



As the turmoil in the global and Irish economies continues, our 2009 CEO Pulse Survey aims to provide a snapshot of the views of Irish Chief Executives on the current operating environment and the challenges and opportunities for corporate Ireland. It comprises the following key areas:

- Business barometer
- Managing in a downturn
- Inward and outward investment
- Sustainability
- Managing and developing people

The survey was undertaken in January/February 2009. A total of 220 CEOs from Ireland's top companies participated, with just under a third (30%) representing Irish indigenous companies and the remainder being multinational (MNC) CEOs. Sectoral representation included 40% Services; 23% Financial Services; 13% Manufacturing; 13% Consumer Products and 11% Technology.

Confidence at an all time low

The global position

Battered by the recession, the 2009 PwC Global CEO Survey reveals confidence about the future prospects for business to have plummeted with an expected slow, gradual recovery over the next three years. More than a quarter of global CEOs said they were pessimistic about prospects for the coming year. In addition, only one in five global CEOs (21%) expect revenues to grow.

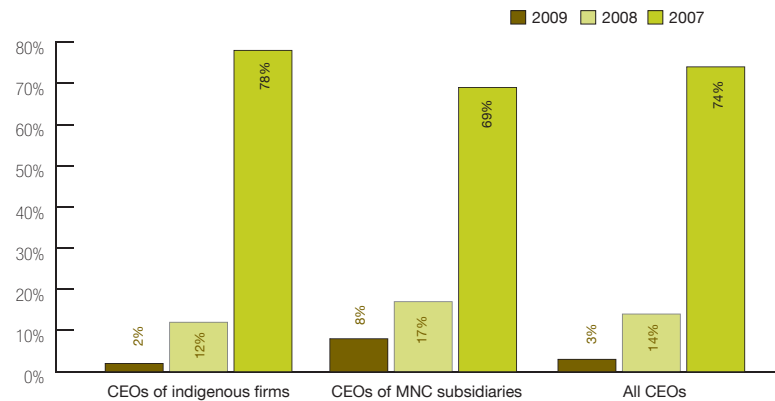
The Irish position

Similarly in Ireland, short-term confidence about the future prospects for the Irish economy amongst Irish business leaders has been shattered. According to the PwC Ireland 2009 CEO Pulse Survey only 3% of business leaders rate the overall outlook for the Irish economy to be favourable, a drop from 14% in 2008 and 74% in 2007 (see Figure 1.0).



Figure 1.0 Percentage of respondents indicating that the outlook for the Irish economy is favourable in the next 12 months

(% of respondents)



Growth expectations severely impacted

Recognising the full impact of the credit crisis, growth expectations have been severely impacted. For example, over half (55%) of Irish business leaders expect revenues and net profits to fall (See Table 1.0). Three quarters (75%) of Irish CEOs expect costs will either decline or remain unchanged indicating that cost control is a major focus for Irish businesses (See Section 3 for further highlights on costs).

Table 1.0 Overall anticipated performance of Irish operations

(% of respondents)

Overall anticipated performance of Irish operations (% of respondents)						
Indicator	Growth		Decline		No Change	
	2009	2008	2009	2008	2009	2008
Revenues	29%	71%	55%	21%	16%	8%
Costs	25%	83%	50%	9%	25%	8%
Net profit	23%	60%	55%	27%	22%	13%
Employment	19%	36%	29%	28%	52%	36%
Capital investment	18%	54%	46%	14%	36%	32%

Cost overhaul needed to restore competitiveness

The survey shows that an overwhelming majority (84%) of business leaders are unsatisfied with the overall cost of doing business in Ireland (See Section 2 : Business barometer). This reflects an urgent need to get the overall costs of doing business in Ireland under control in order to restore Ireland's competitiveness.

For example, the cost of labour continues to be an issue with four out of every five Irish business leaders indicating they are not getting value for money. However, over three quarters of participating CEOs are satisfied with the availability (90%) and quality (80%) of this labour.



The level of satisfaction with the corporate tax regime remains high at 77%, albeit this is a decline from 88% last year. This indicates that Ireland's 12.5% corporate tax remains crucial in continuing to attract and retain foreign direct investment. The stability of Ireland's low corporation tax rate and our open and transparent tax system remains an important advantage for rebuilding Ireland's competitiveness in the long term.

The survey also confirms that the turmoil in the capital markets will have a very significant impact on Irish businesses in the year ahead with the majority of respondents saying that investment plans (58%) and access to finance (55%) will be the hardest hit. Unlocking capital will, therefore, be critical for future investment.

