U.S. CEO Outlook 2015

The growth imperative in a more competitive environment

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KPMG
cutting through complexity

"U.S. CEOs aren't letting a more challenging environment hold them back. They told us they are still aggressively pursuing growth, that geographic expansion is one of their top strategic priorities, and that they are stepping up their inorganic growth plans."

From the CEO:

Company leaders today confront business challenges that were unheard of even five years ago. The pace of change, technological disruptions, and concerns about the global economy have these leaders focused more than ever on being innovative, keeping their products relevant, engaging their employees and satisfying their customers.

In these times, understanding what CEOs see as their greatest opportunities and concerns on the horizon—not just for the next fiscal quarter or six months, but for years to come—can provide a valuable roadmap to the business landscape ahead. Last year we surveyed 400 CEOs of U.S. multinationals in sectors ranging from retail to utilities, and received in-depth insights on their perspectives for growth over a three-year period. This year, we repeated those efforts, added a global dimension to our study, with input from 800 chief executives from Europe and Asia, and included many of those findings throughout this report.

Perhaps the most encouraging result is that two-thirds of U.S. CEOs, the vast majority of whom were optimistic about the three-year prospects for their companies last year, maintain that positive viewpoint or are even more optimistic. This is tempered, however, by the fact that one-third of U.S. CEOs are *less* confident than last year about their companies' prospects, which appears to be a sign of the increasingly competitive environment.

In creating this report, we sincerely thank the CEOs who took the time to participate in interviews and for sharing their thoughts and insights with us, and we also thank the KPMG partners, who draw from their experience working on the frontlines of the most pressing issues facing global companies.

KPMG is proud to present the second annual CEO study, *"U.S. CEO Outlook 2015: The Growth Imperative in a More Competitive Environment."* We hope it serves as a source of vital insight about what the leaders of the largest and most successful U.S. companies see in the years ahead.

Lynne Doughtie
KPMG U.S. Chairman and CEO

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Introduction

The next three years will be challenging for U.S. CEOs, most of whom are as bullish about growth prospects as they were last year, but about one third of whom are less optimistic than they were just a year ago. They are embarking on much more aggressive growth strategies, geared toward inorganic growth and international expansion.

Furthermore, these ambitious plans will be taking place in a tougher operating environment, with increased threats from incumbent competitors and new entrants alike. The latter calls for strategic decision making – about which of the new entrants to compete with and how. With new technologies redefining value chains, companies need to remain vigilant to stay relevant in the new ecosystem.

The regulatory environment continues to be increasingly intense, not just for the highly regulated healthcare and financial services sectors but across other industries as well. Compliance requirements affect growth, so it should come as no surprise that CEOs see global economic growth and the regulatory environment as the two most impactful issues for their businesses.

CEOs are transforming their companies to continue to meet customer demand. With digital and e-commerce technologies easing the barriers to entry, consumer spending is becoming less predictable, particularly given the millennials' buying patterns. More than half of executives are concerned about customer loyalty and are aggressively positioning their companies to flourish in this new normal.

CEOs are also making internal changes to facilitate the aggressive growth they've set their sights on. Some of the initiatives include promoting innovation as an important tool of transformation. They also see more importance ahead for the CFO, as the leader of a function with a unique view of the whole organization.

Key findings

65% Business optimism holds steady Two thirds of U.S. CEOs either have the same level of confidence or increased confidence about their business prospects in the next three years, though one-third are less confident.

54% Risk appetite increases Fifty-four percent of CEOs feel that they are not taking enough risk as it relates to their growth strategy. Forty-five percent say they are taking the right amount of risk, with only 1 percent stating that they are taking too much risk.

55% Customer demand triggering transformations Customer loyalty is top of mind for CEOs, with more than half (55%) saying they are extremely concerned about it. To this end, customer demand is the top trigger for transformations.

48% Competitive environment gets tougher CEOs are feeling that the competitive environment is escalating. Almost half (48%) are extremely concerned about competitors' ability to take business away, and almost a third (30%) are anxious about new entrants disrupting their business models.

38% Capital targeted for geographic expansion Geographic expansion is the top strategic priority over the next three years for the largest groups of U.S. CEOs (38%). Significant capital will be devoted to expanding into foreign markets, say 77 percent of U.S. CEOs.

69% Regulatory climate continues to have major impact For a vast majority of U.S. CEOs, global economic growth (73%) and the regulatory environment (69%) are the two issues that have the most impact on their companies.

73% Aggressive growth strategies prevail For a vast majority of U.S. CEOs (95%) a focus on growth is more important to their company's well-being than a focus on operational efficiencies. This year 73 percent of U.S. CEOs categorized their growth strategies as very aggressive.

29% Inorganic growth set to rise Almost a third of U.S. CEOs say their growth will be mostly inorganic over the next three years, compared with just 5 percent last year. Over the next 12 months 55 percent plan to undergo financial strengthening while, over the next three years, 54 percent say that acquisitions will be the top capital structural change.

84% CFO tabbed as gaining most clout in the C-suite Asked to identify the C-suite officer who will become more important to their organization over the next three years, CEOs name chief financial officer (84%), chief operating officer (71%), chief information officer (52%), and chief marketing officer (45%).

Source: KPMG's CEO Outlook Survey 2015

Mixed signals about the economy

Last year in its survey, KPMG found U.S. CEOs upbeat in terms of their confidence on the economy and business prospects. This year the study finds a solid percentage of CEOs expressing the same level of confidence or increased confidence about three year growth prospects, yet a third are less confident about the road ahead. Part of the reason, says KPMG Chief Economist Constance Hunter, is that we are seven years into the economic recovery. In three years the recovery will have been going on for 10 years, thus it is reasonable to expect growth may hit some air pockets by that time as wage pressures emerge and the potential for capacity constraints increases. Additionally, the survey period included a time when the U.S. economy was experiencing an appreciation of the dollar, which tends to penalize the profits of large multinationals, poor weather in the Northeast and Midwest and the closings of West Coast ports.

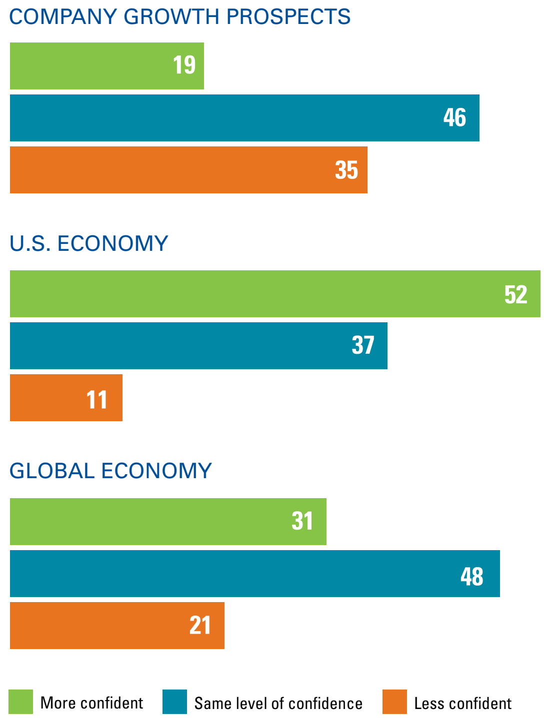
Another, more structural reason, is lack of clarity about regulatory issues, which will only be exacerbated by the unpredictability of a new administration's regulatory agenda, following the 2016 U.S. presidential elections. CEOs are looking for more regulatory simplicity. "We are in a muted recovery. Over the next couple of years, we will be lucky to break 3 percent growth on a sustainable annual basis unless we address some of the structural issues that are getting in the way of economic growth such as clarity around taxes and fiscal policy," says Hamid R. Moghadam, CEO of Prologis, the global leader of industrial real estate.

"The growth in computing power coming into its own with digital infrastructure is poised to radically improve the efficiency of our economy, and therefore GDP growth. However, this growth will not necessarily translate into job growth, but is likely to create disruption around employment, further toughening operating conditions and adding uncertainty to the economic outlook."

—James Whitehurst, CEO, Red Hat

In 2014, 62 percent of CEOs were optimistic about their companies' business prospects.

This year U.S. CEOs were asked: "Compared to last year, are you more or less confident in your company's and the economy's growth prospects?"

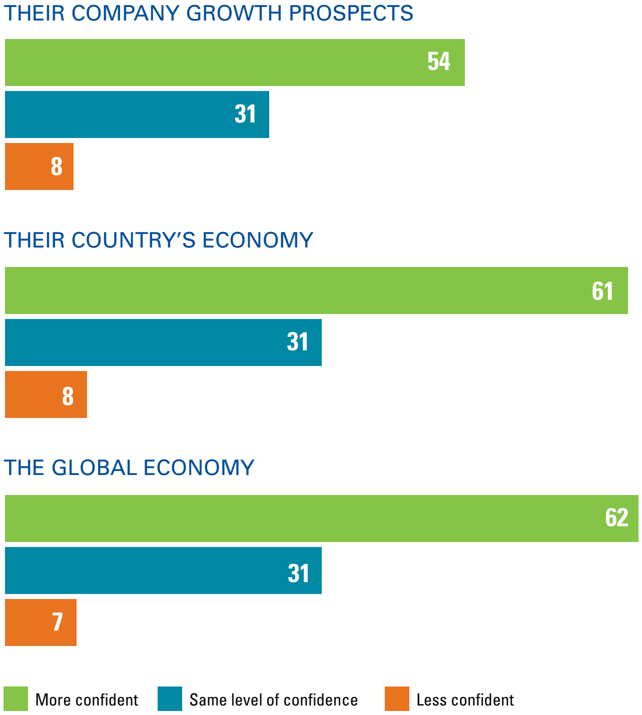


Source: KPMG's CEO Outlook Survey 2015

The overall economic results, such as unemployment, currently around 5 percent, and GDP growth, forecast by the World Bank to hover just under 3 percent over the next three years, are solid. As a result, Hunter believes the risk is to the upside and despite disturbances in Europe and a slower anticipated growth in China, the U.S. economy will benefit from employment gains and concomitant spending," she says.

