

# SMU Cox CEO SENTIMENT SURVEY

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*What you think, how your peers feel, and where the Dallas-Fort Worth economy is headed.*

DALLAS HAS LONG HAD THE REPUTATION OF being a pro-business city with a world-class transportation system and a high quality of life. Just ask the executives at Fluor Corporation, Comerica Bank, or any of the other notable businesses that have recently relocated their headquarters here. Those corporations join an already impressive roster. Home to 24 Fortune 500 company headquarters and more than 128,000 businesses overall, the Dallas-Fort Worth area is fast becoming one of the most important business centers in the world, if it isn't already.

The businesses in Dallas generate a total GDP of more than \$290 billion, more than the GDP of South Africa and Denmark and almost as much as that of Greece. Who are the stewards of such an economic engine? What makes the CEOs and presidents of Dallas' companies as successful as they are? What keeps them up at night? What do they think about the future?

The SMU Cox School of Business and the editors at *DallasCEO* set out to find some answers—to put a finger on the pulse of the business leadership in Dallas. After all, the CEOs and presidents are the ones whose decisions shape not only the lives of their employees and customers, but also the local economy, the job market, and even civic life.

The first-ever *SMU Cox CEO Sentiment Survey* covered a range of topics: from the state of the economy to the quality of the DFW labor force, from leadership attributes that are most critical to success to the competitive challenges they face. The answers, in many instances, surprised us. Over time, this annual survey will establish the SMU Cox CEO Sentiment Index, highlighting trends in leadership thinking and uncovering factors most critical to business success. But even in its inaugural year, the survey provides a unique insight into the minds of the individuals that keep Dallas' business engine firing on all cylinders.

**HOW WE DID IT:** To develop the first-ever *SMU Cox CEO Sentiment Survey*, we gathered input from top business leaders and consulted the academic literature to identify the content of the survey, as well as to devise the methodology for obtaining responses. After writing an initial list of questions for the survey, two separate focus groups of current and former Dallas-Fort Worth-area CEOs provided input on the questions' content and length, as well as feedback on the overall concept. From this input, a pilot survey was developed and distributed to the members of the SMU Cox Executive Board, which itself is made up of top business leaders in the region. Using this input, the final survey was constructed, printed, and sent to a select mailing list of presidents and CEOs across a range of size and industry.



# Economic Outlook

*Dallas CEOs are bullish on the local economy—but decidedly less so for the nation.*

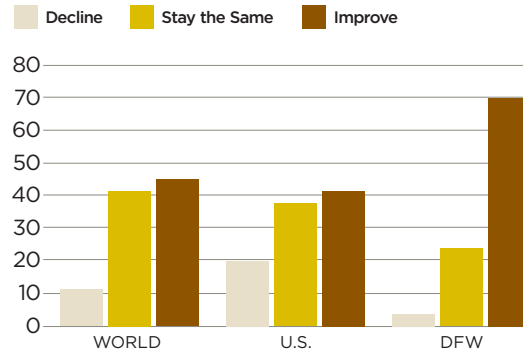
MANAGEMENT SCHOLARS HAVE LONG KNOWN that a leader's behavior is guided by his or her expectations about the future: They act today based on what they think will happen tomorrow. Through the survey, we sought to better understand local CEOs' anticipations of the economy and the financial outlook for their organizations. The results were both surprising and encouraging. Surprising, because of the uniformly high level of optimism exhibited, and encouraging because of what this level of optimism means for the future of our region.

When asked about their expectations for the DFW economy, a whopping 70 percent of the CEOs felt that the economic conditions would improve in our region in the coming year. Interestingly, only 41 percent felt the same way about the U.S. economy, while 46 percent felt that the world economy would improve. On the flip side, nearly 20 percent of respondents expected the U.S. economic conditions to worsen over the next 12 months. For the Dallas-Fort Worth economy, that percentage was only a bit over 5 percent.

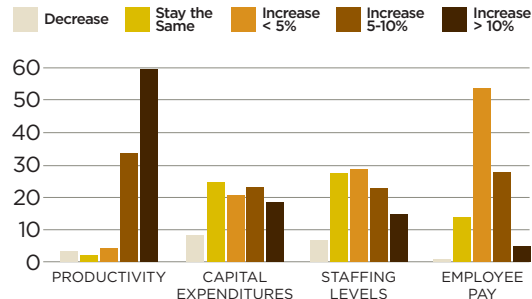
What does this level of optimism mean for the economic health of our region? When business leaders are optimistic about the future, they are more likely to invest in their organizations through capital expenditures and hire more employees in anticipation of increased demands for their products and services. True enough, according to the survey. Fully 65 percent of respondents expected to increase capital expenditures at their companies over the next 12 months. An eye-popping 19 percent of them expected these increases to be greater than 10 percent compared to the previous year.