Business leaders are tackling the challenges of the downturn head-on

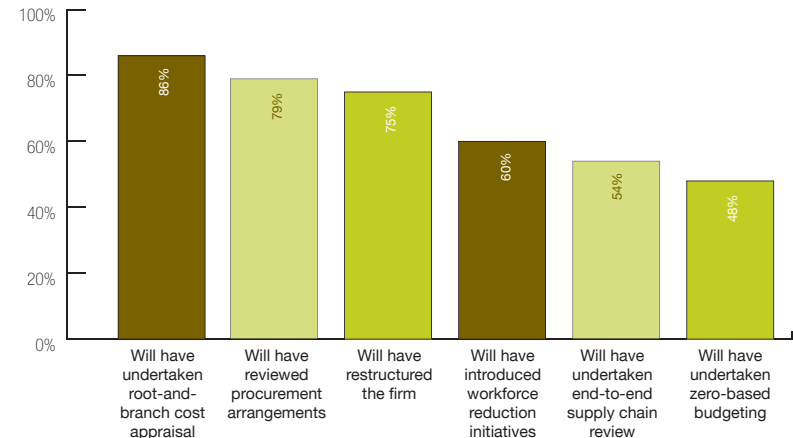
As the economic downturn continues, the survey highlights a refocusing of the mindset of Irish CEOs, rebalancing short term survival with long term ambitions. The CEO Pulse survey suggests that businesses are responding by making plans to control and reduce their cost base and restructure their operations so as to keep their businesses on-track.

For example, Figure 1.1 over demonstrates that Irish businesses have taken, and continue to take, decisive action in order to reduce their cost

base and manage the impact of the tough trading conditions. Combining the actions already taken in 2008 with those planned for 2009, participating CEOs indicate that they will have overhauled their business model by the time we reach the end of this year.

For example, over three quarters expect to have undertaken cost appraisals, reviewed their procurement arrangements while also having restructured their operations. Some 60% expect to have introduced workforce reduction initiatives.

Figure 1.1 Actions expected to be taken, in response to the current environment, by the end of 2009





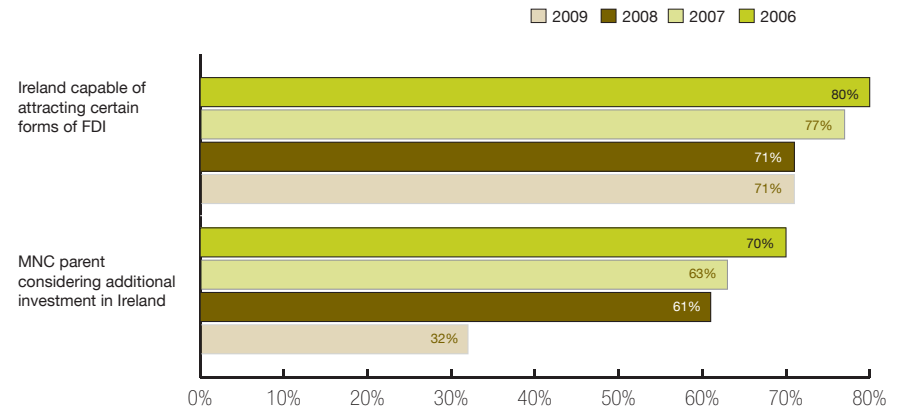
Despite the ongoing uncertainties, the survey suggests that Irish business leaders are responding to the challenges and will emerge in a strong position to secure long term sustainable growth and prosperity.

Ireland remains a location of choice

CEOs remain positive that Ireland continues to be a location of choice for investment. For example, over three quarters (78%) of participating CEOs of Irish headquartered companies indicated that Ireland forms part of their future expansion plans. Furthermore, 85% of these CEOs are not considering relocating Irish activities overseas. Both of these results represent an improvement on last year.

It is also notable that just under three quarters (71%) of MNC CEOs who were surveyed believe that Ireland remains well placed to attract certain type of investments going forward. However, only one third (32%) of MNC CEOs said that they are currently considering additional investment in Ireland, down from just under two-thirds (61%) last year. This may be indicative of the overall low global investment sentiment generally. (See Figure 1.2)

Figure 1.2 Investment in Ireland – CEOs of MNC subsidiaries
(% of respondents who agree)





Ireland's favourable tax regime continues to be the most influencing factor for attracting foreign investment as stated by 88% of the MNC CEOs.

On FDI incentives, 85% of participating MNC CEOs confirmed that Ireland's FDI incentives compared favourably with those in most developed countries with over two-thirds (68%) indicating that the holding company regime has helped to promote Ireland as a location of choice. While only 22% believed that the availability of R&D tax credits has helped to promote Ireland as a place to carry out research and development, half said that introducing more favourable intellectual property rules would further promote Ireland as a place to do business.