She notes, however, the complexity and headwinds in the global economy go a long way to explain the mixed messages that the KPMG CEO survey is sending, with some CEOs declaring low levels of confidence on one hand, while at the same time pursuing more aggressive growth strategies than they did a year ago. The reason for these more aggressive strategies may be that CEOs, having exhausted cost cutting, efficiency boosting and incremental measures, need stronger actions to counteract the muted consumption, especially for services, that we have seen so far in the economic recovery.

Global CEOs were asked: "Compared to last year, are you more or less confident in your company's and the economy's growth prospects?"



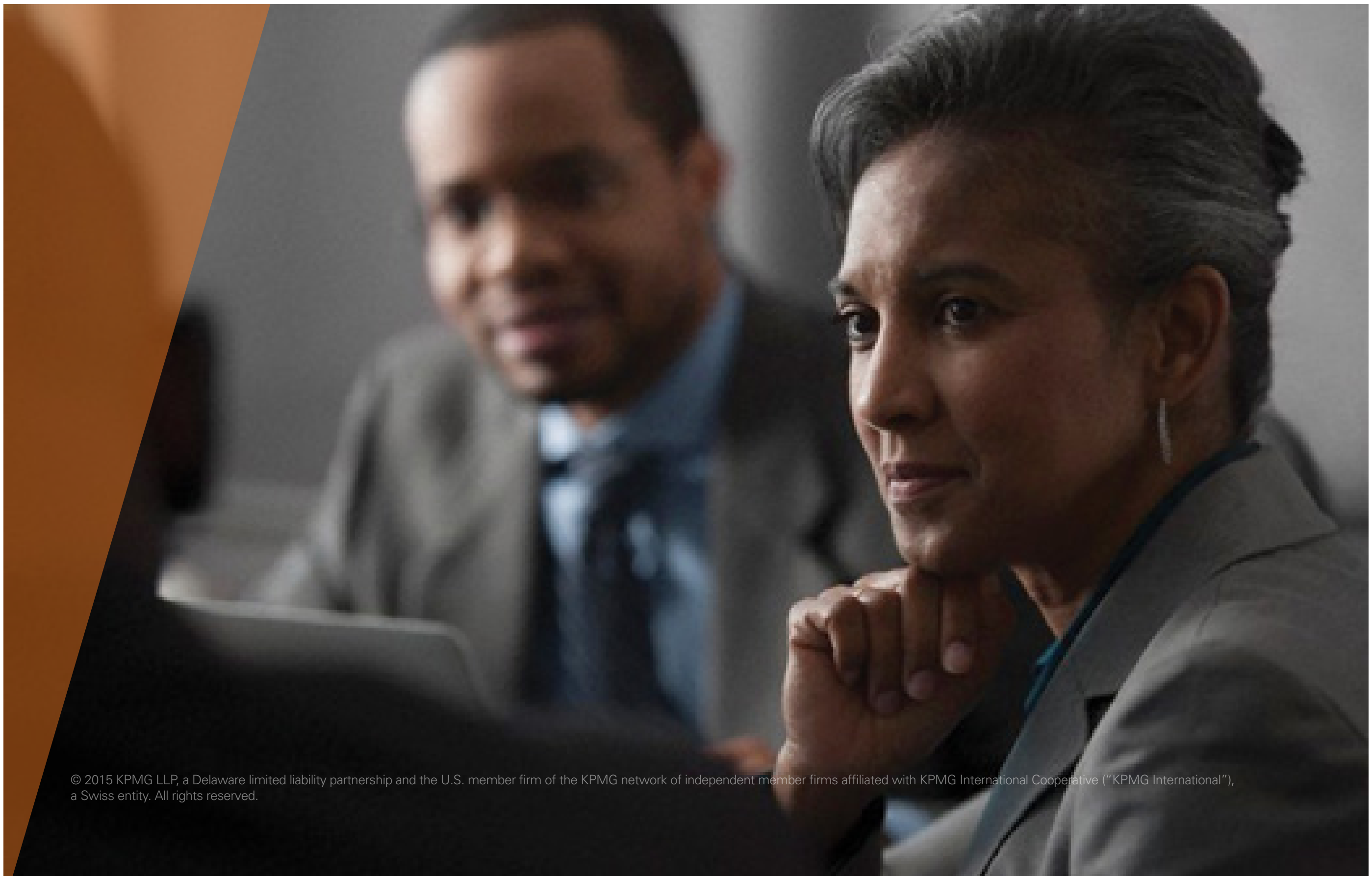
Source: KPMG's CEO Outlook Survey 2015

One worrying sign is that the pursuit of aggressive growth is not coupled with increased capital investment, a hallmark of every other economic recovery, and a good indication that future productivity and growth has the potential to be robust.

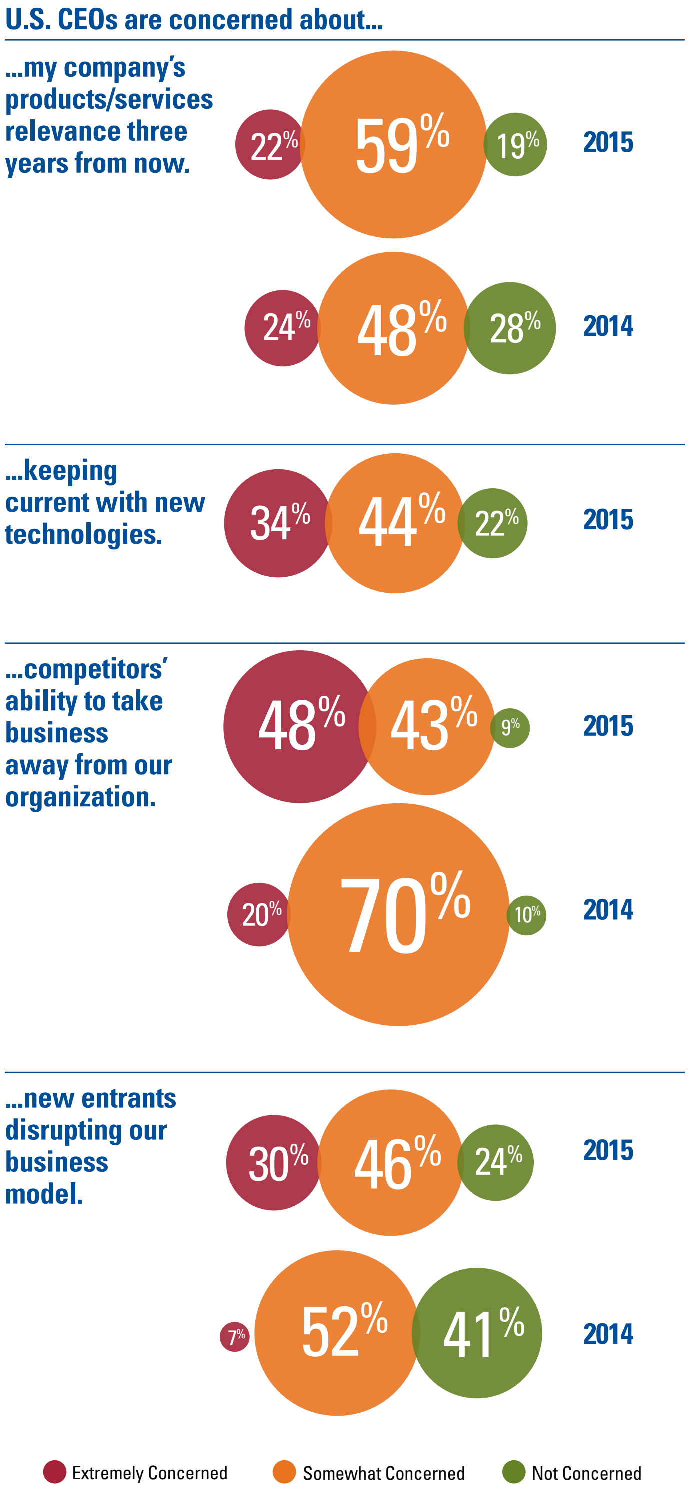
"Growth continues to be very difficult, more difficult than at any other point in my 30-year career," says Gerardo I. Lopez, CEO of AMC Entertainment. While Lopez's view may be surprising considering that unemployment rates are healthy, for many CEOs the labor participation ratio, which is at its lowest in four decades, is a more meaningful number. Equally troubling to CEOs is the lack of a clear immigration policy, as immigration affects both the labor and consumer pools.

