

CORNERSTONE

INTERNATIONAL GROUP

CORNERSTONE SENIOR MANAGEMENT SURVEY RESULTS 2009



PART ONE – WELCOME!

Welcome to the Cornerstone 2009 survey of senior management expectations, sampled on a worldwide basis.

As one of the world's leading networks in human resources consulting, our job is to inform and advise businesses on a wide range of issues having both near and far term consequences for each enterprise. This survey is just one of many ways of sharing the latest management opinions among our members and clients.

As a cooperative product, the Annual Survey by Cornerstone International Group has three key attributes:

- It reflects the real-life experience of business leaders around the world
- It covers a broad range of industries and interests
- It is timely, released within one month of the conclusion of data gathering

With over 100 offices worldwide, we are able to survey small, medium, and large employers – corporations and institutions, profit and non-profit – throughout Asia, the Americas, the United Kingdom, Europe, and Africa.



PART TWO – THE RESPONDENTS

Business conditions in many countries are reflected in the findings of our 2009 survey, which attracted a response 35% larger than last year.

The survey was completed over a six-week period and findings compiled in May, 2009.

Respondent positions:

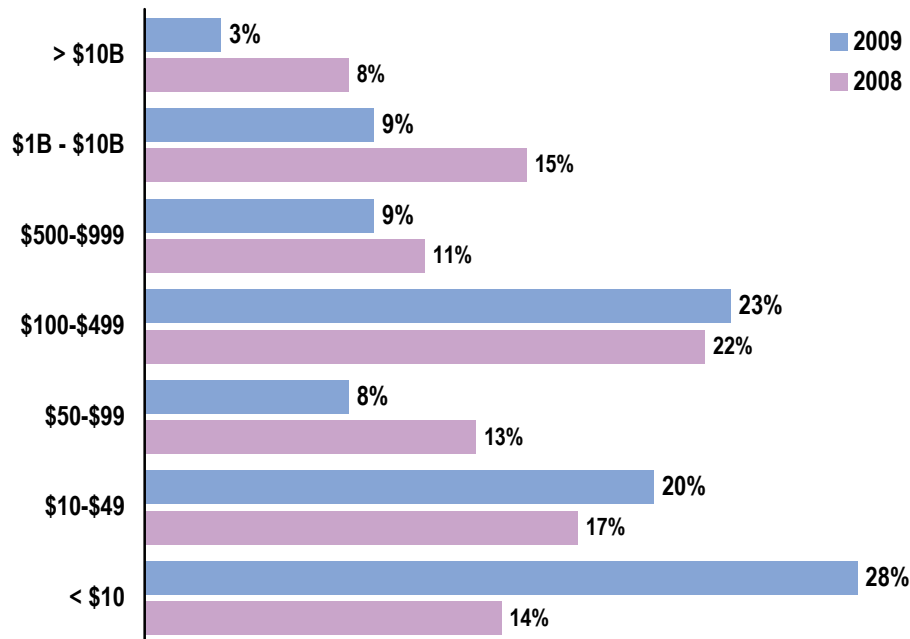
Of total respondents, 60% are described as Senior General Management Executive, indicating CEO, COO, Chairman, etc. The balance is made up of senior executives, notably from finance, marketing, and human resources.

Size of enterprise:

The larger pool of respondents in 2009 skews to smaller firms, with 28% having revenues under \$10 million, double the percentage of 2008. The next largest group – just under a quarter of the total – comprises businesses with revenues in the \$100-\$499 million range, the leading group a year ago.

ANNUAL REVENUE OF PARTICIPANTS

(millions)



We anticipate that the greater percentage of smaller firms may have influenced some of the change in results reported in 2009. This would include reduced dependence on outside consultants and fewer firms undertaking to globalize their Board of Directors.

PART THREE – SURVEY FINDINGS

THE BIG PICTURE

We don't normally expect one year to reveal major shifts in business conditions, but this was no ordinary year. As the economic climate continued to deteriorate, business leaders took appropriate and significant actions that altered the shape of the 2008 survey.

