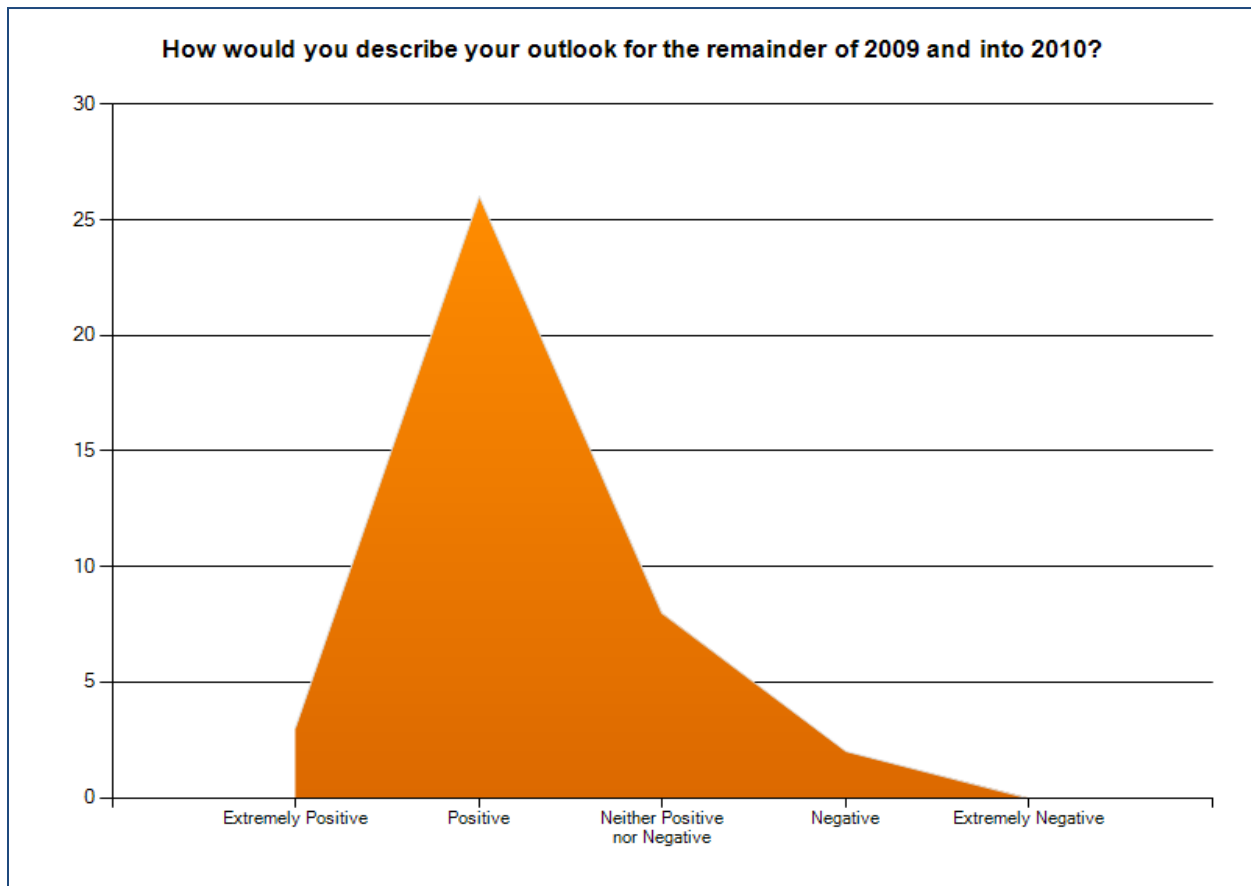


Some of the other comments included:

- ✓ Execution
- ✓ Protecting ideas from infringement
- ✓ Selling value
- ✓ Shareholder liquidity needs and managing board expectations
- ✓ Potential future inflationary pressures

4. How would you describe your outlook for the remainder of 2009 and into 2010? (Q8)

Below is a summary of the results:



Part 2: Collective View on how to Manage within this Environment

1. What specifically is your company doing to take advantage of these opportunities? (Q2)

The majority of the responses centered on the following themes:

1. **Investing in sales, sales restructuring and sales optimization**—better talent, change in model, investment in social media), more focus efficiencies & metrics and how to target more achievable business at, lower cost
2. **Investing in marketing**—raise awareness of problems and pent up demand, hire new talent, rebrand product lines
3. **Investing in R&D, new products, and services** continuing to aggressively develop new technology
4. **Pursuing new markets:** emerging, target verticals, geographies, areas of pent up demand
5. **Aggressively pursuing acquisitions** (or in some industries- buying inventory from downsizing companies)

Some emphasized that they were doing these things **in conjunction with:**

- **Divesting in low profitability/non-core areas**
- **Taking overhead costs out of the company**
- **Raising debt and capital to fund potential growth**
- **Trying to influence legislation**
- **Seeking key partnerships**—especially in emerging markets

On the people side, many noted:

- Allocating people to both HR (recruiting) & business development.
- And, hiring from competitors

See Appendix A for some detailed commentary

2. Given the current economic climate, have you had to change your value proposition or model to adjust? If so, how? (Q3)

63% of the respondents answered yes, while 37% answered no.

For those who adjusted, the majority of answers centered on adjusting positioning to reflect:

- **Efficiency improvement, faster time to value, return of investment**
- **Helping customers increase revenues and save on costs**—“how customers can use our products to extend their limited human resources”
- **Risk mitigation**—“partner/customers seem very risk averse given the climate and are only interested in very low risk opportunities.”
- **A higher level of value—enterprise level**
- **Direct competitive comparisons**- “Our message has changed in light of competitors making a cheaper product with fewer options. We have point this out and win deals now.”
- **Doing a much better job defining our space**

For those who felt they were not affected, many were in emerging spaces not directly impacted by the recession.

See Appendix B for some detailed commentary

3. What is significantly different about how you will conduct business during the next 5 years versus the past 5 years? (Q5)

The answers to this question were quite interesting. While there were a few specific answers with respect to changing industry dynamics, a good majority of the answers alluded to what we would classify as “sharpened business basic skills.” This is promising if you believe that economic down turns make businesses stronger. The answers below serve as evidence to this statement. I would not go as far as to call it a “wake up call”, because we believe everybody was working harder prior- but, we do see it as a “sharpened axe” for sure.

Below is a summary of the themes. We have broken it down into two categories A) Specific Dynamic Based Changes and B) Sharpened Business Basics.

Specific “dynamic based” changes	
Dynamic:	Resulting Changes:
<i>Consolidation:</i>	Understanding that that scale is important (primarily in consolidating industries) Using new technology to scale Being more global Being able to go up against the 800lb gorillas
<i>Access to funds:</i>	Conserving cash (even if it means slower growth) Thoughtful growth, not just a race (given questionable access to funds)
<i>The internet:</i>	Leveraging the web for reaching customers
<i>Decreased consumer spending:</i>	Targeting customer where there is true value (vs. commodity) to drive retention

Business Basics	
Business Basic	Attention
<i>Strategy& Innovation</i>	Management need to step back and “work on” the business- sharper focus on profit, revenue & strategic priorities Paying more attention to competitors—few left, can’t hide under the radar Focus on innovation and product
<i>Sales:</i>	More focus on sales and business development (paths to rev, recurring rev, etc)
<i>Operations/Costs:</i>	Tight rein on overhead as a way of doing business
<i>People</i>	Focusing on the right people in the right jobs

See Appendix C for some detailed commentary

4. In today's business climate, what should every CEO be thinking about? (Q7)

While there were a variety of different cuts on this question—main themes centered on:

1. **A strong, honed value proposition**- filling a true need better than the competition for a target customer
2. **Access to cash**—access to cash to fuel growth and/or weather the storm
3. **People**- make sure you have the right people, and keep them
4. **Strong financial and operational management**- focus on productivity, utilizing technology smartly, cost management etc

Other interesting thoughts included:

- Future growth- how can I leverage this climate to grow market share?
- How web technology is changing the business / competition
- How to practice strategic agility- being flexible and opportunistic
- The 'new normal' and what that will be when the economy rebounds (some markets will never be the same, potential for rapid deterioration).
- How to meet the expectations of employees as all the 'takeaways' get reversed and they want to progress.
- Are there potentially fundamental changes to the way in which the customer base views or uses your product or service?
- Who are the stakeholders in the company and what, if anything is due to each?
- If I were an outsider taking over this business in this climate, what would I do in my first 100 days?