Technology is another factor that will affect the economy. "The growth in computing power coming into its own with digital infrastructure is poised to radically improve the efficiency of our economy, and therefore GDP growth," says Jim Whitehurst, CEO of Red Hat, a provider of open-source software solutions. However, he admits that this growth will not necessarily translate into job growth, but is likely to create disruption around employment, further toughening operating conditions and adding uncertainty to the economic outlook. ●

Interestingly, as can be seen on the chart at left, global CEOs are significantly more optimistic than last year, which is likely due to their lower base levels of confidence in 2014.



The tougher operating environment



Source: KPMG's CEO Outlook Survey 2015

The global front of competition is heating up. Digital and e-commerce technologies are easing the barriers of entry. Consumer spending is becoming less predictable, particularly given millennials' buying patterns. CEOs are aggressively trying to position their companies to survive in this new normal. The competitive threats coming from entrenched companies and new entrants weigh much heavier on CEOs' minds this year than they did a year ago, with more CEOs declaring themselves extremely concerned.

Carl S. Carande, Vice Chair of Advisory, KPMG, notes that during this period of modest growth, companies cannot ride the economic growth curve. "Also fueling the competitive intensity are disruptive technologies, which are redefining customer connectivity. The pressures of clients' switching to a competitor are escalating and are industry agnostic."

The toughest strategic decisions are which companies to compete with and how.

"New technologies are redefining value chains. If you're a major automaker, are Zipcar or Uber competitors or partners? Will autonomous driving be a threat and how? In almost any industry there's a significantly great amount of ambiguity and uncertainty," says Whitehurst.

Typically, CEOs look to new technology companies as disrupting their businesses, even though they may be in different industries. Uber exerts a pan-industry effect on consumer expectations about speed and method of delivery. Uber's business model is not based on a new core product or service, but how a service that has existed for a long time connects with the customer in a new way.

Stephen Chase, U.S. leader of KPMG's Management Consulting practice, believes that all companies need to compete on how they connect with their customers, even if the core product or service stays the same. As an example, he points to car companies, where how well the car works with the consumer's mobile devices becomes a pretty important part of the buying decision.

"Companies from all industries find themselves in a new ecosystem that they don't control. They need to stay competitive by using the right talent, technologies, and ideas to fit in the new environment," says Chase.

Chase sees talent as among the toughest issues companies need to address to stay relevant. Embracing disruptive technologies involves what he refers to as "re-talenting." The required skills include knowing how to translate data into business outcomes. "The continuing evolution of skills and capabilities is one of the hardest topics any leader deals with," says Chase.

Kathleen Mazzarella, CEO of Graybar, a distributor of electrical, communications and data networking products and a service provider, understands the crucial role of talent for staying relevant. As a people-intensive business, the company will need individuals who are as comfortable with data and analytics as they are with the products and services they provide every day. Mazzarella is fully aware of the difficulty of the task, especially since she is intent on sustaining the legacy of excellence that built the Graybar culture. This means continuing to support core business and employees committed to serving customers. "It will be a challenging balancing act in order to maintain profitable growth," she says.

"We are a business that truly relies on having a strong team both in our corporate offices and on-site, at each of our 37 resorts," says Alex Zozaya, CEO of Apple Leisure Group, a hospitality company. "We are constantly strategizing on how to not only recruit the best talent available, but also how to decrease turnover and grow in the regions where we need the most support."

Rhoda Olsen, CEO of Great Clips, a hair salon franchise, agrees that talent, especially management talent, is a crucial issue. "It really is one of those core business issues that sometimes gets lost, especially recently with the focus on technology," she says. She is mindful to not separate the talent from technology, as for Great Clips the right talent often means franchisees who understand that technology creates an advantage for connecting with customers.

But in some cases, tackling technology entrants head-on would be simply a knee-jerk reaction. Going to the movies and watching television have been disrupted by streaming services such as Netflix and Hulu, which allow viewers to binge-watch programming. But AMC Entertainment's Lopez does not consider streaming services his competition. "The best Netflix customer is also our best customer, because that customer loves movies," says Lopez. He competes with other leisure activities, such as bowling or dining out. ●

FILLING THE TALENT GAPS

Q&A with Claudia Saran, Partner, U.S. Leader People & Change, KPMG LLP

CEOs indicate that there will be much more of a skills gap in the next three years in the areas of sales, finance, R&D, and strategy. Do you find that surprising?

Not at all, because CEOs are rightly concerned about skills gaps in areas that drive the company's growth. Professionals in these areas are increasingly being asked to see around corners – to provide market and customer insights that enhance their company's relevance and strategic market position. That translates into a need for skills and competencies such as analytical and strategic thinking, financial and operational excellence, and business partnering.

In looking for the right talent, companies are doing three things: first, they're screening candidates for skills such as analytical thinking; second, they're developing career paths that will expose top talent to more parts of the business, building the necessary core business acumen; and third, they're designing roles that have explicit "seats at the table" – pairing their best people with business leaders to help set and drive growth strategies.

What are you seeing in the area of talent management that is somewhat alarming to you?

It's alarming to us anytime we see complacency at the highest levels of an enterprise, with respect to attracting, retaining, and developing talent. In any economic climate or competitive market, good talent is always a strategic imperative. CEOs who are at the forefront of talent management always have it on their list of strategic priorities. They ensure that talent acquisition, learning and development, the definition of career paths, and other issues are continually being enhanced and refined to keep up with the evolving needs of their best people.

Are we headed for a war for talent and, if so, what are the implications for that on companies?

There will always be a demand for top talent. Those companies that feel strongly they have the right talent in place should be focused on retaining their talent. These professionals need to feel appropriately challenged – they need to see themselves as engaged in defining and wrestling with the most strategically important issues the company is facing. They also need to see themselves continually learning and developing new skills and competencies, which most often comes from exposure to the company's leaders, issues, and customers.

The aggressive growth imperative

U.S. CEOs are declaring much more aggressive growth plans than they did a year ago. (See Chart) The reason for this more aggressive stance, believes Alex Miller, U.S. Service Lead, KPMG Strategy, is that companies have become incredibly effective at achieving growth by expanding their businesses incrementally, in areas adjacent to their geographies, product categories and channels. Such a relatively risk-free incremental approach has simply run its course for some. As a result, "many CEOs are exploring opportunities to make greater leaps, where they are fundamentally expanding their capabilities or evolving business models to access new markets, reach new customers or introduce new products," says Miller.

"There are three necessary aspects to executing this aggressive growth strategy. First is embedding innovation in all aspects of the organization. Second is employing predictive data analytics. Third is making strategic decisions whether to buy, build or separate," adds KPMG's Carande.

Conversations with CEOs reveal that they are pursuing very different growth strategies, depending on their industry as well as the state of their own companies. And each CEO has his or her own definition of aggressive growth.

Bernard J. Tyson, CEO of Kaiser Permanente, the nation's largest integrated managed care consortium, describes its growth strategy as appropriately aggressive. That means organic growth of 4 percent to 7 percent: building up capacity while still being able to bring Kaiser Permanente branded healthcare to the covered population. "If we grow well beyond our capacity, we end up operating more like a typical insurance company or health plan," says Tyson. On top of that, Kaiser Permanente is growing by adding new geographies.

Andrew T. Berlin, the CEO of Berlin Packaging, a distributor of packaging products, has seen a compounded growth rate above 22 percent over the last 10 years. The new strategic plan calls for doubling the business in the next three years. "Our new plan has planks that are applicable to most every business. The trick is doing them right," says Berlin.

Some of these priorities include sales force excellence, as the best and most profitable growth is organic growth, Berlin believes. This year the company intends to grow its sales force

The most critical challenges U.S. CEOs expect to face over the next three years

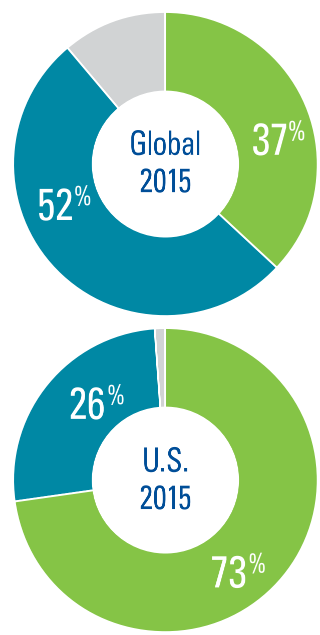
Source: KPMG's CEO Outlook Survey 2015

How would you categorize your overall growth strategy?

Very Aggressive

Moderately Aggressive

Source: KPMG's CEO Outlook Survey 2015



by 40 percent. "The overarching thrust behind our operational excellence is a focus on customer engagement and customer thrill. This is perfectly manifested in our mission to quantifiably increase the net incomes of our customers through partnership with our company," says Berlin.

