

# VISTAGE

CEO Confidence Index

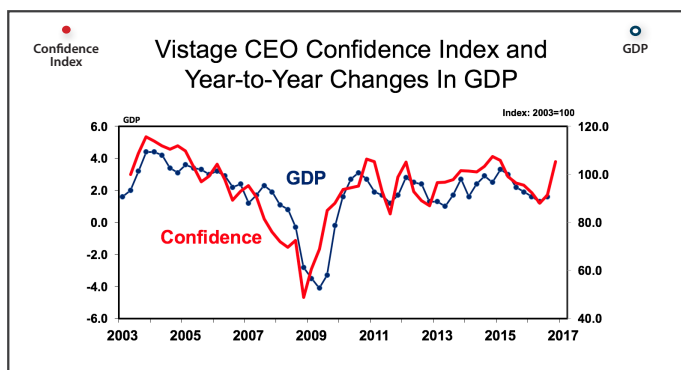
Surveying CEOs of Small to Mid-sized Businesses Since 2003

## CEO Optimism Surges.

CEOs expressed record increases in optimism about economic prospects following the election of Donald Trump. The Vistage CEO Confidence Index stood at 105.2 in the 4th quarter 2016 survey, up from 91.4 in the 3rd quarter and 95.5 in the prior year's closing quarter. The gain of 13.8 Index-points was the second largest quarterly increase since 2003, the only larger gain was when confidence began to recover from the Great Recession in 2009. While the recent improvement was concentrated in prospects for the national economy, CEOs expressed more favorable prospects for revenues and profits and planned increases in capital investments as well as an expansion in their workforce.

The unexpected victory by Trump and the resulting upsurge in business prospects have given a new urgency to finding, hiring, training, and retaining employees. This was the most significant and challenging issue voiced by CEOs in the latest survey. Over one-third of all firms expressed staffing and talent management as both their most significant current issue as well as their biggest challenge for 2017. Increases in investments and hiring represent a degree of confidence in the new president's economic policies.

– Analysis provided by Dr. Richard Curtin, University of Michigan



\*Since 2003, the Vistage CEO Confidence Index has served as a reliable predictor for changes in GDP, 6 months in advance.

### Vistage CEO Confidence Index Highlights

**58%** of CEOs expected the economy to improve during the year ahead, more than twice the 22% recorded in the 3rd quarter.

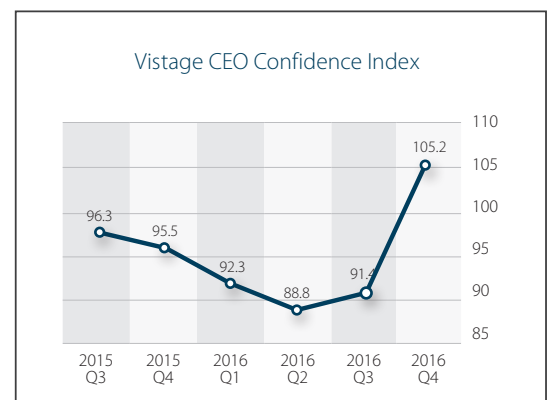
**42%** of CEOs thought the national economy had improved in the 4th quarter, up from 25% one quarter earlier.

**47%** of CEOs plan to increase investments in the year ahead, above last quarter's 37%, reaching the highest level since the start of 2015.

**60%** of CEOs plan to expand their workforce in the year ahead, the most positive net employment intentions in ten years.

**78%** of CEOs expect revenue gains in the year ahead, up from 64% last quarter, and the most positive revenue expectation in the past ten years.