Given their outlook for improved economic conditions, CEOs also reported that they expect to increase the staffing levels in their organizations. In fact, 36 percent of the respondents expected these increases to be in the order of 5 percent or more. These numbers are good news for an already rosy employment picture in the Dallas-Fort Worth area. CEOs also expect that these increases in staffing levels will lead to higher productivity for their organizations. A mind-boggling 93 percent of CEOs expect productivity increases greater than 5 percent. Fifty-seven percent of CEOs anticipate productivity increases above 10 percent.

## ECONOMIC EXPECTATIONS



## ORGANIZATIONAL EXPECTATIONS



So how will these positive economic conditions and higher productivity levels affect the bottom line? Although CEOs expect their costs to increase (76 percent of respondents), they still expect higher profits over the next year (62 percent of respondents). This is explained by an even greater number of CEOs (80 percent) anticipating increased revenues coupled with the increases in productivity reported earlier.

In all, CEOs responding to our survey are extremely positive about the future of our region and expect their businesses to benefit from these improved conditions. Interestingly, this high level of optimism was found across all industries and sizes of organizations.

**62%** CEOs WHO EXPECT HIGHER PROFITS OVER THE NEXT YEAR



# DFW Region

*A low cost of living tops the list of reasons to relocate to Dallas.*

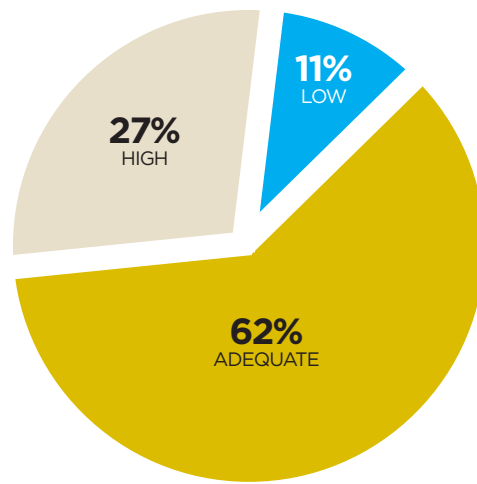
GIVEN THE PROMINENCE OF THE DALLAS-FORT Worth area as a center of business and commerce, we wanted to know how CEOs view their own backyard. If our region is to continue attracting and creating businesses to drive our economy, we must understand what business leaders see as the unique advantages of the DFW area, as well as challenges that local businesses must tackle to continue making our region business-friendly.

Most business leaders will tell you that the quality of the local workforce is critical for the success of their businesses. When asked about the quality of the DFW workforce, 62 percent described it as adequate and 27 percent said it was of high quality. This is encouraging since it only leaves 11 percent who think the local labor force is of low quality. However, adequate is just that, “adequate.” It is not outstanding. Thus, it is critical that our region continues to attract and produce a highly trained and motivated labor force to keep our business engine running.

When asked their opinions on the key contributors to the quality of life in the DFW region, nearly 55 percent cited “cost of living” as the main factor. Given that this is our region’s key competitive advantage, recent rumblings concerning the availability of affordable housing should be heeded. We are nowhere near the levels of California or New York, but it is important that our region not slip on this issue. Other factors cited by CEOs as being important contributors to our quality of life are the climate/weather (15 percent) and the quality of travel and transportation infrastructure. Praises for the DFW Airport can never be sung too loudly, and the inland port in South Dallas will further solidify our position as a distribution hub.

We also asked CEOs what they thought local governments needed to do to improve the business climate in our region. More than 32 percent cited financial incentives for business, such as tax abatements, as the most important action. Rounding out the list was to improve the quality of public school education (30 percent) and to control energy costs (17 percent). Clearly CEOs feel that the city must do everything it can to maintain its attractiveness to corporations, and the relatively low cost of doing business and the availability of a qualified labor force are critical for our city.