Stephen M. Smith, CEO of Equinix, an international data center company that has registered sequential top-line growth over the last 49 quarters, bases his growth strategy on three tenets. The first tenet, differentiated growth, includes making a big bet on cloud computing and making its data centers "cloud-dense" by offering clients a multi-cloud option. The second tenet, the go-to-market, involves building an indirect sales channel, by partnering with other companies. Third is the capital allocation initiative: this means that Equinix prioritizes most of its capital to its existing markets to ensure capacity, while at the same time looking to invest in emerging markets.

While embarking on a growth strategy that involves new product development and acquisitions, Kevin A. Lobo, CEO of Stryker, a medical technology company, believes his company still has untapped potential when it comes to increasing efficiencies. Being a decentralized company that had grown by acquisitions very fast, Stryker is far behind other companies in migrating toward shared services, both regionally and globally. The company still has huge room for improvement in rationalizing the number of systems and data centers it currently operates.

The KPMG survey uncovered a dichotomy in CEOs' assessment of their growth strategies. Despite identifying themselves as aggressive in terms of growth, the majority of U.S. CEOs, 54 percent, believe they are not taking enough risks in their growth strategies. (See Chart) Miller believes that the dichotomy is even deeper than the survey revealed. "Three-quarters of companies are not taking enough risk," he says. "Too often companies are too quick to kill internal ideas to really innovate and expand, or they view external acquisition opportunities with too harsh of a risk lens," says Miller.

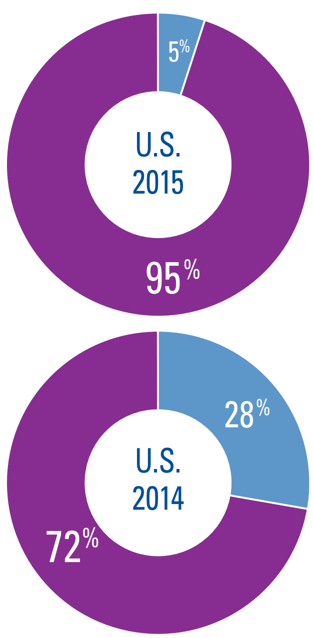
"The fact that we have very aggressive growth strategies in the U.S. but 54 percent of CEOs think they are not taking enough risk, raises the question: Do we have sophisticated enough risk management practices?" asks Mike Nolan, KPMG's Vice Chair of Innovation & Enterprise Solutions. Strategies have to be evaluated through a risk lens, and the risk lens should be equal to the growth lens. A CEO's job is to grow. "If you haven't polished up your risk management processes to a level of sophistication that allows you to assess your risk appetite, it's almost impossible to answer the question, "Am I taking too much or too little risk with my growth strategy?" says Nolan.

In a highly competitive global market, aggressive growth strategies often mean increased risk. It is important that boards and management are on the same page when they set goals for the organization, especially when those goals are more aggressive. "Ensuring the organization and its board have a clear view of its risk profile, and that this is accurately communicated to investors, is an important aspect of a company's governance, risk and controls strategy," says William O'Mara, KPMG's Global Head of Audit. ●

Which is the more important focus for your company's well being over the next three years?

- Operational efficiencies
- Growth

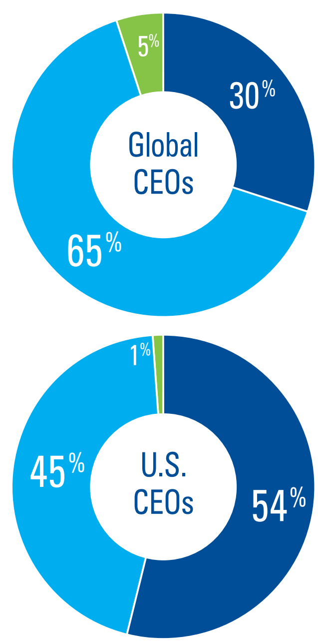
Source: KPMG's CEO Outlook Survey 2015

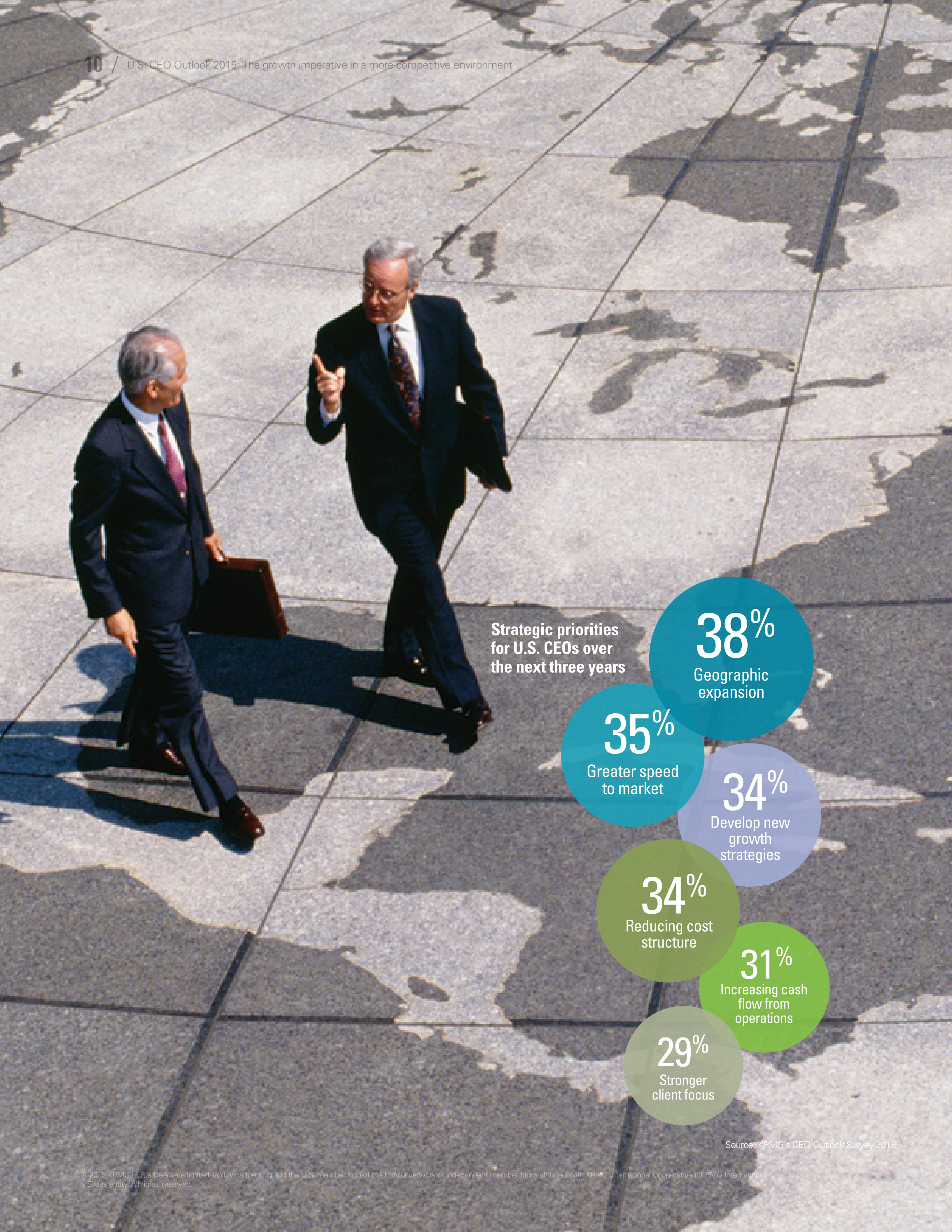


Which statement describes your risk profile as it relates to your growth strategy?

- Not enough risk
- Right amount of risk
- Too much risk

Source: KPMG's CEO Outlook Survey 2015





Strategic priorities for U.S. CEOs over the next three years

- 38% Geographic expansion
- 35% Greater speed to market
- 34% Develop new growth strategies
- 34% Reducing cost structure
- 31% Increasing cash flow from operations
- 29% Stronger client focus

Source: KPMG's CEO Outlook Survey 2015

Geographic expansion

Geographic expansion is the top strategic priority for U.S. CEOs. While the majority of CEOs view expansion in the U.S. as very important, it is geographic expansion outside the home country that will attract by far the largest amount of capital in the next three years. (See Chart)

CEOs see the potential for higher growth rates in their international business. Though just about half of U.S. CEOs are confident about the growth of the global economy, they believe that emerging markets are liberalizing and creating large pools of the new middle class. This potential is still largely untapped. In his book The Next Convergence: The Future of Economic Growth in a Multispeed World, Michael Spence, winner of the Nobel Prize in economic sciences, points to the historic proportions of the economic ascent of emerging markets.

"Today we are at a midpoint in the process of two parallel interacting revolutions: the continuation of the Industrial Revolution in the advanced countries, and the sudden and dramatic spreading pattern of growth in the developing world. The end point is likely to be a world in which perhaps 75 percent or more of the world's people live in advanced countries, with all that it entails."

