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» **CEOS SPEAK OUT** (from left to right)

REX TILLERSON on global challenges » NEVILLE ISDELL on leadership » HECTOR RUIZ on growth opportunities » PETER GEORGIPOULOS on M&A » PATRICK CESCAU on costs » XU HANG on R&D » ROGER LINQUIST on technology » PATRICIA WOERTZ on employees » STEPHEN HANKS on customers » STEVEN LORANGER on governance » DAVID STEINER on reputation » J.W. MARRIOTT JR. on the CEO role » RICHARD EVANS on global risks » TONY MAHER on emerging markets

INTERVIEWS, SURVEY RESULTS, STATISTICS, VIEWS

THE YEAR OF THE CUSTOMER



OPPORTUNITIES & RISKS
STAKEHOLDERS
GOVERNANCE & REPUTATION
GLOBAL OPERATIONS

CEO

REPORT

2008

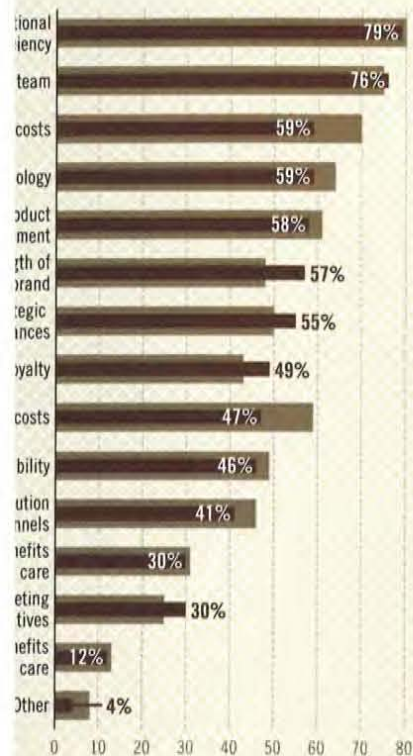
ALSO IN THIS ISSUE:

- » PROFILE: UNDER ARMOUR INC.
- » INSIDE NYSE EURONEXT: THE GLOBAL MARKET
- » SECTOR SPOTLIGHT: APPAREL RETAILERS
- » CEO Q&A: L-1 IDENTITY'S ROBERT V. LAPENTA

FIT DRIVERS

INTERNAL FACTORS WILL HAVE THE MOST IMPACT ON PROFITABILITY THROUGH 2008?

What factors will have the most impact on profitability through 2008? (Percent of CEOs who answered "more/much more impact" in 2007)



» fears about inflation and energy costs appear to have lessened. Indeed, 84 percent of U.S. CEOs describe the U.S. economy as excellent or good — as do only 51 percent of their non-U.S. counterparts and just 37 percent of American adults. One interpretation is that, because their fingers are on the pulse of the U.S. economy, U.S.-based CEOs are better equipped to forecast economic direction.

Columbia University professor Joseph Stiglitz has a different take on the data: "American CEOs are doing well," he says. In contrast, he notes, U.S. median income is falling, and the average middle-class citizen worries about job security and health-care costs. "Executives outside the U.S. look at America and ask, 'How can you have a robust economy with declining incomes or savings rates that are negative?'" says Stiglitz.



But **WASTE MANAGEMENT INC.** (WMI) CEO David Steiner points out that "if you look at high energy prices, a weak dollar, a housing market that's not great and commodity prices at three-year highs, our economy looks disastrous. Still, the consumer is spending, and we've been through cycles like this before."

THE EMPLOYEE FACTOR

In fact, with job prospects more plentiful, more CEOs are registering a concern about employee retention (see chart, page 24). While 31 percent say keeping employees is easier than it was three years ago, 34 percent feel that it's gotten harder. "We're in a talent war," observes Bob Gandossy, global solutions leader for **HEWITT ASSOCIATES INC.** (HEW), the human-resources company. "Employees are looking at options all the time."

79% MOST CEOs BELIEVE OPERATIONAL EFFICIENCY WILL HAVE THE MOST IMPACT ON PROFITS. FEWER CITE COMPLIANCE AND HEALTH-CARE COSTS THAN LAST YEAR.

Neville Isdell, The Coca-Cola Company

WHAT DOES IT TAKE TO LEAD A GLOBAL COMPANY INTO THE FUTURE?

Neville Isdell, chairman and CEO of **THE COCA-COLA CO.** (KO), says running a successful global company requires developing relationships with local businesses. Coca-Cola, he notes, contracts locally for the ingredients, equipment and supplies used to produce products in the more than 200 countries where the company has a presence.

This model, says Isdell, pays dividends by creating employment opportunities, income, tax revenues and sustainable businesses. The approach also helps strengthen community ties and leads to higher living standards in local markets, explains Isdell. The contributions we make in local communities create a kind of virtuous cycle that earns a business its social license to operate in a global economy," he says.

Isdell notes, however, that a social license to operate only allows a global business to exist. To thrive, he advises, a company must align its products and services with consumers' larger economic interests and social values. To achieve this growth, the CEO says, companies must work with local partners. For example, Isdell says Coke's partnership with the environmental activist group Greenpeace led it to introduce refrigeration technologies that not only reduce the environmental impact of its coolers but also cost less to operate.

Ultimately, explains Isdell, a company's most important partnership is with the larger community within which it does business. "Successful collaboration is built on multilateral diplomacy — finding the common ground where a company's self-interest and the economic development, environmental stewardship and social-justice needs of communities converge," he says. "The integration of the global economy, coupled with respect for local interests and cultures, remains the most effective means to lift people out of poverty, advance prosperity and ensure the sustainability of a business."



