Deloitte.

In the dark.

What boards and executives don't know about the health of their businesses

A Survey by Deloitte in Cooperation with the Economist Intelligence Unit

Audit . Tax . Consulting . Financial Advisory.

Index

Survey background

The recent series of corporate crises around the world holds many different lessons, from the perils of weak auditing to the risks of inadequate governance structures. But there is one lesson they all share in common: financial statements do not provide a complete picture of the soundness of a company. Indeed, in some instances, an excessive emphasis on hitting financial targets has not just blinded managers, directors, investors, and others to the underlying problems of the business, it has even exacerbated those problems.

"Traditional" financial measures fail on many fronts. They are not well designed to capture the quality of the company's relationships with such crucial constituencies as customers, employees, and suppliers. They shed little light on the key source of future revenue and profit in a firm: the state of product innovation. And they provide scant evidence of the effectiveness of the board and top management—that is, the efficacy of governance and management processes.

The need for boards of directors, top executives, and the investing community to understand the vital signs of companies beyond those measured in monetary terms—call them the "nonfinancial performance measures," if you will—is paramount.

Governments and regulators have responded to some degree by tightening the rules to enhance disclosure and oversight at public companies. In the United States, companies must comply with the Sarbanes-Oxley Act of 2002. In Europe, Canada, and Australasia, new codes of corporate conduct either have come into force or are about to do so.

But these tightened rules take aim primarily at some of the more extreme problems of corporate malfeasance, such as fraud and the falsification of accounts. The broader question—are board members, senior managers, and investors really monitoring the right indicators of long-term corporate health?—has remained largely unanswered.

To shed light on this issue, Deloitte worked with the Economist Intelligence Unit in 2004 to survey executives and board directors around the world. We wanted answers to key questions such as: How well are they monitoring the nonfinancial and financial vital signs of their businesses—the factors that truly drive success? How are they using this information to monitor progress and redirect their organizations? What are the barriers to doing so?

We surveyed nearly 250 executives and board members of large companies in North America, Europe, the Asia-Pacific region, and other parts of the world in March and April. Executives and directors participated in an online survey and telephone interviews.

The results are sobering. While the overwhelming majority of board members and senior executives said they need incisive information on their companies' key nonfinancial drivers of success, they often find such data lacking; when nonfinancial information is available, it is of mediocre or poor value.

This survey casts fresh light on these issues, suggesting that businesses continue to focus largely on financial indicators. Achieving a better balance between financial and nonfinancial oversight does not entail paying less attention to the former—it requires proper attention to both.

The survey is part of a larger study that Deloitte is conducting on how board directors and senior executives monitor and manage the performance of large public companies. To get a deeper understanding of what it takes to excel in this arena, Deloitte is conducting interviews with companies whose directors and executives are leaders in performance measurement and management. The results of that part of the study will be released when completed.

Survey highlights

1. It has become important for companies' boards and senior managers to track nonfinancial aspects of corporate performance.

- Nearly three-quarters (73%) of the executives and board directors said their companies are under increasing pressure to measure nonfinancial performance indicators.
- More than 90% said a number of areas of their business whose health cannot be measured in monetary terms are "critical" or "important" drivers of success: customer satisfaction, product/service quality, operational performance (i.e., the efficiency and effectiveness of key business processes), employee commitment, and governance and management processes. The clear majority said the same for brand strength (78%), innovation (success in developing new products/services; 81%), and the quality of relationships with external stakeholders (76%).
- The clear majority of respondents gave significant or highest levels of attention to the quality of their companies' governance and management processes (90%), employee commitment (82%), customer satisfaction (84%), operational performance (87%), product/service quality (80%), innovation (70%), and brand strength (73%).
- Nearly all companies (92%) believe their board directors are responsible for monitoring both nonfinancial and financial measures of performance.

2. Four factors are driving boards and senior managers to monitor key nonfinancial performance indicators: increasing global competition, growing customer influence, greater awareness of risks to their corporate reputation, and accelerating product innovation.

- The majority of respondents also cited other drivers as critical or important: increasing regulatory emphasis on nonfinancial measures, the speed and spread of information through the Internet, increasing employee influence, and greater media scrutiny of companies in areas other than financial performance.
- Asked what would trigger a reassessment of how their companies measure and monitor performance, the majority (55%) said a sharp decline in customer satisfaction or retention would "certainly" do it. Nearly half (47%) said it would happen if board members or the CEO demanded greater visibility and accountability. Looking at what would "certainly" or "likely" result in reassessing performance measures, 80% said a significant increase in competition, 78% said a greater understanding of how to measure nonfinancial performance drivers, 78% said a sharp drop in employee satisfaction/retention, 73% said a public relations crisis, 72% said a significant increase in customer power, and 71% said a competitor's introduction of a breakthrough product/service.

3. Despite the growing need to monitor nonfinancial vital signs of their businesses, most boards and senior managers are struggling to do so. Their ability to track nonfinancial vital signs of their businesses is often woeful.

- While 86% said their companies are "excellent" or "good" at measuring and monitoring financial performance indicators, only about one-third (34%) responded similarly with respect to nonfinancial performance measures. Some 40% rated themselves "average" at measuring and monitoring nonfinancial indicators, while 23% called themselves "fair" or "poor."
- Nearly half of respondents (48%) said the company's nonfinancial metrics were ineffective or highly ineffective in helping the board and the CEO make long-term decisions (i.e., more than 12 months out). About a third (34%) said nonfinancial metrics were ineffective or highly ineffective in helping directors and the CEO with control and compliance matters. Only a small fraction of respondents said that nonfinancial metrics were highly effective in addressing key issues: helping formulate strategy (17%); control and compliance (13%); short- and long-term decision-making (12%), and achieving the appropriate valuation in the capital markets (9%).
- In only a minority of companies is the quality of information the board receives on the following nonfinancial corporate vital signs either excellent or good: innovation (41% of the companies said it was excellent or good), relations with external stakeholders (44%); employee commitment (41%); and the company's impact on society and the environment (25%). Only a slight majority said information provided to the board was excellent or good with respect to the quality of the company's governance and

management processes (65%), customer satisfaction (50%), product/service quality (49%), and brand strength (51%). The information of highest quality was financial results (92%, although only 59% said it was excellent) and operational performance (58%, although only 21% said it was excellent).

- Few companies said the performance metrics given to the board were highly effective in providing an accurate and reliable picture on the company's performance in key areas: its future prospects (17%); the health of current partners, suppliers, and so forth (6%); how the company is doing in nonfinancial areas, compared to its competitors (8%); and its financial performance, compared to that of its competitors (25%).
- Even the information that board directors get on their own performance was not regarded highly. More than a third (36%) rated the information they receive on the quality of the corporate governance and management process as only average, fair, or poor. Only 23% called it excellent.

4. The two biggest obstacles to enabling the board and senior management to track nonfinancial vital signs of the business are the lack of sophisticated measures and doubts that they truly matter.

- Two barriers loom large: lack of tools for analyzing nonfinancial issues (mentioned by 59% of companies) and skepticism that such measures are directly related to the bottom line (40%).
- Overcoming the obstacles appears to require several significant changes in corporate governance. Companies that excel at monitoring both their financial and nonfinancial performance (firms we call "leaders") were shown to be much more likely to: a) believe that nonfinancial measures affect profitability; b) have board members and executives who are knowledgeable about nonfinancial measures; and c) combine good measures with rewards.

The growing mandate for better oversight of corporate performance

No one denies the power of financial performance or the importance of financial data. Good financial performance is a prerequisite if a company is to prosper. Not a single person surveyed or interviewed for this report challenged the value of financial performance as a measurement of corporate health. But there is growing recognition that other drivers need to be taken into account when running a company for the long term, and that these factors are not necessarily captured in the profit-and-loss statement.

Strikingly, 92% of respondents agreed that financial indicators alone cannot adequately capture their companies' strengths and weaknesses (see question 6). Although financial measurements received a high rating from survey respondents in helping the board and the CEO make short-term decisions and in formulating strategy, these data are considerably less helpful in making mid- and long-term decisions and in achieving what respondents consider an appropriate valuation in the capital markets.

The survey respondents agreed that nonfinancial factors are as important as financial ones in achieving corporate success. Of the factors identified as either critical or important drivers of success, customer satisfaction came in at the top, with 97%; product/service quality was second, with 96%; and financial results were third, with 95% (see Appendix, question 8).

Moreover, 73% of survey respondents said they are under increasing pressure to measure nonfinancial factors (see question 6). It's not hard to see why, given that the newspapers are full of reports about corporate scandal and wrongdoing.

What's pushing executives and board directors to monitor nonfinancial areas of performance?

In the responses by directors and senior managers about the extent to which "marketplace" forces are driving an increased emphasis on nonfinancial performance measures (see Appendix, question 7), four factors were cited repeatedly:

- Increasing global competition (mentioned by 91% of the respondents)
- A greater awareness of reputational risk (97%)
- Increasing customer influence (97%)
- Accelerating innovation in new products or services (96%).