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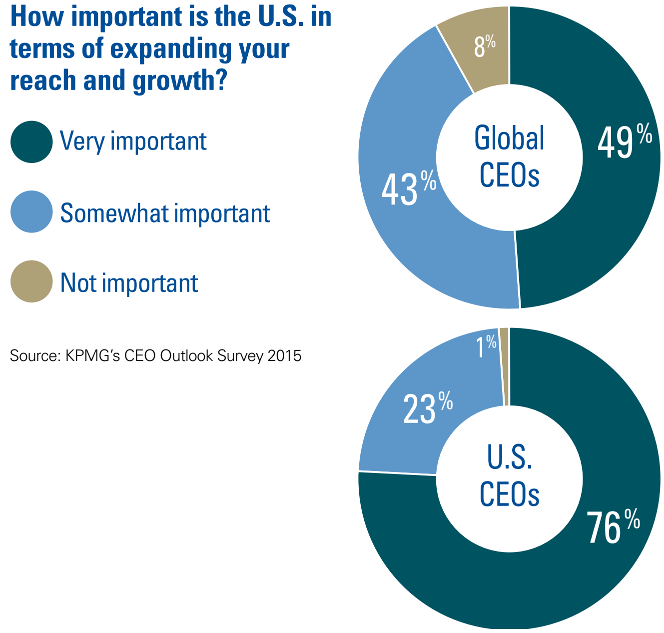
How important is the U.S. in terms of expanding your reach and growth?



Source: KPMG's CEO Outlook Survey 2015

TAKING AN INDUSTRY LENS TO THE GROWTH IMPERATIVE
Rob Arning, Vice Chair- Market Development and leader of KPMG's Industries

The word at the top of every CEO's mind is 'growth,' regardless of what industry they're in. But one cannot ignore the myriad business and social issues that continue to put company growth strategies to the test. Some of the challenges, such as regulation, cut across all industry sectors, but each industry also faces its own unique set of micro-level issues that are changing the way companies make products, interact with customers and operate their businesses.

The automotive ecosystem is being completely transformed by new entrants and disruptive technologies, and the intense competition is forcing auto CEOs to focus on spurring innovation in their product lines as well as their business models to remain relevant.

Healthcare organizations are still adjusting to regulatory changes—particularly the Affordable Care Act—and are also extremely concerned about escalating costs of care and consolidation in the industry, while facing the challenges of improving quality and keeping pace with new technology.

Banks have been dealing with regulatory changes and the increased costs associated with compliance for quite some time now, but CEOs in the industry also express concerns about keeping current with new technologies and how they improve customer loyalty in their businesses.

Today's business environment is filled with unique challenges, and it is continually evolving. However, the market is also ripe with growth opportunities, and the winning companies will be those that can adapt, innovate, and keep pace with technology and changing consumer dynamics.

38% **of auto CEOs** 'extremely concerned' about product relevance

46% **of healthcare CEOs** 'extremely concerned' about new entrants disrupting their business model

43% **of banking CEOs** 'extremely concerned' about keeping pace with new technology

Geographic expansion *(continued)*

There is also some optimism about developed economies. Notwithstanding the current trouble with Greece, Europe's quantitative easing has spurred some growth, helping to stimulate consumption, says KPMG's Hunter. She adds that Japan also has been seeing stronger growth thanks to Prime Minister Shinzo Abe's growth-revival program and the beneficial effect of low oil prices on its economy.

Conversations with CEOs reveal very different international strategies, based on current international exposure and appetite for risk taking. The industry they are in, and especially its global regulatory aspect, also plays a major role in the decision making process about where and how to expand.

For Stryker, which currently derives 70 percent of sales from the U.S. market, globalization is a significant part of their growth strategy. To increase its share of the European market, the company has changed its organizational structure, and now manages its U.S. and Western Europe markets as one division. In emerging markets as well, Stryker has room to grow. Today just 8 percent of its revenue comes from emerging markets, versus an industry average of 12 percent. China, where the company runs separate premium- and low-priced products businesses, is its largest emerging market.

The majority of companies surveyed by KPMG are, of course, already present in major markets around the globe. Prologis, for example, is already present in markets that represent three-quarters of the world's GDP. "There's no need to go chasing growth beyond that," says Prologis' Moghadam. While not expanding the number of markets, Prologis is deepening its presence in its key markets. The company follows a dual strategy. In mature markets it helps increase the efficiency of its clients' supply chains, and in emerging countries, it builds new infrastructure. "Both are good businesses," he says.

Which of the following are you devoting significant capital to in the next three years?

U.S. CEOs: Geographic expansion outside the home country	77%
Advertising and marketing	43%
Geographic expansion within home country	39%
New product development	29%
Increased employee compensation and training	29%

Source: KPMG's CEO Outlook Survey 2015

Principal Financial Group, a global financial investment firm, expanded internationally in the late 1990s. Since then its international business has grown from about a billion dollars in assets under management to over $100 billion, and now represents almost a quarter of the company's earnings. "We see the opportunity to continue to grow internationally, incrementally faster than here in the U.S.," says Larry D. Zimpleman, Principal's CEO.

Principal's international growth strategy is focused on 10 countries in emerging markets in Latin America and Asia that together cover half the world's population. Zimpleman's philosophy on international expansion: "When you go to other markets, you have to have a humbleness about you. The idea of trying to build yourself to become a brand name in a market like China is a very ambitious and expensive one. On the other hand, establishing a joint venture with one of the leading companies in a market gives us an opportunity to gain real scale very quickly. The tradeoff is that it's not under a single Principal Financial Group. That's a price we're willing to pay." ●

> "When you go to other markets, you have to have a humbleness about you. The idea of trying to build yourself to become a brand name in a market like China is a very ambitious and expensive one."
>
> —Larry Zimpleman, CEO, Principal Financial Group

Inorganic growth becomes more important

The intent to grow through mergers, acquisitions, or partnerships has spiked dramatically since last year among U.S. CEOs. Last year just 5 percent saw mostly inorganic growth in the near future, while today this is true for almost a third of U.S. CEOs.

After the post-recession focus on cost-cutting—and in many cases, having squeezed a lot of costs out of their business—CEOs are finding it tougher to rely on organic growth models. Save for companies such as Uber, based on "the next big idea," organic growth based on efficiency is eked out via pricing and volume, and it is highly driven by the consumer. And in today's economy, the consumer isn't showing up. Coupled with CEOs' low confidence in future economic growth and consumers' limited spending power, inorganic growth seems to be the answer.

According to Daniel Tiemann, KPMG's U.S. Group Leader, Deal Advisory, the results point to the fact that CEOs believe they will pursue more inorganic growth three years from now

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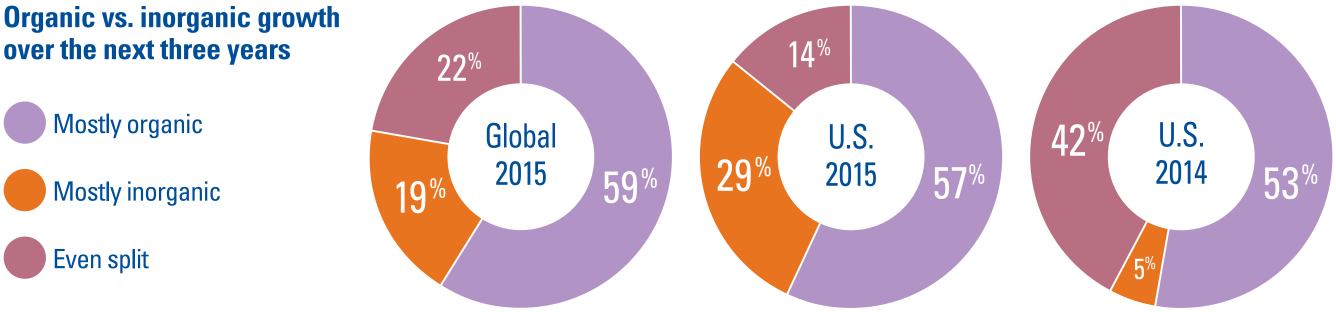
Organic vs. inorganic growth over the next three years



Source: KPMG's CEO Outlook Survey 2015

Inorganic growth *(continued)*

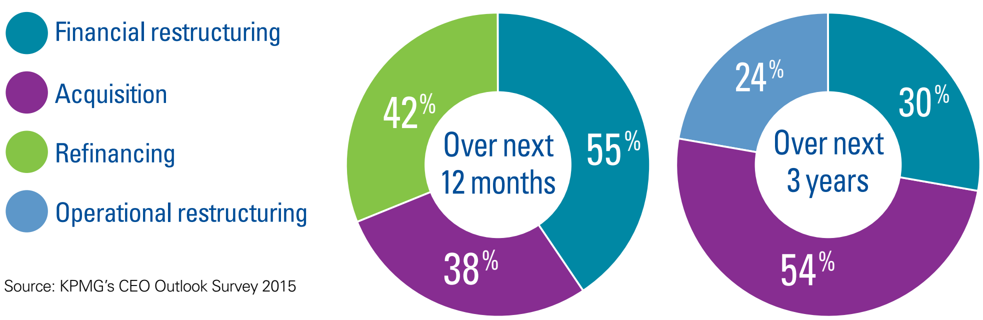
versus the next 12 months. "This becomes the definition of optimism," says Tiemann. Over the next 12 months (See Chart), the first priority will be financial restructuring, while acquisition becomes a top priority over a longer-term horizon of three years. Thus CEOs are waiting to first "get their financial house in order," and only then pursue a more aggressive acquisition strategy. On some level even CEOs themselves are aware of their apprehension, as the majority of them believe they are not taking enough risk with their growth strategies.