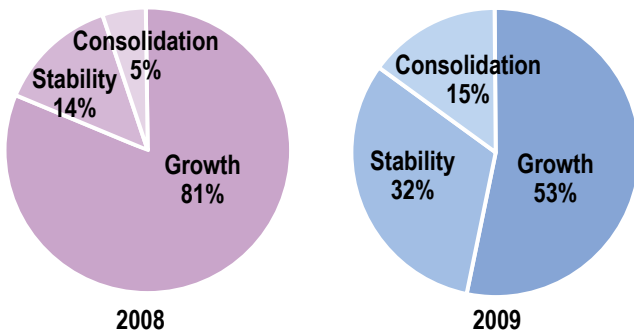
Major changes included a pullback from growth strategies, a slowdown in hiring, and skepticism over government-sponsored stimulus plans, despite a slightly more optimistic economic outlook.

Priorities and challenges:

Business priorities reflected these new realities with a strong shift towards consolidation and reduced risk.

Respondents pursuing growth strategies fell from 81% of the total in 2008 to 53% this year. Those opting for stability more than doubled to 32% and consolidators jumped to 15% of the whole compared to 5% a year ago.

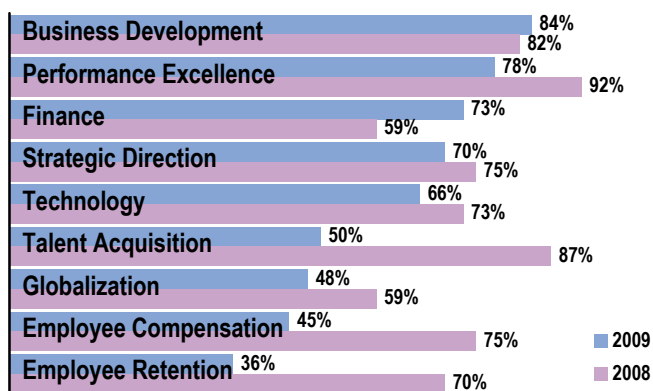
BUSINESS PRIORITIES



This is accompanied by a focus on issues of Finance/Accounting/Risk which shot into prominence, moving from sixth place to second in importance as a growth sector.

This strategic mindset is also confirmed in what respondents see as their greatest challenges in 2009. Last year's undisputed leader – Performance Excellence – is replaced by Business Development; Finance, in last place a year ago, is rated the third greatest challenge by our business leaders.

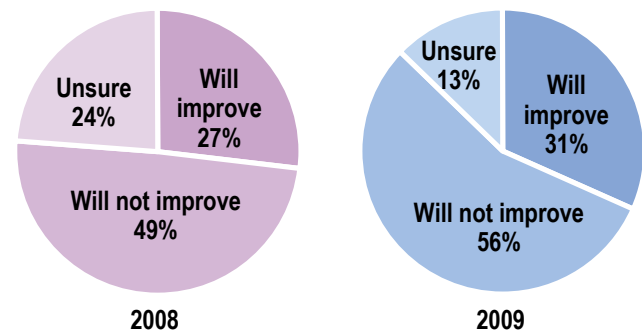
AREAS OF CHALLENGE



Calling the recovery?

A year ago, fully one quarter of respondents were unsure of global economic recovery. In 2009, almost half of them committed to a position – but did so in both directions. Those anticipating recovery this year rose slightly to 32% of the total; those in disagreement also grew to 56%, leaving the glass still half empty.

RATING THE GLOBAL ECONOMY



Expectations are also negative and ratios similar when considering recovery in local economies.

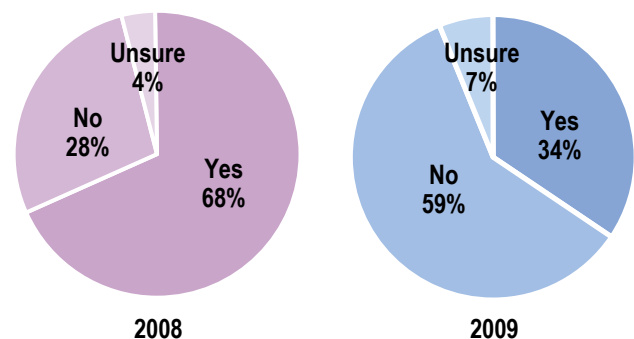
Most respondents do not expect significant benefit from massive government spending to stimulate the economy. The pessimists outnumber the optimists 47% to 35% with 18% unsure.

Hiring turns cold:

Hiring plans underwent a sharp reversal during the past 12 months. The large number (68%) who expressed intent to hire more employees in 2008 was cut in half (34%) this time around. Not only do 59% of respondents not expect to be hiring, but 42% expect to reduce head count in 2009.

