

NYSE CEO Report 2007

Planning for Growth, Valuing People

Conducted for



Prepared by

OPINION RESEARCH CORPORATION

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Background and Methodology

Background

This is the second annual survey of CEOs of the New York Stock Exchange's listing companies. The NYSE Group unveiled its annual CEO research study in 2005. More than 100 CEOs shared perspectives on topics ranging from globalization and governance to strategy and human resources. The 2006 report won immediate distinction as a definitive window into the minds of the world's top business executives. The collective results were published in the August/September 2005 issue of *nyse magazine* and online at www.nyse.com/CEOAgenda.

Methodology

This report contains the results from the 205 completed interviews. A table in the Appendix has a demographic breakdown of participating CEOs.

Several different methods were used to obtain completed surveys. A total of 76 participated via phone, while 125 participated online and four returned paper questionnaires, which were then entered online.

Data collection was conducted from February 27-April 21, 2006.

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The 2007 CEO Report: Planning for Growth, Valuing People

A number of themes emerge from the 2007 CEO Report. However, at the core of these themes is a central message – **It's all about people.** CEOs clearly recognize that today, organizations must be living, breathing organisms that succeed based on the cumulative actions and passions of the people that bring the company to life. This viewpoint is reflected by a number of findings:

- The management team is seen as having the greatest impact on company growth
- People create operational efficiencies – the most important internal factor for profitability
- Organic growth – driven by people within the organization – is seen as the biggest driver of company and industry growth
- People are the foot soldiers of a company's reputation – a performance measure seen as more important today than three years ago by more than four in ten CEOs
- Half of the CEOs participating indicated they expect the budget for employee education and retention efforts to increase through calendar year 2007
- Almost one-third of CEOs say they are planning budget increases for diversity initiatives through 2007
- Finally, while not internally focused, one-third of CEOs cite planned budget increases for social responsibility initiatives – an action that impacts people outside the company.

The second theme is **the impact of the robust U.S. economy and global opportunities.** Half of the U.S.-based CEOs polled and an almost equal proportion of CEOs from non-U.S. domiciled companies say U.S. economic conditions will have a strong impact on their company's overall revenue growth. Furthermore, more than half of the CEOs questioned said

the U.S. is the region that is strategically the most important to them in 2007. China ranks number two with one in five CEOs citing it as the most important. Front and center is the recognition that success cannot be driven by a single economy in today's environment. Global expansion to find new markets for a company's products and services is part of the mantra of those driving today's leading companies. Almost four in ten CEOs say the impact of the global trade environment on their business is favorable, with emerging markets seen as an opportunity.

This year we also see the theme of the **partially unfilled promise of technology**. Without a doubt, technology is a driver of efficiency and is core to the successful operation and globalization of commerce today. More than six in ten CEOs expect their spending on technology to increase during calendar year 2007. Yet, a mere one-fourth of CEOs claim the ROI of their company's technology investments have fully met or exceeded their expectations. An almost equal proportion say the ROI on their investment in technology has fallen short of their expectations. Sustained spending on technology can only exist when the perceived ROI of that investment is in equilibrium with the level of investment. For many, that equilibrium does not exist today.

The fourth theme is **globalization of operations**. Moving operations offshore, is here to stay despite much of the U.S.-based clamor about job loss. More than three-fourths of the CEOs who have moved operations offshore (41%) claim the move has been successful. There is little evidence of a trend to repatriate these operations.

The fifth theme is the **challenge of the regulatory environment**. There is a silver lining to the cloud of Sarbanes-Oxley. Despite being frequently maligned, CEOs say the two most positive outcomes are Board members who are more engaged and an improvement in

investor confidence. Yet there are clearly downsides to regulation - actual expense as well as potential opportunity cost. Almost half of U.S.-based businesses cited an increase of 100% or more in the past three years to comply with the regulatory costs of Sarbanes-Oxley, with almost one-fourth of non-U.S. based businesses citing the same. That said, the chorus of CEOs saying their costs had increased during the past three years are mixed in terms of whether the costs of compliance have come at the expense of efforts to grow the business. Four in ten (39%) say yes, with the impact most heavily affecting strategic planning efforts and infrastructure investment. There is very much a personal side to this issue as well. Not surprisingly, virtually all CEOs say their job involves greater personal legal risk today than three years ago. They also cite spending more time reporting to the Board and dealing with regulatory or compliance issues than they did three years ago.

At the end of the day, however, CEOs say their primary mission – and the way they are judged is by achieving numbers. **Financial success** is the sixth theme this year, and it is a timeless one for those who wish to remain in the executive suite. Almost six in ten say that sustainable growth is the most crucial element to their long-term success as a CEO. Metrics such as EPS growth, free cash flow, cash flow from operations, and operating and net income growth are all seen by more than half of the participating CEOs as more important today to shareholders than three years ago. The implication – missing numbers is not an option.

In summary, going into 2007 CEOs are optimistic about growth. They are planning for expenditures to spark this growth and are focusing on workforce issues to support the growth. Clearly, CEOs say the job is not as much fun as it used to be and success is far from a guarantee. For those who take on the challenge, however, the ability to balance the traditional mastery of succeeding on financial metrics with motivating, developing, and inspiring the workforce is the holy grail. Ultimately, companies are organizations that depend on their people. This fact cannot be forgotten.

2007 CEO Report Highlights

Business Opportunities and Challenges

- Compared to three years ago, CEOs view their management team as the internal factor having the greatest impact on revenue growth through 2007, with new technology and new product development in the second tier of factors. Strength of their company's brand is the factor with the fourth greatest impact.
- While seven in ten CEOs say compliance costs have a greater impact on profitability than three years ago, issues of operational efficiency lead all other factors.
- While U.S. and global economic conditions lead the way, NYSE CEOs view regulation, energy prices and M&A activity as just as important external influences on their company's growth.
- Compared with 2005, the U.S. economy and energy costs are seen as having a greater impact on company profitability this year.
- CEOs think short-term measures of company health, such as earnings per share growth, cash flow from operations, free cash flow and operating income growth are more important now than three years ago. More traditional measurements, such as total assets and liabilities, liquidity of assets, outstanding debts and credit ratings are viewed as less important now than they were three years ago.
- The majority of NYSE CEOs think growth in both their industry and individual company will be derived primarily from organic growth.

Outlays and Expectations

- The majority of CEOs expect spending increases at their companies for healthcare, energy, technology and capital expenditures through 2007. However, the increases are expected to be 5%-10% or less. Most CEOs expect spending on pensions, environmental compliance, non-healthcare employee benefits, diversity and social responsibility initiatives, and R&D to remain unchanged.
- Only one in four CEOs say the ROI of their technology investments fully met or exceeded their expectations. CEOs of companies with less than \$1 billion of market cap are the most disappointed.
- Compared with three years ago, CEOs think it is easier rather than more difficult to attract and retain customers and investors; employees are viewed as easier to attract, but not to retain.
- Compared with last year's results, CEOs think it is easier now to attract investors and to attract and retain customers.

Global Operations

- The United States is the region CEOs most frequently cite as the geography that will receive more focus through 2007. This is likely a reflection of the domicile of the majority of companies whose CEOs responded to the survey as well as the U.S.' increasingly robust economy. The U.S. is followed by China and India.
- When CEOs are asked what country or region is strategically most important to them, aside from the United States, China tops the list, with Western Europe a distant second. India receives no greater focus than a variety of other countries indicating it is now a distant second to China in terms of strategic importance.
- The reason CEOs are focusing on a particular country or region is primarily to identify new markets to sell their products and services. This response is cited more than twice as often as *“exploring favorable locations for operations and/or manufacturing plants.”*
- About half of NYSE CEOs think the global trade environment is having a neutral impact on their companies, while 38% think it is impacting their business favorably and only 11% unfavorably. Most CEOs in companies based outside the United States think the trade environment is favorable to their business, while a majority of CEOs at U.S.-based businesses think the effect of the global trade environment is neutral to their company.
- Most CEOs view emerging markets as an opportunity, while very few (4%) think they are a threat. Larger companies, as well as those based outside the United States, are much more positive about emerging markets than small companies and companies based in the U.S.

- Among CEOs who think emerging markets are an opportunity, expanding local marketing and sales activity and seeking or expanding local partnerships are the most common actions CEOs plan to take to maximize their company's opportunities.
- Forty-one percent of NYSE CEOs say their company has moved operations offshore at some time. About three in four think the offshoring has been successful, while only 4% think it failed to achieve the expected goals. Fully 90% of those who have offshored say they are neither considering nor have repatriated operations.

Governance

- The vast majority of CEOs are positive about the value of Boards of Directors and the guidance they provide.
- Asked what the most positive outcome has been of Sarbanes-Oxley and Exchange governance rules, CEOs say Board members are more engaged and investor confidence is improved.
- Fully 97% of NYSE CEOs say their company's expenses to comply with regulatory requirements have increased since Sarbanes-Oxley went into effect. One in three say expenses have more than doubled. Companies with a market cap under \$3 billion have been the hardest hit.
- About four in ten CEOs say extra compliance costs have resulted in delays and/or cancellation of efforts to grow their business. Chief casualties include strategic planning, infrastructure investment and marketing.

The CEO Role

- Most CEOs don't think their job has improved over the past three years. More than half think it is less fun and rewarding than it was three years ago, and large majorities think it is more time-consuming and stressful than it used to be. CEOs with greater tenure, in particular, see the job as less rewarding, fun and creative than three years ago. Results are similar to what they were last year.
- Compared with three years ago, the vast majority of CEOs say they are spending more time on regulatory and compliance issues, as well as reporting to their Boards. CEOs are evenly divided on whether they are spending more or less time on day-to-day management and customer relations.
- Compared with last year's results, CEOs seem to be spending more time on shareholder relations and media relations and less on setting strategy.
- By far the element NYSE CEOs think is most crucial to their long term survival as a CEO is sustainable growth.

Managing Human Capital

- CEOs think a variety of benefits and incentives will have more impact on employee retention through 2007, while retirement benefits, and employee discounts will have less impact. Flexible schedules and recognition awards are seen as having almost as much impact as cash bonuses and stock incentives. Employee education is also rated highly as having more impact through calendar year 2007.

- Increasing employee deductibles and premiums, as well as setting up employee-funded flexible spending accounts, are the most common actions being taken to help control healthcare costs.

Reputation Management

- The vast majority of NYSE CEOs (84%) think CEOs take enough action to protect their company's reputation.
- The most commonly-used ways to monitor company reputation include informal discussions, employee surveys or discussions, and review of published rankings and media coverage analysis.



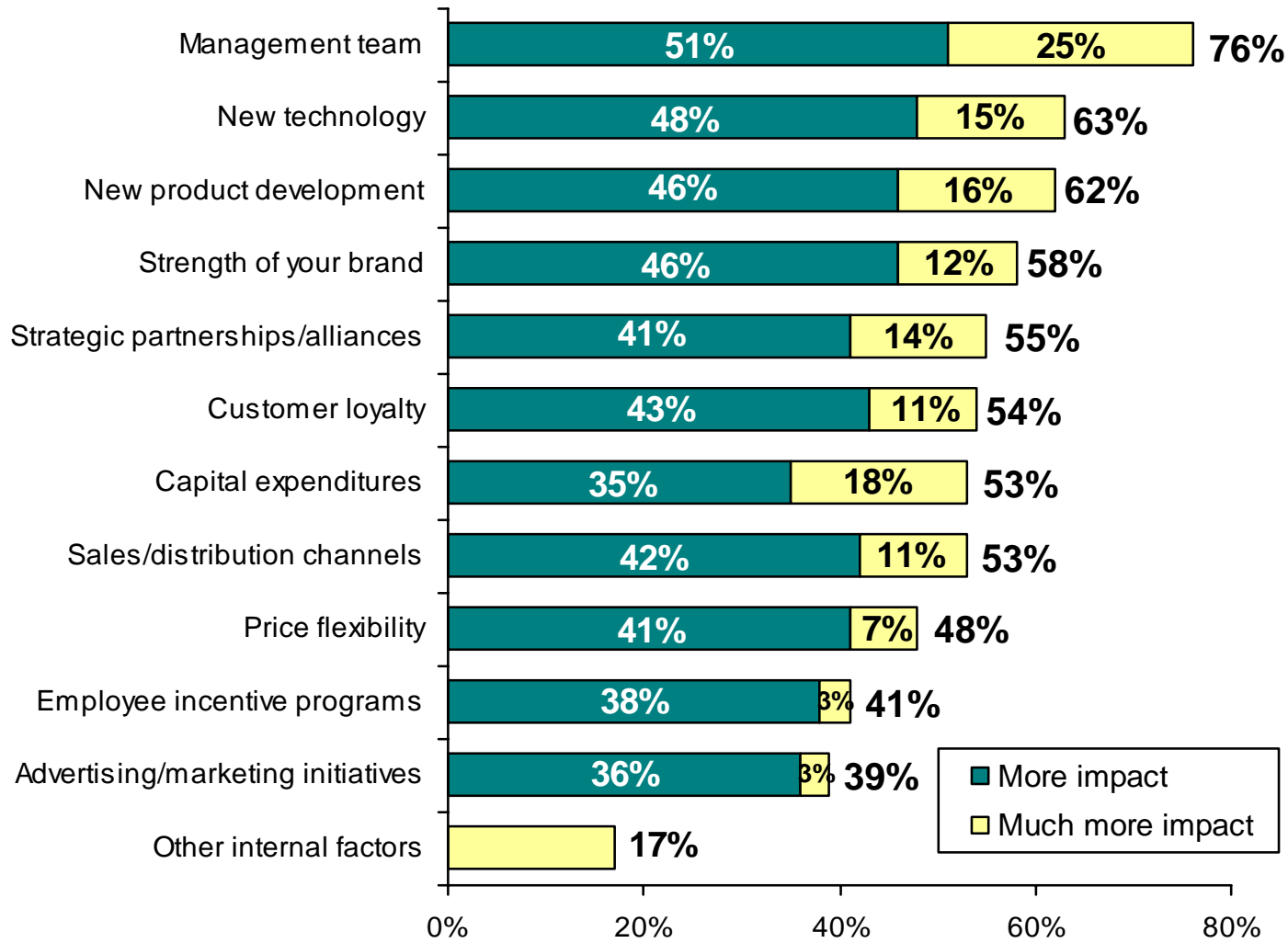
Detailed Findings



Business Opportunities and Challenges

Compared to three years ago, CEOs view their management team as having the greatest impact on revenue growth through 2007, with new technology and new product development in the second tier of factors. Strength of their company's brand is the factor with the fourth greatest impact.

Impact of Internal Factors on Revenue Growth



Q1a: Compared with three years ago, please indicate the likely impact of each of the following internal factors on your company's revenue growth through calendar year 2007. Will each factor have much more impact, more impact, the same amount of impact, less impact or much less impact on your company's revenue growth?

While no single internal factor stands out as having the greatest impact, NYSE CEOs most frequently mention management and capital expenditures as the most important internal factors influencing their company's revenue growth through 2007.

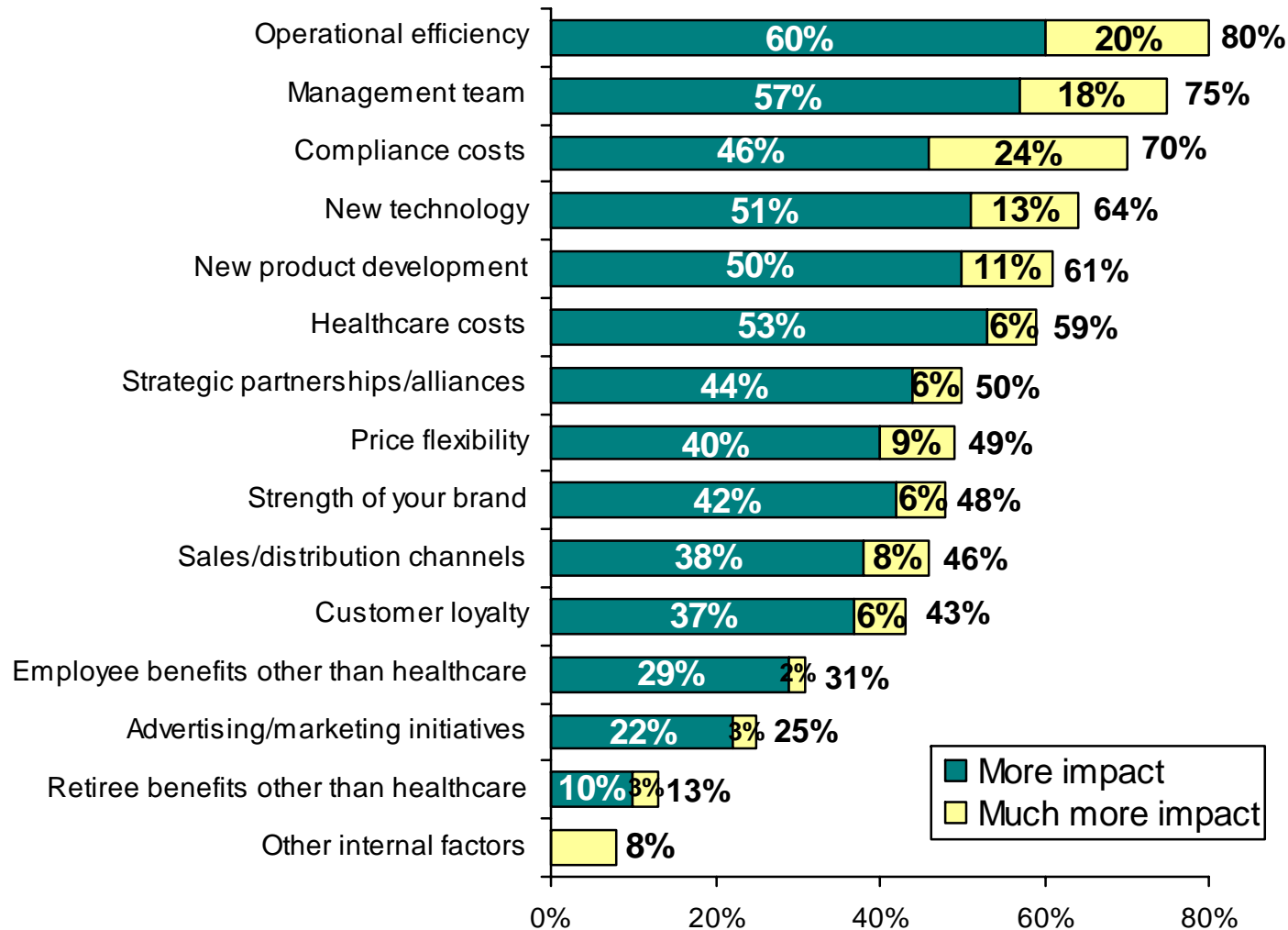
Internal Factor Influencing Revenue Growth with the Greatest Impact



Q1b: Which of these factors do you think will most affect your company's revenue growth through calendar year 2007?