One obvious deterrent to acquisitions is today's level of multiples. Tiemann recommends an acquisition strategy centered on identifying companies that will be a good strategic and cultural fit.

"Instead of starting with the price, consider acquisitions by answering the following questions: First, is it strategic? Second, does it make sense culturally? Can I integrate it? And third, can I pay a fair price?" says Tiemann. People tend to focus more on the pricing than on the strategic and cultural aspects. But down the road, if the acquisition got the strategy and culture right, the price is most likely forgotten quickly. It is the "good deals" that ignore strategy and culture that tend to sink CEOs, he says.

For Ilene Gordon, CEO of Ingredion, a manufacturer and distributor of ingredients for the food and medical industries, acquisitions are an opportunity to create a transformative global team. "One of our keys to success in acquisitions is that we have been able to retain entire executive leadership teams from the companies we acquire, as we want the people and their ideas as much as the products and new technologies," she says. "It's very important not to have everybody think the same way. Going forward, we will be looking at other acquisitions that are consistent with our strategy and add shareholder value," says Gordon. ●

How do U.S. CEOs plan to change their organization's capital structure?



Source: KPMG's CEO Outlook Survey 2015

"One of our keys to success in acquisitions is that we have been able to retain entire executive leadership teams from the companies we acquire, as we want the people and their ideas as much as the products and the new technologies."

—Ilene Gordon, CEO of Ingredion

THE POWER OF ALLIANCES

Q&A with Singh Mecker, KPMG's Global Alliance Leader and head of U.S. Advisory Innovation

Today's CEOs are focused on fueling aggressive growth. How does this influence their approach to alliances?

Seven or eight years ago, CEOs were in a cost-preservation mode, rarely focused on new markets or new products. Today's CEO is about moving faster than the competition and delivering smarter solutions. No one organization can constantly deliver that in today's fast-changing environment. They have to partner with third parties that complement their core capabilities—this is mission critical.

When are alliances a better choice than an internal build or an acquisition?

Alliances typically complement an organization's organic capabilities. They help differentiate an organization's core competencies and can sometimes even lead to acquisitions. Alliances can help reduce the risk of a potential acquisition, as the two organizations figure out how to work together.

What are the key reasons partnerships/alliances succeed?

Two essential reasons:

1) Very strong strategic alignment between the two organizations and a clear definition of success.

2) Very strong alignment of culture and values; common view on joint customer success, how to measure success and the value of the partnership.

Early on, companies need to discuss their respective roles and how to align at the strategic level.

Where do alliances sit on the CEO's agenda?

Today's CEO is focused on the growth agenda and establishing their organization as a market leader. In today's rapid rate of change, they realize that they can't do it all by themselves.

Business leaders have to consider multiple issues such as globalization, disruptive technologies (e.g. cloud, big data, mobile and social) as well as the impact of regulatory change. To be a market leader, they need to deliver highly differentiated solutions to solve for the needs of their customers. Today, more than ever, these solutions require bringing together multiple players working together in an ecosystem to deliver to customer needs. The CEO should be saying: how do I create and manage an ecosystem and be seen as an orchestrator of end-to-end solutions for my customers?

The CEO needs to look at alliances as a strategic component of the business and a core component of business strategy, not a tactical set of relationships around the edges. Finally, as CEOs and organizations increasingly focus on innovation, alliance partners—often viewed as market innovators and sources for ideas—can also be the source of additional insight into what's happening in the market.

Transformations taking shape

A majority of U.S. CEOs are comfortable with their current business model because a vast majority of U.S. companies, 98 percent, are at some stage of business transformation in how they operate. "Companies need to—and most do—relentlessly evolve their business models in view of the constantly changing business environment, including competitive pressures, disruptive technologies and changing consumer demands," says Steve Hasty, KPMG's National Advisory Innovation Leader.

"The world out there is changing. You have to consider new ideas, and new solutions are emerging on a regular basis. You really need to be focused on how this can help your organization," says Paul B. Kusserow, CEO of Amedisys, a leading home health and hospice care company.

It's worth noting that for a majority of U.S. companies (57%) such transformations are wide in scope and go well beyond transforming a specific function or technology. They start with a strategic plan and aim to address a set of high-impact issues.

Kusserow's strategy is to make sure that Amedisys has the right talent and tools to provide care for patients in their home—for as long as possible. That's a very ambitious strategy, as it requires high skill, knowledge and technology to manage increasingly complex and advanced states of disease. "People want to stay in their home. Our objective is to help them stay and recover in their home and be as well as they possibly can," says Kusserow.

Transformation priorities will vary based on industry-specific business pressures, notes Hasty. The most highly regulated industries, healthcare and financial services, are undergoing regulatory-based transformations. Their aim is not only to achieve higher efficiencies when complying with regulatory issues, but to drive value from how they approach it. The oil industry is regrouping and transforming to deal with low oil prices. Consumer goods companies are focusing on using digital technologies to better attract and retain customers.

Across all industries, KPMG's research found customer demand to be the top trigger for transformations over the next three years. A vast majority (95%) of CEOs are concerned about their customers' loyalty. (See Chart)

Mapping a customer-driven transformation starts with the end result—the delighted customer. "You need to look at the journey—the value chain that leads to that ultimate customer value—and how it's achieved through the organization," says Robert T. Vanderwerf, Global Transformation Strategy Leader at KPMG.

"A lot of this comes down to connecting the dots from the strategic aspiration—the delighted customer—and the execution of that aspiration through the business and operating models."

> "The world out there is changing. You have to consider new ideas, and new solutions are emerging on a regular basis. You really need to be focused on how this can help your organization."
>
> —Paul B. Kusserow, CEO of Amedisys

Transformation Continuum

Not considering any transformation initiatives	2%
Assessing the need for business transformation	15%
Planning a transformation initiative	28%
Started the implementation of transformation	27%
Completed at least one major transformation initiative	15%
Have completed several major transformation initiatives	12%

CEOs across all industries are working to meet their customers' demands. "We are evolving much more to a consumer-centric, consumer-oriented mindset in the healthcare industry," says Tyson. This transformation is driven by the consumer, who is spending much more today on his or her care and coverage than ever before, is asking very different questions, and is losing patience with high costs.

A new method to distribute care, such as online, is a subset of Kaiser Permanente's consumer-centric strategy. Since almost all of its 10.2 million members currently have electronic health records, Kaiser Permanente is able to secure e-visits between

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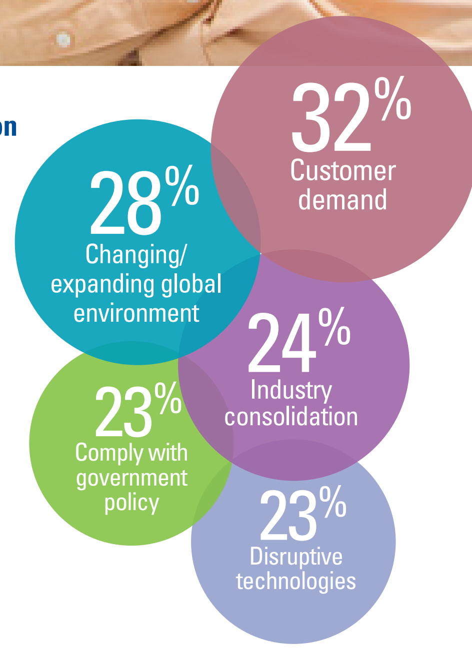
Top transformation triggers for U.S. CEOs over the next three years



Source: KPMG's CEO Outlook Survey 2015

> "We are evolving much more to a consumer-centric, consumer-oriented mindset in the healthcare industry."
>
> —Bernard J. Tyson, CEO of Kaiser Permanente

Transformations taking shape *(continued)*

its members and physicians. Last year Kaiser conducted about 20 million of such online visits, during which members got the information they needed without having to come in.

For Graybar's Mazzarella this means delivering what her customers need to succeed in meeting their own customer and business commitments. To start with, this requires understanding how Graybar's customers want to do business. For example, as customers adopt additive manufacturing and 3-D printing technology, they may prefer to download a component to produce in a field location, instead of checking availability of stock in Graybar's inventory. The company realizes this customer expectation may lead Graybar to work differently with its suppliers, and possibly require a completely different logistical platform. "Daunting stuff, and that's what makes it exciting," says Mazzarella. "We see this transformation only accelerating over the next three years."

In line with his strategy to compete with other leisure activities, Lopez, CEO of AMC Entertainment, is working to deliver a new customer experience inside his theaters. "We think of it as a first-class seat on a plane to Asia," he says. Moviegoers will be able to enjoy dining theaters with wait staffs, and comfortable seating with individual tables, with built-in consoles with buttons for ordering food and beverages. Some seats are in pairs, aimed at couples on a date. "That's what we go to the movies for," sums up Lopez. Such a first-class experience is now available in 17 of AMC's 350 movie theaters, and Lopez's remodel program, currently under way, will continue to introduce new culinary and beverage options for movie fans.