All four drivers relate to a company's ability to compete in the marketplace. At least 60% of the companies rated three other factors as either critical or important:

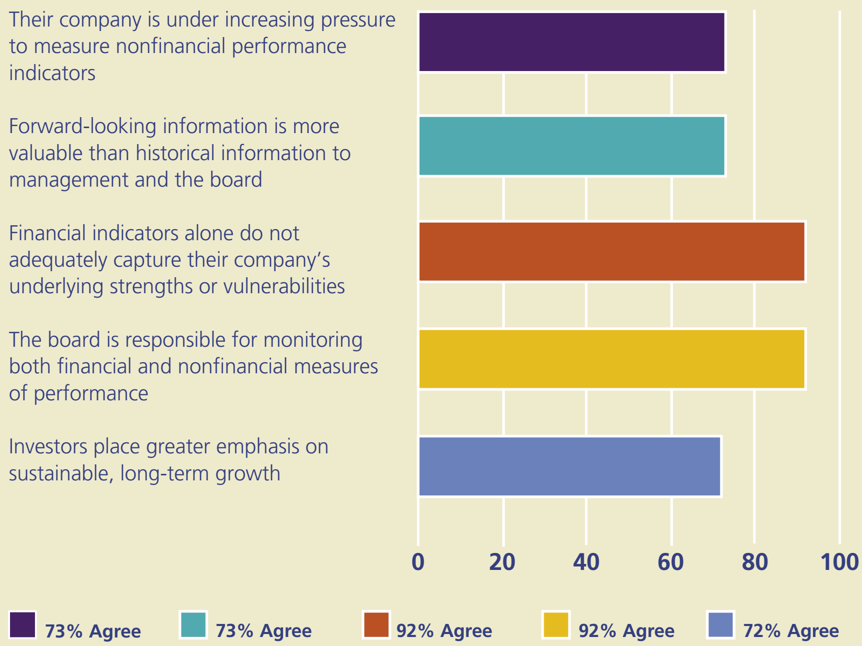
- Increased regulatory emphasis on nonfinancial measures (64%)
- Speed and geographic spread of information through the Internet (60%)
- Increasing employee influence (60%).

Despite the rise of the corporate social responsibility movement, a far less critical driver of top managers' and boards' greater scrutiny of nonfinancial measures is the increasing power of nongovernmental organizations (NGOs), lobbyists, and civic organizations. Only 32% said such groups were a critical or important driver of increased nonfinancial measurement. It thus appears that boards and senior managers regard the pursuit of nonfinancial metrics not as an altruistic endeavor but as a necessary practice for keeping their companies competitive.

In addition to examining what is driving boards and senior managers to monitor nonfinancial metrics of their businesses, we asked what events would trigger a reassessment of how they measure and monitor performance. The greatest number of respondents said a sharp decline in customer satisfaction or retention would be certain or likely to force such a reassessment (mentioned by 88%). The second most frequently cited event was board members or the CEO demanding greater visibility and accountability (82%).

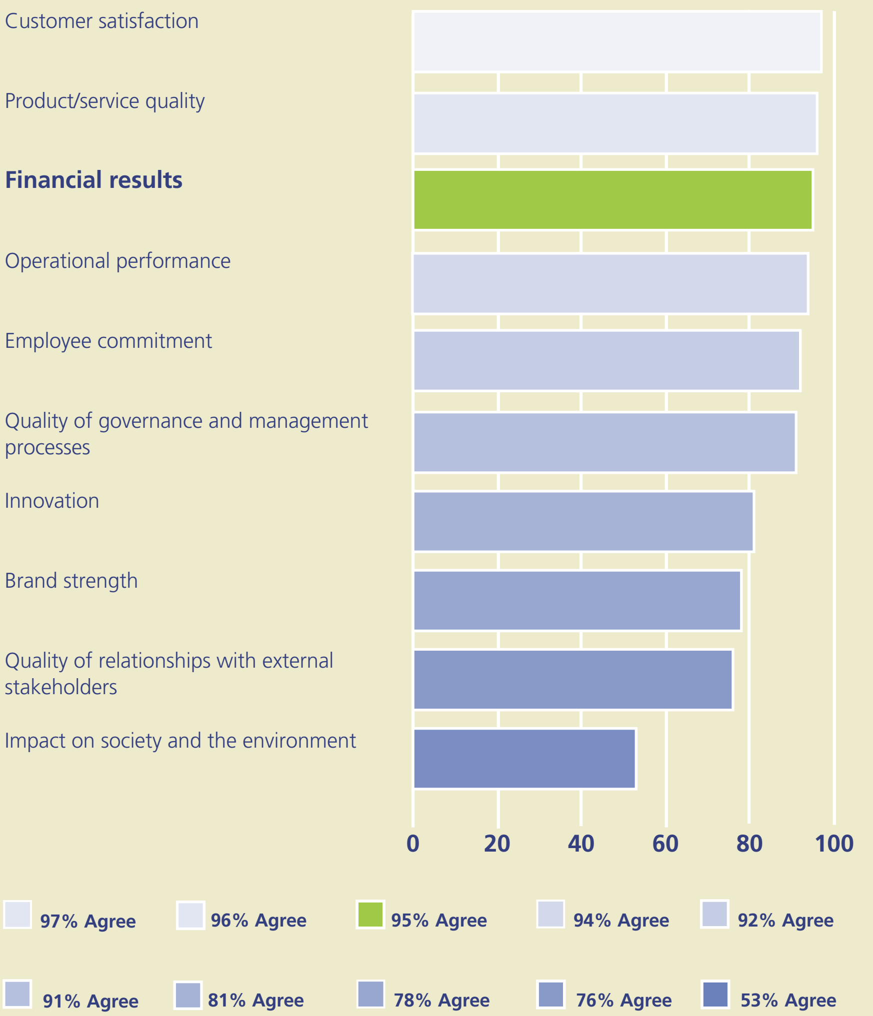
Q.6
Please respond to the following statements by selecting agree, disagree, or don't know/no opinion.

Boards and top managers see the need to monitor a range of organizational and vital signs beyond those for financial reporting purposes



Q.8
Which of the following areas of corporate performance are key drivers of success for your organization? Please rate each area between 1 and 4: critical driver, important driver, minor driver, not a driver.

They regard many areas not listed in financial reports as critical to success
Percentage of directors and top managers believing the following are "critical" or "important" drivers of their organizations' success



Unsurprisingly, the importance of nonfinancial drivers varies from company to company and from region to region. Jay Lorsch, nonexecutive director at Computer Associates International and a Harvard Business School professor, believes that the pressure to meet investors' financial expectations from one quarter to the next, and the distorting emphasis on financial data that this prompts, is a particularly American phenomenon.

"There are a lot of American directors who would like to look at long-term health rather than the short-term stock price, but the pressures are there. European capital markets are being Americanized and I hope the Europeans will not follow us as blindly as they have been doing," says Mr. Lorsch. The U.S. companies that did pay close attention to nonfinancial indicators, he said, include Medtronic, Gillette, and Coca-Cola.

The emphasis placed on particular nonfinancial drivers depends on the company and industry in question. For British Petroleum and other energy companies, environmental factors are a major issue. For Brinks, a security firm, and Scottish Power, a utility, safety is a significant factor, both from a short- and long-term point of view.

"Safety is something that you ignore in the short run at your peril," says Dominic Fry, group director, corporate communications at Scottish Power. "We deal with an inherently dangerous product and if you ignore the indicators and have a series of accidents, then the risk you're running is that there is something systemic that's wrong in how you do these jobs, which could result in corporate manslaughter. Safety is a classic example of how you have to keep an eye on nonfinancial indicators in the short term."

Sometimes nonfinancial measurements form part of the investment story. At Centrica, which supplies a diverse collection of services—gas and electricity in the United Kingdom and North America, as well as telecommunications and auto rescue services—it is important to use nonfinancial indicators to show investors how well it is doing. "The more innovative the model, the more important it is to give people the right information on how to judge the company," says Simon Lewis, managing director, Europe at Centrica. "All customer-facing companies need to explain to people the concept of putting customers at the heart of the strategy and how to add value by doing that."

"From my shareholders' perspective and from almost any perspective, financial results are first and foremost," says John Bucksbaum, CEO of General Growth Properties. "But how you get those results and how you develop a company is vitally important as well. You cannot have long-lasting, solid financial results without the good underpinnings that nonfinancial aspects bring about."

One doesn't have to be a CEO to understand that financial results are the end product of a host of nonfinancial factors. Nine such factors were highlighted in this study. Five were external performance drivers: customer satisfaction, product or service quality, brand strength, relationships with outside stakeholders, and the impact on society and the environment. Four internal factors were also included, namely, the quality of governance, innovation, operational performance, and employee commitment.

The measurement and monitoring of such nonfinancial performance drivers are tools for going beneath the surface and learning what is really occurring in a company. For one thing, they are leading indicators of corporate health, whereas financial results are lagging indicators. Specific nonfinancial metrics may not change much from one year to the next, let alone quarterly. But over a five-year period, they can explain a great deal about the long-term direction of the company. Nonfinancial measurements can warn about downside risks. They are often the canary in the mine.

"I think the issue that we all face is that corporations today are being measured by the financial markets on a very short-term basis," says Laurent Beaudoin, executive chairman of Bombardier. "This is why financial matters have the priority. But I would say that going forward, this proportion between the financials and the nonfinancials has to change because nonfinancial matters also drive the corporation's performance in the long term, and that should be recognized by the financial markets."

In the dark: the poor state of oversight on nonfinancial performance indicators

Most companies claim that their senior managers and boards are proficient at monitoring the financial vital signs of the business. In fact, 86% of the respondents said their company was excellent or good at tracking financial indicators (see Appendix, question 17). In stark contrast, only 34% said they were excellent or good at measuring and tracking nonfinancial performance measures.

To understand how much board directors know about the financial and nonfinancial progress of their companies, we asked respondents to rate the quality of the information the board gets on a five-point scale, from excellent to poor. Some 92% said their firms were good or excellent at measuring financial results (see Appendix, question 12), far higher than any aspect of nonfinancial performance.

