CEO Confidence
Survey Research Report
2014
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Introduction

This CEO confidence survey for the first quarter carried out by Industrial Psychology Consultants. The CEO confidence survey is conducted to measure the economic future as seen by the CEOs. CEO are asked questions related to the economy as well as challenges they will be facing in their companies. The survey includes questions on obstacles to hiring new employee, reasons for company layoffs, industry concerns, economic worries, and short-term/long-term outlooks on the economy. The questions target CEOs due to their oversight of big investment decisions that will have an effect on the economy as a whole. The survey results help give traders and investors insight and valuable data about upcoming economic conditions. Data for this survey was collected from February to March 2014 and indicates the CEO confidence levels for the first quarter of 2014.

This report contributes to Industrial Psychology Consultants goal to help business leaders understand the forces transforming the local and global economy, improve company performance, and work for better national policies. The report is in-line with our mission of maximizing returns on human capital. As with all Industrial Psychology Consultants research, this work is independent and has neither been commissioned nor sponsored in any way by any business, government, or other institution. From the responses we received from the CEOs the Confidence Index of 37% is low.
Survey Methodology and Sample

We conducted a survey to gauge CEO confidence in the economy and in their business growth prospects. This was to find out their expectations regarding the overall state of the economy as well as their own industry. A total of 31 CEOs in a wide variety of industries responded and the distribution of respondents was as follows:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction and Real Estate</td>
<td>3.23%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16.13%</td>
</tr>
<tr>
<td>Mining</td>
<td>9.68%</td>
</tr>
<tr>
<td>Public Service and local government</td>
<td>6.45%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>16.13%</td>
</tr>
<tr>
<td>Non Governmental Organisations</td>
<td>3.23%</td>
</tr>
<tr>
<td>Automotive</td>
<td>6.45%</td>
</tr>
<tr>
<td>Engineering</td>
<td>6.45%</td>
</tr>
<tr>
<td>IT &amp; Telecommunication</td>
<td>3.23%</td>
</tr>
<tr>
<td>Transport and Logistics</td>
<td>12.90%</td>
</tr>
<tr>
<td>Medicine and pharmaceuticals</td>
<td>3.23%</td>
</tr>
<tr>
<td>Product distribution</td>
<td>6.45%</td>
</tr>
<tr>
<td>Other</td>
<td>6.45%</td>
</tr>
<tr>
<td>Total</td>
<td>100.01%</td>
</tr>
</tbody>
</table>
Results

Confidence In The Economy

74.19% said the economic conditions has worsened as compared to last year due to the liquidity crunch, lack of disposable incomes, declining employment, policy inconsistencies among other problems. Some had highlighted that it might be the implementation of the Indigenisation policy which has scared away Direct Foreign Investments. Some of the issues highlighted were:

- Unavailability of capital posing a major challenge for business and businesses are operating below capacity
- Liquidity crunch still persists with no clear solution in sight
- Prices are going up while income remains static
- More company closures, liquidity constrains, reduced disposable income, unachievable national budget
- The economy is in a deflation
- Rise in unemployment due to retrenchments
- Spending trends has deteriorated

Graph No1.

Compared to a year ago, overall economic conditions in Zimbabwe have....

- Improved: 3.23%
- Remained about the same: 19.35%
- Worsened: 74.19%
- No opinion: 3.23%
CEOs were asked about their expectation on the overall economic conditions in Zimbabwe. 38.71% said in the next 12 months the economy will get worse giving the following reasons:

- There is no consumer demand
- Unless the dearth of capital is addressed the business environment is likely to continue to decline
- No real investment
- Generally there is no sign that there is going to be any significant FDI
- Political leadership shunning real economic issues if governments maintains a balance of revenue and expenditure
- ZIMASSET lacks funding, disposable income to remain subdued, liquidity constrains to remain same
- 25.81% argued that the economy will remain the same and about 29.03% said that the economy will get better.

Graph No.2

During the next 12 months, I expect the overall economic conditions in Zimbabwe to.....