While seven in ten CEOs say compliance costs have a greater impact on profitability than three years ago, issues of operational efficiency lead all other factors.

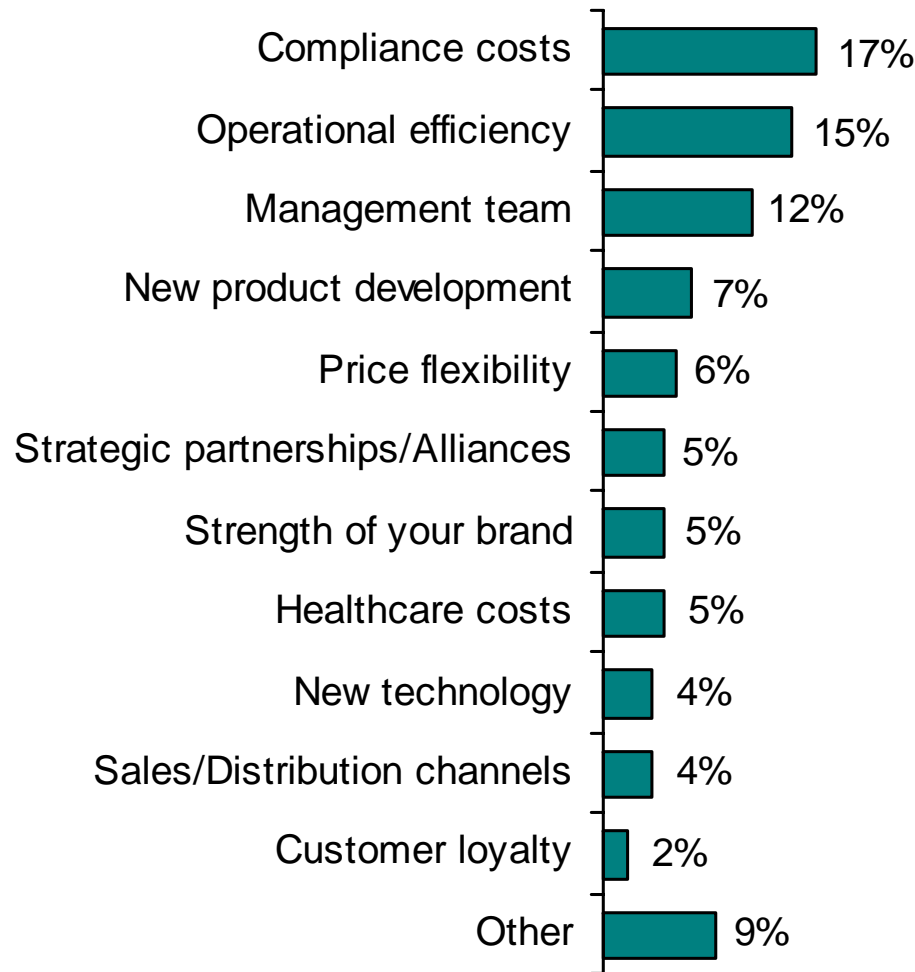
Impact of Internal Factors on Profitability



Q2a: Compared with three years ago, please indicate the likely impact of each of the following internal factors on your company's profitability through calendar year 2007. Will each factor have much more impact, more impact, the same amount of impact, less impact or much less impact on your company's profitability?

CEOs point to compliance costs, operational efficiency and management as the most important factors influencing their company's profitability through 2007.

Most Important Internal Factor Influencing Profitability



Q2b: Which of these factors do you think will most affect your company's profitability through calendar year 2007?

Despite different question wording compared with last year, there appears to be little change in the importance CEOs place on individual internal factors.

Importance of Internal Factors on Revenue Growth and Profitability

	2005			2006		
	More	Much More	Total More	More	Much More	Total More
Management team	50%	22%	72%	51%*/57%**	25%*/18%**	76%*/75%**
Operational efficiency	42%	26%	68%	60%**	20%**	80%**
New product development	42%	20%	62%	46%*/50%**	16%*/11%**	62%*/61%**
New technology	43%	17%	60%	48%*/51%**	15%*/13%**	63%*/64%**
Partnerships/Alliances	47%	9%	56%	41%*/44%**	14%*/6%**	55%*/50%**
Brand equity/Strength of your brand (2006)	42%	4%	46%	46%*/42%**	12%*/6%**	58%*/48%**
Sales/Distribution initiatives	33%	9%	42%	42%*/38%**	11%*/8%**	53%*/46%**
Customer loyalty	37%	6%	43%	43%*/37%**	11%*/6%**	54%*/43%**
Price flexibility	45%	13%	58%	41%*/40%**	7%*/9%**	48%*/49%**
Advertising/Marketing initiatives	32%	-	32%	36%*/22%**	3%*/3%**	39%*/25%**

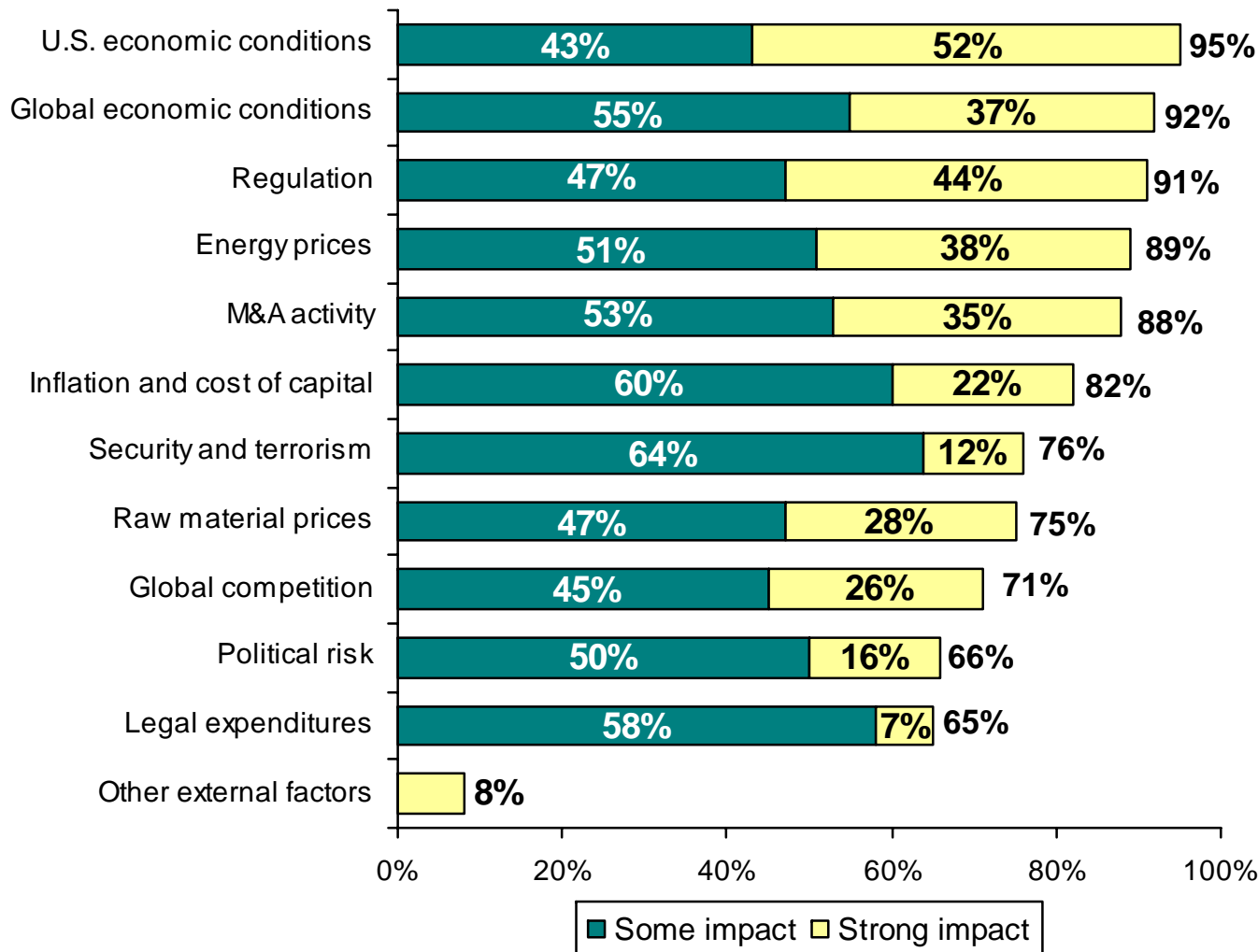
NOTE: All 2005 factors measured for impact on performance over the next five years

*Compared with three years ago, likely impact on company's revenue growth through calendar year 2007

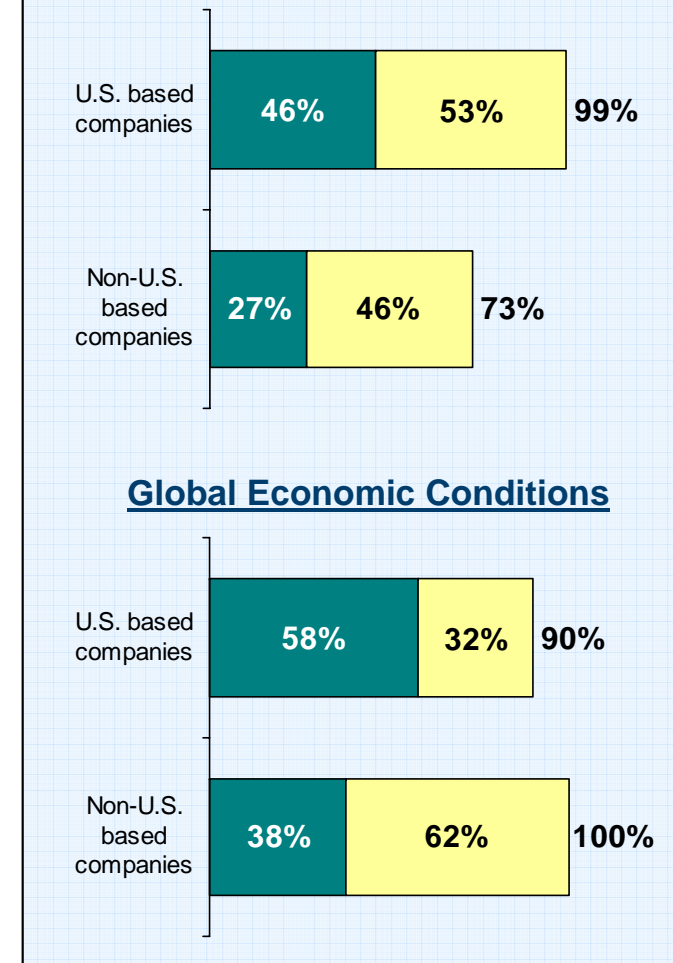
**Compared with three years ago, likely impact on company's profitability through calendar year 2007

While economic conditions lead the way, NYSE CEOs view regulation, energy prices and M&A activity as just as important external influences on their company's growth.

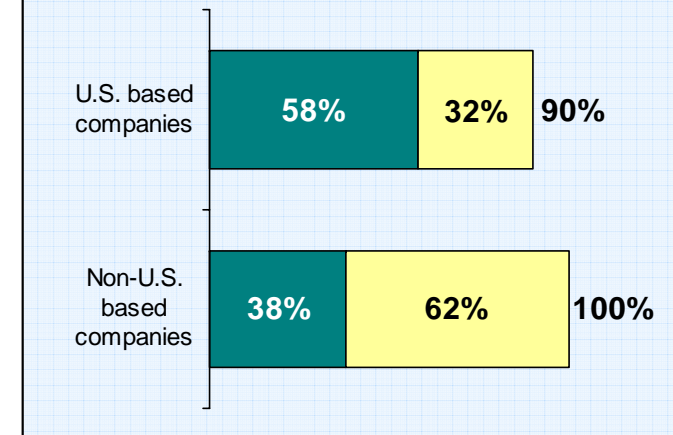
Impact of External Factors on Overall Growth



U.S. Economic Conditions



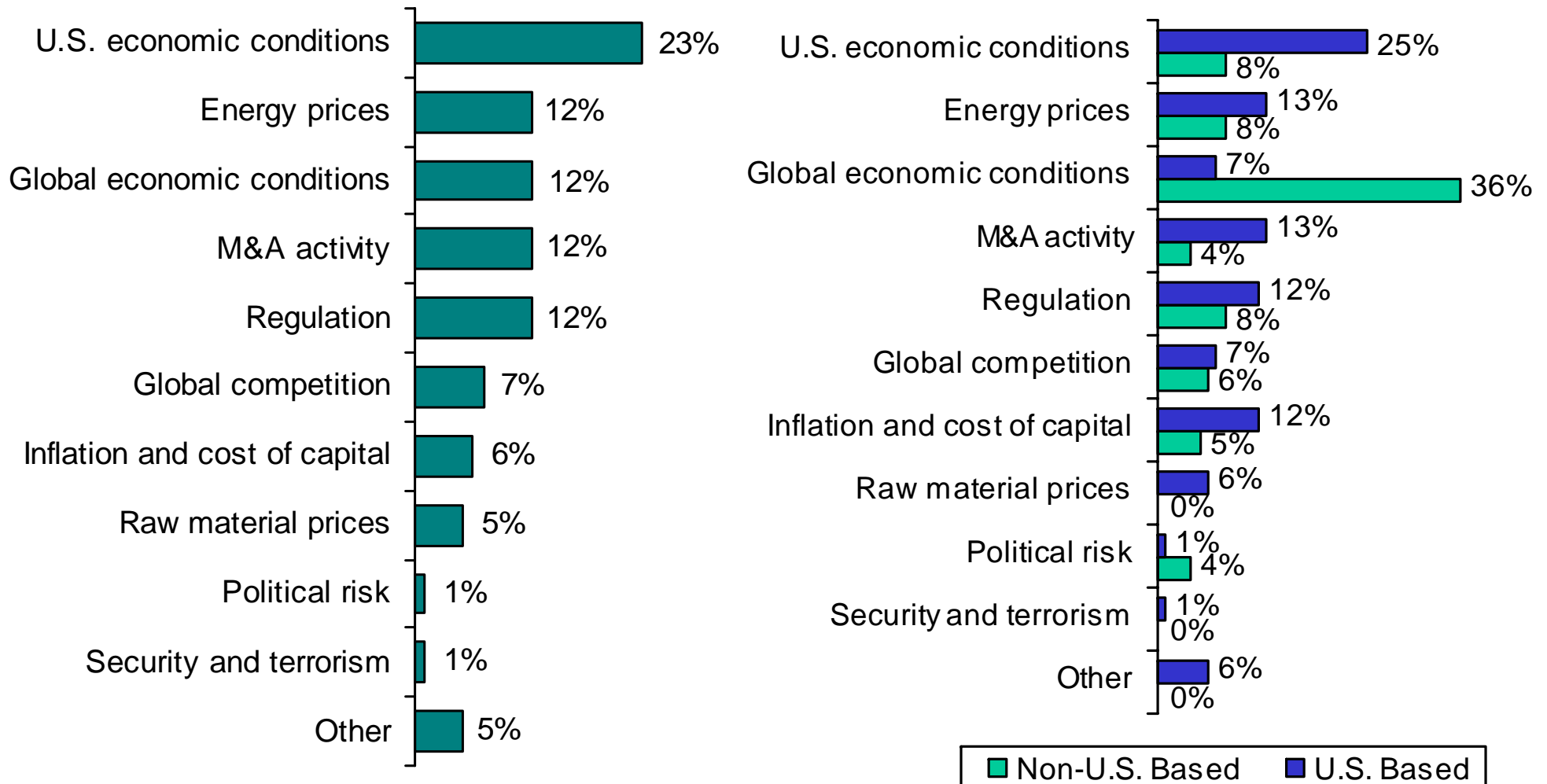
Global Economic Conditions



Q3a: How much impact do you think each of the following external factors will have on your company's overall growth through calendar year 2007? Will each factor have a strong impact, some impact or no impact on your company's overall growth?

U.S. economic conditions are considered the external factor which will have the most impact on company growth through 2007. For companies based outside the United States, global economic conditions are most important (36%).

Factor with Most Impact on Company's Overall Growth



Q3b: Which of the following external factors do you think will have the most impact on your company's overall growth through calendar year 2007?

Spurred by a stronger U.S. economy, American economic conditions are viewed as having a stronger impact on profitability this year than last. Energy costs are also seen as having more impact this year than last.