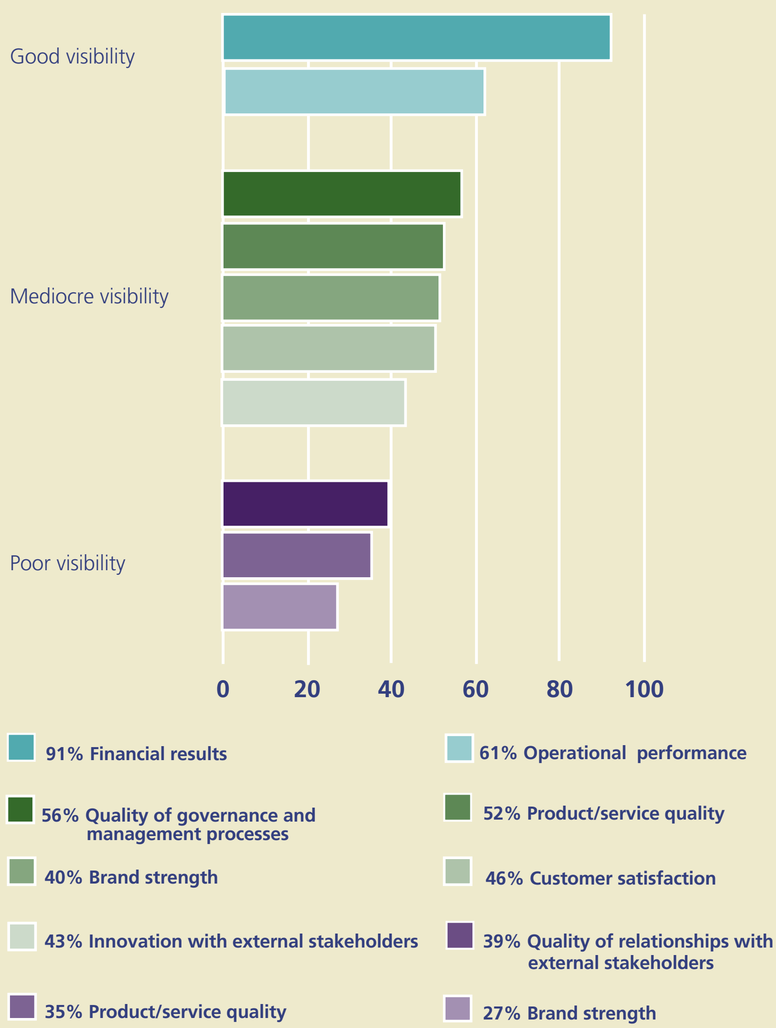
The nonfinancial metric on which the greatest number of boards (58%) receives high-quality information is operational performance—i.e., the status of their companies' key business processes. A small majority of respondents also rated as excellent or good the information the board has on the quality of governance and management processes (65%), product/service quality (49%), and the strength of the firm's brand (51%). Half the respondents said the board had excellent or good information on customer satisfaction.

Yet more often than not, boards are in the dark on the state of employee commitment, the company's impact on society and the environment, relations with suppliers and other external stakeholders, and the state of product development. In each area, a minority of companies rated the information the board gets as excellent or good.

Only about two-fifths of the companies (41%) said their boards had excellent or good information on the commitment of their employees. A number of interviewees complained that employee commitment was a particularly difficult indicator to measure. It's also a particularly valuable one. Oliver Corbett of SVB Holdings, a specialty insurance company in London with more than 200 employees, says that the nonfinancial measurement he

What the board knows

Percentage of respondents whose boards possess excellent or good information in the following areas:



would most like to have would be staff commitment. At many of the companies surveyed, employees are polled annually, but it remains difficult to get a clear picture of their job satisfaction.

Brinks places a high priority on employee commitment and holds what it calls a "speakout" at each of its 15 branches in the United States every month. The boss is not present and employees are asked to voice their complaints, which are transcribed with no names attached. "Our CEO reads all of the speakout minutes and also the follow-up to see that the employees' concerns are acted upon. We track speakouts like religion," says Chris Corrini, the former chief financial officer of Brinks.

But other indicators are harder to measure, such as environmental performance. Only 25% of the respondents rated the quality of information their boards get on their companies' impact on society and the environment as "excellent" or "good." This is particularly difficult for energy companies. "When you set goals for greenhouse gas emissions, it requires the cooperation of so many others. It's just very difficult to assess and is less precise than financial performance indicators," says Walter Massey, nonexecutive director at McDonald's, Motorola, BP, and Bank of America.

Of course, some nonfinancial indicators are easier to measure than others. Workplace safety, a component in operational performance and employee commitment, is relatively simple to track for Brinks. "Safety and security are very important. A common yardstick in our industry is how many accidents occur per 200,000 work hours," says Mr. Corrini. "Anybody in safety would use that measure. Also in transportation, we track the number of accidents for every million miles traveled. Certain transportation industry groups and insurance companies have homogenized data for this kind of thing."

The inadequacies of nonfinancial performance data may help explain why they are not seen as particularly useful in helping the board make mid- and long-term decisions—i.e., more than 12 months out (see Appendix, question 16). Only 48% of respondents found them effective or highly effective tools for this purpose, compared with 66% for financial performance indicators (see Appendix, question 15). "In a performance culture there is going to be a great emphasis on hard quantitative evidence rather than what are perceived as softer, qualitative measures," says Mr. Lewis of Centrica.

The attention deficit

It would appear that boards and management are increasingly aware of the importance of nonfinancial drivers, but are they actively paying attention to nonfinancial issues? Some do. At SunLife of Canada, for example, top executives receive written transcripts of customer complaints and can listen to audio recordings of specific complaints, and the risk-management committee of the board focuses on customer complaints.

But too many continue to pay lip service to the importance of nonfinancial drivers, and the survey shows there is a clear gap between rhetoric and action. Some 74% of respondents said that financial results received the highest level of attention (see Appendix, question 10), a far higher percentage than any of the nonfinancial drivers. Only 52% said that customer satisfaction received the highest level of attention. (Respondents could choose more than one driver for this question.)

A key way to look at the survey findings is to compare the importance ascribed to the different factors with the degree of attention they actually receive. In the case of five drivers—financial results, governance, brand strength, social impact, and operational efficiency—there was only a small disparity between the perceived importance of the driver and the level of attention it received. But the disparity was significant for five others: product/service quality, customer satisfaction, innovation, ties to stakeholders, and employee commitment.

Few would deny that these five factors are vital components of corporate performance. The survey respondents themselves certainly did not. Customer satisfaction was regarded as a key driver of corporate success by 97% of respondents (see question 8), the highest percentage. Yet only 84% of them said it received the highest or significant attention (see question 10), a difference of 13 percentage points. For product/service quality, this gap between importance and attention was 16 percentage points. The gap for innovation was 11 points and for employee commitment, 10 points.

The key barriers to better performance oversight

If corporate leaders consider nonfinancial drivers of such importance, why don't they receive more attention? There are many reasons. The two biggest ones, however, are the lack of precise data and the difficulty in understanding the bottom-line impact of nonfinancial measures.

Undeveloped measurement tools

Respondents were asked to assess the relative importance of eight barriers to the effective use of nonfinancial performance measures (see question 11). By far the most frequently cited hurdle was the fact that the tools to analyze such measurements were undeveloped, at least in comparison with financial tools.

Q.11
What are the main barriers to the effective use of nonfinancial performance measures by your organization?

	Total	**Executive director**	**Nonexecutive director**	**Senior manager**
Lack of familiarity with these measures on the part of board members	**21%**	22%	36%	18%
Lack of familiarity with these measures on the part of management	**18%**	17%	45%	15%
Skepticism that these measures are directly related to the bottom line	**40%**	34%	32%	45%
Undeveloped tools for analyzing such measures	**59%**	62%	68%	56%
Lack of information on competitors' performance in these areas	**26%**	29%	18%	25%
Low levels of accountability for these aspects of performance	**23%**	18%	27%	26%
Concern over risk that competitors will gain valuable intelligence	**6%**	8%	0%	5%
Lack of time among board members and senior managers to focus on a new set of metrics	**18%**	22%	23%	15%
Other	**4%**	4%	0%	5%

Where's the proof?

If there was a consensus about the poor quality of tools for analyzing nonfinancial performance, there was less agreement about the other barriers to the use of nonfinancial metrics. The second-highest obstacle was skepticism that these measures were related to the bottom line, which was cited as a key barrier by 40% of the respondents. Even if the quality of the data is high, and it is monitored by both management and the board, it does not necessarily follow that the company will perform better, however important the nonfinancial driver.

Take the case of customer satisfaction, by common consent a key variable. "To achieve the highest level of customer satisfaction is great and we think that ought to pay off, but nobody has really demonstrated this," says Gary Benanav, vice-chairman of New York Life Insurance. "The tools to measure customer satisfaction have improved, but the other piece of the equation is not objectively demonstrated. We know there are life insurance companies with low customer satisfaction that still make money."

The counter-argument is that these companies would make even more money if they had more satisfied customers. Nevertheless, there is a point at which the cost of investing in customer satisfaction will outweigh the benefits to the bottom line. Finding this point is an important challenge on the path toward more effective use of nonfinancial drivers.

Accountability and reward

Interestingly, senior managers (45% of them) tended to be more skeptical about the link between nonfinancial factors and financial performance than were executive directors (34%), or nonexecutive directors (32%) as reflected in the responses to question 11. These managers have to be shown there is a causal connection between financial and nonfinancial performance before they will pay more attention.

"All our senior managers are focused on nonfinancial measures, but there is no direct link between nonfinancial measurements and financial rewards," says Mr. Benanav. "If they're not linked to financial measures you don't get paid for them. You can pick any of these nonfinancial measures and you can achieve them. And the question is, so what?"

Companies might make more effort to improve their monitoring of nonfinancial data if firms were rewarded for improvements in these areas, but the opposite is often the case. Investors overwhelmingly reward companies for good financial performance and hardly at all for nonfinancial performance. Some 86% of respondents said firms were most heavily rewarded by investors for financial performance (see question 18). If one adds in the second most heavily rewarded category, then a couple of nonfinancial metrics make some minor headway: governance, with 25%, and employee commitment, with 24%.

