



4Q2012 VISTAGE-MIER CEO CONFIDENCE INDEX

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CONFIDENCE REMAINS LOW

CEO optimism on the outlook of the Malaysian economy, as well as the prospects of their firms, fell marginally in the fourth quarter of 2012. The 4Q2012 Vistage-MIER CEO Confidence Index fell a marginal 0.8 points to settle lower at 91.7 points. While the quarter-on-quarter fall of the Index may be insignificant, the fact that this is the sixth consecutive quarter of readings below the 100-point neutral level is an important indication of persistent low CEO confidence.

The quarter-on-quarter performances of the six component indices of the 4Q2012 Index were mixed. Three component indices – namely current economic conditions, planned fixed investment and expected profit growth – settled lower while two – expected economic conditions and expected revenue growth – settled higher. The remaining component – expected change in employment – remained unchanged.

Of the 311 respondents responding to this survey, proportionately more CEOs (38% compared to 31% in the previous quarter) believe that overall economic conditions in Malaysia worsened compared to a year ago. However, when asked about anticipated changes in economic conditions over the next 12 months, a slightly higher proportion of respondents (17% as compared to 14%) indicated that they expect conditions to improve.

With regard to expectations of their firms' sales performance over the next 12 months, there was hardly any change in the proportion of CEOs anticipating higher sales (57% compared to 56% per cent previously). However, proportionately fewer CEOs (46% compared to 52% previously) now expect their firm's profitability to improve going forward, a reflection of expectations of worsening business conditions in the months ahead. As a consequence, proportionately fewer respondents expect to increase their firms' total fixed investment expenditure (40% compared to 46% previously) and total number of employees (42% compared to 44% previously).

CORRUPTION

According to PEMANDU, "corruption erodes public confidence in the ability of the Government and other key institutions in maintaining a fair playing field for all participants, and could dissuade private investment."

In this survey, respondents were asked whether their companies have lost business or business opportunities because of their refusal to engage in corrupt practices.

While 27 per cent of respondents answered "yes", it is interesting to note that 30 per cent answered "no comment".

SPENDING ON INFORMATION TECHNOLOGY

The results of the last Confidence Index survey indicated that only 3 per cent of CEOs spend, as a percentage of sales, between 15 and 20 per cent on IT while a majority of 59 per cent spend between zero and 5 per cent.

When asked what would compel them to invest more on IT, 58 per cent indicated increased firm profitability. Tax incentives from the government, as well as a rise in issues resulting from rapid business growth are also important, as indicated by 49 and 48 per cent of the respondents, respectively.

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
VISTAGE-MIER CEO CONFIDENCE INDEX	93.3	82.5	93.5	97.8	92.5	91.7
COMPONENTS						
Current Economic Conditions	88	63	82	91	78	71
Expected Economic Conditions	84	62	78	93	79	83
Expected Change in Employment	137	135	136	141	134	134
Planned Fixed Investment	127	118	130	130	133	126
Expected Revenue Growth	144	131	149	148	142	149
Expected Profit Growth	125	115	132	136	133	130

Note: All component questions are scored as the percent giving favorable replies minus the percent for unfavorable plus 100. The VISTAGE-MIER CEO Confidence Index is the sum of the components calculated as a percentage of the level recorded in 2nd quarter 2003 survey.

LEVEL OF PREPAREDNESS FOR GST IMPLEMENTATION

While the Goods and Services Tax (GST) has been successfully implemented in 146 countries, it remains a hotly debated topic in Malaysia. This quarter's survey results suggest that Malaysian companies are generally still not prepared for the implementation of GST. When asked about their company's level of preparedness, only 7 per cent of responding CEOs indicated that they are "all ready to go" while a significant 61 per cent indicated "no action taken yet."

WOMEN IN SENIOR MANAGEMENT POSITIONS

The Government has been encouraging more women in senior management positions. In fact, according to a 2007 study by McKinsey & Company entitled 'Women Matter: gender diversity, a corporate performance driver', stronger stock market growth is more likely to occur when senior management teams have a higher proportion of women on board. If asked to choose between two equally suitable candidates but of different gender for a particular senior management position in their companies, 46 per cent of CEOs indicated they would choose a man while 48 per cent indicated they would choose a woman.

PRIVATE EQUITY FUNDING

In 2011, the RM5.12 billion buyout offer for Malaysia's fast food operators KFC and QSR made by a team comprising Johor Corp and the EPF made the offer one of the largest private equity deals in Southeast Asia. However, private equity penetration in Malaysia as a percentage of GDP remains low when compared to countries like Singapore and the U.S. That's in line with the results of this survey which showed that less than half (45%) of responding CEOs indicated that they are willing to invite private equity firms to participate in their organization.

SALARY INCREMENTS AND BONUS PAYOUTS

Good employees are valuable assets and hiring, training and overhead costs associated with replacing someone who has left can be high. Survey results suggest that CEOs are well aware of this. Even though CEO confidence remains low, as indicated by the Index that had plodded through 2012 at below the 100-point neutral level, most CEOs still have plans to make salary increments and bonus payments to their staff for the financial year ending 31 December 2012.