- GET BETTER: 29.03%
- REMAINED ABOUT THE SAME: 25.81%
- GET WORSE: 38.71%
- NO OPINION: 6.45%
Confidence In Respective Organisations

CEOs have confidence about company revenue, 41.94% said it will increase over the next 12 months. Some said if we increase economic activity it clearly means more income will be generated to serve the economy. 25.81% said the economy will remain the same because there is not much activity happening to improve revenue generation as most people have stopped spending. 29.03% argued that the revenue will decrease because there is not much activity taking place due to:

- Lack of disposable income
- Trading conditions likely to get more difficult
- Inflows are generally on the downward spiral
- Plant upgrade on course for the second quarter
- Current situation is uncertain

Some CEOs cited that the only solution to this is that there is need to put in strategies to reduce revenue leakages.

Graph No.3

Over the next 12 months, I anticipate my company revenues to....

- **INCREASE**: 41.94%
- **REMAINED ABOUT THE SAME**: 25.81%
- **DECREASE**: 29.03%
- **NO OPINION**: 3.23%
Most CEOs are not confident on whether their companies will make profit this year or not. 35.48% said they are not expecting to make profit because there is no demand for business. When one get the business you will have to reduce prices and this trend has led to negative deflation. This has also greatly affected revenue growth. In this era of ‘stable instability’, it’s easy to understand why CEO confidence in business growth prospects is so volatile. 32.26% are confident that they will make profits because they are looking forward for more business opportunity as more contracts will be awarded. 25.81% are expecting their profits to remain the same as last year.

Graph No.4

In the next 12 months, I expect my company’s profitability to.....

- **IMPROVE**: 32.26%
- **REMAINED ABOUT THE SAME**: 25.81%
- **WORSEN/ERODE**: 35.38%
- **NO OPINION**: 6.45%
There is a lot of uncertainty currently about the economy. 51.61% say they are expecting the total number of their employees to decline because they are downsizing. 35.48% expect the number to remain the same. Only 12.90% said they will increase the number of employees. For those who said they are going to recruit they highlighted that they will only replace key position.

Graph No.5

I expect our company's total number of employees to......

- **INCREASE**: 12.90%
- **REMAINED ABOUT THE SAME**: 35.48%
- **DECREASE**: 51.61%
- **NO OPINION**: 0.00%
CEOs are not planning to increase the number of employees (headcount) in their companies. 38.71% say they have frozen all recruitment as business constraints do not justify an increase in headcount. They have opted to allocate duties among the current staff. There is a general feeling that the economy is not performing. 35.48% do not plan to increase the number of employees. CEOs are expecting staff compliments to decrease even after retrenching.

Graph No. 6

When do you expect to increase your firms total number of employees over the next 12 months?

- Frozen all recruitments: 38.71%
- No plans to increase no. of employees: 35.38%
- Steadily throughout 2014: 12.90%
- Q1: 3.23%
- Q2: 6.45%
- Q3: 3.23%
- Q4: 0.00%
Currently companies are facing significant business issues which are impacting on their operations. 44.81% say the biggest challenge is market liquidity (cash flow and turnover) 13.79% are concerned with political uncertainty as it is also impacting on their business. Obsolete equipment is also another factor 10.34% and this is impacting on business operations. Most company are undercapitalised because they do not have sufficient capital to conduct normal business operations and pay creditors. This has resulted in companies failing to raise enough cash flow and they are unable to access forms of financing such as debt or equity. Most CEO now fear that if the economy does not change they will fail to generate capital and this will result in more company closures.

Graph No. 7
CEOs confidence is low because of the challenge that they are facing at the moment. There is a lack of investment and financial inflows which is required to drive future growth. 16.13% of the CEO said they can’t borrow more money because currently they are falling to pay back the loans they have borrowed last year. 32.26% said managing cost is the biggest challenge they are currently facing. Other factors highlighted in the survey are liquidity challenges, inconsistent power and water supplies, unstable health system, shareholder policy inconsistencies, paying statutory obligations, high interest rates, poor service delivery, infrastructure, staff cost, increased expenses and failure to secure lines of credit. 9.68% said they are failing to retain customers due to poor service delivery and also failing to meet customer requirements.