Transformation is dependent on innovation. Ingredion's Gordon aims to transform by offering her customers the new generation of food ingredients—GMO-free or gluten-free, for example—they are asking for. Innovation is a tool for executing this strategy. To this end, Ingredion has rebranded its two dozen or so R&D and product development centers around the world, with 350 scientists, into idea labs. Ingredion uses these idea labs to stay focused on unmet market trends and give customers new consumer-centric ways to create innovative, profitable products. "We make sure that we have the right data and consumer trends from our customers in addition to our own research to make sure that we understand what's around the corner," says Gordon.

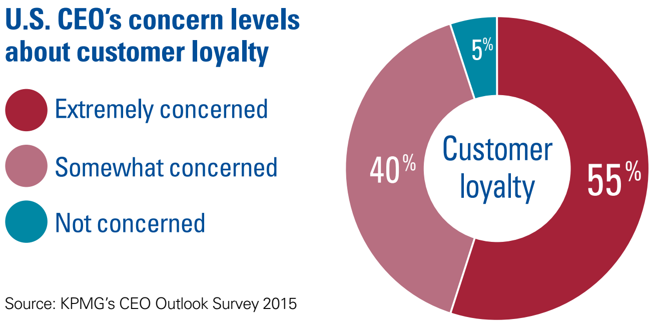
Gordon's approach dovetails with how KPMG's Carande defines transformative innovation. "CEOs need to innovate out of anticipation. They need to be predictive in terms of what all the external forces mean for their companies," he says.

Technology is both a trigger for and an enabler of transformation. "I look at us as one of the disruptors. We're redefining the way software is built and consumed," says Red Hat's CEO Whitehurst. "Part of the need for ongoing transformation is because of firms like Red Hat, disrupting the markets."

Enhanced data and analytics capabilities are a critical enabler of transformations, according to KPMG's transformation research. For Amedisys, for example, it will be to a large degree data analytics that will enable it to build care plans and deploy its 13,000 employees for each different type of care that needs to be delivered, and then quantify the outcomes and savings generated by the care delivered at home.

"The use of data and analytics by publicly traded companies has already started to alter the competitive dynamics of nearly all industries, and we expect this impact to increase dramatically in the coming years," says Bradley Fisher, KPMG's National Leader, Data and Analytics. ●

U.S. CEO's concern levels about customer loyalty



Source: KPMG's CEO Outlook Survey 2015

> "There are tax implications to almost every transformational event at a company— a merger, a new product introduction, a strategic supplier realignment, a cloud strategy implementation. Each change can create a tax advantage or raise the possibility of a tax risk. Bringing the tax department to the table early in the decision making process can do more than contribute to a company's bottom line; it can also assure that unintended consequences don't create financial or reputational exposures down the line."
>
> —Jeff LeSage, Vice Chair–Tax, KPMG LLP

The regulatory environment continues to be challenging

Global economic growth and the regulatory environment are the two issues that have the most impact on their companies, say U.S. CEOs. It's noteworthy that while global executives ranked the issues in the same order, they were selected by many more U.S. CEOs, pointing to their intensity in the U.S.

"The more intense a regulatory environment, the more CEOs have to think of other ways to grow business, because the cost of regulation is increasing and eating into profits," says Jim Low, KPMG's U.S. and Global Leader for Regulatory Change.

CEOs report increased regulation across every industry. In some cases the practices stay the same, and companies do not need to transform their manufacturing or other processes to comply, but the level of reporting has increased.

As a result, the effects of regulation on growth affects all CEOs. AMC's Lopez has to contend with the Department of Justice and its antitrust efforts, compliance with the American with Disabilities Act, different minimum wage pressures depending on the state, as well as health regulations that require movie theaters to display calorie counts of popcorn. Also hurting the company's innovative plans to create a first-class dining and wining experience for moviegoers are prohibition-era regulations that do not allow sales of alcohol in movie theaters in some states. "And all of these regulatory requirements divert attention, capital, energy and focus from growth," says Lopez.

Representing healthcare, the sector arguably facing the most intense and transformative regulatory environment, Kaiser Permanente's Tyson cites as a challenge the still existing uncertainties surrounding the final shape of how the Affordable Care Act will be implemented. Of course, the Supreme Court's June 2015 decision allowing the federal government to provide tax subsidies to help poor and middle-class people buy health insurance highly increased the odds that the ACA will survive.

But Tyson says that "even this most recent ruling doesn't mean that, as part of the political process, there won't be further attempts to figure out how to stop the growth of the ACA. It presents challenges against a set of strategies that Kaiser Permanente has committed to."

In fact, building on its affordability agenda is front and center for Kaiser Permanente's strategies over the next three years. It is putting a stake in the ground around commitment to affordability, not necessarily defined by the cost structure but by future expectations of what people can afford to pay for healthcare. "We need to look at affordability from the outside in, as an issue of price as opposed to cost," says Tyson.

Stryker CEO Kevin Lobo sees the regulatory environment as presenting his company with both threats and opportunities, with the scale tipping toward the opportunities side. Among the negatives are the amount of paperwork related to compliance, or the standards for clinical trials, which he thinks can be higher than necessary. In some cases, the costs of regulations may be too high to warrant an entry into a foreign market, for example.

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Issues having the most impact on a company (Top 5)

Issues	Global CEOs	U.S. CEOs
Global economic growth	54%	73%
Regulatory environment	45%	69%
Disruptive technology	34%	38%
Geopolitical risks	32%	35%
Currency rate volatility	30%	33%

Source: KPMG's CEO Outlook Survey 2015

> "Raising of the bar is a good thing. Our products have to demonstrate innovation and value."
>
> —Kevin Lobo, CEO of Stryker

“While a major overhaul of the U.S. tax code may not be on the near-term horizon, the view that the U.S. Congress and the Administration will never be able to achieve any consensus ignores many areas where they may already agree. There are similarities and areas for agreement in the Camp tax reform proposal and President Obama’s budget proposals related to taxation of multinationals and pass-through entities, accounting methods, energy, and financial services, to name a few. The similarities are important for business leaders to understand and watch closely, as they will likely form the infrastructure around which the rest of tax reform will eventually be built. A side-by-side examination of these areas could provide a roadmap for business leaders as they plan ahead.”

— John Gimigliano, Principal in Charge of Federal Tax Legislative and Regulatory Services, KPMG LLP

Top issues U.S. CEOs want government officials to address in the next three years

- 30% Reducing regulatory complexity
- 19% Global fair trade
- 13% Focus on simplification of corporate taxes
- 10% Increasing energy independence
- 10% Fostering innovation

Source: KPMG’s CEO Outlook Survey 2015

Regulatory environment *(continued)*

In China, Stryker is in talks with regulators to not have to do local clinical trials in China for all of the new products, on which the company has ample international trial data.

Lobo approaches the regulatory environment in healthcare from a big-picture perspective, noting that every health system in the world is struggling with issues of access and affordability, and regulators want to make sure that life-sciences companies supply the best products at the lowest cost. "Raising of the bar is a good thing. Our products have to demonstrate innovation and value," he says.

"The governments and our company have the same goals, be they clinical or economic. We share the same goals, and we have to collaborate to achieve those goals," says Lobo.

Agrees Amedisys's Kusserow: "The government is pushing for higher quality and lower costs. Those firms that are focused on delivering the best value—which is what we're focused on—will win. And those that don't are going to be left by the wayside," he says.

Such positive comments notwithstanding, reducing regulatory complexity should be the top issue for government, according to U.S. CEOs. (See Chart) "In years past, as we were emerging from the recession, government officials were telling CEOs to be more engaged with education and the community. I went ahead and did just that. Today my message to the government is: Now you should start listening to what we are telling you about the economy and growth." ●

CEOs CHALLENGED WITH PREPARING THEIR ORGANIZATIONS FOR BEPS

Manal Corwin, Head of Global BEPS Network at KPMG

What major developments do you expect in the next one to two years in international taxation?

It's clear that the Organisation for Economic Cooperation and Development's Basis Erosion and Profit Shifting (BEPS) project will significantly impact the international tax landscape. CEOs and their executives and boards at multinationals will be challenged with preparing for and shaping their organization's responses to the following initiatives and trends:

- **A call for greater transparency.** Action 13 of the OECD's BEPS project will require that multinationals report information on all of their operations on a country-by-country basis and share that information with the governments of every jurisdiction in which they operate.
- **Additional substance requirements.** Revised transfer pricing guidelines will necessitate additional substance to justify the allocation of profit to risk and capital.
- **Increasing pressure on source country taxation.** It's likely that more subjective standards for taxing the business activities of non-resident companies will emerge from the OECD consensus as well as unilateral actions.
- **Increased compliance costs, controversies and disputes between taxing authorities.** This development will result from the scope of changes that will be taking place and the clash of politically motivated unilateral actions to address BEPS.
- **Possible improvements in mutual procedure agreement processes.** This will hinge on the extent to which a critical mass of countries adopt mandatory binding arbitration and the effectiveness of the planned global forum on MAP in improving compliance with and accountability for proposed best practices.

Which areas of regulation are U.S. CEOs most concerned with?

Source: KPMG's CEO Outlook Survey 2015

Cyber: The most unpredictable risk

U.S. executives are very confident about their cyber security profile. The vast majority (87%) report they are fully prepared for a cyber event, compared with only 49 percent of global CEOs. At the same time, U.S. CEOs are among the least likely to have taken preemptive actions, such as creating a cyber security team, deploying new technologies or changing internal processes related to device use and data sharing.