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On salary increments for managerial staff, 45% of CEOs project to pay 5% and below, 44% project to pay >5-10%, 10% project to pay >10-15% and 1% project to pay >15%. For the non-managerial staff, 41% of CEOs project to pay 5% and below, 46% project to pay >5-10%, 12% project to pay >10-15% and 1% project to pay >15%.

On bonus payout for managerial staff, 25% of CEOs project to pay 0-1 month, 41% project to pay >1-2 months, 29% project to pay >2-4 months, 4% project to pay >4-6 months and 1% project to pay >6 months. For the non-managerial staff, 33% project to pay 0-1 month, 46% project to pay >1-2 months, 19% project to pay >2-4 months, 1% project to pay >4-6 months and 1% project to pay >6 months.

ATTRIBUTES ESPOUSED BY VISTAGE

In this survey, CEOs were asked to reflect on Vistage's mission of increasing effectiveness and enhancing lives and then to pick from a list of attributes espoused by Vistage that they have developed in themselves. Survey results suggest that Vistage members have been quite successful in their self-improvement efforts, particularly in strategic thinking skills (94%), leadership skills (91%), and increased willingness to empower people (91%).

PHYSICAL ACTIVITY LEVELS

A World Health Organization study that assessed the physical activity levels of people in 122 countries showed that 61.4 per cent of Malaysians above age 15 are physically inactive. CEOs are a busy lot. According to the results of this survey, 32 per cent spend more than 60 hours per week on work and business travel while 43 per cent average 50-59 hours per week. Despite their hectic schedules, CEOs are relatively active physically; 24 per cent indicated that they engage in exercise or sports activities twice weekly, while another 24 per cent indicated three or more times weekly.

AGED CARE

While growing old is preferable to the alternative, it brings with it social and economic problems. Survey results suggest that most CEOs have already carefully mapped out their aged care plans. Thirty-eight per cent of responding CEOs indicated that their preferred choice of aged care when the need arises is "assisted care at home with a caregiver or nurse," while another 38 per cent indicated that they would prefer to "move to a retirement village (community living) which has recreation facilities and aged care services."

PERSONAL WEALTH

Local real estate remains the favourite investment option of CEOs though its popularity has declined somewhat compared to the previous quarter (39% compared to 45% previously). Fixed deposits/cash is again the second most popular option with 38 per cent (39% previously) of CEOs voting for it, while equities is again at third placing with 35 per cent (also 35% previously).

ABOUT THE VISTAGE-MIER CEO CONFIDENCE INDEX

Vistage Malaysia has been conducting the Confidence Index since 2nd quarter 2003. Effective 4th quarter 2005, Vistage Malaysia

entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the Confidence Index under a joint effort known as the VISTAGE-MIER CEO Confidence Index.

Vistage Malaysia's membership comprises businesses and companies with annual sales between RM5 million to RM1 billion. Today, it has more than 400 members in more than 65 different businesses. The opinions of these CEOs provide a clear snapshot of their current economic market as well as industry trends and their plans for growth over the next 12 months.

The VISTAGE-MIER Index is a compilation of responses from these Vistage Malaysia CEOs, of whom 70% are small to medium sized companies and is the only comprehensive report of their opinions and projection. These insights provide a leading indicator for employment, capital expenditure, sales and revenue trends. Each quarter, Vistage International polls its membership in Malaysia, United States, Canada, United Kingdom and Australia.

ABOUT VISTAGE INTERNATIONAL, VISTAGE MALAYSIA AND MIER

Founded in 1957, Vistage International (www.vistage.com) provides business leaders with tools to outperform both the competition and their own goals. The comprehensive toolset includes peer-group sessions and one-on-one executive coaching for the sharing of best practices and opportunities to seek confidential help in critical situations.

Vistage's professional development model also includes access to world-class business experts, and a global community of more than 16,000 members. Vistage member companies have revenues between US\$1 million and US\$1 billion, and combined have a total of more than US\$300 billion in annual sales and more than 3.1 million employees. They outperform the Fortune 500, the S&P 500 and the 14 million companies in the ARC Analytics database. In addition, Vistage member companies grow, on average, 2.5 times faster than they did prior to joining Vistage.

Vistage Malaysia has offices in Kuala Lumpur (603-22842199), Penang (604-6426799) and Singapore (65-63398505).

MIER is an independent, private, non-profit organization, devoted to economic, financial, and business research that would serve as a think-tank for the government and the private sector. It is committed to serve the government and private sectors as well as the public at large by providing an objective and impartial understanding of socio-economic issues of national, regional and global importance.



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Vistage Malaysia Sdn. Bhd. (296405-U)

Suite B-19-2, Wisma Pantai, No. 5 Jalan 4/83A, Off Jalan Pantai Baru, 59200 Kuala Lumpur, Malaysia.

Tel: 603 - 2284 2126/27 & 2284 2176/79 • Fax: 603 - 2284 2100/39 • Email: info@vistage.com.my • Website: www.vistage.com.my