## QUALITY OF DFW WORKFORCE



## TOP 3 CONTRIBUTORS TO QUALITY OF LIFE

Characteristic	% Selecting
Cost of Living	54.7
Weather/Climate	15.6
Quality of Travel and Transportation Infrastructure	11.9

## TOP GOVERNMENT ACTIONS NEEDED

Governmental Action	% Selecting
Incentives for Business	32.5
Improve Public School Education	30.7
Control Energy Costs	17.0
Improve Public Transportation	7.8
Improve Air/Water Quality	3.6

**32%** CEOs WHO CITE FINANCIAL INCENTIVES FOR BUSINESS AS THE MOST IMPORTANT GOVERNMENTAL ACTION NEEDED



# Leadership Issues

*Dallas CEOs feel overwhelmingly secure with their jobs, even with pressures looming.*

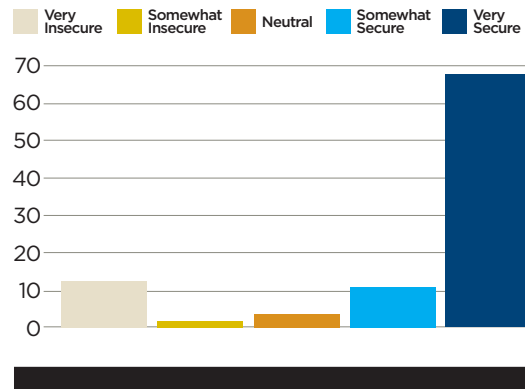
THE *SMU COX CEO SENTIMENT SURVEY* ALSO asked CEOs to look at themselves, specifically regarding leadership issues such as what got them to where they are today and what challenges they face.

Surprisingly, in a time of increased scrutiny and untold pressures on those who occupy the corner office, the vast majority of our area's business leaders are satisfied with their jobs. Fully 90 percent of survey respondents reported being somewhat or very satisfied with their jobs. Some insight into the source of this satisfaction comes from another question in which respondents were asked to select their top three measures of personal success. When asked this question, 70 percent of CEOs selected their companies' success as the measure of their own success, followed by their impact on the lives of employees and customers (62 percent) and the amount of time spent with loved ones (47 percent). Thus, it appears that the economic success of our region is driving the satisfaction of these CEOs.

Interestingly, when asked how secure they feel about their jobs, nearly 80 percent of respondents reported being either somewhat or very secure in their jobs. On the other hand, a little more than 13 percent said they feel very insecure about their job. This high level of perceived job security flies in the face of recent articles suggesting that the tenure of CEOs (and, presumably, their job security) is on the decline. In fact, more than 70 percent of our respondents have been CEOs or presidents for more than 10 years.

So what does it take to become a CEO? Respondents were asked to rate the top three attributes for success as a CEO. On top of the list was sound decision-making (68 percent), followed by honesty (43 percent) and ethical grounding (30 percent). What is surprising about this list is what didn't make the top three. For example, one would have expected to see something about technical skills, financial acumen, or knowledge of one's business. On the other hand, these factors are critical for making sound decisions. And whom do they consult when mulling over important decisions? Most respondents cited their spouses

## CEO JOB SECURITY



(64 percent), friends (48 percent), and their chief financial officers (23 percent) as their most important confidants. To get to the top spot, most respondents credited their parents (32 percent), spouses (25 percent), and professional mentors (15 percent) as being most influential in achieving their success.

Leading a business is a big challenge that requires a lot of preparation, dedication, perseverance, wisdom, and much, much more. When asked to select the top business challenges they face, respondents cited domestic competition (22 percent), labor availability (20 percent), and changing customer needs and expectations (17 percent). Our survey also asked respondents to select the top three challenges they face as CEOs. Consistent with the top business obstacles mentioned above, sustaining competitive advantage was the most common challenge cited (64 percent), followed by attracting and retaining good employees (61 percent) and developing leaders (45 percent). Again, it is interesting to note that both of these questions point to the importance of having a large and well-educated labor pool to maintain our area's competitiveness.

— Complete results are also available at [www.coxceosurvey.org](http://www.coxceosurvey.org).

## The Bottom Line

**What do we conclude from the results of this survey?** Although the most important findings will come when we examine trends in responses over time, a few important conclusions can be drawn that have serious implications for our region's economy. First, business leaders are bullish on the economy and expect to expand their businesses and payrolls. Although globalization is probably an issue for most of these companies, most business leaders are most concerned about domestic competition. Our low cost of living is the key to drawing and keeping companies in our area but it is critical that we continue to produce a well-educated labor force to meet the demands of these growing businesses. Being a CEO is a satisfying job with current jobholders expressing relatively high levels of job security. While there is no single path to the executive suite, it appears that parents and spouses are critical influences on the road to the top. Developing sound decision-making skills is critical, as are strong ethics. **D**