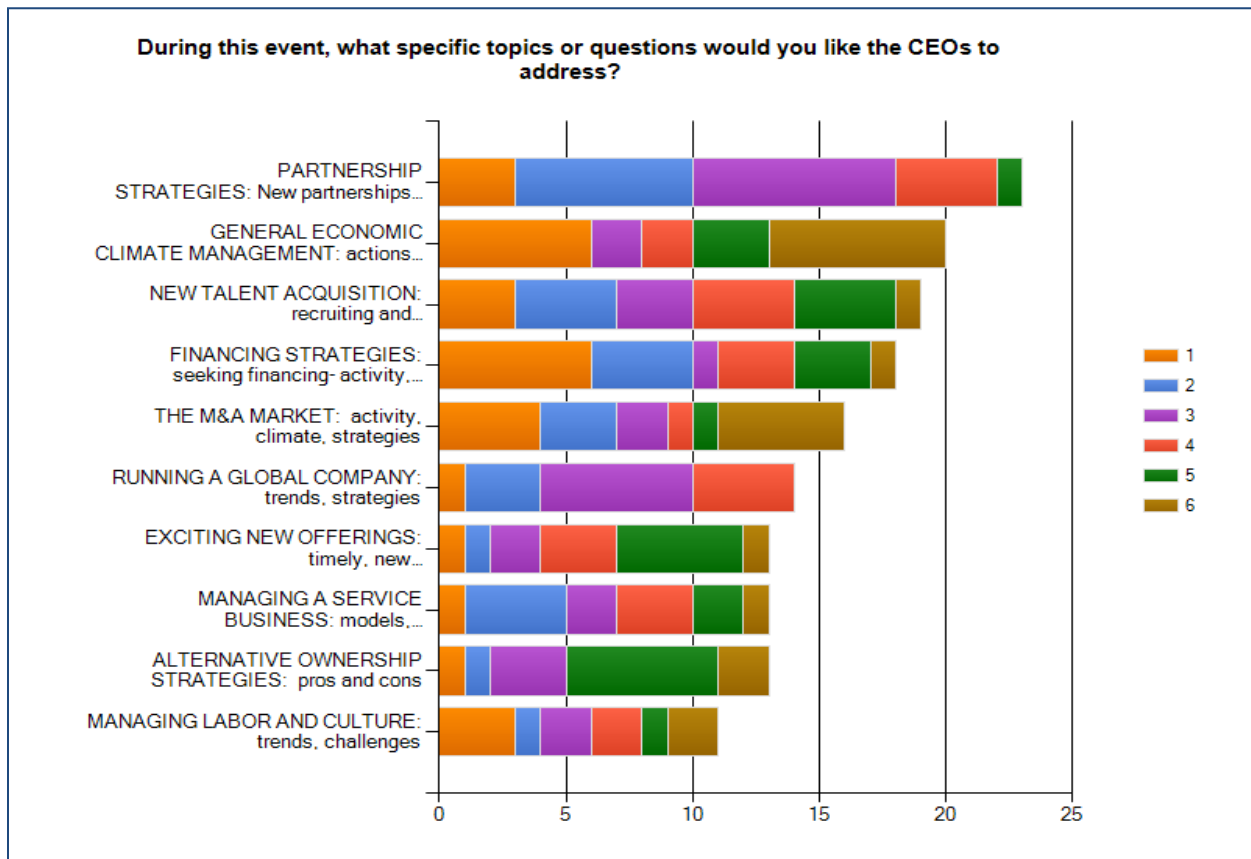
For reference, we are including the actual “top 3” answers of each CEO as it is useful to see how different CEOs have different styles and approaches to business.