Q.18
"Most Heavily Rewarded" summary
In which of the following areas of corporate performance does the market (i.e., investors) reward good performance most heavily? Percentage of respondents that said each area is most heavily rewarded.

	Total	Executive director	Nonexecutive director	Senior manager
Financial results	**86%**	87%	73%	87%
Quality of governance and management process	**5%**	1%	18%	6%
Employee commitment	**3%**	3%	5%	2%
Customer satisfaction	**1%**	0%	5%	1%
Operational performance (efficiency and effectiveness of key business processes)	**1%**	1%	0%	1%
Innovation (i.e., success in developing new products/services)	–	1%	0%	0%
Brand strength	–	1%	0%	0%
Product/service quality	**0%**	0%	0%	0%
Quality of relationships with external stakeholders (supply chain and alliances)	**0%**	0%	0%	0%
Impact on society and the environment	**0%**	0%	0%	0%

A summary of the average scores of the different yardsticks of performance is even more revealing. With a score of 1.0 being the area where good performance is most heavily rewarded by investors, financial results earn a score of 1.5 while all the nonfinancial measurements range from 5.1 (employee commitment) to 8.0 (brand strength). The survey results overwhelmingly support what is so commonly observed: that investors focus on the bottom line. From this perspective, it seems a daunting task to make nonfinancial drivers a high priority.

"Why don't we pay attention to nonfinancial indicators? Because the focus of the American economy is on short-term performance," says Mr. Lorsch. "That's the reality. The focus is too much on that direction. One of the reasons why we have had all these scandals is that there has been too much attention paid to short-term performance. Boards worry about it and management worries about it. I'm not suggesting that nobody worries about nonfinancial performance, but you do in spite of pressures that come from the Street."

"It's the executive directors that are driving this emphasis on nonfinancial measurements," says New York Life's Mr. Benanav. "There's little pressure from other sources. I serve on the boards of two publicly listed companies and there's no real pressure from outside investors to get into that kind of detail. The pressure from investors is much more on financial performance. Even after Enron this hasn't changed."

This overwhelming market emphasis on financial performance is reflected in the structure of incentives within companies. Respondents were asked in which areas of performance the board holds management accountable by rewarding good performance (see question 23). Some 78% said that the management is highly rewarded in terms of remuneration for financial results. Operational performance came a distant second, with 43%. A high proportion of those questioned said that management was not rewarded at all for the company's social and environmental impact, the quality of its relationship with external stakeholders, or employee commitment. Even innovation was not highly rewarded.

"Definitely room for improvement"

Laurent Beaudoin is one of the most seasoned executives to be running a large company in North America. He has been chairman of Bombardier, the Canadian maker of aircraft and trains, since 1979, and has closely monitored nearly every aspect of the company in the past 25 years.

At Bombardier, nonfinancial drivers are monitored at a group level by the senior executives of the three operating groups: aerospace, transportation, and capital. Mr. Beaudoin relinquished the CEO title in 1999 and thus removed himself from day-to-day control of the divisions, but he retained executive responsibilities. While taking a highly methodical approach to operational performance and management processes, Mr. Beaudoin is still prepared to accept that there is "definitely room for improvement" even at Bombardier in the way nonfinancial indicators are reported to the board.

He says, "When you report the financial results and discuss them at board meetings, the nonfinancial matters which caused the results to be good or not so good are raised at the same time, but without a specific measurement of them. We do not normally report at each board meeting on service quality, customer satisfaction, or innovation. From time to time, we more specifically review succession planning and top executives' performance. However, as you go forward and as more indicators are being developed, surveys being one of them, nonfinancial matters will be given more importance in our reporting to the board."

And Mr. Beaudoin admits that the board does not measure nonfinancial drivers. "Once a year, when the business and strategic plans are reviewed with the board members, we discuss in depth financial matters as well as the nonfinancials with each group management. But to tell you that we have specific measurements for the nonfinancials would be misleading. If there are some problems raised, we basically hold management responsible to report on the measures they are taking to solve these problems."

So should there be a more explicit board-level discussion of nonfinancial measurements? "Yes, this would be a good way to improve the overall performance of the corporation," he concludes.

One problem is that the lack of precision of many nonfinancial measurements makes it difficult to formulate a rigorous and fair method of compensation. "It's really the inability to find the common measuring stick across an organization that makes managers reluctant to use nonfinancial measures to any great extent as a compensation tool," says Mr. Benanav.

Even so, change is afoot. Almost all the corporate leaders who were interviewed reported a growing emphasis on nonfinancial measurements in compensation packages. Some, such as Scottish Power, state that 30% of the annual bonus depends on how well managers perform across a range of "behavioral indices," such as promoting a learning environment. At Alliant Energy, 85% of the CEO's compensation is determined by financial results, 5% by its environmental performance, 5% by safety, and 5% by workforce diversity.

Rewards and incentives are only part of the issue. Another important reason for the imperfect use of nonfinancial performance measures in the eyes of survey respondents was the low level of accountability for nonfinancial aspects of performance. One way to rectify this situation is to set up nonfinancial targets each year for senior executives and to establish clear lines of responsibility for the different targets.

At Scottish Power, for instance, the CEO is the person on the group board who is responsible for safety and the environment. "Safety is regularly discussed at the top of the board agenda, and the chief executive is responsible for it. It's important because we believe people who work in a safe environment are more likely to do a better job. The CEO has group board responsibility for environmental issues as well. The priorities are drawn up at the executive-team level, but because we're an energy company, it is regularly discussed at board level," says Mr. Fry.

When there are no targets, the board must rely on management to monitor nonfinancial indicators. Mr. Bucksbaum, CEO of General Growth Properties, says, "If there's a deterioration in a nonfinancial indicator, it's up to us [the executives] to bring it to the nonexecutive directors' attention. The independent directors say it's up to the senior management to take care of these things."

Govern well

This report has outlined some of the specific reasons why executives pay less attention to nonfinancial factors than their importance warrants, from the structure of incentives to the lack of good nonfinancial data. But there is a deeper cause that needs to be considered, namely the governance of the company.

Even if the data were perfect and incentives aligned better with long-term goals, a company could still be on the wrong track. Without strong ethical standards and a robust system of accountability—in short, a good system of governance—a company can end up on the scrapheap. Boards and management have to set the parameters within which all members of the firm are supposed to operate.

"Financial and nonfinancial drivers are looked at differently. In many ways, you look at financial indicators to see whether you accomplished your objectives and then you look at the space in which you did business," says Erroll Davis, CEO of Alliant Industries and nonexecutive director at BP and PPG Industries. "The threshold question, then, is how did we achieve our aims. And that's how we get into a discussion of ethical business practices. All of the boards I am on make clear we operate in a certain environmental space and an ethical space and that we want to ensure the space is not violated in achieving our financial objectives."

It is easy for a company to establish a set of rules—integrity, probity, trust, honor, and so on—by which it intends to conduct business. It is harder, however, to live by them when faced with the ever-present demands of investors for high returns. A good governance structure, supported by robust management processes, is an essential way of reconciling the two.

One company that has made a determined effort to build a strong system of governance is the Indian software firm Infosys. According to the firm's chief financial officer and board member, T.V. Mohandas Pai, the board spends 60% of its time on nonfinancial issues, particularly related to governance and management processes. Not only is the performance of executive directors assessed by the nonexecutive directors, but the independent directors are also assessed. The latter must present to the board their annual goals as a director at Infosys. At the end of the year, they make another presentation to the board giving an evaluation of their own performance and answering questions from the board. The evaluation process is overseen by a nominations committee consisting of four independent directors who meet four times a year.

"There are issues that executive directors should be held accountable for, and nonexecutive directors also have to discharge their fiduciary obligations. And there has to be a transparent process for all this," says Mr. Pai.

The survey shows, however, that many firms do not give governance issues the importance they merit. Only 55% (see question 10) of nonexecutive directors said they gave the highest level of attention to the quality of governance and management processes, whereas 77% of them gave financial results their closest level of scrutiny.

Elsewhere, all respondents were asked what would be certain or likely to trigger a reassessment of the way their company's performance is measured and monitored (see Appendix, question 27). In response, 82% said they would reassess matters if board members or the CEO demanded greater visibility or accountability. This response reinforces the impression that one reason companies are not paying more attention to nonfinancial drivers is that many boards are not asking them to do so.

Evidence of the lack of pressure from boards can be found elsewhere in the survey: 77% of nonexecutive directors said managers are highly rewarded for achieving good financial results (see Appendix, question 23). No other performance indicator earned a score higher than 36%, despite the fact that nonfinancial indicators are considered so important.

Other revealing signs can be found in the gap in perception between executive and nonexecutive directors. For example, 47% of executive directors but only 18% of nonexecutive directors said that the quality of information regarding employee commitment was good or excellent (see Appendix, question 12). Shouldn't nonexecutive directors be calling for improvements in the quality of information?

More tellingly, 82% of nonexecutive directors said that the quality of financial information was good to excellent, but only 41% of them said the same with respect to the quality of information about governance and management processes. There must be considerable frustration among nonexecutive directors regarding governance and management processes or, worse, damaging apathy.

As the survey shows, there is a perception among a large number of respondents that boards or the CEO could trigger a reassessment of nonfinancial performance drivers. If so, the leaders of a company have it in their power to hold management accountable for all the drivers of corporate success, not just financial ones.

Comparing leaders with laggards

Why are certain companies' boards and top managers better at measuring and monitoring financial and nonfinancial performance indicators? What do they do differently? To begin to understand what practices lead to success in this arena, we further analyzed our survey results. We compared the survey responses of companies that were excellent or good at measuring and monitoring both their financial and nonfinancial performance (calling these companies "leaders") to companies that were fair or poor at it (the "laggards").