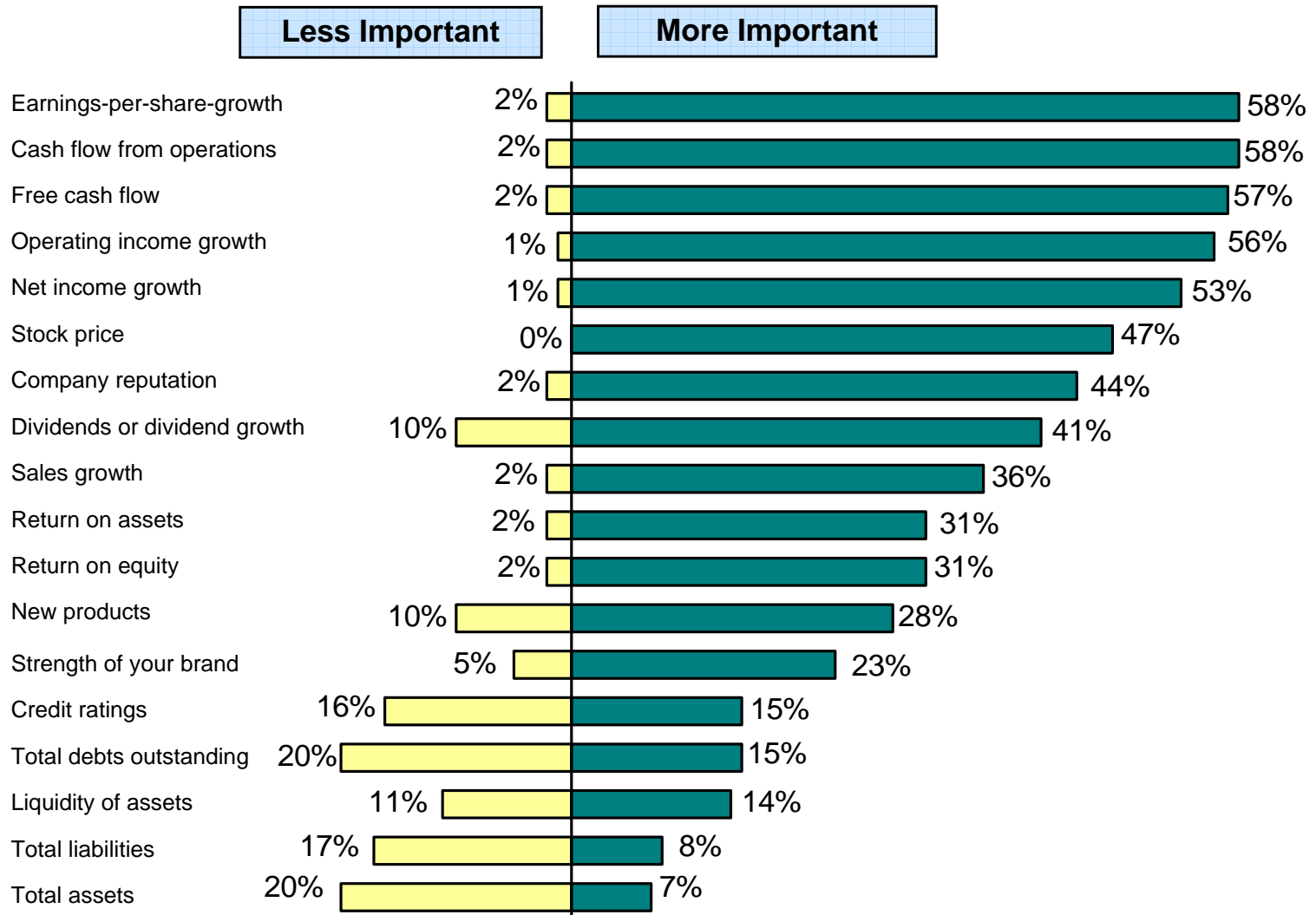
Strong Impact

	2005		2006
	2006	Next 5 Years	
Changing global economic conditions/Global economic conditions (2006)	23%	30%	37%
Changing domestic economic conditions/U.S. economic conditions (2006)	17%	27%	52%
Energy costs/Energy prices	27%	26%	38%
Overregulation/Regulation (2006)	32%	42%	44%
Foreign competition/Global competition (2006)	14%	22%	26%
Cost of capital/Inflation and cost of capital (2006)	14%	17%	22%
Political risk	12%	15%	16%
Security and terrorism	11%	14%	12%

NOTE: All 2005 factors measured for impact on company profitability in 2006 and over the next five years. All 2006 factors measured for impact on company's overall growth through calendar year 2007.

CEOs think short-term measures of company health are more important measures of performance than they were three years ago. More than four in ten say company reputation is more important than three years ago.

Importance of Performance Measures Compared with Three Years Ago



NOTE: In 2005 study the “about the same” option was not given as a choice, so percentages for both more and less important are higher for most factors
 Q4: Compared with three years ago, are each of the following performance measures more important, about the same in importance, or less important to shareholder?

CEOs at larger companies are more likely than average to think company reputation and dividends/dividends growth is more important than it was three years ago. They are also more likely to think outstanding debt is less important than it used to be.

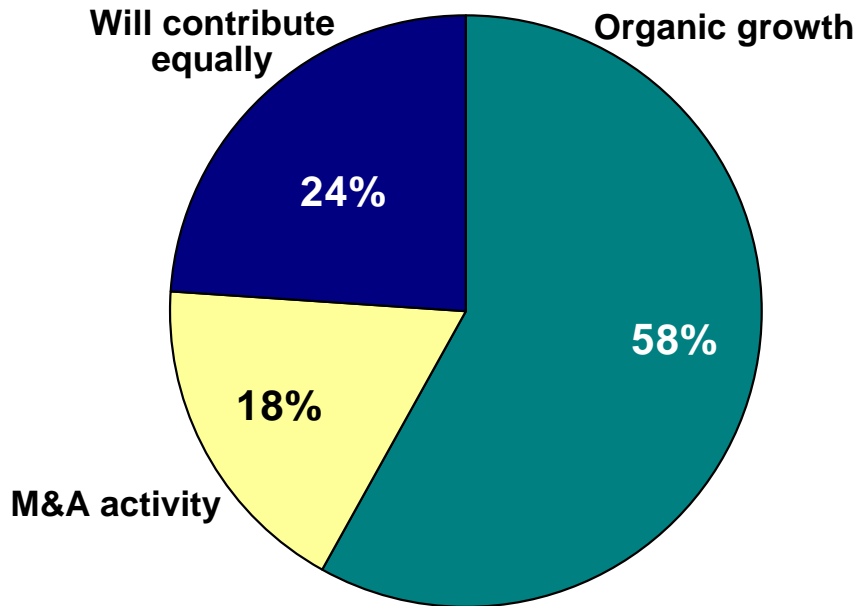
Importance of Performance Measures Compared with Three Years Ago

	<\$1 Billion		\$1 Billion - <\$3 Billion		\$3 Billion+	
	Less	More	Less	More	Less	More
Earnings-per-share-growth	4%	60%	4%	46%	-	64%
Cash flow from operations	-	58%	2%	54%	3%	60%
Free cash flow	-	58%	2%	52%	3%	59%
Operating income growth	-	58%	2%	50%	-	59%
Net income growth	-	45%	2%	53%	-	59%
Stock price	-	52%	-	35%	-	51%
Company reputation	4%	31%	2%	52%	-	48%
Dividends or dividend growth	6%	31%	17%	37%	8%	51%
Sales growth	-	31%	2%	28%	4%	45%
Return on assets	2%	40%	2%	24%	3%	29%
Return on equity	2%	37%	-	22%	4%	32%
New products	4%	25%	15%	26%	11%	31%
Strength of your brand	2%	15%	4%	22%	7%	28%
Credit ratings	12%	13%	22%	20%	15%	13%
Total debt outstanding	10%	20%	24%	17%	25%	9%
Liquidity of assets	10%	15%	13%	17%	11%	11%
Total liabilities	15%	10%	22%	9%	15%	5%
Total assets	12%	10%	22%	11%	24%	3%

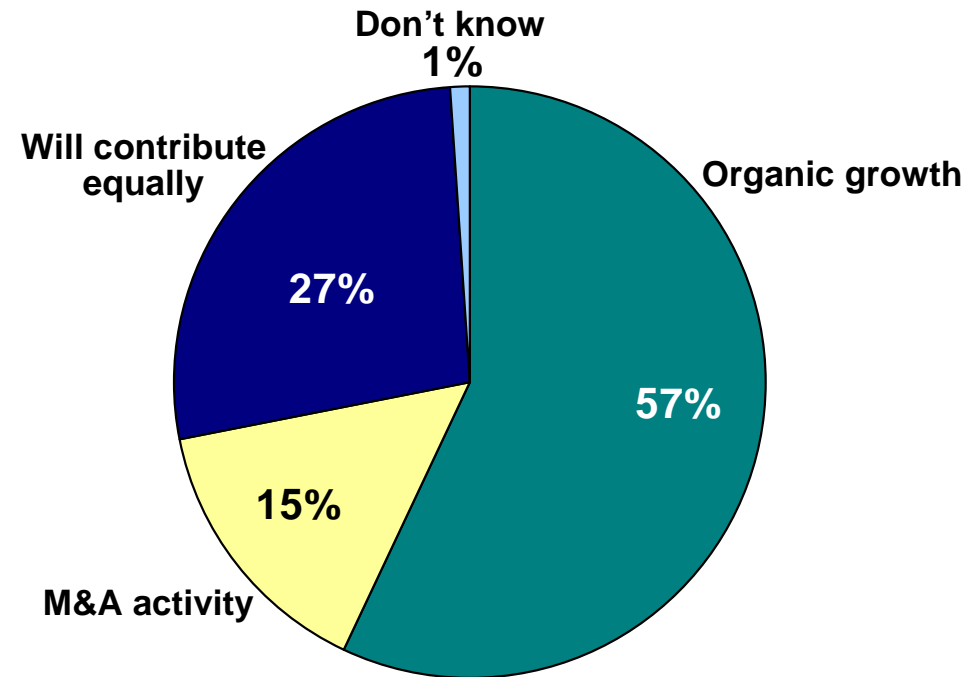
Q4: Compared with three years ago, are each of the following performance measures more important, about the same in importance, or less important to shareholder?

Most CEOs think revenue growth in their industry and within their individual companies will be derived far more from organic growth than M&A activity through 2007.

Industry Growth Primarily Derived From:



Company Growth Primarily Derived From:



- Q5A: Through calendar year 2007, do you expect that revenue growth for your industry will be primarily derived from M&A activities, organic growth or will they contribute equally?
- Q5B: Through calendar year 2007, do you expect the rate of revenue growth for your own company will be primarily derived from M&A activities, organic growth or will they contribute equally?

There is little difference in where CEOs at larger and smaller companies think revenue growth will be derived from through 2007. CEOs at financial service companies are more likely than others to think organic growth will be the prime source of revenue growth for their companies.

Expectations of Source of Revenue Growth

	Market Capitalization			Industry				
	<\$1 Billion	\$1 Billion - <\$3 Billion	\$3 Billion+	Retail/Cons Products	Energy	Financial Services	Manu- facturing	Business Services
Industry Growth Will Primarily Be Derived From								
Organic Growth	58%	65%	54%	59%	48%	63%	60%	56%
M&A Activity	21%	15%	17%	11%	23%	12%	21%	24%
Will Contribute Equally	21%	20%	29%	30%	29%	25%	19%	20%
Company Growth Will Primarily Be Derived From								
Organic Growth	60%	55%	58%	58%	51%	71%	49%	57%
M&A Activity	20%	16%	11%	19%	23%	2%	17%	17%
Will Contribute Equally	20%	27%	32%	23%	23%	26%	34%	26%
Don't Know	-	2%	-	-	3%	-	-	-

Q5A: Through calendar year 2007, do you expect that revenue growth for your industry will be primarily derived from M&A activities, organic growth or will they contribute equally?

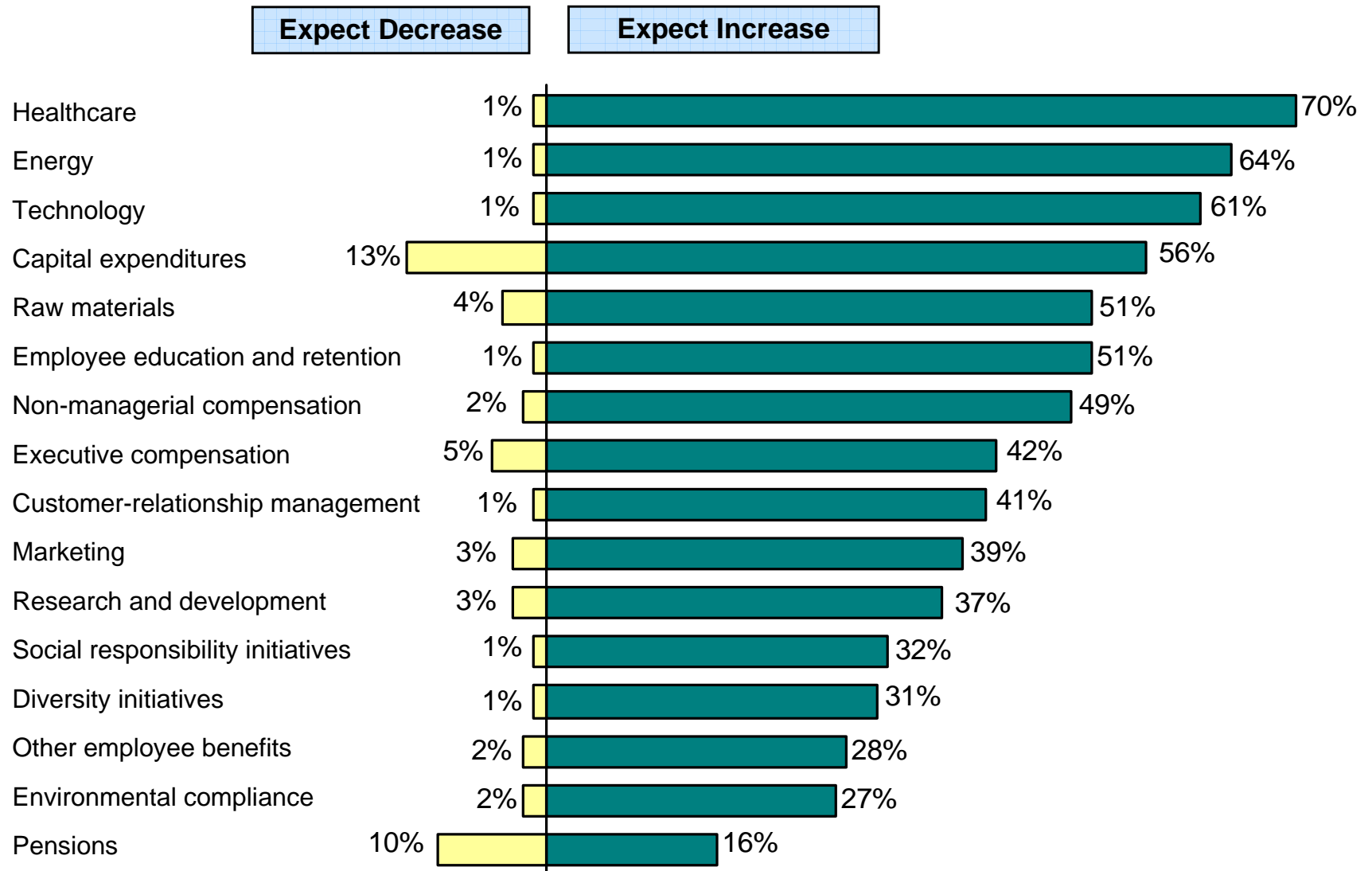
Q5B: Through calendar year 2007, do you expect the rate of revenue growth for your own company will be primarily derived from M&A activities, organic growth or will they contribute equally?



Outlays and Expectations

CEOs see budget increases for every area, with majorities expecting healthcare, energy, technology and capital expenditure budget increases.

Expected Budget Through 2007



Q6A: For each of the following areas that I read, please tell me whether you expect the budget for this for your company will increase, stay about the same or decrease through calendar year 2007.

While budget increases are expected for many areas, they generally are expected to be less than ten percent. The largest percentage increases are for healthcare, energy, technology, and capital expenditures.

	Decrease				Stay Same	Increase			
	>15%	11-15%	5%-10%	<5%		<5%	5%-10%	11-15%	>15%
Healthcare	-	-	-	1%	30%	6%	37%	12%	3%
Energy	1%	-	1%	-	35%	11%	23%	12%	6%
Technology	1%	-	1%	-	38%	10%	28%	7%	3%
Capital expenditures	3%	2%	5%	3%	32%	5%	19%	9%	14%
Raw materials	1%	-	3%	-	44%	10%	24%	3%	5%
Employee education and retention	-	-	-	1%	49%	14%	20%	4%	2%
Non-managerial compensation	-	1%	1%	1%	49%	24%	13%	3%	-
Executive compensation	1%	1%	2%	1%	54%	13%	17%	4%	2%
Customer-relationship management	-	-	-	1%	58%	11%	15%	5%	2%
Marketing	-	-	2%	1%	57%	7%	17%	6%	2%
Research and development	1%	-	1%	1%	60%	6%	18%	3%	2%
Social responsibility initiatives	-	-	-	1%	67%	8%	14%	-	2%
Diversity initiatives	-	-	-	1%	68%	6%	12%	2%	4%
Other employee benefits	-	-	1%	1%	70%	12%	9%	1%	-
Environmental compliance	-	-	-	2%	70%	7%	11%	1%	2%
Pensions	2%	2%	4%	2%	72%	3%	6%	2%	1%

Q6B: For each of the following areas that I read, please tell me whether you expect the budget for this for your company will increase, stay about the same or decrease through calendar year 2007.

Changes in question wording complicate comparisons between 2006 and 2005 results. However, areas which were expected to receive the largest increases last year are the same areas where CEOs expect substantial increases through 2007.