**64%** of CEOs expect rising profits in the year ahead, up from 54% last quarter.



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Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?	Improved	594	42%
	About the same	691	49%
	Worsened	105	8%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	815	58%
	About the same	422	30%
	Worse	123	9%
	Don't know/no opinion	38	3%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	660	47%
	About the same	593	42%
	Decrease	135	10%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months?	Increase	1,087	78%
	About the same	246	18%
	Decrease	60	4%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	888	64%
	About the same	406	29%
	Worsen	98	7%
6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	616	44%
	About the same	692	50%
	Decrease	76	5%
7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	838	60%
	About the same	493	35%
	Decrease	63	5%

Question	Answer	Respondents	
		#	%
<b>8. When do you plan to increase your firm's total number of employees over the next 12 months?</b>	Q1 2017	218	16%
	Q2 2017	171	12%
	Q3 2017	93	7%
	Q4 2017	24	2%
	Steadily throughout the next 12 months	473	34%
	I do not plan to increase my total number of employees in the next 12 months	419	30%
<b>9. What is the most significant business issue that you are facing currently?</b>	Energy costs	8	1%
	Growth (growing too quickly)	68	5%
	Rising healthcare costs	98	7%
	Political uncertainty	78	6%
	Staffing (finding, hiring, retaining, and training)	551	39%
	Growth (growing too slowly)	211	15%
	Economic uncertainty (concern for local and national economy, budget deficit, housing market)	137	10%
	Financial issues (finance, cash flow, profitability)	149	11%
	Other	98	7%

Question	Answer	Respondents	
		#	%
<b>10. What is the biggest challenge you'll face in your business in 2017?</b>	Technology (cyber security, CRM, digital transformation, IT planning)	61	4%
	Growth (growing too quickly/slowly or creating and executing new growth strategies)	274	20%
	Customer retention and/or lead generation	112	8%
	Sales performance and/or customer experience	184	13%
	Financial issues (finance, cash flow, profitability, liquidity, receivables, accessing credit)	114	8%
	Talent management (finding, hiring, firing, retaining, and training employees)	451	32%
	Capitalizing on innovation/ability to innovate	61	4%
	My business is not facing any extraordinary challenges	65	5%
	Other	73	5%
<b>11. Which of the following best describes the Talent Planning process at your firm? (Please select one answer.)</b>	It is a highly formalized process with written rules or guidelines.	184	13%
	It is somewhat formalized with some aspects of the process documented.	769	55%
	It is mostly informal with few if any aspects documented.	435	31%
<b>12. How important is talent management considered by leadership in your company? (Please select one answer.)</b>	Not at all important	5	0%
	Not very important.	22	2%
	Somewhat important.	248	18%
	Very important.	723	52%
	Extremely important.	395	28%

Question	Answer	Respondents	
		#	%
<b>13. And overall, how well do you think your company handles talent management? (Please select one answer.)</b>	Not well at all.	31	2%
	Not very well.	224	16%
	Somewhat well.	823	59%
	Very well.	282	20%
	Extremely well.	26	2%
<b>14. Rate importance of: Aligning talent strategy and business strategy</b>	Not at all important	5	0%
	Not very important	31	2%
	Somewhat important	239	18%
	Very important	632	46%
	Extremely important	455	33%
<b>15. Rate importance of: Identifying critical positions (i.e. that have to be filled by excellent players)</b>	Not at all important	3	0%
	Not very important	19	1%
	Somewhat important	160	12%
	Very important	622	46%
	Extremely important	549	41%
<b>16. Rate importance of: Identifying current and future skills gaps</b>	Not at all important	7	1%
	Not very important	42	3%
	Somewhat important	254	19%
	Very important	695	51%
	Extremely important	352	26%

Question	Answer	Respondents	
		#	%
<b>17. Rate importance of: Identifying the key positions in the business</b>	Not at all important	2	0%
	Not very important	16	1%
	Somewhat important	184	14%
	Very important	719	53%
	Extremely important	432	32%
<b>18. Rate importance of: Lining up successors for key players</b>	Not at all important	17	1%
	Not very important	111	8%
	Somewhat important	301	22%
	Very important	539	40%
	Extremely important	387	29%
<b>19. Rate importance of: Engaging senior management in talent management</b>	Not at all important	3	0%
	Not very important	50	4%
	Somewhat important	254	19%
	Very important	645	48%
	Extremely important	393	29%
<b>20. Rate importance of: Engaging line management in talent management</b>	Not at all important	14	1%
	Not very important	102	8%
	Somewhat important	347	26%
	Very important	592	44%
	Extremely important	284	21%