In all, 85 companies were leaders and 61 were laggards. The differences in the way these two groups answered a number of survey questions were striking. They provide further insights on some of the conditions necessary for boards and senior executives to better track and improve corporate performance.

- **"Leaders" are more likely to believe that nonfinancial measures affect profitability.** Only 36% of the leading companies cited "skepticism that measures are directly related to the bottom line" as a main barrier to effective use of such metrics. In the "laggards," 46% cited such skepticism as a barrier.
- **The boards and managers of leading companies are much more likely to be familiar with nonfinancial measures.** Managers who were unfamiliar with nonfinancial measures were cited as a barrier by only 11% of the leaders (15% said board members unfamiliar with the metrics was a key barrier). In contrast, at the laggard companies, 28% said managers who were unfamiliar with nonfinancial metrics were a major barrier. Another 28% said board members unfamiliar with nonfinancial metrics were key barriers.
- **Rewards—not just measures—are in place.** Leaders and laggards are barely different in how their boards reward managers for good financial performance (78% of managers in leaders are highly rewarded vs. 75% in laggards). However, the boards of leaders are much more likely than the boards of laggards to reward managers for good performance in nonfinancial metrics, and thus hold them accountable for performance. The biggest difference between leaders and laggards here is in the quality of governance and management processes. The boards of leaders are nearly four times more likely than those of laggards to give managers high rewards for good performance in this area (26% of the leaders do this vs. only 7% of the laggards). Similarly, leaders are nearly three times more likely than laggards to reward managers highly for success in developing new products or services (34% vs. 13%). In addition, they are more than twice as likely to reward managers highly for customer satisfaction (35% vs. 15%), and they are nearly twice as likely to give high rewards to managers for stellar operational performance (55% vs. 33%). When people's corporate achievements are measured, they must also be rewarded—or penalized—if their performance is to improve.

Conclusions

The survey reveals a critical fault line between rhetoric and reality in the boardrooms of the world's leading companies. Nonfinancial factors are widely regarded as extremely important drivers of success for a company, yet they receive considerably less attention than financial data from the board and senior managers.

This report highlights the troubling fact that financial results and nonfinancial performance are not properly connected to each other in many companies. It is intuitively obvious that the balance sheet, profit-and-loss account, and cashflow statement are the results of nonfinancial drivers, yet this is rarely, if ever, reflected in the way companies are run. Senior executives at many firms keep a close eye on two or three nonfinancial indicators, but few try to track all of them, or even a large number, systematically.

This mismatch between financial and nonfinancial indicators has been neglected because the latter tend to be harder to measure and less reliable, and because capital markets are structured to reward financial results consistently, and nonfinancial ones only rarely.

The survey contains some signs that change is already under way, with compensation structures shifting to include nonfinancial targets and board members demonstrating a keen awareness of the importance of nonfinancial data. But the survey also demonstrates the extent of the gap between awareness and action, rhetoric and reality. Until this gap narrows, board directors, managers, and investors remain less well-informed about the true state of their companies' health than they would be otherwise.

Once the ethical and governance foundations are solidly established, nonfinancial measurements of performance, such as customer satisfaction, brand strength, and employee commitment, can provide the board and management with a vital guide to help steer the company toward long-term success. Yet too many companies focus their attention on financial data and too few rigorously monitor other performance measures.

Survey methodology

To ascertain the views of senior businesspeople on the key factors that sustain corporate health and the monitoring of these drivers, Deloitte commissioned the Economist Intelligence Unit to poll board directors and senior managers around the world in March and April 2004 using online and telephone survey techniques. A set of survey results is appended to this report.

Some 249 executives responded to the questionnaire, consisting of 93 executive directors, 22 nonexecutive directors, and 134 senior managers. Of the 249, 31% were based in North America, 50% in Europe, 12% in the Asia-Pacific region, and 7% in other parts of the world. Some 71% of respondents' companies had total global revenues in excess of $500 million a year and 46% had more than $1 billion.

In addition, the Economist Intelligence Unit conducted telephone interviews with 13 corporate leaders. The senior executives and board members interviewed were: Laurent Beaudoin, executive chairman of Bombardier; Gary Benanav, vice-chairman of New York Life Insurance and member of the board of Barnes Group and Express Scripts; John Bucksbaum, CEO of General Growth Properties; Oliver Corbett, CFO of SVB Holdings; Chris Corrini, former CFO of Brinks; Erroll Davis, CEO of Alliant Energy and nonexecutive director at BP and PPG Industries; Dominic Fry, group director, corporate communications at Scottish Power; Simon Lewis, managing director, Europe at Centrica; Jay Lorsch, nonexecutive director at Computer Associates International; T.V. Mohandas Pai, CFO of Infosys; Jim Prieur, CFO of Sun Life Financial; Walter Massey, nonexecutive director at McDonald's, Motorola, BP, and Bank of America; and Stephen Rubin, chairman of Pentland Group.

Our thanks are due to everyone who shared their time and insights.

Survey results

Q.1
In what country are you personally based?

	Total	Executive director	Nonexecutive director	Senior manager
North America	**31%**	24%	55%	32%
Europe	**50%**	48%	36%	54%
Asia-Pacific	**12%**	17%	5%	10%
Rest of World	**7%**	11%	5%	4%

Q.2
Where is your company's head office located?

	Total	Executive director	Nonexecutive director	Senior manager
Europe	**51%**	52%	55%	49%
Asia-Pacific	**8%**	14%	5%	5%
North America	**34%**	26%	36%	40%
Latin America	**2%**	4%	0%	1%
Middle East & Africa	**4%**	3%	0%	4%

Q.3
What is your title?

	Total	Executive director	Nonexecutive director	Senior manager
Chairman	**6%**	13%	9%	1%
Nonexecutive Director	**4%**	1%	41%	1%
CEO/COO/President/ Managing Director	**29%**	58%	0%	13%
CFO	**18%**	12%	0%	25%
CIO/ CTO	**2%**	2%	5%	2%
CMO/Head of Marketing/ Head of Sales	**12%**	4%	9%	19%
Chief Risk Officer	**4%**	1%	5%	6%
Chief Strategy Officer/ Head of Strategy	**6%**	3%	9%	8%
Other C-Level Manager	**15%**	5%	14%	22%

Q.4
What were your company's total global revenues in U.S. dollars in the most recent financial year?

	Total	Executive director	Nonexecutive director	Senior manager
Less than US$500 million	**25%**	44%	23%	12%
US$500 million-US$1 billion	**25%**	18%	23%	30%
US$1 billion-US$5 billion	**21%**	16%	32%	23%
US$5 billion-US$10 billion	**11%**	8%	9%	14%
More than US$10 billion	**14%**	9%	5%	20%
Not applicable	**3%**	4%	9%	1%

Q.5
What industry are you in?

	Total	Executive director	Nonexecutive director	Senior manager
Aerospace and defense	**3%**	1%	9%	4%
Agriculture	**0%**	0%	0%	0%
Automotive	**5%**	3%	9%	5%
Chemicals and textiles	**4%**	2%	0%	7%
Construction and real estate	**4%**	2%	9%	5%
Consumer goods and retailing	**9%**	5%	5%	12%
Electronic and electrical equipment	**4%**	3%	5%	5%
Engineering and machinery	**4%**	3%	5%	4%
Financial services	**13%**	19%	5%	10%
Food, beverages, and tobacco	**5%**	4%	0%	7%
Government and public services	**2%**	0%	5%	2%
Health care, pharmaceuticals, and biotechnology	**6%**	3%	5%	8%
Leisure, entertainment, media, and publishing	**5%**	11%	0%	1%
Mining, oil, and gas	**3%**	4%	5%	1%
Professional services	**7%**	13%	5%	4%
Telecoms, software, and computer services	**6%**	6%	9%	5%
Travel, tourism, and transport	**4%**	5%	9%	2%
Utilities	**4%**	1%	5%	5%
Other	**12%**	12%	14%	11%

Q.6
Please respond to the following statements by selecting: agree, disagree, or don't know/no opinion.

	Agree				Disagree				Don't know/no opinion			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Our organization is under increasing pressure to measure nonfinancial performance indicators	**73%**	72%	55%	77%	**22%**	24%	41%	18%	**5%**	4%	5%	5%
Financial indicators alone do not adequately capture our company's underlying strengths or vulnerabilities	**92%**	92%	91%	93%	**7%**	8%	9%	6%	**–**	0%	0%	1%
Investors are placing greater emphasis on sustainable, long-term growth	**72%**	65%	77%	76%	**20%**	26%	23%	15%	**8%**	10%	0%	9%
Forward-looking information is of greater value to management and the board than historical information	**73%**	69%	82%	74%	**20%**	23%	14%	19%	**6%**	8%	5%	6%
Our company's performance is determined more by intangible assets/capabilities than by its hard assets	**55%**	66%	50%	48%	**38%**	33%	36%	42%	**6%**	1%	14%	9%
It is the responsibility of the board to monitor both nonfinancial and financial measures of performance	**92%**	90%	86%	93%	**7%**	9%	5%	7%	**1%**	1%	9%	0%