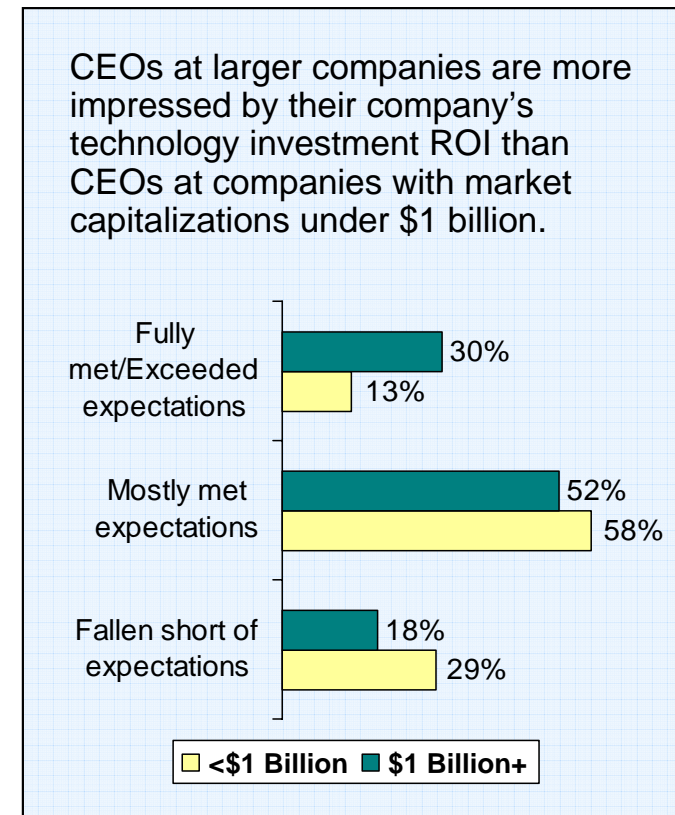
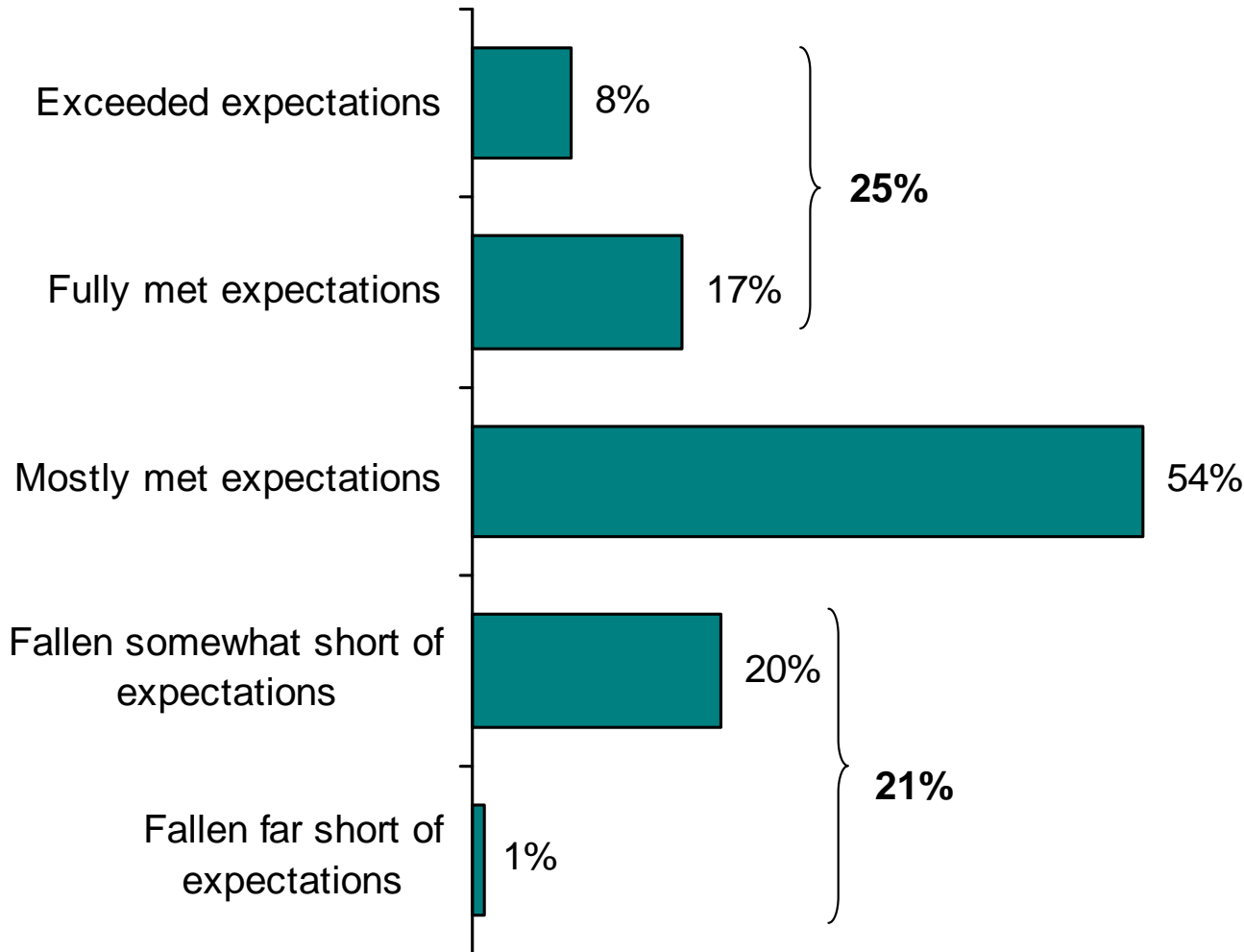
Expected Budget Increase

	2005		2006	
	11-15%	>15%	11-15%	>15%
Capital expenditures	17%	16%	9%	14%
Energy costs	19%	7%	13%	8%
Technology costs	16%	8%	9%	4%
Environmental compliance	15%	7%	1%	2%
Employee education/and retention (2006)	10%	8%	4%	2%
Research and development	10%	7%	3%	2%
Marketing expenditures	12%	5%	6%	2%
Labor costs (rank and file)/Non-managerial compensation	12%	4%	4%	2%
Raw materials	10%	4%	3%	5%
Social responsibility initiatives	9%	2%	1%	2%
Pension funding	6%	3%	2%	1%

NOTE: All 2005 areas measured as likely increases over the next five years. All 2006 areas measured as expected increases through calendar year 2007.

Only one in four CEOs say the ROI of their technology investments fully met or exceeded their expectations. CEOs of companies with less than \$1 billion of market cap are the most disappointed.

ROI of Company's Technology Investments

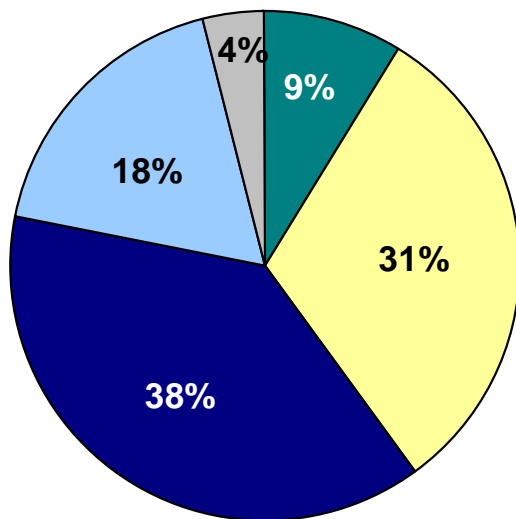


Q7: Has the ROI of your company's technology investments exceeded your expectations, fully met your expectations, mostly met your expectations, fallen somewhat short of your expectations or fallen far short of your expectations?

Compared with three years ago, CEOs think it is easier rather than more difficult to **attract** customers, employees, and particularly investors.

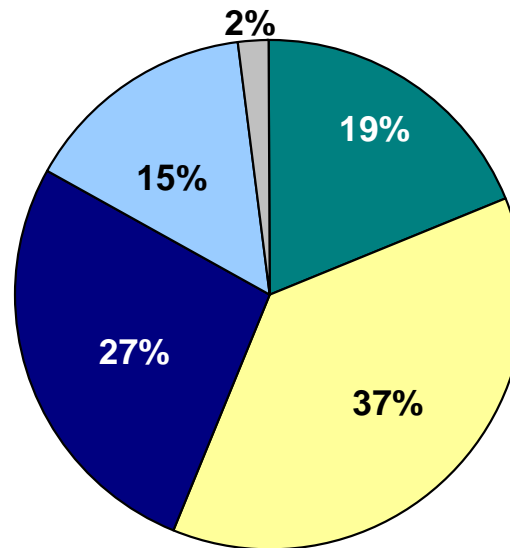
Ease or Difficulty in Attracting Customers, Investors and Employees Compared With Three Years Ago

Customers



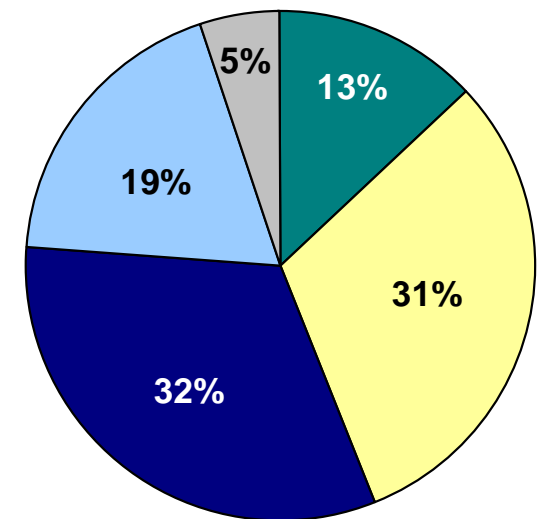
Easier 40%
More Difficult 22%

Investors



Easier 56%
More Difficult 17%

Employees



Easier 44%
More Difficult 25%

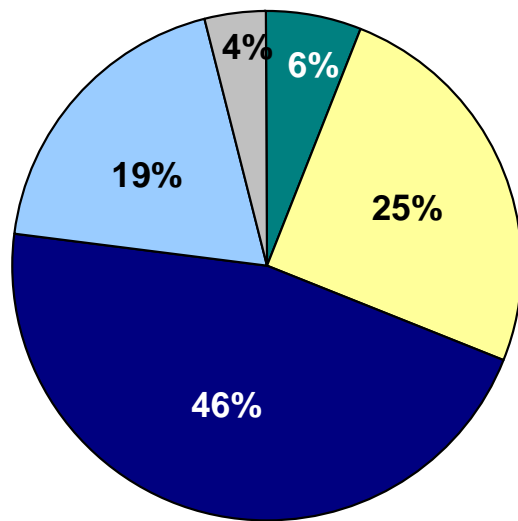
■ Much easier ■ Somewhat easier ■ About the same ■ Somewhat more difficult ■ Much more difficult

Q9A: Compared with three years ago, how much easier or more difficult is it for your company to attract customers, investors and employees? Is it much easier, somewhat easier, about the same, somewhat more difficult or much more difficult?

More CEOs think it is easier rather than more difficult to **retain** investors and customers compared with three years ago. An equal number, however, think it is more difficult to retain employees as think it is easier.

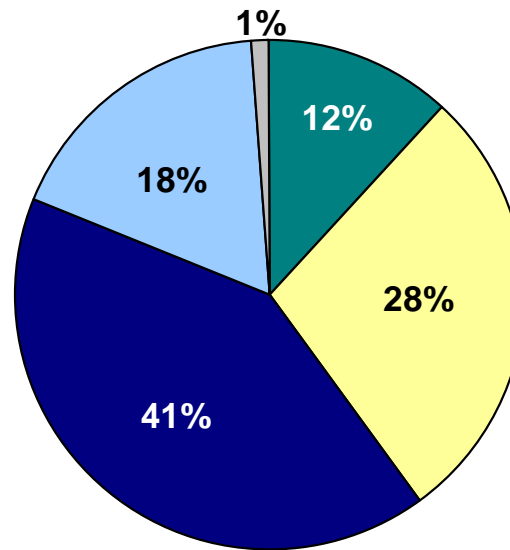
Ease or Difficulty in Retaining Customers, Investors and Employees Compared With Three Years Ago

Customers



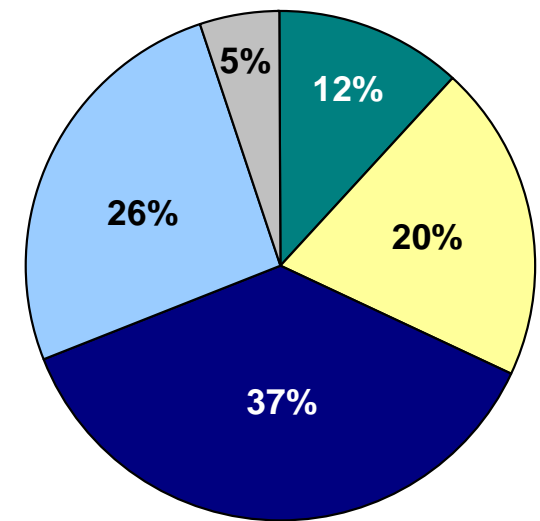
Easier 31%
More Difficult 23%

Investors



Easier 40%
More Difficult 19%

Employees



Easier 32%
More Difficult 31%

■ Much easier ■ Somewhat easier ■ About the same ■ Somewhat more difficult ■ Much more difficult

Q9A: Compared with three years ago, how much easier or more difficult is it for your company to attract customers, investors and employees? Is it much easier, somewhat easier, about the same, somewhat more difficult or much more difficult?

Base: Total responding (n=171-172 depending on question)

Compared with last year, CEOs think it is easier now to **attract** customers and investors and to **retain** customers.

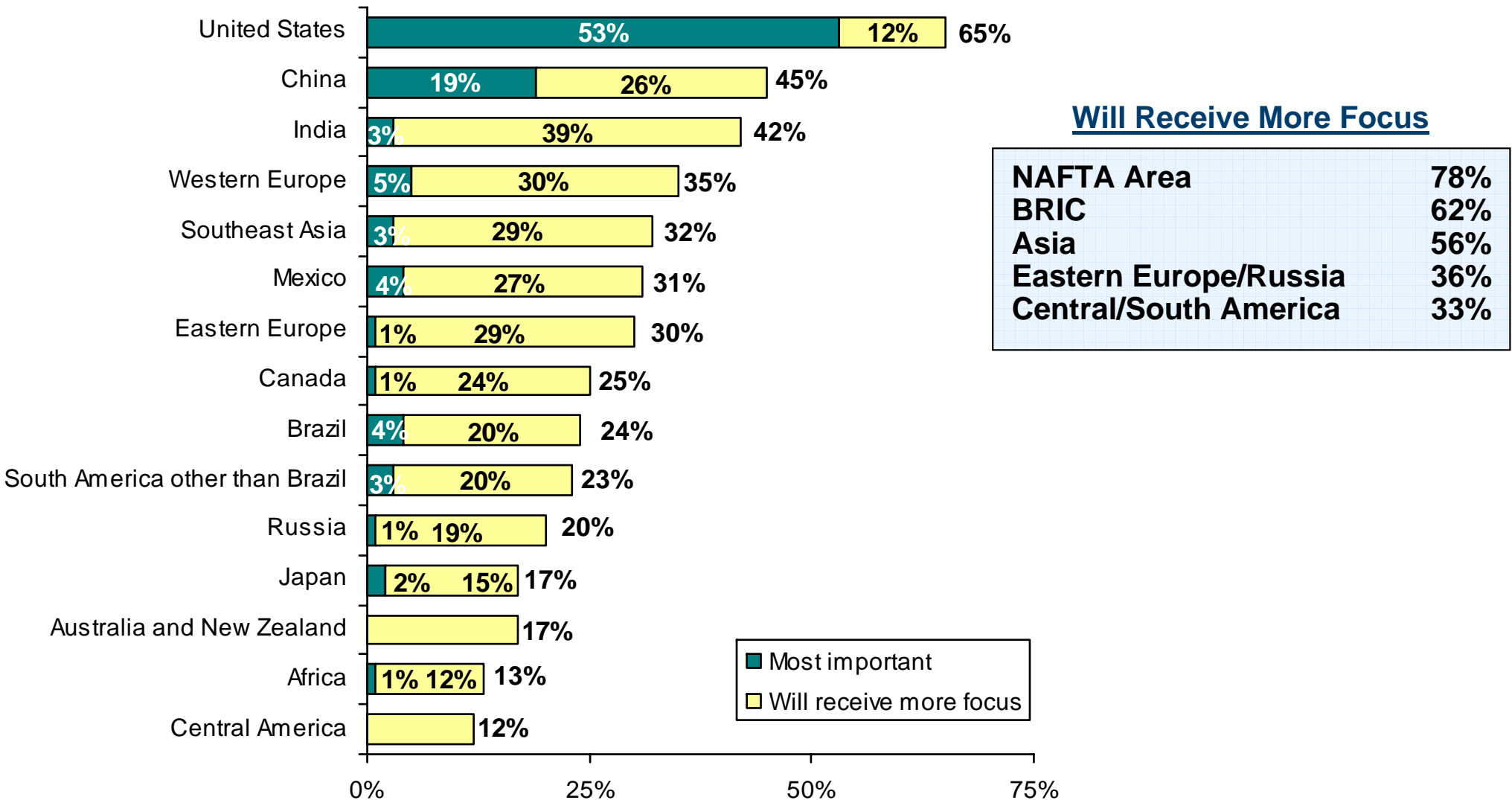
Ease or Difficulty Attracting or Retaining Customers, Investors and Employees

	2005			2006		
	Easier	About the Same	More Difficult	Easier	About the Same	More Difficult
Attracting						
Customers	26%	35%	33%	40%	38%	22%
Investors	37%	31%	25%	56%	27%	17%
Employees	49%	24%	24%	44%	32%	24%
Retaining						
Customers	22%	41%	34%	31%	46%	23%
Investors	32%	37%	25%	40%	41%	19%
Employees	36%	41%	22%	32%	37%	31%



Global Operations

The United States is the country where CEOs plan to focus more through 2007, followed by China and India.



Q11A: As part of your strategic planning, which of the following regions will receive more focus through calendar year 2007?
 Q11B: Which one of these regions would you say is the strategically MOST important to you?

About six in ten CEOs whose company is based in the United States say the U.S. is their company's strategically most important region. Non-U.S. based companies are more strategic in their focus.