**Graph No. 8**

What is the biggest challenge your business is specifically facing now?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying Loans and/or Accessing Capital</td>
<td>16.13%</td>
</tr>
<tr>
<td>Managing Costs</td>
<td>32.26%</td>
</tr>
<tr>
<td>Cash, Liquidity, Receivables</td>
<td>29.03%</td>
</tr>
<tr>
<td>Customer Retention and/or Lead Generation</td>
<td>9.68%</td>
</tr>
<tr>
<td>Cutting Staff</td>
<td>3.23%</td>
</tr>
<tr>
<td>Business Not Face Any Challenges</td>
<td>3.23%</td>
</tr>
<tr>
<td>Other</td>
<td>6.45%</td>
</tr>
</tbody>
</table>

*Note: The graph shows the distribution of challenges faced by businesses.*
When describing the availability of skills in the economy, 38.71% said it is difficult to find qualified people to drive business growth. Some of the CEO highlighted that it is also difficult to get qualified people because they cannot afford them, giving an example that they have salary backlogs and they said it’s posing a challenge to attracting the right skills. They said our country is experiencing high levels of unemployment but it does not mean we have more skilled people on the market. 25.81% said it easy in their sector to find qualified people. 22.58% CEOs said most interviewees lack the required skills. They said academic qualifications is not an issue but most interviewees lack the necessary training and experience. Most people have certificates but very little work experience & professional ethics, even at CEO level.

Graph No. 9

How difficult is it to find people with the right skills to drive your business growth?

- **Easy to find qualified people**: 25.81%
- **Difficult to find qualified people**: 38.71%
- **Most interviewees lack the required skills**: 22.58%
- **Not applicable**: 12.90%
Confidence In The Policy Framework

87.10% said the reintroduction of the Zimbabwean dollar will adversely impact on business. When it happens it is not going to address these macroeconomic difficulties immediately. Most CEOs raised to the following concern over the issue:

- It’s most certain that the man in the street will shun the return of the local currency
- the black market will thrive
- It would introduce more uncertainty into an already difficult environment
- A lot of economic fundamentals have to be in place first before that happens
- Negative impact
- Lack of confidence in the stability of the currency will discourage economic activity

12.90% said they are not sure if there will be an adverse impact on the reintroduction of the Zimbabwean dollar.

Graph No. 10

<table>
<thead>
<tr>
<th>What do you think the reintroduction of the Zimbabwean dollar would adversely impact your business?</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>87.10%</td>
</tr>
<tr>
<td>NO</td>
<td>0.00%</td>
</tr>
<tr>
<td>NOT SURE</td>
<td>12.90%</td>
</tr>
<tr>
<td>NOT APPLICABLE</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
With regards to the Nation Budget Policy Statement presented by the Minister of Finance in January, about 87.10% of the participants said they think that there will not be any economic growth. 12.90% are not sure if there will be any changes to the economy. CEOs said the budget did not address real issues which is confidence building and attracting investment. The budget was also not backed by real resource inflows. Other factors highlighted were:

- Not enough capital expenditure to stimulate economic activity
- Monetary issues not addressed, the budget only looked at the policy

**Graph No. 11**

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>0.00%</td>
</tr>
<tr>
<td>No</td>
<td>87.10%</td>
</tr>
<tr>
<td>Not Sure</td>
<td>12.90%</td>
</tr>
</tbody>
</table>
Most CEOs have low confidence in ZIMASSET with only 16.13% saying ZIMASSET will help to revive our economy. 64.52% saying they don’t think it’s a sufficient Economic plan to resuscitate our economy.

- ZIMASSET requires funding. It should be clear how it will be funded.
- There is need to address the National PR and brand issues to unlock value for ZIMASSET
- Credibility of Government as driver still being doubted
- Lack of resources so it is very difficult to recapitalize industry if ZIMASSET does not provide the resources
- Implementation will be key to success
- The country needs a new mindset. There is need to fight corruption first. It’s the political will that really matters

19.35% were not sure if ZIMASSET will be able to revive the economy.

Graph No. 12

Government has formulated a new plan known as the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET), do you think it is a sufficient economic plan to resuscitate the economy?

- Yes: 16.13%
- No: 64.52%
- Not Sure: 19.35%
From the participating CEOs 9.68% had the highest number of employees. Majority of they have staff complement of about 45.16%.

Graph No. 13

![Graph showing company headcount distribution]

**Conclusion**

The CEO Confidence is low across all sectors at the moment. Most CEOs are not expecting a positive change in the economy but the situation to worsen. There is a challenge with regard to securing debt and equity capital for business activities which will help in improving the economy. This indicate that companies are likely to hold on to their money rather than spend it. We will continue to witness more retrenchment as most companies are trying to contain cost.