<b>21. Rate importance of: A process to identify and reward top performers</b>	Not at all important	4	0%
	Not very important	38	3%
	Somewhat important	228	17%
	Very important	691	51%
	Extremely important	389	29%
<b>22. Rate importance of: A process to identify and develop high potentials</b>	Not at all important	3	0%
	Not very important	59	4%
	Somewhat important	233	17%
	Very important	642	48%
	Extremely important	406	30%
<b>23. Rate importance of: Engagement of the employee base in talent planning</b>	Not at all important	11	1%
	Not very important	106	8%
	Somewhat important	438	33%
	Very important	572	43%
	Extremely important	210	16%
<b>24. Rate importance of: Tools and processes to retain critical players</b>	Not at all important	3	0%
	Not very important	54	4%
	Somewhat important	267	20%
	Very important	624	47%
	Extremely important	383	29%

Question	Answer	Respondents	
		#	%
<b>25. Rate importance of: Identifying internal talent pools</b>	Not at all important	11	1%
	Not very important	62	5%
	Somewhat important	334	25%
	Very important	671	50%
	Extremely important	264	20%
<b>26. Rate importance of: Identifying external talent pools</b>	Not at all important	17	1%
	Not very important	134	10%
	Somewhat important	356	27%
	Very important	605	45%
	Extremely important	227	17%
<b>27. Rate importance of: Identifying critical, "can't-lose" players</b>	Not at all important	10	1%
	Not very important	37	3%
	Somewhat important	203	15%
	Very important	621	47%
	Extremely important	463	35%
<b>28. Rate importance of: Identifying retention risks</b>	Not at all important	13	1%
	Not very important	52	4%
	Somewhat important	305	23%
	Very important	691	52%
	Extremely important	275	21%



Question	Answer	Respondents	
		#	%
<b>29. Rate importance of: Lining up successors for critical, “can’t-lose” players</b>	Not at all important	21	2%
	Not very important	110	8%
	Somewhat important	279	21%
	Very important	575	43%
	Extremely important	348	26%
<b>30. Rate importance of: Processes to regularly assess employees performance and potential</b>	Not at all important	14	1%
	Not very important	72	5%
	Somewhat important	281	21%
	Very important	648	49%
	Extremely important	309	23%
<b>31. Which of the following best describes how Talent Planning is managed at your company? (Please select one.)</b>	Top management is deeply engaged and leads the process	588	43%
	Top management partners closely with HR	424	31%
	HR leads the process but consults with top management	141	10%
	HR has sole responsibility	9	1%
	Not actively managed	181	13%
	Other	17	1%

Question	Answer	Respondents	
		#	%
<b>32. During your company's last fiscal year, what was its total employment?</b>	No employees	1	0%
	1-9 employees	84	6%
	10-19 employees	150	11%
	20-49 employees	349	25%
	50-99 employees	287	21%
	100-499 employees	401	29%
	500-999 employees	83	6%
	1000-4999 employees	37	3%
	5000-9999 employees	2	0%
	10000+ employees	3	0%
<b>33. During your company's last fiscal year, what were its total revenues?</b>	Less than 500k	20	1%
	500-999k	31	2%
	1-4 Million	211	15%
	5-9 Million	230	16%
	10-20 Million	294	21%
	21-49 Million	266	19%
	50-99 Million	167	12%
	100-249 Million	113	8%
	250-499 Million	42	3%
	500-999 Million	15	1%
1+ Billion	9	1%	