	U.S. Based		Non-U.S. Based	
	More Focus	Most Important	More Focus	Most Important
NAFTA Area	83%	63%	57%	30%
United States	71%	59%	36%	22%
Mexico	34%	3%	18%	7%
Canada	29%	1%	7%	-
BRIC (not exclusive of other areas)	59%	22%	75%	48%
Asia	57%	27%	54%	26%
China	46%	19%	39%	22%
India	44%	3%	36%	4%
Southeast Asia	35%	4%	18%	-
Japan	16%	2%	21%	-
Eastern Europe/Russia	37%	1%	32%	4%
Eastern Europe	32%	1%	21%	-
Russia	21%	-	18%	4%
Western Europe	34%	5%	39%	7%
Central/South America	29%	2%	50%	30%
Brazil	23%	1%	32%	19%
South America other than Brazil	19%	1%	39%	11%
Central America	14%	-	4%	-
Australia and New Zealand	19%	-	7%	-
Africa	12%	1%	14%	4%

Q11A: As part of your strategic planning, which of the following regions will receive more focus through calendar year 2007?

Q11B: Which one of these regions would you say is the strategically MOST important to you?

Comparing the 2005 and 2006 results, it's difficult to tell if the question wording and/or the sample of companies which participated in 2005 and 2006 affected the results. China's gains appear to be Japan's loss.

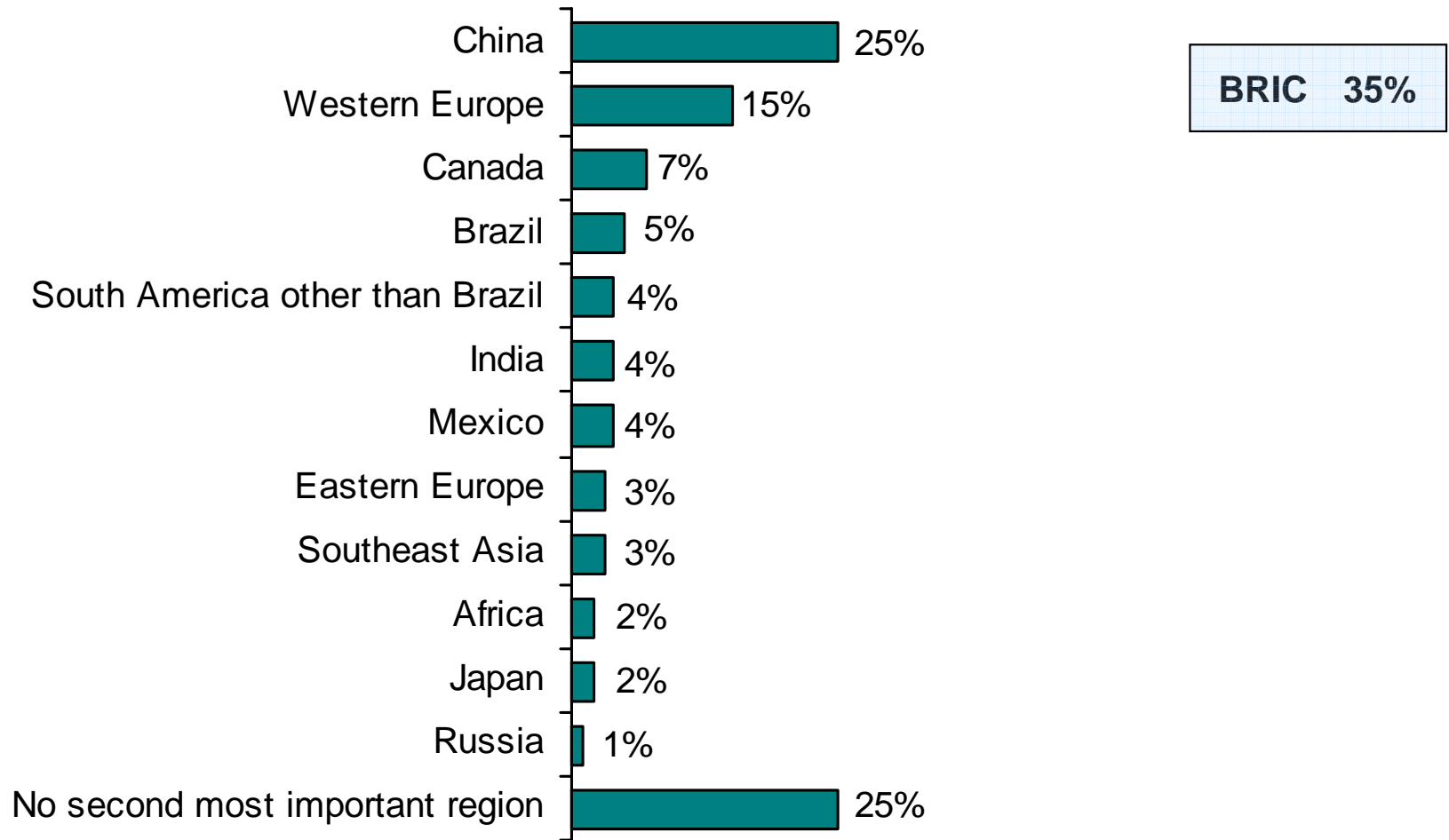
	2005 – Shows Most Promise	2006 – Most Important*
United States	46%	53%
China	0%	19%
South America, including Brazil	6%	7%
Western Europe	5%	5%
Mexico	2%	4%
India	1%	3%
South Asia/Southeast Asia (2006)	2%	3%
Japan	17%	2%
Russia	1%	2%
Eastern Europe	2%	1%
Canada	0%	1%
Russia	1%	1%
Africa	0%	1%
BRIC (2005 includes all of South America)	8%	26%

NOTE: 2005 question asked about “countries and regions which show the most promise for your company’s growth in the next five years.”

*Q11B: Which one of these regions would you say is the strategically MOST important to you?

When those who say the United States is their company’s strategically most important region are asked which region is second most important, China jumps to the top of the list, followed by Western Europe. The low number for India shows that, while it is certainly receives more focus than in the past, China is the key target in Asia.

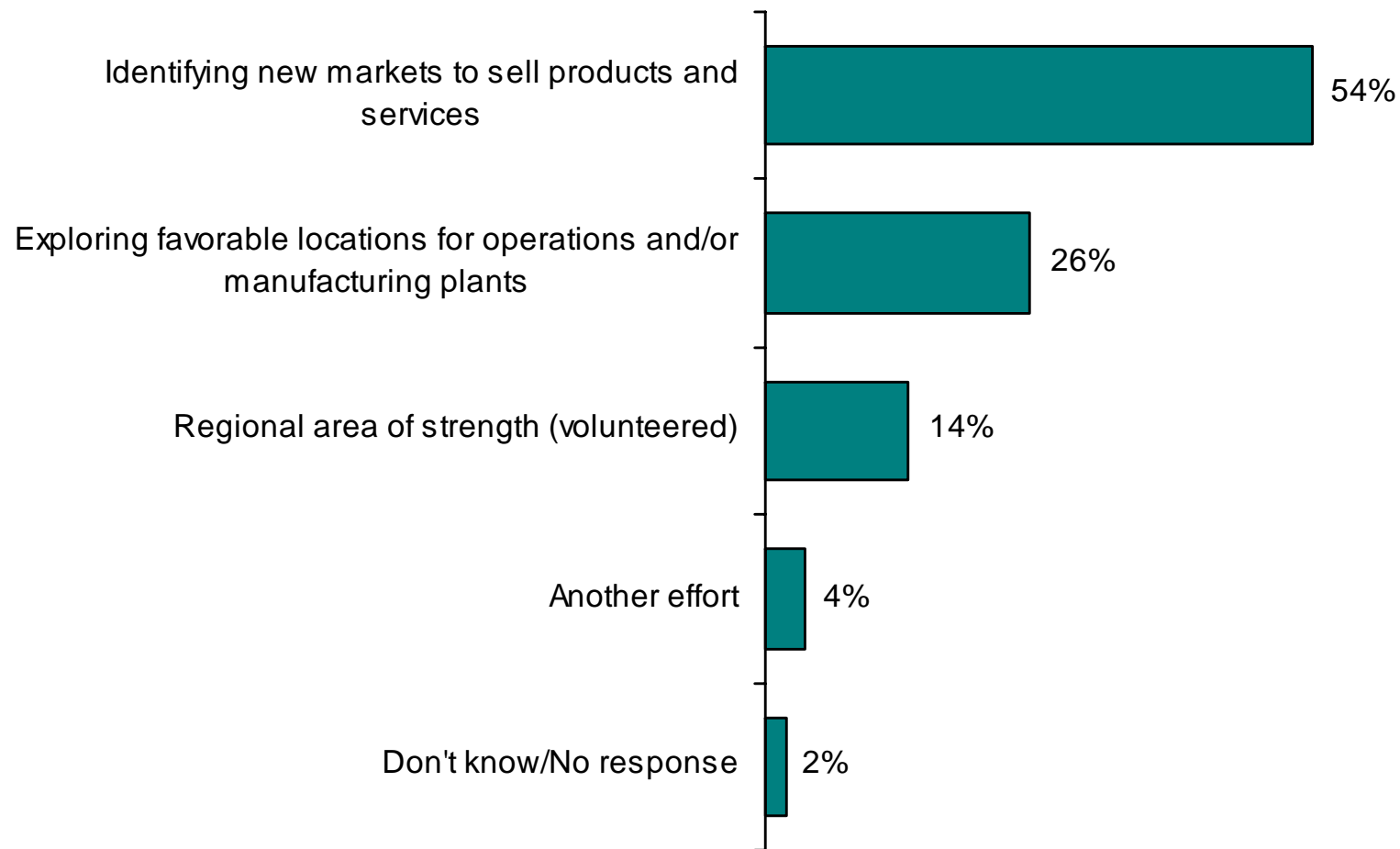
Strategically Most Important, Other than United States



Q11B: Which one of these regions would you say is the strategically MOST important to you?

The most common reason CEOs say their company is focusing on a particular area is to identify new markets to sell products and services.

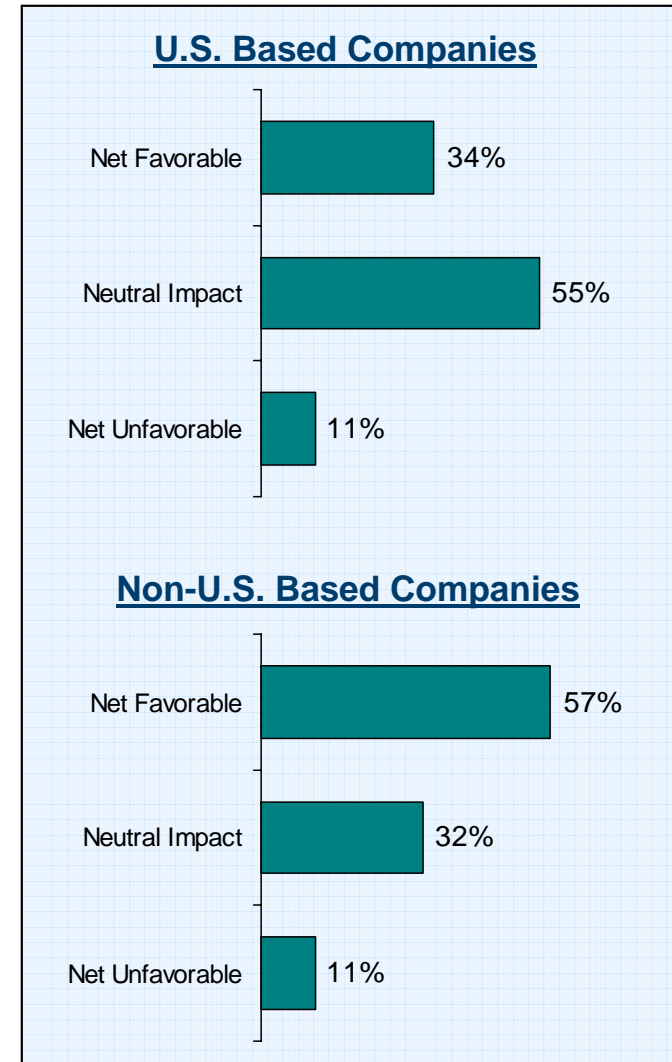
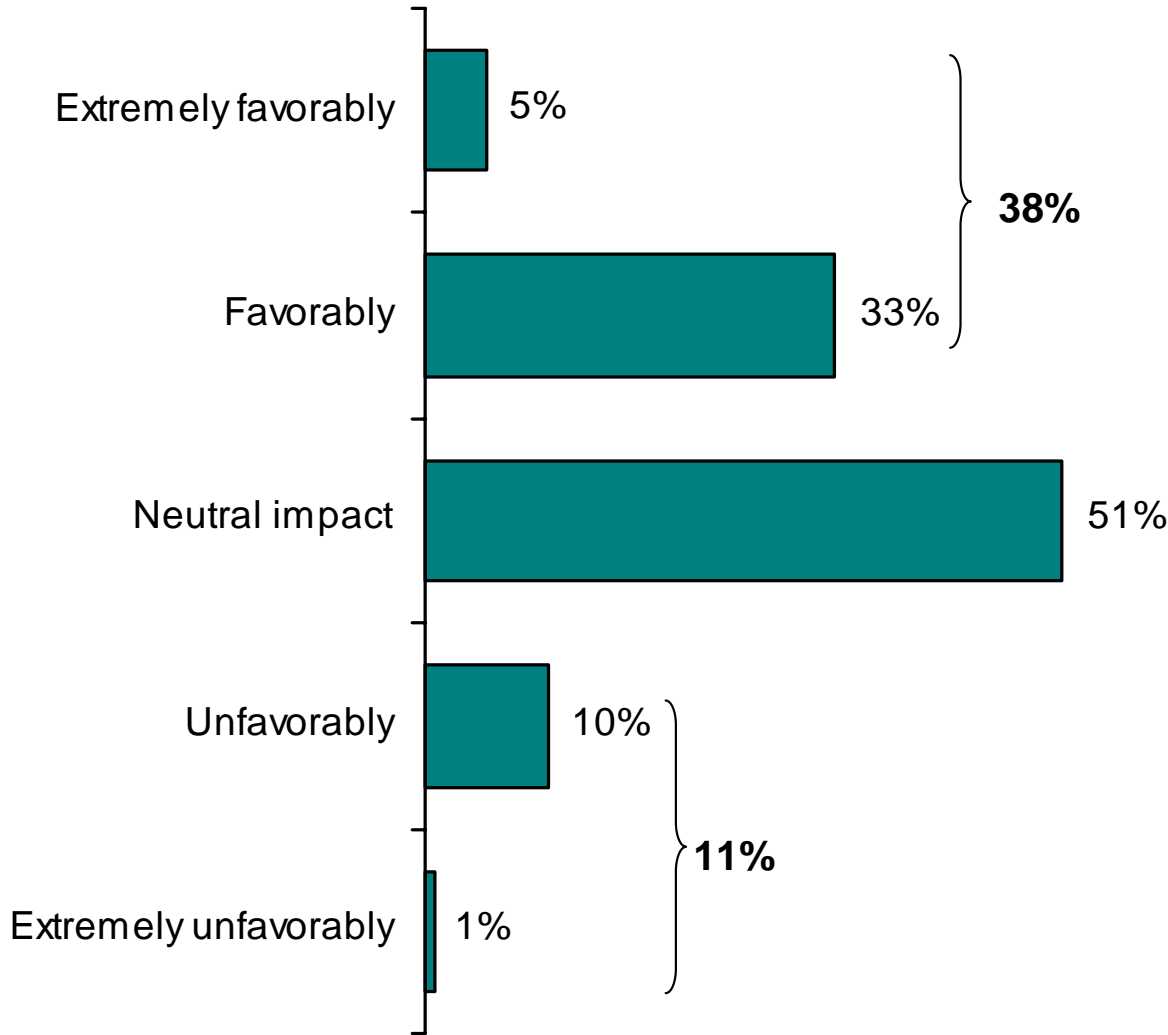
Focus on Strategically Most Important Region Primarily Related To



Q11D: Is your focus primarily related to exploring favorable locations for operations and/or manufacturing plants, identifying new markets to sell products and services or another effort?

CEOs are three times as likely to say the impact of the global trade environment on their business is positive rather than negative. CEOs of U.S. based companies are far more likely than those outside the U.S. to think the impact is neutral rather than favorable.

Impact of Global Trade Environment on Your Business

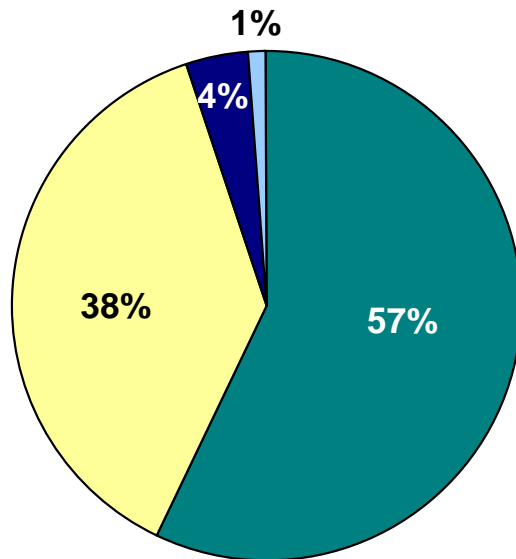


Q12: Which of the following best describes how the current global trade environment affects your business?

A majority of NYSE CEOs view emerging markets as an opportunity. However, larger companies and those based outside the United States are much more positive about emerging markets than smaller companies and those based in the U.S.