Please see appendix D.

5. During this event, what specific topics or questions would you like the CEOs to address? (9)

Summary is below:

We suspect that partnership is most popular as companies continue to seek paths to revenue. Constructing partnerships that strengthen your ability to drive sales is something most companies want, but find hard to achieve.



Checklist: Top 10 Things for Managing in the Current Environment

1. Be sure your value proposition is strong
2. Be rigorous about sales- both the strategy and the tactics
3. Don't let innovation slip
4. Ask- where can and will the growth come from?
5. Ask- what can we do to improve our operating efficiency?
6. Don't ignore the impact of technology- internally and externally
7. Remember, cash is king
8. Remember- you owe it to all of your stakeholders to have the right people in the bus and in the right seats.
9. Have a clear, focused strategy- measure progress, talk about it, adjust it if you need to
10. Use your CEO peers as resources

APPENDICES:

APPENDIX A: Comment- What specifically is your company doing to take advantage of opportunities?

“Investing in channel partnerships and developing new product capabilities for emerging wireless devices (e.g. Smartphones, Netbooks). “

“Massive” shift to social media. “

“Re-examine of internal cost structure and changing model, focus on expanding sales capacity through non-direct selling models (web, partnerships etc). “

“Repositioning products to align with funding opportunities. Investment in marketing and acceleration of product development plans. “

“Top grading the entire organization to improve bench strength. “

“Expanding involvement and control of distribution channels and developing a cooperative business planning model. “

“Strengthening and extending relationships with government customers and other vendors to government. Developing product for institutional markets based on government product work. Slowly extending beachheads in institutional sector, which we see as adjacent to the government center. “

APPENDIX B: Comments- Given the current economic climate, have you had to change your value proposition or model to adjust? If so, how? (Q3)

“We have not changed our value proposition, but we have had to push harder to keep the procurement process moving forward. “

“We have introduced new products to get our foot in the door (low cost/ high value). For example, we have added a \$1 price point offering. “

“It seems that by 'living through 3' economic downturns, those customers that "survive" are our targets. We are targeting customers that have been in business 10-15 years, mid-size, and steady growth. “

“Yes. We are taking advantage of excess funds in utility rebate/incentive programs for energy conservation programs. “

“Heightened finer customer segmentation and intense concentration on value proposition for all constituencies of clinicians, patients, parents, payers, regulators which have driven territory costs higher without raising prices yet. “

“Yes, we have had to really evaluate all the product and program offerings, and refocus efforts on the ones that have the most demonstrable value proposition. Also, reprioritize them towards emerging market potentials, like emission controls for coal fired power plant, and products for new types of mining or oils and extraction processes. “

“Consumer is more difficult. Emphasis on federal government and then institutions might have happened anyway but fall in consumer spending made focus on non-consumer even more obvious. “

“Given the current economic climate, our margins have dropped sharply. Ad sales have fallen from \$15 CPM (cost per thousand) in 08 to roughly \$6 CPM in 09. We have adjusted by building more robust advertiser products to attract and retain higher CPM advertisers. “

APPENDIX C: What is significantly different about how you will conduct business during the next 5 years versus the past 5 years? (Q5)

“More partnering to leverage unique competitive advantage. “

“Constant evaluation and implementation of routes to revenue growth. “

“Way more web contact with customers. “

“Increased innovation in everything we do. “

“Looking to expand beyond core model and looking for better repeat predictable business services. “

“Focus and growth around the economic core having unwound prior failed diversification efforts. “

“Shifting from a business development model to a sales model. “

“Better management of the company's operations. Hence, my joining the CEO group. “

“The 'service' associated with a physical product will become far more important than the product. “

“New technology changes the way we make and distribute products/services/experiences, and the way our customers will use our products/services/experiences.”