Q.7 To what extent are the following forces in the marketplace driving an increased emphasis on nonfinancial performance measures?	**Critical driver**				**Important driver**				**Minor driver**				**Not a driver**			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Increased regulatory emphasis on nonfinancial measures	**19%**	17%	23%	20%	**45%**	41%	41%	48%	**30%**	32%	32%	28%	**6%**	10%	5%	4%
Greater awareness of reputational risk	**33%**	33%	41%	31%	**50%**	47%	55%	51%	**14%**	15%	5%	15%	**3%**	4%	0%	2%
Greater scrutiny of nonfinancial performance by the media	**11%**	8%	14%	13%	**47%**	44%	41%	49%	**34%**	37%	41%	31%	**8%**	11%	5%	7%
Increasing power of NGOs, lobbyists, and civic organizations	**8%**	5%	9%	9%	**24%**	22%	14%	28%	**47%**	51%	64%	42%	**21%**	23%	14%	22%
Speed and geographic spread of information via the Internet	**19%**	20%	27%	16%	**41%**	41%	36%	42%	**34%**	30%	36%	37%	**6%**	9%	0%	5%
Increasing customer influence	**41%**	39%	45%	43%	**42%**	42%	32%	43%	**14%**	17%	14%	12%	**2%**	2%	5%	2%
Increasing employee influence	**15%**	22%	18%	10%	**45%**	35%	41%	52%	**32%**	33%	32%	31%	**8%**	9%	9%	7%
Accelerating innovation (in new products and services)	**37%**	31%	50%	38%	**39%**	40%	41%	37%	**20%**	22%	9%	20%	**5%**	8%	0%	4%
Increasing global competition	**41%**	40%	45%	40%	**33%**	35%	27%	32%	**17%**	17%	23%	16%	**9%**	8%	5%	11%
Growing power of worldwide media	**10%**	8%	14%	12%	**32%**	30%	36%	33%	**39%**	41%	36%	39%	**17%**	22%	14%	15%
Other	**8%**	6%	18%	7%	**6%**	8%	5%	6%	**1%**	2%	0%	1%	**2%**	1%	0%	2%

Q.8

Which of the following areas of corporate performance are key drivers of success for your organization? Please rate each area between 1 and 4: critical driver, important driver, minor driver, not a driver.

	Critical driver				Important driver				Minor driver				Not a driver			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Financial results	**77%**	74%	82%	78%	**18%**	22%	18%	15%	**4%**	2%	0%	6%	**1%**	1%	0%	1%
Quality of governance and management processes	**47%**	37%	55%	52%	**44%**	52%	41%	40%	**8%**	10%	5%	7%	**1%**	2%	0%	1%
Employee commitment	**50%**	51%	59%	49%	**42%**	40%	36%	45%	**6%**	8%	0%	7%	**1%**	1%	5%	0%
Customer satisfaction	**71%**	74%	59%	72%	**26%**	24%	41%	25%	**2%**	2%	0%	1%	**1%**	0%	0%	1%
Operational performance (efficiency and effectiveness of key business processes)	**52%**	47%	41%	57%	**42%**	45%	59%	37%	**5%**	8%	0%	4%	**1%**	0%	0%	1%
Product/service quality	**62%**	67%	59%	59%	**34%**	30%	36%	36%	**3%**	3%	5%	3%	**–**	0%	0%	1%
Innovation (i.e., success in developing new products/ services)	**41%**	39%	45%	43%	**40%**	37%	45%	42%	**16%**	23%	5%	14%	**2%**	2%	5%	1%
Quality of relationships with external stakeholders (supply chain and alliances)	**21%**	20%	23%	21%	**55%**	53%	64%	55%	**20%**	20%	9%	22%	**4%**	6%	5%	1%
Impact on society and the environment	**15%**	12%	14%	17%	**38%**	33%	50%	40%	**37%**	42%	23%	37%	**10%**	13%	14%	7%
Brand strength	**37%**	35%	41%	38%	**41%**	38%	41%	43%	**15%**	19%	9%	13%	**6%**	8%	9%	4%

Q.9
Which of the following areas of corporate performance do you believe members of the company's board should monitor and which of the following areas do you believe the company's senior management should monitor? For each area, please say who you believe should monitor the area and who should take primary responsibility for doing so.

	Board and senior managers should monitor, board should take primary responsibility				Board and senior management should monitor, both should take equal responsibility				Board and senior management should monitor, senior management should take primary responsibility				Only senior management should monitor				Neither should monitor			
	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager
Financial results	**29%**	29%	27%	30%	**44%**	42%	41%	46%	**24%**	27%	27%	22%	**2%**	2%	5%	1%	**0%**	0%	0%	0%
Quality of governance and management processes	**40%**	45%	45%	35%	**43%**	42%	45%	43%	**14%**	12%	9%	16%	**3%**	1%	0%	4%	**0%**	0%	0%	0%
Employee commitment	**2%**	2%	0%	2%	**27%**	27%	32%	25%	**53%**	52%	59%	53%	**16%**	17%	9%	16%	**1%**	1%	0%	1%
Customer satisfaction	**5%**	5%	5%	5%	**27%**	29%	27%	26%	**51%**	52%	50%	51%	**15%**	13%	18%	16%	–	1%	0%	0%
Operational performance (efficiency and effectiveness of key business processes)	**6%**	4%	14%	5%	**33%**	37%	27%	31%	**44%**	44%	45%	44%	**16%**	14%	14%	18%	–	1%	0%	0%
Product/service quality	**6%**	6%	9%	4%	**20%**	22%	23%	19%	**52%**	56%	45%	50%	**21%**	15%	23%	25%	–	1%	0%	0%
Innovation (i.e., success in developing new products/ services)	**9%**	9%	9%	10%	**36%**	38%	36%	34%	**39%**	38%	32%	42%	**14%**	15%	18%	12%	**1%**	1%	5%	1%
Quality of relationships with external stakeholders (supply chain and alliances)	**14%**	16%	27%	10%	**35%**	35%	23%	36%	**33%**	32%	32%	33%	**17%**	15%	9%	19%	**2%**	1%	9%	1%
Impact on society and the environment	**31%**	35%	27%	28%	**43%**	38%	41%	48%	**15%**	15%	14%	16%	**7%**	9%	5%	7%	**2%**	3%	14%	0%
Brand strength	**14%**	13%	18%	14%	**45%**	53%	41%	40%	**27%**	23%	23%	30%	**10%**	11%	9%	10%	**3%**	1%	9%	3%

Q.10

In your capacity as an executive director, indicate the level of attention you give to each of the following areas by assigning a rating between 1 and 4: highest level of attention, significant amount of attention, some attention, or no attention at all.

	Highest attention				Significant attention				Some attention				No attention			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Financial results	**74%**	83%	77%	67%	**23%**	16%	23%	28%	**2%**	0%	0%	4%	**–**	1%	0%	0%
Quality of governance and management processes	**51%**	57%	55%	46%	**39%**	33%	45%	42%	**9%**	8%	0%	11%	**1%**	2%	0%	0%
Employee commitment	**32%**	38%	36%	28%	**50%**	43%	50%	55%	**15%**	17%	14%	14%	**2%**	2%	0%	1%
Customer satisfaction	**52%**	58%	45%	49%	**32%**	30%	45%	31%	**14%**	11%	9%	17%	**1%**	1%	0%	1%
Operational performance (efficiency and effectiveness of key business processes)	**47%**	43%	45%	50%	**40%**	49%	55%	31%	**12%**	8%	0%	16%	**1%**	0%	0%	1%
Product/service quality	**41%**	47%	23%	40%	**39%**	34%	73%	37%	**17%**	18%	5%	19%	**2%**	0%	0%	3%
Innovation (i.e., success in developing new products/ services)	**37%**	35%	55%	35%	**33%**	33%	23%	34%	**24%**	27%	18%	23%	**5%**	4%	5%	6%
Quality of relationships with external stakeholders (supply chain and alliances)	**24%**	34%	23%	18%	**43%**	32%	45%	50%	**25%**	23%	27%	26%	**7%**	11%	5%	4%
Impact on society and the environment	**16%**	16%	32%	13%	**33%**	29%	41%	34%	**37%**	43%	5%	37%	**14%**	12%	23%	14%
Brand strength	**38%**	43%	36%	35%	**35%**	37%	45%	31%	**18%**	15%	14%	21%	**8%**	5%	5%	10%
Other	**6%**	8%	9%	4%	**3%**	4%	5%	1%	**–**	0%	0%	1%	**0%**	0%	0%	0%

Q.11
What are the main barriers to the effective use of nonfinancial performance measures by your organization?

	Total	Executive director	Nonexecutive director	Senior manager
Lack of familiarity with these measures on the part of board members	**21%**	22%	36%	18%
Lack of familiarity with these measures on the part of management	**18%**	17%	45%	15%
Skepticism that these measures are directly related to the bottom line	**40%**	34%	32%	45%
Undeveloped tools for analyzing such measures	**59%**	62%	68%	56%
Lack of information on competitors' performance in these areas	**26%**	29%	18%	25%
Low levels of accountability for these aspects of performance	**23%**	18%	27%	26%
Concern over risk that competitors will gain valuable intelligence	**6%**	8%	0%	5%
Lack of time among board members and senior management to focus on a new set of metrics	**18%**	22%	23%	15%
Other	**4%**	4%	0%	5%

Q.12

How would you rate the quality of information that the board gets in each of the following areas of corporate performance? Please rate between 1 and 5: excellent, good, average, fair, or poor.