View of Emerging Markets Through 2007

Total



	Opportunity	Neutral	Threat	Don't Know
Market Cap				
<\$1 billion	33%	57%	10%	-
\$1 billion+	66%	30%	2%	2%
Home Country				
U.S.	51%	43%	4%	2%
Non-U.S.	82%	14%	4%	-

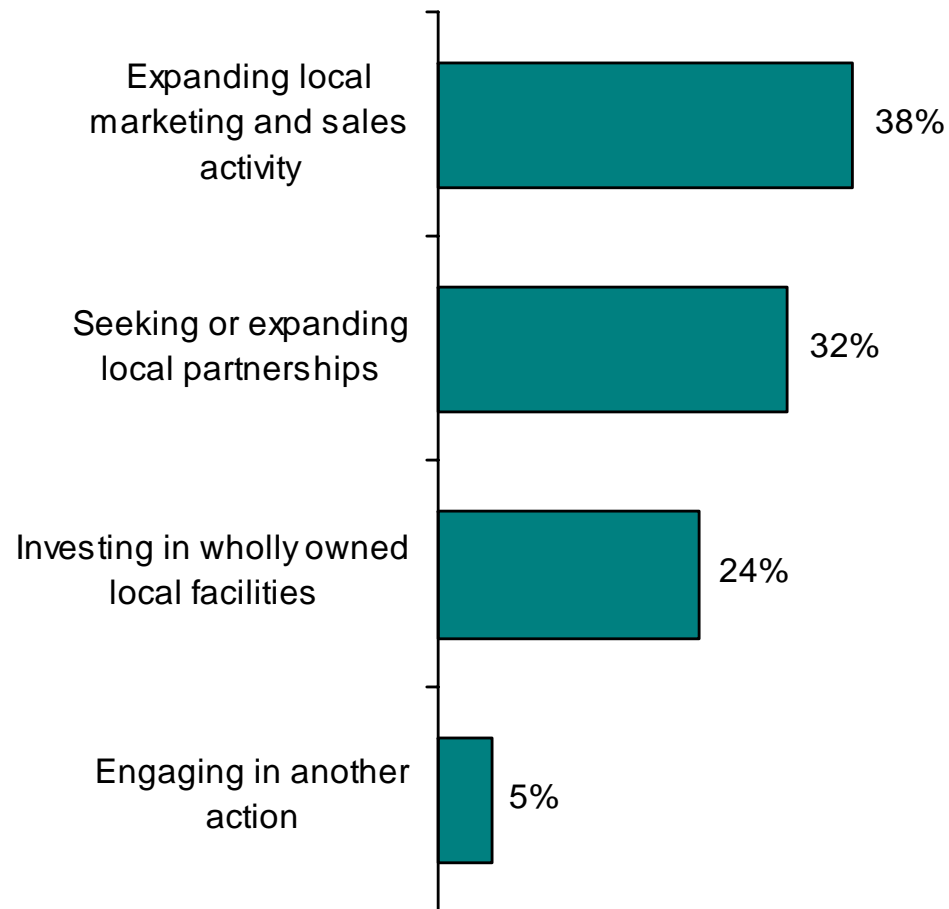
2005: 62% opportunity, 1% threat



Q13A: On balance, which of the following statements best describes your view of emerging markets through calendar year 2007?

Expanding local marketing and sales activity, seeking or expanding local partnerships, and investing in wholly owned local facilities are the most common actions CEOs who see emerging markets as opportunities plan to take to maximize their company's opportunity.

Best Description of How Plan to Maximize Opportunity of Emerging Markets

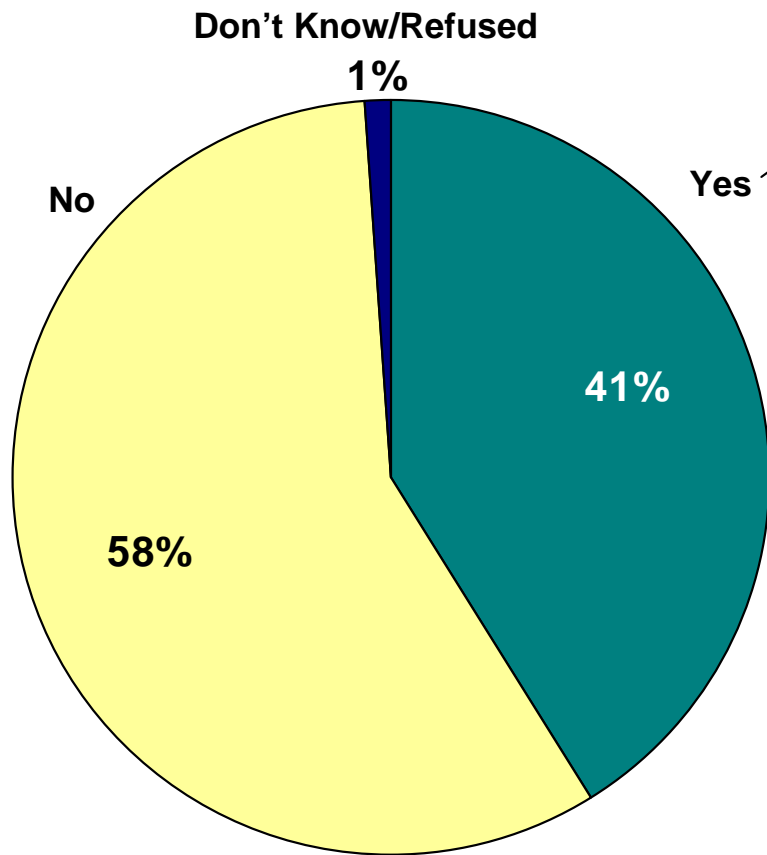


Q13B: Since emerging markets represent an opportunity, which SINGLE action best describes how you plan to maximize the opportunity through calendar year 2007?

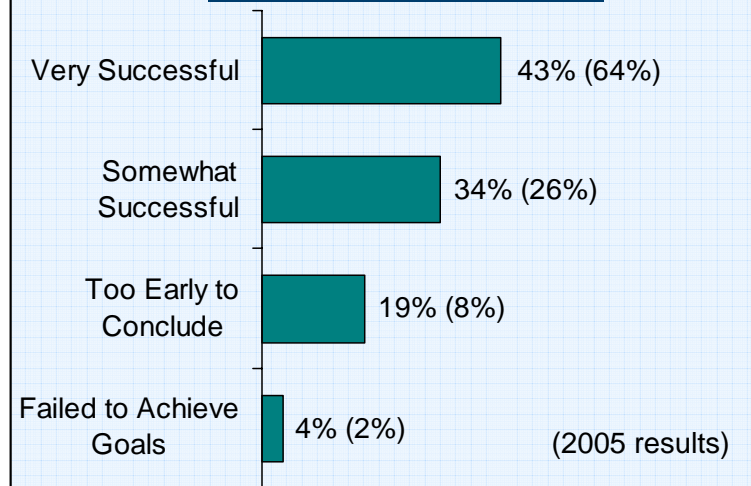
Base = Those seeing emerging markets as opportunity

Forty-one percent of CEOs say their company has moved operations offshore at some time. The vast majority rate their experience as successful and very few have repatriated operations or are considering doing so. However, compared to 2005, fewer are as enthusiastic.

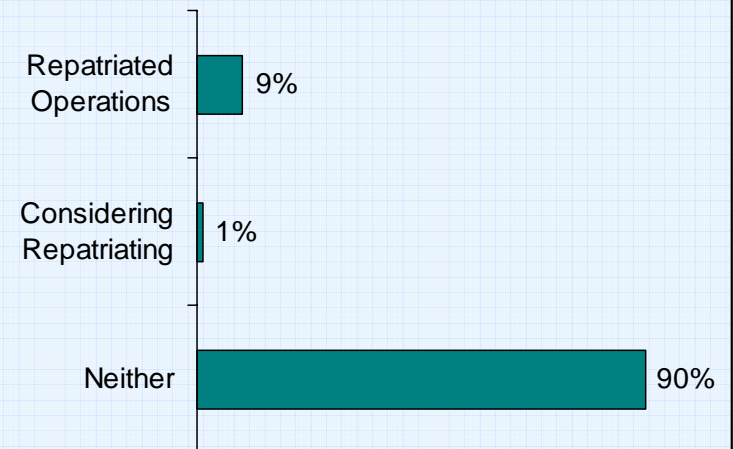
Company Ever Moved Any Operations Offshore



Result of Offshoring



Repatriation of Operations



Q14: Has your company ever moved any operations offshore?

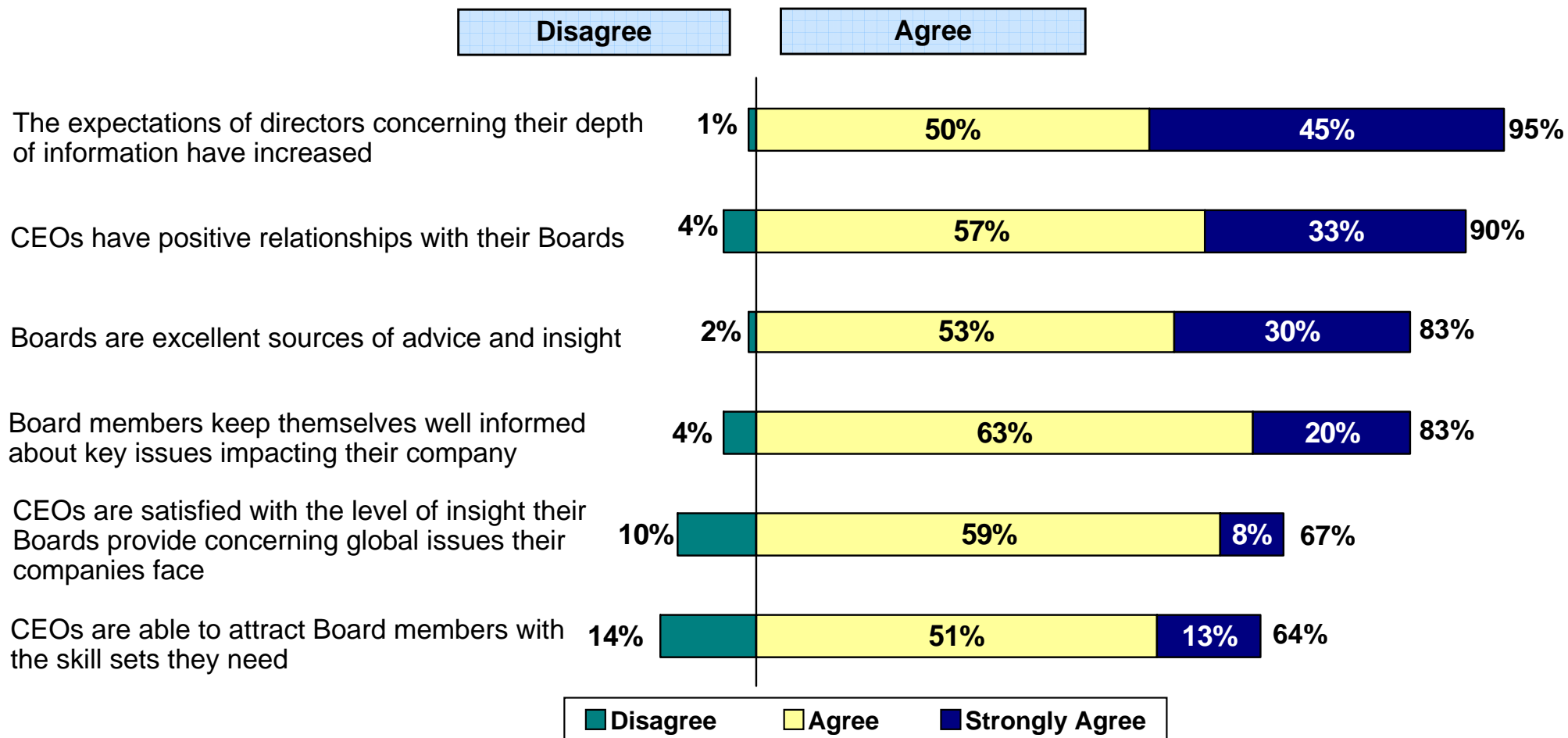
Q15A: How would you rate the results of your offshoring experience?

Q15B: At this point in time, have you repatriated any of the operations or business processes you sent offshore or are you considering repatriating any?

Governance

Most CEOs are positive about the value of Boards of Directors and the guidance they provide.

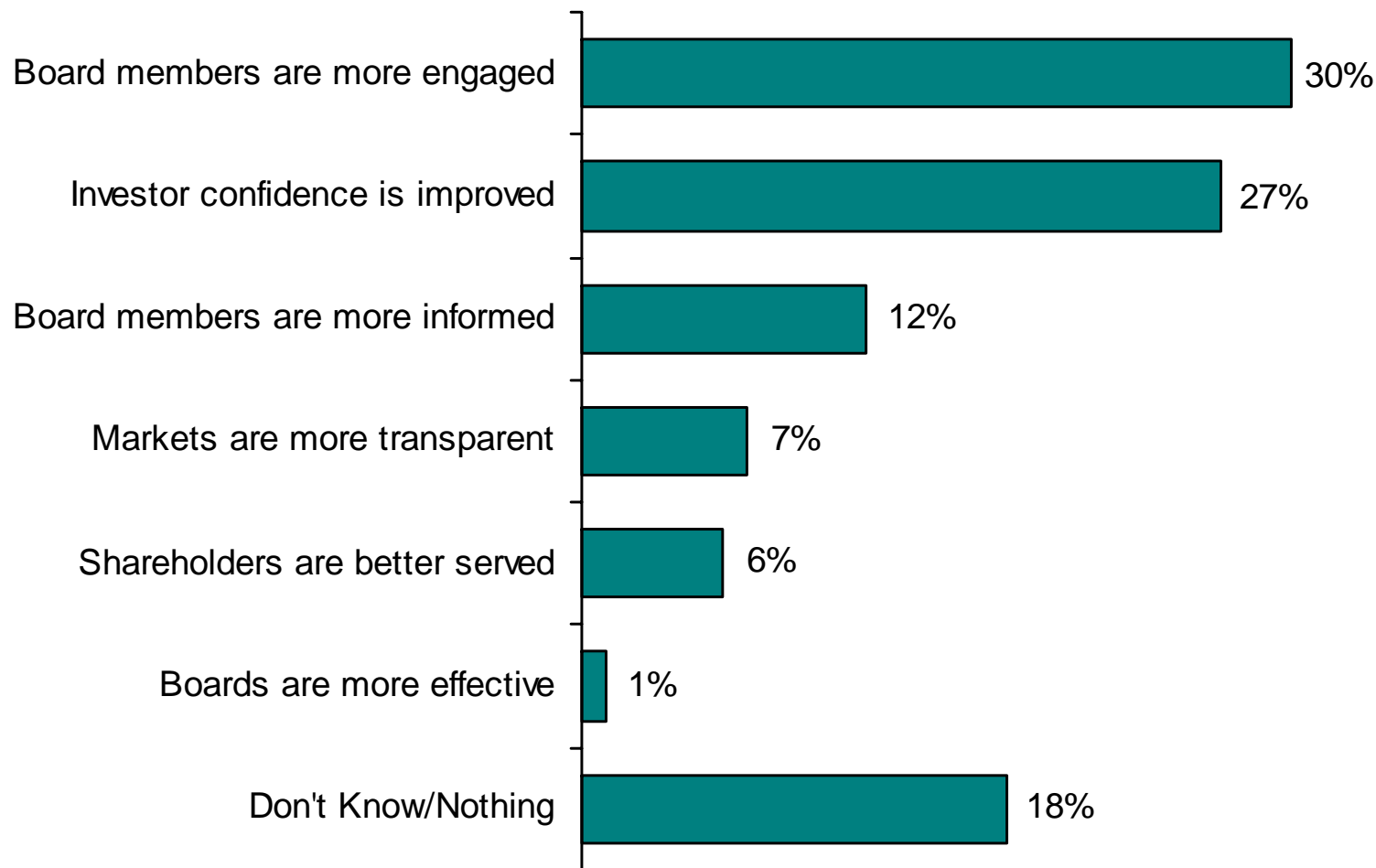
Relationship Between CEOs and Boards of Directors



Q16: I'd like to focus for a moment on the relationship between CEOs and their Boards of Directors. For each of the following statements, please tell me whether you strongly agree, agree, disagree, strongly disagree or are neutral toward the following statements.

Board members being more engaged and improved investor confidence are the top positive outcomes identified by CEOs of Sarbanes-Oxley and Exchange governance rules changes.