Christopher J. Swift, CEO of Hartford Financial, does not underestimate the significance of cyber risk. "Today, cyber risk affects us all," he says. "This is why it's so important to have a strong public/private partnership among industries, law enforcement and policymakers to strengthen defenses and protect individuals' information."

"In 2013, we created a new executive role to oversee security for the entire company. This has allowed us to focus our efforts in this area and keep it a priority," says Patricia Kampling, CEO of Alliant Energy Corp. "Because employee behavior and response is crucial to protecting our company, we have increasingly engaged all of our employees through mandatory training and the enhanced communication of expectations from leadership."

However, many CEOs may believe they are well prepared for a cyber event because they have invested so heavily in detecting and preventing an attack, says Greg Bell, principal and KPMG's U.S. Cyber Leader. "You still have to demonstrate due care on prevention," he says. "But until recently, there has been too much attention focused on prevention and not enough on protection and response."

CEOs are starting to ask, "How do we detect more quickly if we have a cyber incident, and how do we respond effectively?" says Bell. That preparedness makes the difference between those organizations that recover quickly from an incident and those that suffer a lingering impact.

Many CEOs may be underestimating their cyber risk, as well as overestimating their preparedness, says Bell. A cyber event, if uncontrolled, can quickly snowball into an operational and regulatory issue, as well as a brand and reputation issue. Following a breach, CEOs can't focus on operations because they're distracted by the blowback. Or, worse, they may have to stop part of their operations while they try to redress or remediate the cyber issue. And then they're dealing with an aftermath of complicated regulatory impacts and lawsuits.

KPMG Partner and Global Head of Cyber Security Malcolm Marshall notes that the nature of cyber breaches is changing. "Historically, organizations have prepared against data disclosure and breaches of confidentiality," says Marshall. Data breaches may be serious, but they don't threaten lives, he says. Industrial control systems are another matter. "We have manufacturing processes, such as steel mills, factories and pipelines, controlled by computer systems that are relatively out of date and in many cases highly vulnerable to attack," he says.

There have been enough wake-up calls for people to realize the implications, says Bell. "We've seen attacks that do two things: disrupt the manufacturing process, or, even more insidious, change quality thresholds in sensors to allow products that don't meet standards to pass through, resulting in damage later down the path." Yet only 2 percent of automotive firms in our survey named cyber risk as a pressing threat, far below every other sector. The Internet of Things—driverless cars and medical devices, as well as industrial controls—raises the stakes in terms of potential damage from a breach.

What's more, with so much manufacturing outsourced to third parties, many companies are far more vulnerable than they realize to corporate and state-level espionage and intellectual property theft. Even where companies are aware of breaches that don't involve personal data, they are often reluctant—or prohibited by law enforcement—to disclose the extent of their losses, says Bell.

Concern among board members and in the C-suite is starting to change the way cyber risk is viewed. Some of the most profound changes include turning cyber preparedness into a competitive advantage rather than a cost, building security into new products and services at the design stage, and realizing that cyber security is not an IT issue - it must work across the entire organization and the ecosystem.

CFO tagged as gaining most clout in C-suite

CFO is the role that will gain the most importance in the next three years, according to a vast majority of U.S. CEOs. (See Chart)

KPMG's U.S. Audit Leader, Scott Marcello, attributes the growing role of the CFO to the increased importance of how organizations manage their financial risk and internal controls. He underscores risk management in an environment of more aggressive financial growth strategies, plans for geographic expansion and anxieties over new competitors.

"There are indications of a rising appetite for risk that could create a volatile operating environment. This could, in turn, lead to surprises if executives don't simultaneously implement appropriate controls over their processes and financial reporting," says Marcello. "CFOs who understand the relationship between the organization's risk appetite and its growth strategy – and the appropriate controls needed – are emerging in significant and trusted leadership positions in the eyes of the CEOs."

Linda Galipeau, North America CEO of Randstad, an employment services provider, sees the elevated role of the CFO as having three main parts. The CFO is responsible for transaction efficiency, which includes automation, standardization or outsourcing. Galipeau stresses that this responsibility is not limited just to cost savings, but extends to innovating financial operations. The CFO also works closely with the CIO to manage resources.

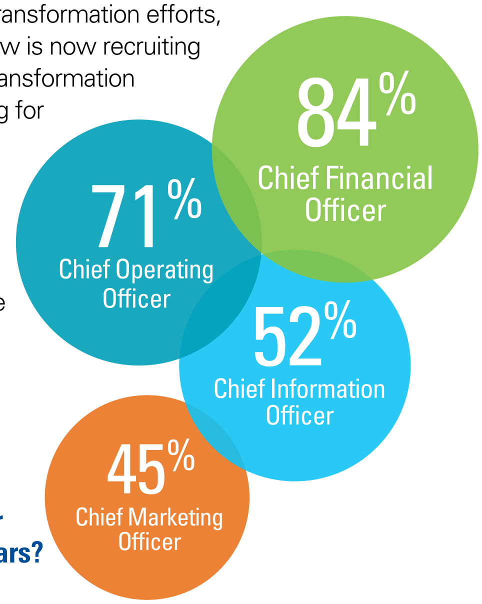
In addition, the CFO provides strategic direction, coordinating the planning of capacity for growth, and striking the balance between organic growth and acquisitions. As a result, "the CFO is not subordinate to the CEO, but a partner," sums up Galipeau.

While underscoring the importance of the CFO, CEOs have been elevating other functions as well. Over the last year, Ingredion's Gordon has elevated the innovation and product development functions by creating the post of chief innovation officer, who oversees Ingredion's idea labs. Another area where Gordon elevated executives' ranks, to an SVP level, is operational excellence. On top of environmental health, safety and continuous improvement, operational excellence now also covers sustainability and global supply chain. For example, Ingredion cooperates with farmers who supply the company with corn to help them become more efficient.

For Prologis, marketing is probably the biggest focus over the next couple years because the real estate industry as a whole is way behind in marketing and brand building. "This gap in marketing in the industry creates plenty of opportunities for a company of our scale," says Moghadam.

To further elevate transformation efforts, Amedisys' Kusserow is now recruiting for a chief clinical transformation officer. He is looking for an individual who understands how care is delivered in the home and can innovate to drive great and distinctive clinical care. ●

Which C-level executives will become more important to your organization over the next three years?



Source: KPMG's CEO Outlook Survey 2015

How U.S. CEOs view their management capabilities

Capabilities	Needs Improvement	Proficient
Becoming more reliant on technology	55%	32%
Becoming more visible/external spokesperson	54%	34%
Become involved in all issues that can affect business	52%	21%
Becoming more hands on	52%	33%
Collaborate more with executive team	48%	43%
Become more involved in critical/core issues only	47%	33%
Focus on communicating mission/purpose internally	41%	31%
Delegate more to executive team	41%	45%
Collaborate more with all levels of management	40%	46%

Conclusion

Looking out on the next three years, CEOs plan to focus on more aggressive growth strategies. They will continue to be heavily impacted by the still uncertain global economic growth and the regulatory environment. Setting the course for growth in this tough new environment will require new strategies, new tools, and new thinking:

Growth needs to be carefully calibrated with risk taking. The fact that CEOs describe their strategies as aggressive, and at the same time state they are not taking enough risks when it relates to growth, point to the lack of more sophisticated risk management practices. There may be more room for growth once such processes are put in place.

Consumer demand needs to drive transformations. Customer loyalty is top of mind for CEOs. Since last year, CEOs have become much more concerned about new entrants disrupting their business models. The main effect these new entrants have had on all companies is how they connect with customers. As a result, companies from all industries need to stay competitive by upgrading their connectivity with customers, even if their products or services stay the same.

Regulations need to be approached as a potential for competitive advantage. Growth and the intensity of regulatory environment are correlated. While last year it was the regulatory environment that was ranked as the most impactful issue on business, this year CEOs view global economic growth and regulations as the top two issues, underscoring the correlation between the two areas. The importance of regulation is beginning now to have a pan-industry effect, as CEOs from many industries report increased compliance requirements.

Methodology

The survey data published in this report is based on a survey of 1,276 CEOs globally, including 400 U.S.-based chief executives. Many key industries are represented, including financial services, automotive, manufacturing, technology, consumer markets, healthcare and energy. Twenty-five percent of U.S. CEOs represent companies with revenues between $500 million and $999 million, 53% from companies with revenues from $1 billion to $9.9 billion, and 22 percent from companies with revenues of $10 billion or more. Seventy-three percent of U.S. CEOs represent public companies and 27 percent from private companies.

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Paul B. Kusserow, Amedisys

Kevin A. Lobo, Stryker

Gerardo I. Lopez, AMC Entertainment

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Rhoda Olsen, Great Clips

Stephen M. Smith, Equinix

Christopher J. Swift, Hartford Financial

Bernard J. Tyson, Kaiser Permanente

Jim Whitehurst, Red Hat

Larry D. Zimpleman, Principal Financial Group

Alejandro (Alex) Zozaya, Apple Leisure Group

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