The HR/Organizational Development function crossed the ledger from “likely to grow” in 2008 to “likely to shrink.”

HIRING MORE PEOPLE



PART THREE – SURVEY FINDINGS

ON THE EXECUTIVE FLOOR

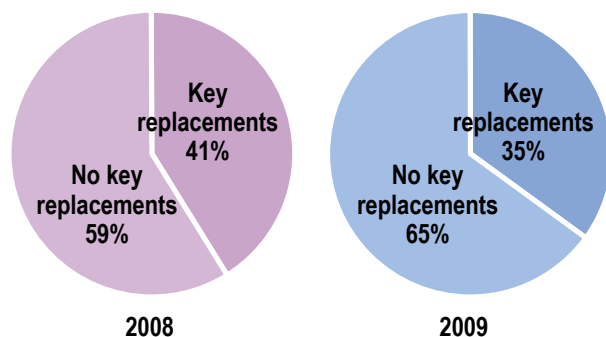
Criteria for evaluating the performance of senior managers remain unchanged. The amount of profit and revenue growth continue to be by far the dominant metrics, followed by market share increase and improvement in stock value.

More companies in 2009 will evaluate the performance of senior management without assistance from outside consultants.

Finding the talent:

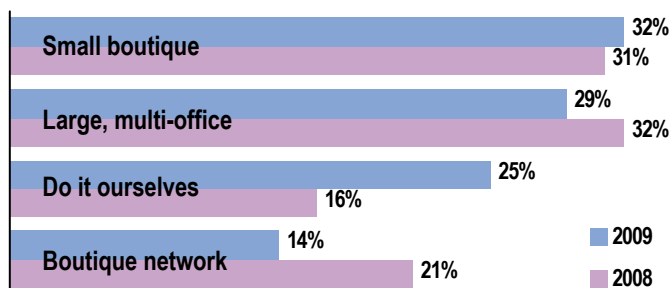
Senior management teams appeared slightly more stable in 2009, with 65% of firms surveyed expecting no key replacements, up from 59% a year earlier.

C-LEVEL STABILITY



Three quarters of respondents will work with retained search companies to meet their recruiting needs. This is down from 2008 (84%), possibly influenced by the larger percentage of smaller businesses in the sample.

SEARCH FIRM PREFERENCE

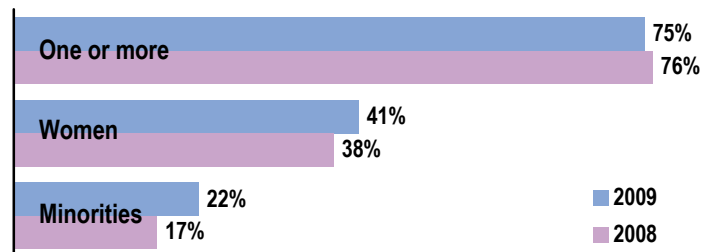


GOVERNANCE

Three quarters of respondents consider the Board of Directors a proactive, strategic partner in the operations of the enterprise, a slight drop from the previous year. A more pronounced drop is seen in the number of firms following the trend to globalizing the board.

The percentage of respondents having one or more independent directors shows little change. However, independents who are also women or ethnic minorities are gradually gaining place at the boardroom table: 41% of respondents in 2009 have one or more women independent directors (up from 38%) and 22% have one or more belonging to an ethnic minority (up from 17%).

INDEPENDENT DIRECTORS



What do you know?

In the area of competence, 70% of Boards include a financial expert meeting compliance standards, an improvement from the 59% recorded in 2008. Yet only 64% consider their Board sufficiently diverse in the experience required – a further worsening of the situation from 67% in 2008.

Who do you know?

Only 22% of firms surveyed have used Executive Search services to recruit independent directors, down from 34% in 2008. Primary sources of referrals continue to be the CEO or a Director (47% in 2009 compared with 54%).

Optimum terms remain unchanged at five years for the Chairman and inside directors, and three years for outside directors.