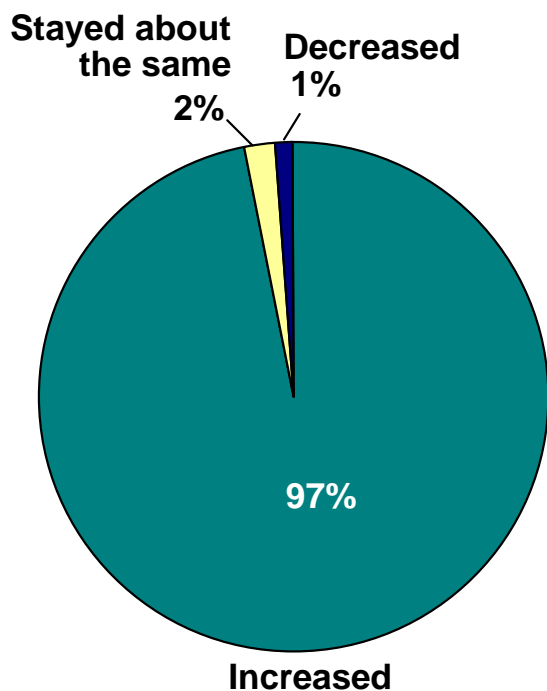
Single Most POSITIVE Outcome of Sarbanes-Oxley and Exchange Governance Rules



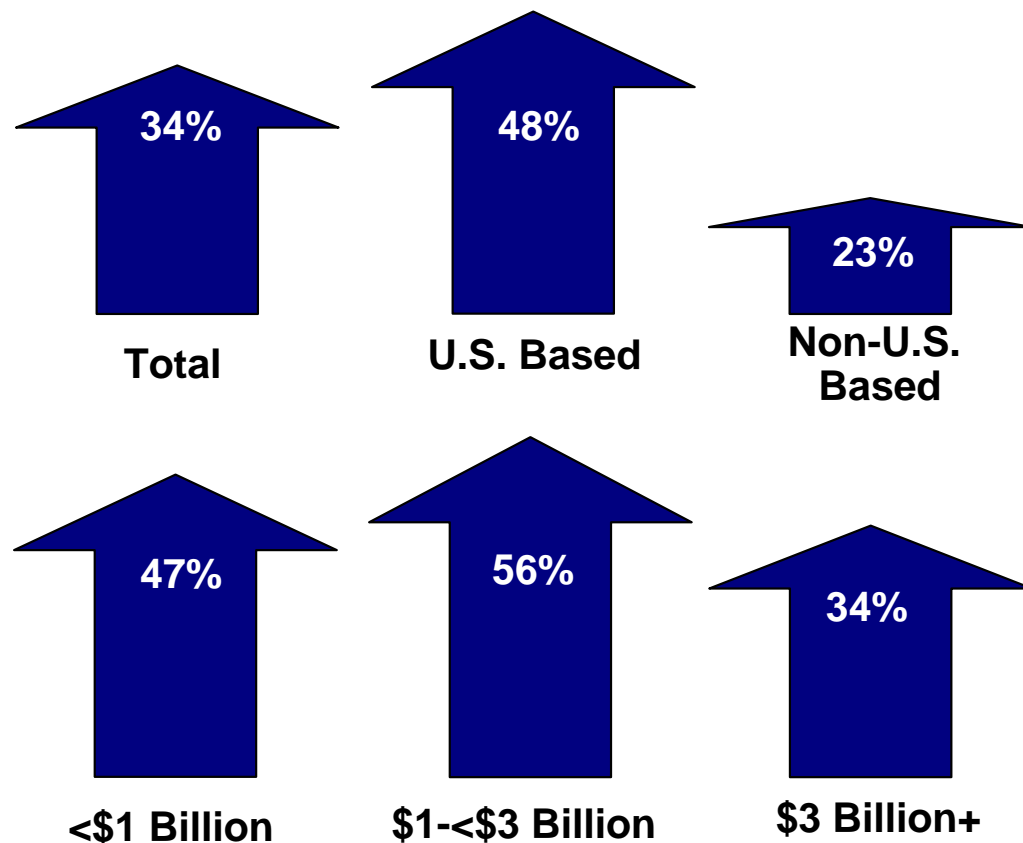
Q16A: What do you think has been the single most POSITIVE outcome of Sarbanes-Oxley and Exchange governance rules?

Nearly all CEOs say their company’s expenses to comply with regulatory requirements have increased since Sarbanes-Oxley went into effect. Companies with a market cap under \$3 billion have been the hardest hit.

Expenses to Comply with Regulatory Requirements



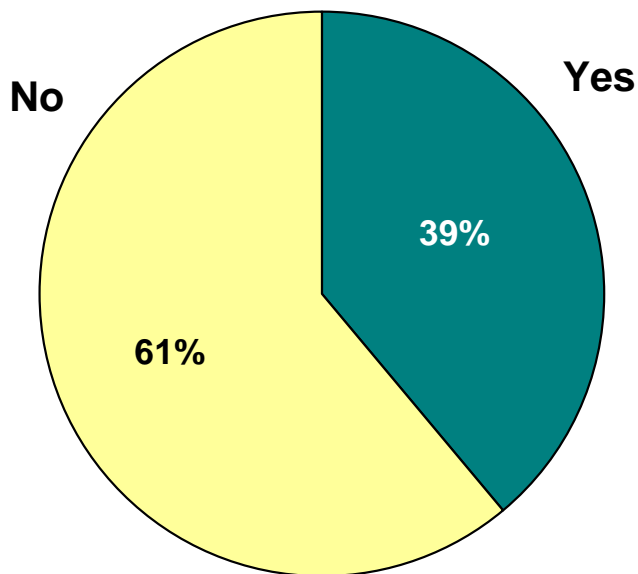
Percent Citing Increase of 100% or More



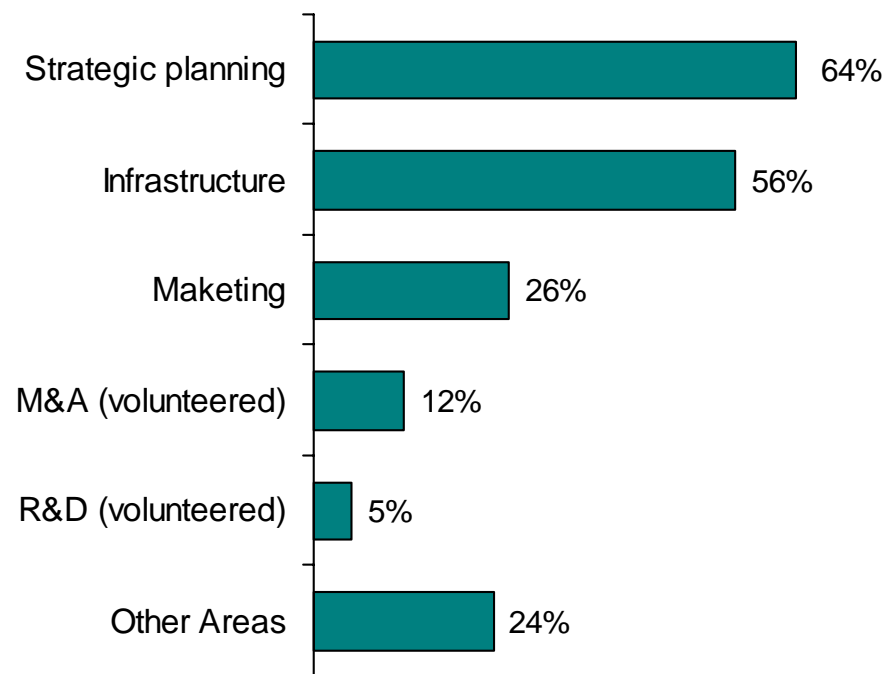
- Q17A: *Have your company’s expenses to comply with regulatory requirements increased, stayed the same or decreased since Sarbanes-Oxley went into effect?*
- Q17B/C: *By approximately what percentage have your company’s expenses to comply with regulatory requirements due to Sarbanes-Oxley increased/decreased in the last three years?*

Almost four in ten CEOs say extra compliance costs have resulted in delays and/or cancellation of efforts to grow their business. Chief casualties include strategic planning, infrastructure and marketing.

Have Compliance Costs Resulted in Delays/ Cancellations of Efforts to Grow Business



Areas Affected by Increased Compliance Costs



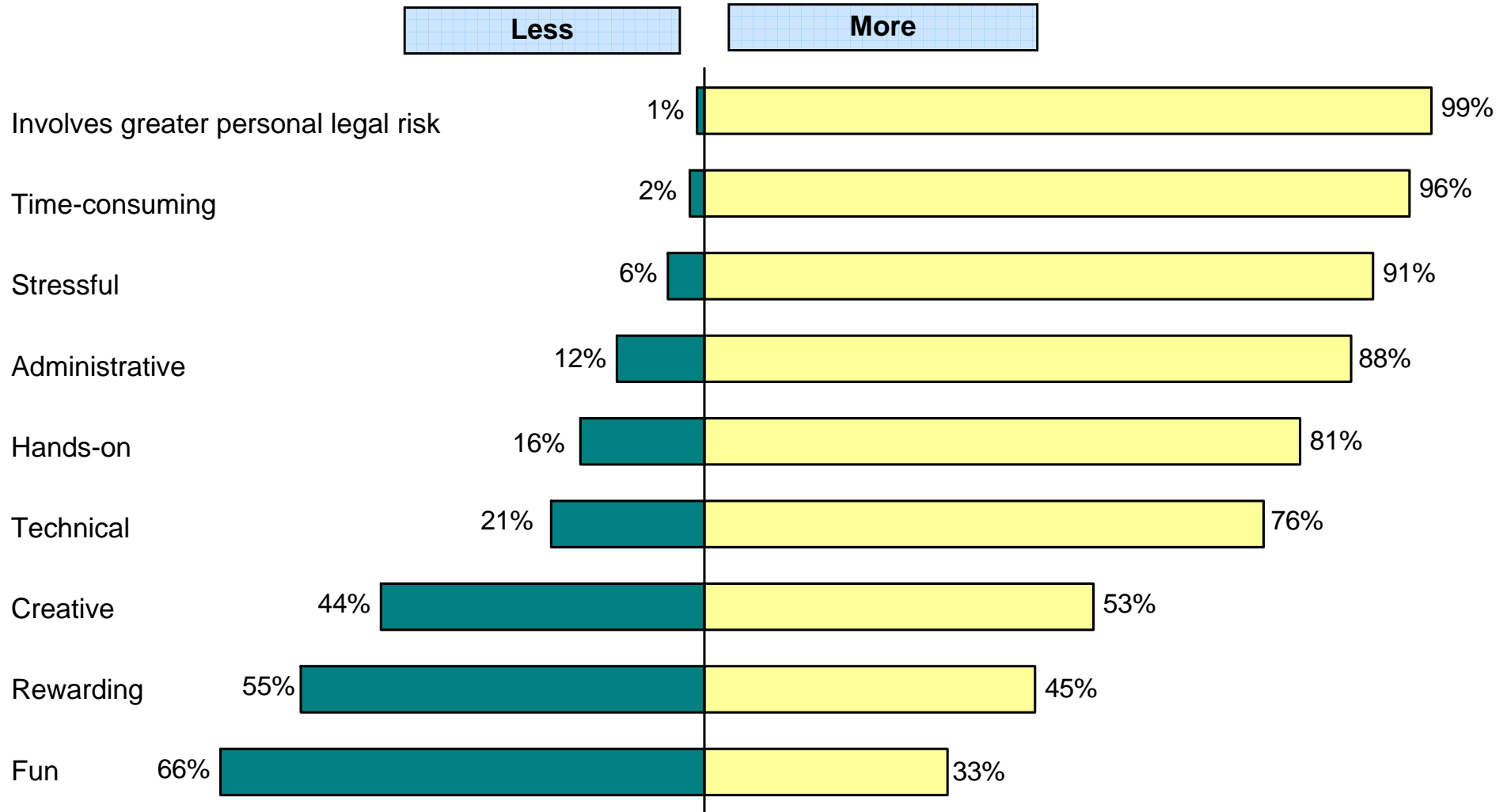
Q18A: Have the costs of compliance due to Sarbanes-Oxley resulted in delays and/or cancellations of any efforts to grow your business?
 Q18B: What areas have been affected by delays and/or cancellations because of the increased costs of compliance due to Sarbanes-Oxley?



The CEO Role

Compared with three years ago, CEOs think their role today is less fun and rewarding and more time-consuming, stressful, administrative, hands-on, technical. Greater personal legal risk is felt by virtually all CEOs.

Compared With Three Years Ago, CEO Role Today Is...



NOTE: In 2005 study results were tabulated on the total base, so percentages for both more and less important are lower for most factors
 Q19: How does the CEO role today compare with the role three years ago? Is it...?

CEOs with greater tenure, in particular, see the job as less rewarding, fun and creative than three years ago.

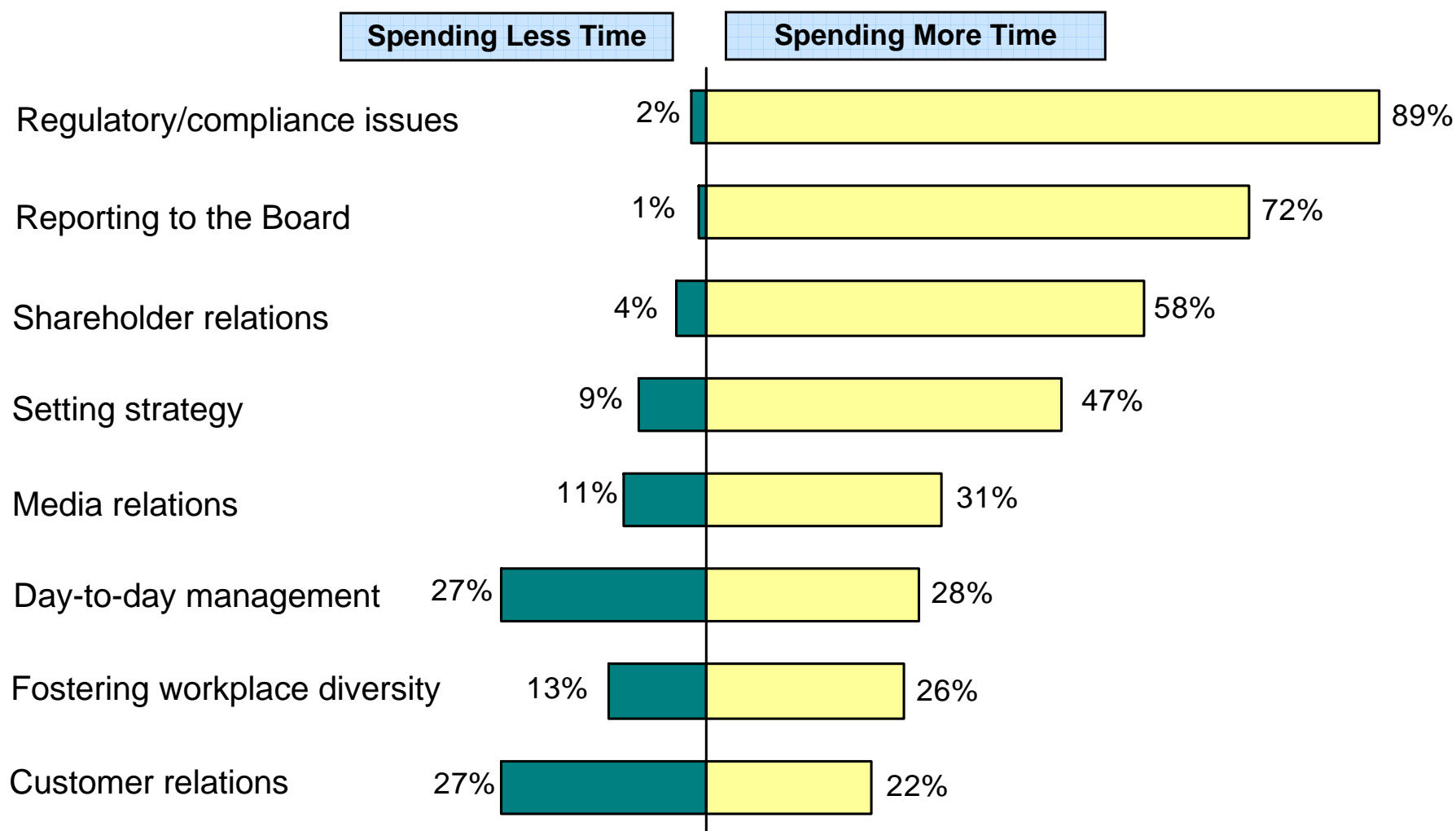
Compared With Three Years Ago, CEO Role Today Is...

	Years as CEO					
	<5 Years		5-9 Years		10 Years or More	
	More	Less	More	Less	More	Less
Involves greater personal legal risk	98%	2%	100%	-	100%	-
Time-consuming	95%	3%	95%	2%	100%	-
Stressful	89%	10%	92%	5%	95%	-
Administrative	79%	21%	92%	6%	95%	5%
Hands-on	89%	11%	84%	13%	63%	32%
Technical	75%	23%	78%	21%	75%	20%
Creative	70%	28%	44%	52%	41%	56%
Rewarding	55%	45%	41%	57%	33%	67%
Fun	48%	52%	21%	77%	28%	69%

Q19: How does the CEO role today compare with the role three years ago? Is it...?

Compared with three years ago, the vast majority of CEOs say they are spending more time on regulatory and compliance issues and reporting to their Boards. Customer relations is one area suffering as a result.

CEO Time Allocation Compared With Three Years Ago



Q20: Considering your various roles as a CEO, how has your time allocation for each of the following tasks changed over the past three years? Are you spending more time, about the same amount of time, or less time on each task?

Comparing the 2005 and 2006 results, CEOs seem to be spending more time on shareholder relations and media relations this year, while they are spending less on setting strategy.

	2005			2006*		
	Less Time	About the Same	More Time	Less Time	About the Same	More Time
Regulatory/Compliance issues	1%	14%	80%	2%	9%	89%
Reporting to the Board	1%	24%	68%	1%	27%	72%
Shareholder relations	4%	50%	44%	4%	38%	58%
Setting strategy	3%	33%	62%	9%	44%	47%
Media relations	22%	50%	20%	11%	57%	31%
Day-to-day management	29%	40%	24%	27%	45%	28%
Fostering workplace diversity	12%	55%	27%	13%	61%	26%
Customer relations	21%	48%	25%	27%	50%	22%

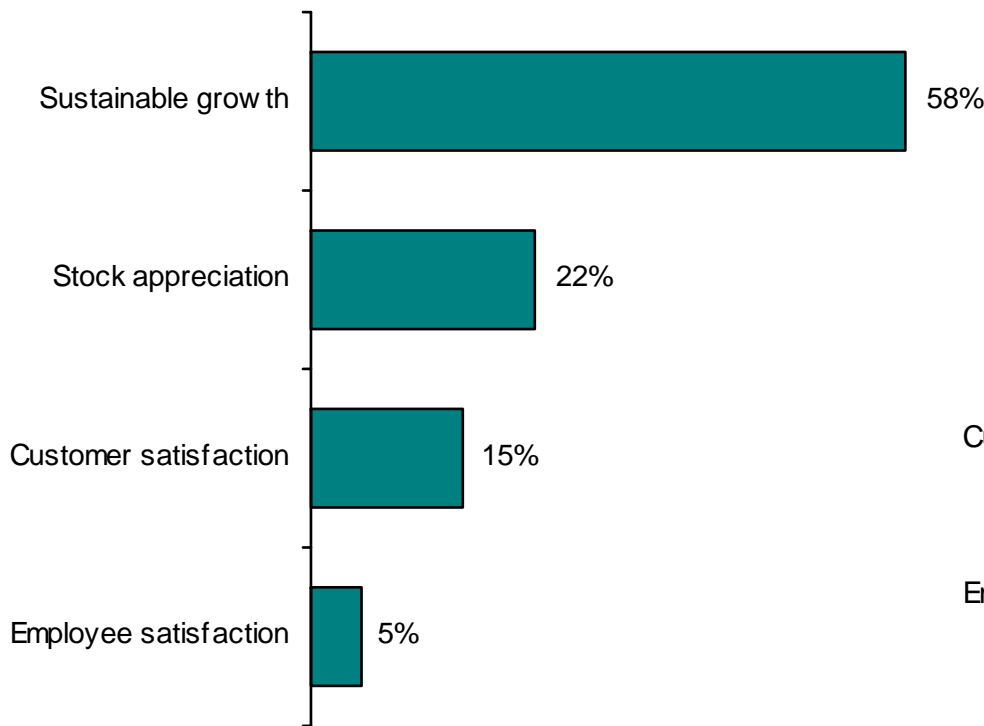
NOTE: 2005 question asked in terms of change of the past five years

*Q20: Considering your various roles as a CEO, how has your time allocation for each of the following tasks changed over the past three years? Are you spending more time, about the same amount of time, or less time on each task?