Overall, Ireland remains well placed to continue to attract foreign direct investment. However, the survey shows that more needs to be done if Ireland wants to realise its vision as a

knowledge economy. Much progress recently has been made with incentives for R&D, but we now need to put in place appropriate measures to own and hold intellectual property.

Sustainability climbing up the business agenda

The CEO Pulse Survey reveals that over 60% of participating Irish business leaders believe that sustainability is important for their business. The main reasons stated for this are to reduce their carbon footprint and enhance their brand position and reputation. However, many are struggling with turning the aspirations into reality.

The survey reveals that organisations have some way to go to embed sustainability into their businesses' strategy. For example, when it comes to developing sustainability objectives, less than a quarter (21%) of participating CEOs indicated that sustainability

objectives had been developed. Furthermore, the majority (72%) indicated that they do not provide information on their sustainability plans to external stakeholders. This is, however, likely to change as we see the concept of 'Triple Bottom Line' reporting (i.e. Profit, People and Planet) becoming more popular among Irish companies.

While sustainability is moving up the corporate agenda, for now, it appears that focusing on the immediate financial concerns is taking precedence.

Keeping employees motivated is the top people challenge

The importance of talent management cannot be underestimated as the economic uncertainties continue, a time when motivating people can become even more challenging. The survey confirms that the top people management challenges in the downturn are



keeping employees motivated (65%) followed by effectively communicating and managing workforce restructuring and reduction programmes.

Companies are responding to these challenges by realigning business and performance objectives; embedding systematic and transparent appraisal systems, fostering a culture of creativity and engagement and continuing to communicate a consistent set of messages on a timely basis to their people.

The survey suggests a reasonable sense of confidence with nearly three-quarters (71%) of survey participants indicating they are either effective or highly effective at managing talent in terms of identifying and retaining high performers.

The survey confirms no knee-jerk reaction when it comes to training and development. The majority (88%) of Irish business leaders

do not plan to cut training budgets, although some prioritisation and refocusing is expected to happen.

More focus on executive coaching and mentoring

Over a third (41%) indicated they would focus more resources on coaching and mentoring. Going forward, the survey suggests that executive coaching and mentoring will become an important support for business leaders to help them as they make the hard decisions to restructure their organisations, many of whom may be experiencing a downturn for the first time.

Conclusion

The 2009 CEO Pulse survey highlights that despite the outlook for our economy being unfavourable, many of the business

fundamentals remain positive. Business leaders have the foresight and management capability to take decisive action and tackle the challenges head-on. Anchored by our favourable tax regime and our strong talent pool, the survey suggests that Ireland continues to offer sound investment potential.

However, while more work needs to be done to realign our cost base, particularly labour costs, a great opportunity exists to continue to build Ireland as an innovation economy. This will be achieved by not just cutting spending to come out of the tough economic environment, but also by investing in strategically important projects as a means of building a leading knowledge economy and worldclass centre for intellectual property. The survey suggests that there are opportunities to do this by continuing to invest in our key talent as well as further promoting R&D and incentivising IP activities in order to foster our pro-enterprise economy.



The future – suggested key actions

While CEOs are taking the strategic action to restructure their cost base, the survey suggests a number of key areas of focus in order to rebuild Ireland's prosperity. These are:

- As an economy, more work needs to be done on our overall cost base, especially labour costs, in order to restore our competitiveness;
- The survey shows that more needs to be done if Ireland wants to realise its vision as a knowledge economy. Much progress has been made with incentives for R&D, but we now need to put in place appropriate measures to own and hold intellectual property. For example, half of survey participants said that introducing more favourable intellectual property rules would further promote Ireland as a place to do business;
- With the turmoil in the capital markets expected to have the greatest impact on investment plans and access to finance, a clear focus needs to be directed towards unlocking capital for future investment;
- Sustainability is clearly moving up the corporate agenda, but companies need to work on turning aspirations into reality;
- Managing and motivating staff is critical amidst the current doom and gloom;
- With people management being a greater challenge, peer support provided through executive coaching and mentoring, will play a bigger role in supporting business leaders as they make their hard decisions;
- As a small open economy, it will be critical that we continue to foster our international connections.

In doing so, we will rebuild our economy as a strong and attractive place to do business offering sustainable growth opportunities. It is vital that our tax, legal, regulatory and cost environment as well as our infrastructure systems remain key competitive factors in securing Ireland as a business-friendly and transparent location for investment. And with Irish business leaders taking decisive action, the 2009 CEO Pulse Survey suggests that Ireland is well placed to secure the benefits from the eventual recovery in the global economy and is well positioned for sustainable future growth.