	Excellent			Good			Average			Fair			Poor		
	Total	**Executive director**	**Nonexecutive director**	**Total**	**Executive director**	**Nonexecutive director**	**Total**	**Executive director**	**Nonexecutive director**	**Total**	**Executive director**	**Nonexecutive director**	**Total**	**Executive director**	**Nonexecutive director**
Financial results	**59%**	63%	41%	**33%**	31%	41%	**8%**	5%	18%	**0%**	0%	0%	**0%**	0%	0%
Quality of governance and management processes	**23%**	23%	23%	**42%**	47%	18%	**29%**	23%	55%	**6%**	6%	5%	**1%**	1%	0%
Employee commitment	**11%**	12%	9%	**30%**	35%	9%	**36%**	34%	41%	**17%**	12%	36%	**6%**	6%	5%
Customer satisfaction	**10%**	12%	5%	**40%**	42%	32%	**35%**	35%	32%	**10%**	4%	32%	**5%**	6%	0%
Operational performance (efficiency and effectiveness of key business processes)	**21%**	23%	14%	**37%**	34%	50%	**25%**	25%	27%	**15%**	16%	9%	**2%**	2%	0%
Product/service quality	**17%**	19%	9%	**32%**	32%	32%	**36%**	33%	45%	**13%**	13%	14%	**2%**	2%	0%
Innovation (i.e., success in developing new products/ services)	**11%**	11%	14%	**30%**	30%	32%	**36%**	37%	32%	**16%**	15%	18%	**7%**	8%	5%
Quality of relationships with external stakeholders (supply chain and alliances)	**14%**	15%	9%	**29%**	31%	18%	**23%**	23%	27%	**24%**	22%	36%	**10%**	10%	9%
Impact on society and the environment	**8%**	8%	9%	**17%**	19%	9%	**31%**	31%	32%	**26%**	27%	23%	**17%**	15%	27%
Brand strength	**17%**	18%	9%	**34%**	37%	23%	**24%**	24%	27%	**17%**	13%	32%	**6%**	5%	9%

Q.13 **Base: executive directors and senior managers** How would you rate the quality of information that the senior managers get in each of the following areas of corporate performance? Please rate between 1 and 5: excellent, good, average, fair, or poor.	Excellent			Good			Average			Fair			Poor		
	Total	**Executive director**	**Senior manager**	**Total**	**Executive director**	**Senior manager**	**Total**	**Executive director**	**Senior manager**	**Total**	**Executive director**	**Senior manager**	**Total**	**Executive director**	**Senior manager**
Financial results	**56%**	56%	56%	**36%**	38%	34%	**5%**	5%	4%	**2%**	1%	3%	**–**	0%	1%
Quality of governance and management processes	**11%**	19%	6%	**44%**	46%	42%	**31%**	26%	34%	**11%**	6%	13%	**3%**	2%	3%
Employee commitment	**15%**	23%	9%	**30%**	43%	21%	**37%**	28%	43%	**11%**	3%	16%	**7%**	3%	9%
Customer satisfaction	**19%**	24%	15%	**45%**	59%	35%	**26%**	14%	35%	**6%**	0%	10%	**4%**	3%	4%
Operational performance (efficiency and effectiveness of key business processes)	**29%**	39%	22%	**37%**	31%	41%	**23%**	20%	25%	**8%**	8%	9%	**2%**	2%	1%
Product/service quality	**20%**	26%	16%	**46%**	55%	40%	**27%**	13%	37%	**5%**	5%	5%	**1%**	1%	1%
Innovation (i.e., success in developing new products/ services)	**12%**	14%	11%	**35%**	39%	33%	**31%**	33%	29%	**14%**	6%	19%	**7%**	8%	6%
Quality of relationships with external stakeholders (supply chain and alliances)	**7%**	10%	6%	**32%**	34%	30%	**34%**	29%	38%	**21%**	19%	22%	**5%**	8%	3%
Impact on society and the environment	**6%**	8%	5%	**23%**	22%	25%	**31%**	32%	31%	**24%**	24%	24%	**15%**	15%	14%
Brand strength	**15%**	18%	13%	**42%**	45%	40%	**26%**	25%	28%	**10%**	6%	13%	**4%**	3%	5%

Q.14

In your experience, how effective are your company's existing performance metrics in providing an accurate and reliable indication to your board of the following? Please rate metrics between 1 and 4: highly effective, effective, ineffective, or highly ineffective.

	Highly effective				Effective				Ineffective				Highly ineffective			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
The company's current health	**40%**	42%	41%	39%	**51%**	49%	50%	53%	**5%**	4%	5%	5%	**1%**	1%	5%	1%
The company's future prospects	**17%**	20%	18%	15%	**57%**	52%	55%	60%	**21%**	22%	18%	21%	**3%**	3%	9%	1%
The current health of partners of the organization (allies, suppliers, etc.)	**6%**	6%	9%	5%	**46%**	44%	36%	49%	**39%**	37%	45%	39%	**7%**	10%	9%	5%
The future prospects of partners of the organization (allies, suppliers, etc.)	**3%**	4%	5%	1%	**33%**	31%	36%	33%	**49%**	44%	45%	52%	**14%**	17%	14%	11%
The company's financial performance relative to its competitors	**25%**	22%	23%	28%	**45%**	45%	36%	46%	**22%**	26%	27%	19%	**5%**	4%	14%	4%
The company's performance in nonfinancial areas relative to its competitors	**8%**	10%	23%	4%	**28%**	25%	14%	32%	**47%**	45%	45%	49%	**14%**	16%	18%	12%

Q.15

How effectively do your company's existing financial performance metrics support the board and CEO in terms of accomplishing the following business objectives? Please rate metrics between 1 and 4: highly effective, effective, ineffective, or highly ineffective.

	Highly effective				Effective				Ineffective				Highly ineffective			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Strategy formulation	**30%**	30%	32%	30%	**57%**	58%	55%	56%	**10%**	6%	9%	12%	**1%**	1%	5%	0%
Control and compliance	**34%**	33%	18%	37%	**51%**	51%	59%	50%	**10%**	12%	23%	7%	**1%**	0%	0%	2%
Short-term decision-making (decisions over the next 12 months)	**41%**	39%	32%	44%	**47%**	51%	55%	44%	**8%**	6%	14%	9%	**0%**	0%	0%	0%
Mid- to long-term decision-making (decisions beyond 12 months out)	**9%**	10%	9%	9%	**57%**	49%	59%	61%	**29%**	34%	27%	26%	**2%**	2%	5%	1%
Achievement of appropriate valuation in the capital markets	**17%**	16%	18%	17%	**45%**	34%	50%	51%	**24%**	33%	18%	19%	**8%**	10%	14%	7%

Q.16

How effectively do your company's existing nonfinancial performance metrics support the board and CEO in terms of accomplishing the following business objectives? Please rate metrics between 1 and 4: highly effective, effective, ineffective, or highly ineffective.

	Highly effective				Effective				Ineffective				Highly ineffective			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Strategy formulation	**17%**	19%	9%	16%	**53%**	51%	68%	53%	**22%**	22%	18%	23%	**5%**	5%	5%	5%
Control and compliance	**13%**	15%	9%	12%	**51%**	49%	45%	53%	**29%**	27%	36%	29%	**5%**	5%	9%	4%
Short-term decision-making (decisions over the next 12 months)	**12%**	16%	9%	10%	**55%**	58%	64%	52%	**24%**	16%	27%	29%	**5%**	5%	0%	6%
Mid- to long-term decision-making (decisions beyond 12 months out)	**9%**	10%	9%	9%	**39%**	42%	41%	36%	**37%**	32%	36%	41%	**11%**	10%	14%	11%
Achievement of appropriate valuation in the capital markets	**7%**	8%	5%	7%	**33%**	28%	41%	36%	**38%**	39%	32%	39%	**16%**	19%	23%	13%

Q.17
How would you rate your organization's record of measuring and monitoring financial and nonfinancial aspects of performance? Please rate between 1 and 5: excellent, good, average, fair, or poor.

	Excellent				Good				Average				Fair				Poor			
	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager
Financial performance	**41%**	40%	55%	39%	**45%**	44%	27%	48%	**10%**	10%	14%	9%	**1%**	2%	5%	0%	**1%**	0%	0%	1%
Nonfinancial performance	**6%**	8%	5%	5%	**28%**	26%	18%	31%	**40%**	41%	50%	38%	**16%**	14%	23%	16%	**7%**	8%	5%	7%

Q.18
"Most Heavily Rewarded" summary
In which of the following areas of corporate performance does the market (i.e., investors) reward good performance most heavily? Please rank in order, 1 being the area where good performance is most heavily rewarded.

	Total	Executive director	Nonexecutive director	Senior manager
Financial results	**86%**	87%	73%	87%
Quality of governance and management processes	**5%**	1%	18%	6%
Employee commitment	**3%**	3%	5%	2%
Customer satisfaction	**1%**	0%	5%	1%
Operational performance (efficiency and effectiveness of key business processes)	**1%**	1%	0%	1%
Innovation (i.e., success in developing new products/services)	–	1%	0%	0%
Brand strength	–	1%	0%	0%
Product/service quality	**0%**	0%	0%	0%
Quality of relationships with external stakeholders (supply chain and alliances)	**0%**	0%	0%	0%
Impact on society and the environment	**0%**	0%	0%	0%

Q.19

"Most/Second Most Heavily Rewarded" summary

In which of the following areas of corporate performance does the market (i.e., investors) reward good performance most heavily? Please rank in order, 1 being the area where good performance is most heavily rewarded.

	Total	**Executive director**	**Nonexecutive director**	**Senior manager**
Financial results	**87%**	88%	82%	87%
Quality of governance and management processes	**25%**	17%	64%	25%
Employee commitment	**24%**	23%	18%	25%
Customer satisfaction	**13%**	5%	14%	18%
Operational performance (efficiency and effectiveness of key business processes)	**12%**	14%	0%	12%
Product/service quality	**10%**	15%	9%	7%
Innovation (i.e., success in developing new products/services)	**10%**	12%	9%	9%
Quality of relationships with external stakeholders (supply chain and alliances)	**6%**	6%	5%	7%
Impact on society and the environment	**3%**	5%	0%	2%
Brand strength	**2%**	3%	0%	2%

Q.20

"Most/Second Most/Third Most Heavily Rewarded" summary

In which of the following areas of corporate performance does the market (i.e., investors) reward good performance most heavily? Please rank in order, 1 being the area where good performance is most heavily rewarded.