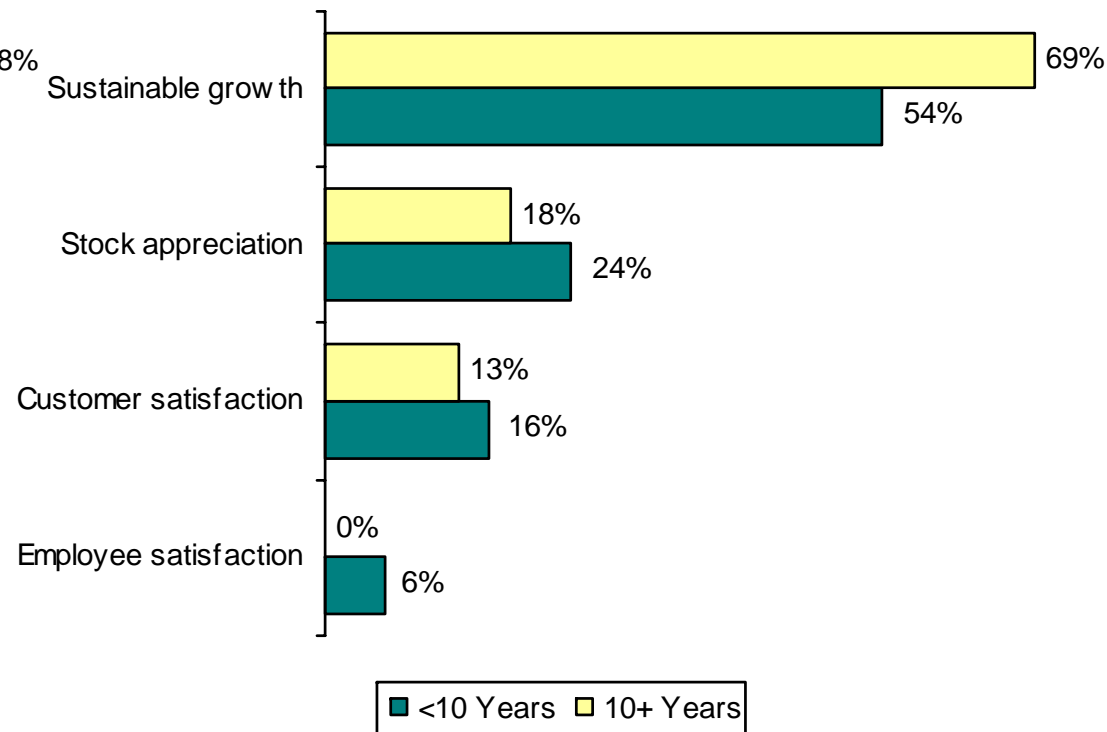
A majority of CEOs agree that sustainable growth is the most crucial element in long term success as a CEO.

Most Crucial Element in Long Term Success as CEO

Total



Years as CEO



■ <10 Years ■ 10+ Years

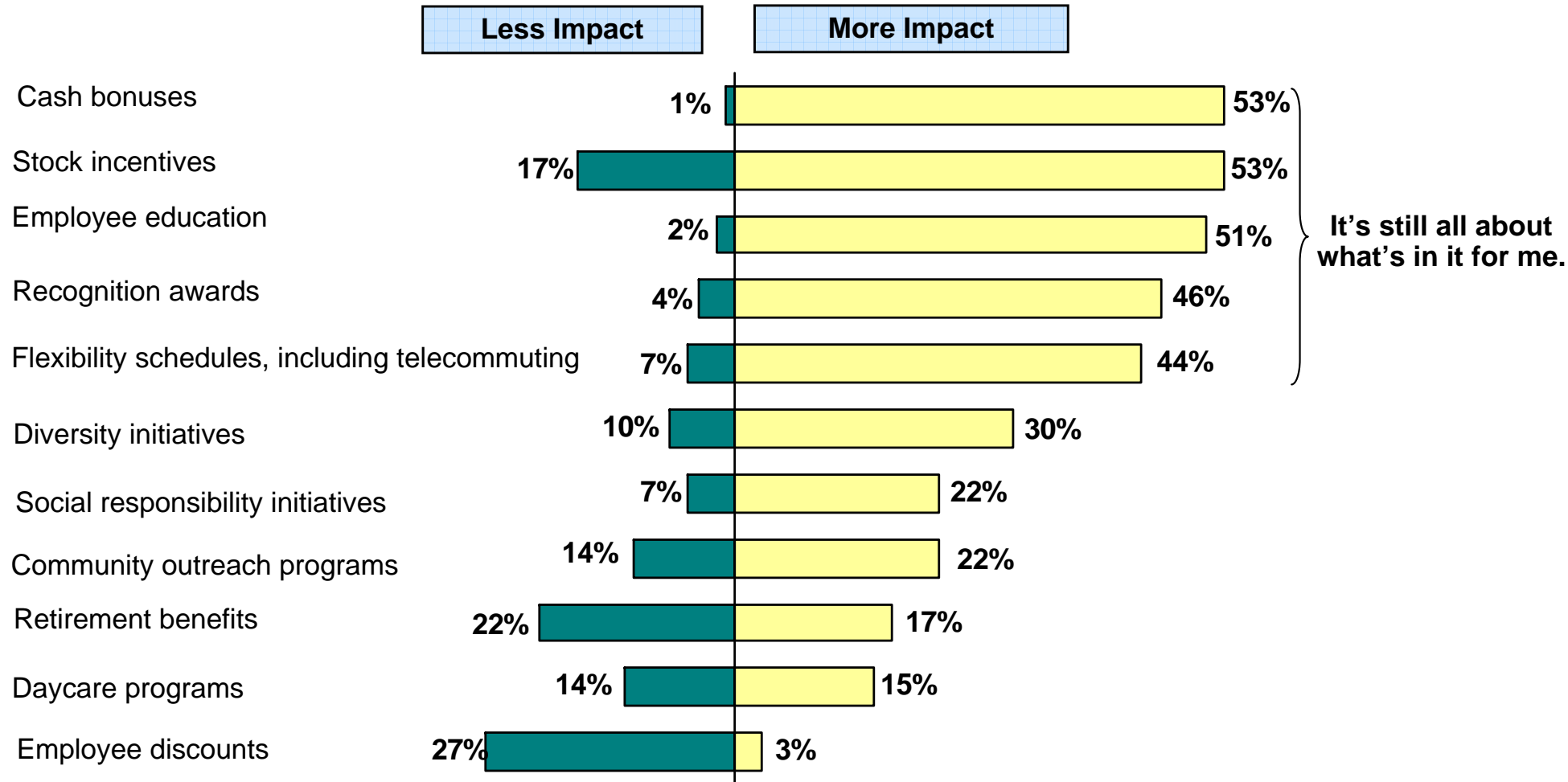
Q21: If you could identify one element of performance that is the most crucial to your long term success as a CEO, which one of the following would it be?



Managing Human Capital

CEOs think a variety of benefits and incentives will have more impact on employee retention through 2007, while retirement benefits, and employee discounts will have less impact.

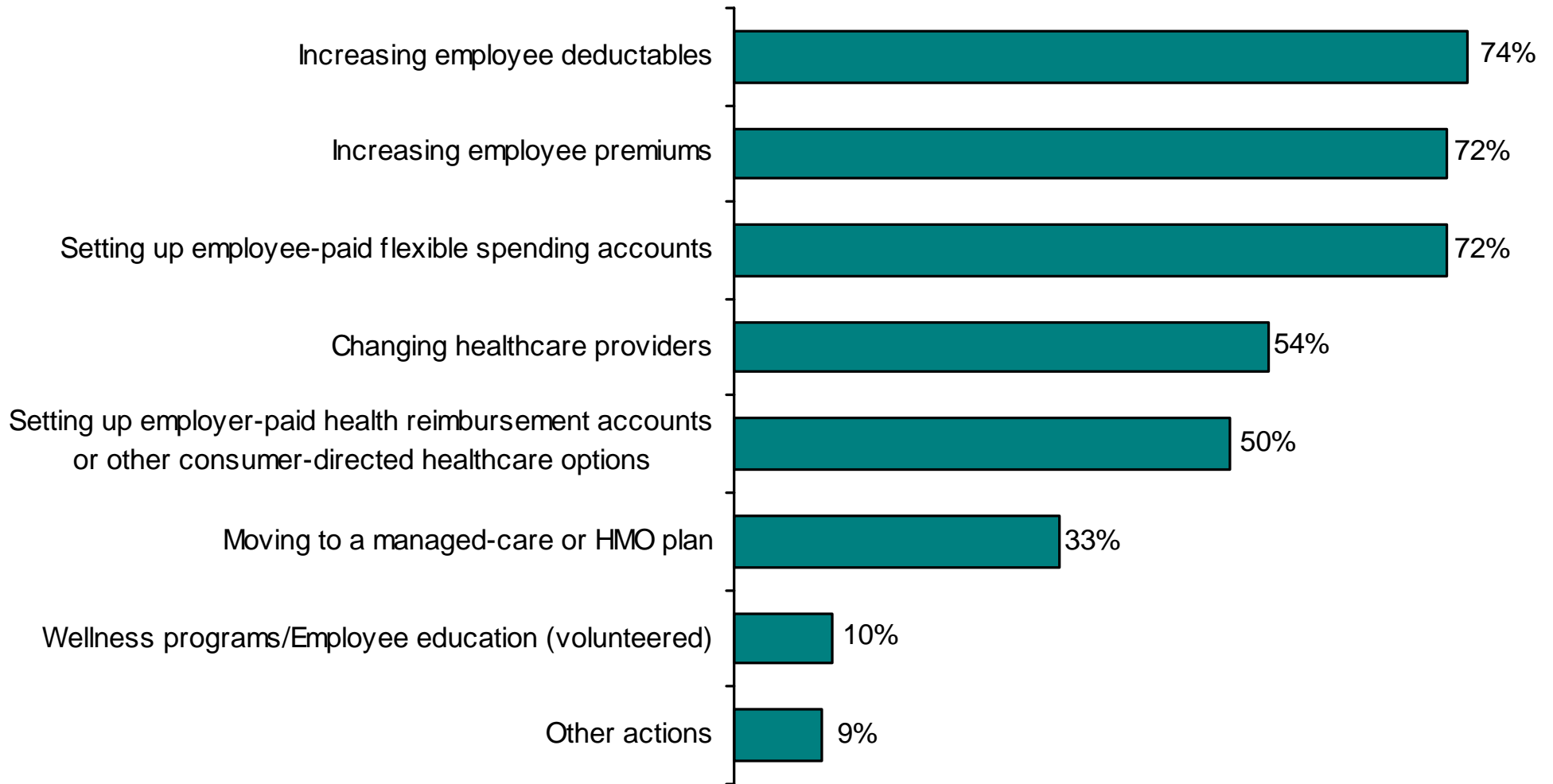
Likely Impact on Employee Retention



Q22: Please indicate the likely impact of each of the following factors on employee retention. Will each factor have much more impact, more impact, the same amount of impact, less impact or much less impact on employee retention through calendar year 2007?

Increasing employee deductibles and premiums, as well as setting up employee-funded flexible spending accounts are the most common actions being taken to help control healthcare costs.

Actions to Help Control Healthcare Costs



Q23: On a related issue, which of the following actions is your company taking to help control healthcare costs?

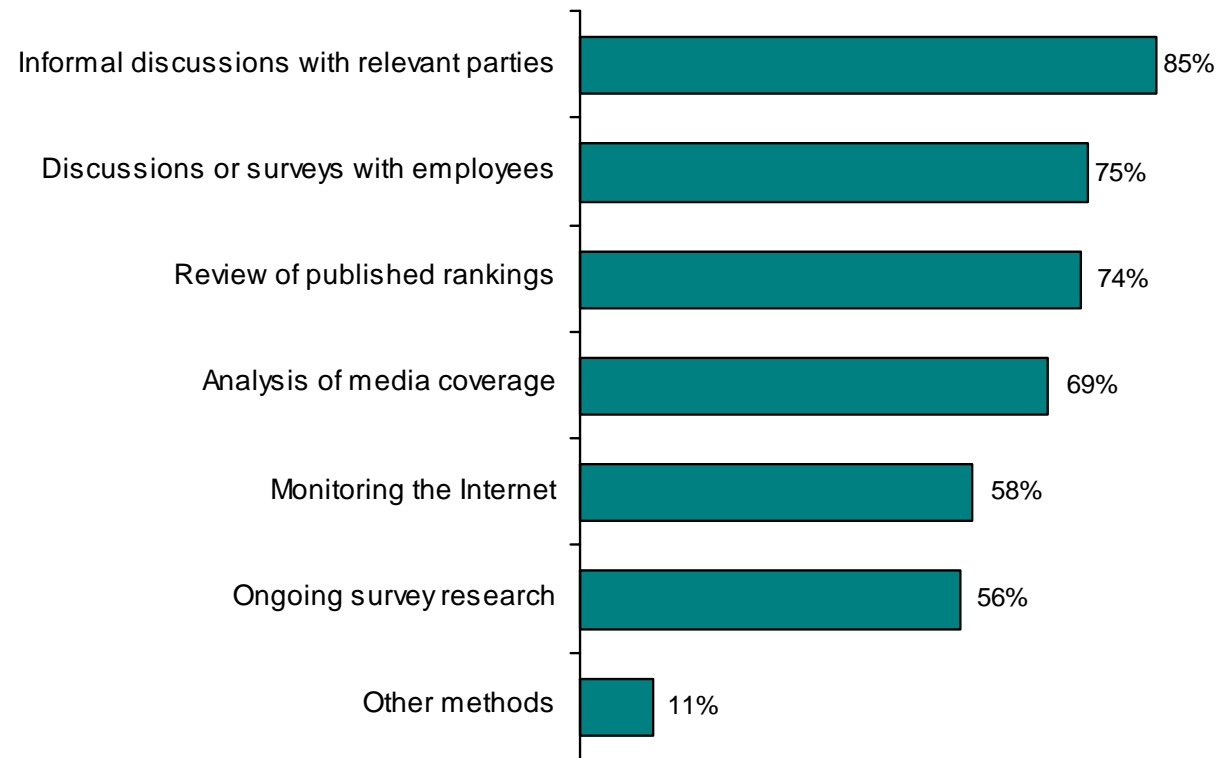
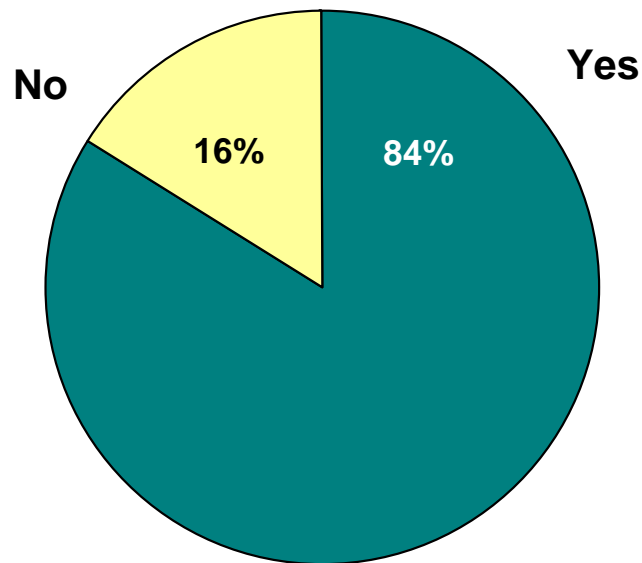


Reputation Management

The vast majority of NYSE CEOs think CEOs take enough action to protect their company’s reputation. The most common ways of monitoring company reputation are informal discussions, employee surveys or discussions and review of published rankings and media coverage analysis.

CEOs Take Enough Action to Protect Company Reputation

How Monitor Reputation



Q24: In general, do you think CEOs take as much action as they should to protect the reputation of their companies?
 Q25: Which of the following methods, if any, are you currently using to monitor the reputation of your company?

Appendix

Demographic Profile of the Sample

	Total
Home Country	
United States	78%
Outside the United States	22%
Market Capitalization	
Less than \$500 million	18%
\$500 million to less than \$1 billion	12%
\$1 billion to less than \$3 billion	26%
\$3 billion or more	44%
Industry	
Consumer products/Retail/Healthcare	18%
Energy/Utilities	21%
Financial services/Banking/Insurance/Real Estate	24%
Manufacturing/Construction/Mining	23%
Business services/Transportation/Distribution/Information services	14%
Years as CEO of Company	
One or two years	21%
Three or four years	17%
Five to nine years	38%
Ten or more years	24%
Average	7 years