“Our focus moving forward has shifted to being a cash flow positive business first and high growth business second. We cannot rely on access to funding while pursuing growth opportunities.”

APPENDIX D : What Are the Top Three Things Every CEO Should be Thinking About in This Economy?

1. Are you a "must have" solution?
 2. Do you have a predictable, scalable go-to-market plan in place?
 3. Do you have money, fuel, to execute your strategy?
1. Obtaining competitive advantage
 2. Access to capital
 3. Retention and development of talent
1. Stability of financing sources
 2. Economic opportunities for customers and your business
 3. Cutting out layers of management not necessary to the business
1. Government's impact on business
 2. Financing
1. Cash/Balance sheet - Ability to weather the storm.
 2. What is their unique value proposition - Hone in what we do best and focus
 3. Staffing - How to recruit & retain the best and maximize productivity of the team.
1. The future growth, despite the grim year we are having.
 2. Right people on the bus.
 3. Differentiation
1. Talent acquisition
 2. Cost containment
 3. Sound financial management practices
1. Identifying, developing, and keeping your best people
 2. Developing new clients and keeping existing clients
 3. Finding resources necessary to take advantage of new opportunities, which will happen as competitors fail (or fail to deliver)
1. The future strategy
 2. Being flexible & opportunistic
1. Overhead control
 2. Obtaining and retaining the best people
 3. Is there another shoe to drop
1. Cash
 2. Market Dynamics
 3. The impact of Global Energy balance
1. Running the operation more lean
 2. More aggressive, innovative sales programs
 3. Utilizing technology more smartly

1. Web impact
2. Global partnerships
3. Recruiting and managing talent

1. Solid cap plan
2. Expert staff and training
3. Product and service diversification

understanding best routes to maintenance or development of sustainable revenue streams and how short term versus long term revenue streams can be substantiated

1. strong balance sheet
2. productivity
3. profitability

1. Social Media
2. Social Media
3. Social Media

1. Proper capitalization
2. Right sizing
3. Maintaining R&D efforts

1. Innovation
2. Talent recruitment and retention
3. Cost reduction and productivity improvement

1. Invests carefully in new products/market expansions,
2. Attract and retain key talent,
3. Set appropriate goals internally and externally

1. Sales model,
2. Profitability of product/services,
3. Reset the expectations bar for employees

Be realistic

1. Cash
2. Product Innovation
3. Retaining Talent

1. Focus on strengthening the core
2. Focusing on growth drivers
3. Upgrading the org talent

1. Market expansion
2. Growth
3. Cash

1. How to retain/develop talent;
2. How to ensure that you are creating value;
3. How to scale.

1. Keeping costs in line with revenue;
2. Financing and investing properly in new market opportunities

1. What business are you in.
2. Setting and communicating strategy.
3. Making sure, you have the right people.

1. Long-term sustainable growth
2. Competition
3. Get/retain the best people

Employee mood, cash flow, investments.

1. Developing NEW revenue stream from existing operations.
2. What impact will the Govt have on the growth of our companies.
3. What is the "cost" to grow the business.

Retaining key personnel and training/cultivating new staff.

1. Top talent
2. How technology is changing the business / competition
3. How to practice strategic agility

1. Capital efficiency/raising growth capital
2. Market resilience to adversity
3. Potential for rapid deterioration of markets

1. The 'new normal' and what that will be when the economy rebounds (some markets will never be the same).
2. Cash management and access to capital - now is the time for those companies that have capital to invest.
3. How to meet the expectations of employees as all the 'takeaways' get reversed and they want to progress.

1. Are there potentially fundamental changes to the way in which the customer base views or uses your product or service
2. Who are the stakeholders in the company and what, if anything, is due to each?
3. What are the company's unique strengths and capabilities, how unique are they, and are the company tightly focused on exploiting them?

1. Cost control
2. Developing new markets
3. Retaining/attracting talent

1. How can I leverage this climate to grow market share?
2. How can I leverage this climate to strengthen customer relationships?
3. If I were an outsider taking over this business in this climate, what would I do in my first 100 days?