Hector Ruiz, Advanced Micro Devices Inc.

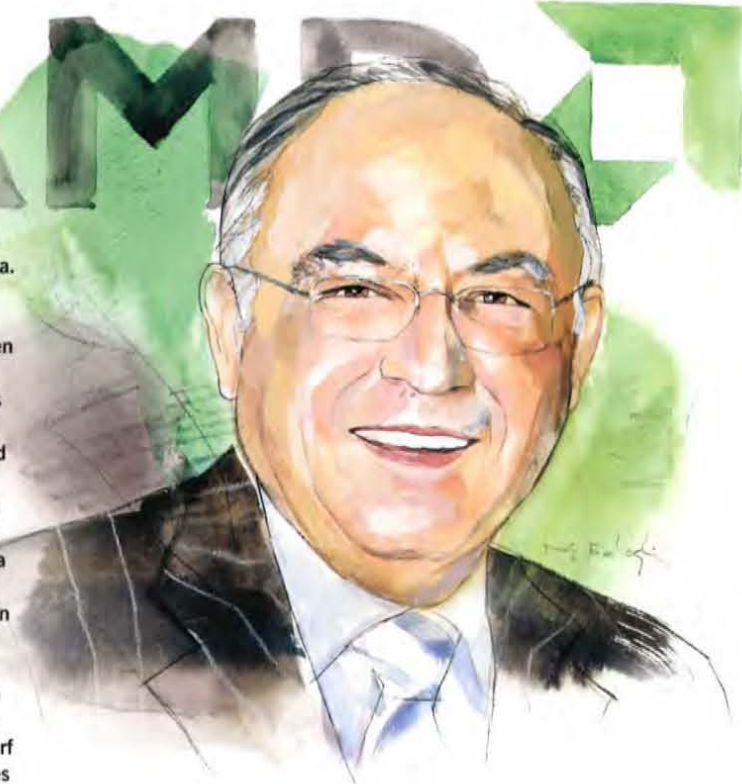
HERE ARE THE GREATEST GROWTH OPPORTUNITIES FOR THE FUTURE?

Over the next 18 months, Hector Ruiz says, healthy growth will come from information technology, with the strongest contribution to that growth coming from China, Eastern Europe, India and Russia. "IT is the oil of the 21st century, and high-growth markets are hungry to participate," states the chairman and CEO of **ADVANCED MICRO DEVICES INC. (AMD)**.

Ruiz acknowledges that "emerging markets are not the same as poor markets," especially when it comes to technology. He cites Russia as an example, noting that government officials are acutely aware of the need to build "enterprise infrastructure," such as data centers and switches for telephone networks. "When businesses have the necessary IT systems, they grow," says Ruiz. That results in job creation, which gives consumers money to spend. Among the things they spend on are home computers. And the cycle continues."

In India, Ruiz observes, the general consumer is "fascinated by the use of technology for home entertainment," and if choosing between a television and a computer, consumers there more often choose the TV. "That gives us a tremendous opportunity to work with our partners in developing a digital home solution that consumers can afford," Ruiz says. Educated populations in countries such as Poland and the Czech Republic create markets that seem more analogous to the U.S. when it comes to IT, Ruiz says. "These consumers want technology that will enable them to run small businesses out of their homes," he says.

No matter how much research is done on promising markets, Ruiz says, nothing compares with actually doing business there. He explains that AMD vastly underestimated the customer desire for online banking in Brazil. "We thought the most important thing consumers would want was to surf the Web," he says, noting that the company had to retool its products to install the security features needed to bank online. Says Ruiz: "The opportunities are great if you understand the market."



Very few organizations are doing the things that can really differentiate their companies from competitors when it comes to employees."

Employee issues have a ripple effect on customers. "Workers who are passionate about what they do directly influence the customers' experience," says Jeffrey Resnick, president of Opinion Research Corp., the market research firm that conducted the NYSE CEO survey. Employee commitment helps create the very fabric of how a company is viewed."

Even more than bonuses and stock incentives, employee development and good management build loyalty, according to the respondents. "Our employees thrive on being challenged," says Rex Tillerson, chairman and CEO of **EXXONMOBIL CORP. (XOM)**. "Our business provides many complex technical, engineering, commercial and political challenges that test the best minds in our industry. In the first few years, new employees decide whether we are the right fit. Very few leave after five years."

METHODOLOGY

» In 2007, *Time Inc. Content Solutions* commissioned *Opinion Research Corp.*, an independent global strategy and market research and consulting organization, to conduct the *NYSE CEO Report 2008*, the third annual survey of CEOs of NYSE-listed companies, on behalf of NYSE Euronext. A questionnaire was administered via the Internet, phone and mail from Feb. 22 to March 28, 2007, generating 240 responses from leaders in 24 countries and more than 20 industries. Of that total, 188 responses were from the U.S.; 23 from Central and South America; 10 from Europe, the U.K. and the Middle East; eight from the Asia-Pacific region; seven from Canada; three from Bermuda; and one from South Africa. Some 35 percent of companies had a market capitalization of \$3 billion or more. Although the average respondent reported CEO tenure of seven years, 26 percent had been in the position for less than three years and 21 percent for 10 years or longer.

An additional *CARAVAN* Omnibus survey conducted to include comparisons of the American public's sentiment polled 1,035 American adults from March 30 through April 2, 2007.

VIEWS OF THE U.S. ECONOMY HOW WOULD YOU RATE CURRENT U.S. ECONOMIC CONDITIONS?

% who answered:

● Excellent/good ● Fair/poor



*Opinion Research Corp./Caravan study conducted from March 30 to April 2, 2007, among 1,035 adults, ages 18 and up