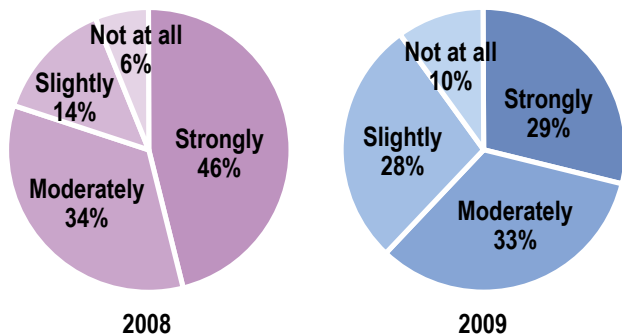
PART THREE – SURVEY FINDINGS

FACING THE FUTURE

Responses to issues of sustainability and change suggest the drive to “go green” may be mitigated by the more adverse business environment. Firms which have incorporated sustainability in their operations slipped to 62% of 2009 respondents, compared with 80% in 2008.

Demographic change appears to be having limited impact: the baby boom surge has had little or no effect on 74% of firms; however, the rise of economies in China, Brazil and India has brought about moderate or pronounced change in 57% of respondent companies.

SUSTAINABILITY INCORPORATED IN STRATEGY



Technology trumps travel:

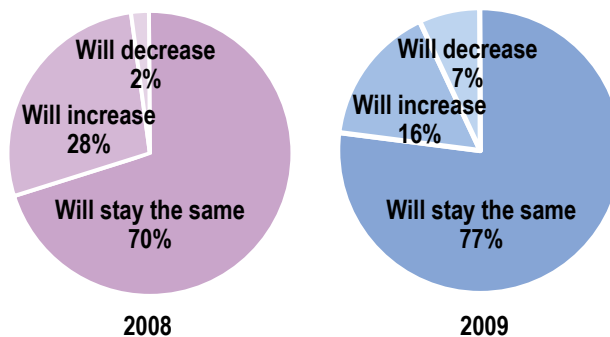
The majority of respondents continue to embrace the benefits of a virtual work world.

Companies planning to use conference calling or video conferencing edged up two points in 2009 to 58%, matched by over fourth-fifths for whom business travel will be reduced or remain the same as in 2008.

Although the number of company employees working from home will increase at 16% of firms surveyed, this is a slower growth rate than the 28% returned last year.

Almost half of respondents (48%) plan to maintain current levels of investment in technology and 30% expect to invest more.

HOME-BASED EMPLOYEES



The recruitment of independent directors continues to lag current thinking on governance. Despite a recognized need for relevant knowledge and objectivity, formal processes for identifying candidates are lacking.

Although 73% of respondents would seek professional help in evaluating a senior management hire, only 22% would do so to recruit independent directors.

PART FOUR - OUR CREDENTIALS

Cornerstone International Group brings knowledge and expertise to the task of surveying global shifts in our business.

We are one of the largest HR consulting organizations of our type.

Our list of current and recent clients includes one half of the Global 1,000, two thirds of the Global 500, three quarters of the Global 100 and nine of the 10 largest multi-national firms in the world.

We represent organizations in almost every industry, every function and every major geographical region.

Most of our members command the #1 position in their local market for repeat and referral business, be it executive search, HR consulting, or general management consulting.

We are proud of two other first positions:

- Cornerstone was the first major consulting organization to provide clients with an unconditional written warranty, and
- Cornerstone was the first to substantially improve the thoroughness of the reference checking process on executive searches.

Not the biggest, but the best

Our goal is to be the undisputed world leader and standard-bearer for retained search and consulting.

That doesn't mean being the biggest, it means being the best. And that means the best service, the best value, and the best results – so our clients can attract and develop the very best senior management and the very best Boards in the world.





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GROUP

CORNERSTONE PRACTICE GROUPS

Consumer Products/Services Practice Group

Technology & Communications Practice Group

Apparel/Textile Practice Group

Natural Resources/Energy Practice Group

Healthcare/Pharmaceuticals/Biotech Practice Group

Retail/Hospitality Practice Group

Franchising Industry Practice Group

Entertainment/Sports/Leisure Practice Group

Paper & Publishing Practice Group

Financial Services/R.E./Construction Practice Group

Not-for-Profit & Public Sector Practice Group

Manufacturing & Transportation Group

Aerospace & Defense Practice Group

Professional Service Firms Practice Group

Utility Industries Practice Group

Diversity Practice Group

Board-Level Practice Group

CFO/Chief Administrative Officer Practice Group

CIO/CTO Practice Group

Human Resources Practice Group

Leadership Assessment Practice Group

Mergers and Acquisitions Practice Group

Turnaround Management Practice Group

Wealth Management Practice Group

Cornerstone Tenets Patterned after AESC Standards

*For more information, please see
www.cornerstone-group.com*