	Total	Executive director	Nonexecutive director	Senior manager
Financial results	**88%**	88%	86%	88%
Employee commitment	**30%**	31%	27%	30%
Innovation (i.e., success in developing new products/services)	**29%**	31%	32%	26%
Quality of relationships with external stakeholders (supply chain and alliances)	**27%**	27%	23%	27%
Quality of governance and management process	**26%**	19%	64%	25%
Product/service quality	**22%**	26%	23%	19%
Operational performance (efficiency and effectiveness of key business processes)	**21%**	25%	9%	21%
Customer satisfaction	**20%**	14%	14%	25%
Impact on society and the environment	**14%**	15%	18%	13%
Brand strength	**12%**	8%	5%	17%

Q.21

"Least Heavily Rewarded" summary

In which of the following areas of corporate performance does the market (i.e., investors) reward good performance most heavily? Please rank in order, 1 being the area where good performance is most heavily rewarded.

	Total	**Executive director**	**Nonexecutive director**	**Senior manager**
Quality of governance and management processes	**16%**	23%	5%	13%
Brand strength	**15%**	14%	14%	16%
Employee commitment	**12%**	13%	14%	10%
Customer satisfaction	**12%**	8%	18%	13%
Operational performance (efficiency and effectiveness of key business processes)	**10%**	8%	5%	13%
Product/service quality	**9%**	9%	5%	10%
Impact on society and the environment	**8%**	6%	18%	7%
Quality of relationships with external stakeholders (supply chain and alliances)	**8%**	5%	9%	9%
Innovation (i.e., success in developing new products/services)	**6%**	8%	9%	4%
Financial results	**2%**	2%	5%	1%

Q.22

"Mean" summary

In which of the following areas of corporate performance does the market (i.e., investors) reward good performance most heavily? Please rank in order, 1 being the area where good performance is most heavily rewarded.

	Total	Executive director	Nonexecutive director	Senior manager
Brand strength	**8.0**	8.1	8.7	7.7
Impact on society and the environment	**7.2**	7.1	7.2	7.2
Quality of relationships with external stakeholders (supply chain and alliances)	**6.0**	5.8	6.4	6.0
Product/service quality	**5.7**	5.5	5.4	5.8
Innovation (i.e., success in developing new products/services)	**5.6**	5.4	5.8	5.7
Customer satisfaction	**5.5**	5.8	5.4	5.4
Operational performance (efficiency and effectiveness of key business processes)	**5.4**	5.1	6.0	5.5
Quality of governance and management processes	**5.1**	5.6	3.1	5.1
Employee commitment	**5.1**	5.1	5.0	5.1
Financial results	**1.5**	1.4	2.0	1.5

Q.23

In which of the following areas of performance does the board hold management accountable by rewarding good performance? Please rate between 1 and 3: management is highly rewarded, management is modestly rewarded, or management is not rewarded at all.

	Highly rewarded				Modestly rewarded				Not rewarded			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Financial results	**78%**	75%	77%	81%	**16%**	18%	14%	14%	**2%**	1%	5%	1%
Quality of governance and management processes	**16%**	14%	14%	19%	**53%**	56%	55%	51%	**26%**	25%	27%	26%
Employee commitment	**13%**	20%	14%	8%	**43%**	42%	18%	47%	**40%**	32%	64%	41%
Customer satisfaction	**28%**	40%	23%	21%	**47%**	37%	50%	54%	**20%**	18%	23%	21%
Operational performance (efficiency and effectiveness of key business processes)	**43%**	43%	36%	45%	**38%**	40%	55%	34%	**14%**	12%	5%	17%
Product/service quality	**26%**	32%	18%	22%	**47%**	43%	64%	46%	**23%**	18%	14%	28%
Innovation (i.e., success in developing new products/ services)	**26%**	32%	27%	22%	**35%**	31%	50%	35%	**35%**	31%	18%	40%
Quality of relationships with external stakeholders (supply chain and alliances)	**9%**	10%	9%	8%	**35%**	41%	32%	32%	**51%**	43%	55%	56%
Impact on society and the environment	**8%**	5%	9%	9%	**27%**	25%	27%	29%	**61%**	65%	59%	58%
Brand strength	**20%**	22%	23%	19%	**41%**	48%	36%	36%	**34%**	24%	36%	40%

Q.24
In which of the following areas of governance and management processes does your board and senior management use identifiable performance metrics to run the company? Please check whether: only the board uses these metrics, only senior management uses these metrics, both the board and senior management use these metrics, neither the board nor senior management use the metrics, or don't know/not applicable.

	Only the board uses these metrics				**Only senior management uses these metrics**				**Both the board and senior management use these metrics**				**Neither the board nor senior management use these metrics**				**Don't know/not applicable**			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Quality of governance structure (i.e., board composition, roles and responsibilities, etc.)	**32%**	32%	41%	31%	**8%**	11%	9%	6%	**32%**	29%	27%	35%	**14%**	17%	5%	13%	**9%**	4%	18%	11%
Overall quality of board performance	**47%**	43%	59%	48%	**4%**	3%	9%	4%	**17%**	22%	9%	15%	**15%**	19%	9%	13%	**13%**	6%	14%	18%
Performance of individual board members	**49%**	48%	45%	49%	**4%**	4%	14%	2%	**13%**	13%	9%	14%	**13%**	17%	14%	10%	**17%**	11%	18%	21%
Quality of strategic decision-making	**20%**	26%	23%	16%	**8%**	9%	5%	8%	**48%**	43%	55%	50%	**11%**	11%	9%	12%	**8%**	5%	9%	10%
Operational efficiency	**4%**	6%	9%	1%	**36%**	31%	55%	36%	**51%**	54%	32%	53%	**2%**	1%	0%	2%	**3%**	1%	5%	4%
Information technology and other technologies	**2%**	2%	9%	1%	**47%**	43%	55%	49%	**29%**	34%	18%	27%	**10%**	11%	9%	10%	**6%**	2%	9%	9%
Quality of risk management and internal controls	**8%**	13%	9%	4%	**22%**	20%	27%	22%	**57%**	55%	41%	60%	**7%**	4%	14%	7%	**3%**	1%	9%	4%
Other	**2%**	1%	5%	1%	**2%**	2%	5%	1%	**2%**	3%	0%	1%	**0%**	0%	0%	0%	**8%**	6%	5%	9%

Q.25

In which of the following areas of employee commitment does your board and senior management use identifiable performance metrics to run the company? Please check whether: only the board uses these metrics, only senior management uses these metrics, both the board and senior management use these metrics, neither the board nor senior management use the metrics, or don't know/not applicable.

	Only the board uses these metrics				**Only senior management uses these metrics**				**Both the board and senior management use these metrics**				**Neither the board nor senior management use these metrics**				**Don't know/not applicable**			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Success of recruitment practices	**2%**	1%	9%	2%	**40%**	42%	45%	38%	**22%**	26%	23%	20%	**24%**	23%	23%	25%	**5%**	0%	0%	9%
Retention levels	**3%**	2%	9%	2%	**41%**	37%	41%	44%	**32%**	33%	27%	32%	**12%**	15%	18%	10%	**5%**	3%	5%	7%
Competitiveness of compensation and benefits	**4%**	9%	9%	0%	**21%**	24%	18%	19%	**56%**	48%	45%	63%	**10%**	9%	23%	8%	**4%**	2%	5%	4%
Quality of development and learning programs	**2%**	1%	5%	3%	**42%**	42%	50%	41%	**29%**	32%	23%	28%	**16%**	13%	23%	17%	**4%**	3%	0%	5%
Quality of internal communications	**3%**	2%	5%	4%	**42%**	35%	64%	43%	**25%**	34%	9%	21%	**19%**	18%	23%	19%	**4%**	1%	0%	7%
Levels of diversity	**2%**	1%	9%	1%	**28%**	26%	32%	28%	**32%**	33%	23%	33%	**20%**	22%	23%	19%	**12%**	10%	14%	13%
Fairness of employment terms and conditions	**6%**	8%	9%	4%	**33%**	34%	45%	31%	**35%**	31%	32%	38%	**15%**	17%	14%	13%	**5%**	1%	0%	9%
Quality of health and safety provisions	**5%**	6%	5%	4%	**35%**	32%	50%	35%	**35%**	31%	27%	40%	**12%**	18%	5%	9%	**6%**	3%	14%	7%
Levels of employee commitment	**3%**	3%	5%	3%	**40%**	38%	55%	39%	**32%**	34%	27%	31%	**15%**	14%	9%	17%	**4%**	2%	5%	4%
Other	**0%**	0%	0%	0%	**2%**	2%	9%	1%	**2%**	3%	0%	1%	**0%**	0%	0%	0%	**4%**	4%	0%	4%

Q.26

In which of the following areas related to customer satisfaction does your board and senior management use identifiable performance metrics to run the company? Please check whether: only the board uses these metrics, only senior management uses these metrics, both the board and senior management use these metrics, neither the board nor senior management use the metrics, or don't know/ not applicable.

	Only the board uses these metrics				Only senior management uses these metrics				Both the board and senior management use these metrics				Neither the board nor senior management use these metrics				Don't know/ not applicable			
	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager	Total	Executive director	Nonexecutive director	Senior manager
Satisfaction with new products/ services	**4%**	1%	0%	6%	**44%**	37%	73%	45%	**35%**	47%	23%	29%	**7%**	8%	0%	7%	**4%**	0%	5%	7%
Satisfaction with product quality	**2%**	2%	0%	3%	**49%**	44%	73%	48%	**37%**	41%	23%	37%	**3%**	5%	0%	1%	**3%**	0%	5%	4%
Satisfaction with pricing levels	**2%**	1%	5%	3%	**51%**	45%	77%	50%	**33%**	39%	14%	33%	**4%**	8%	0%	3%	**3%**	0%	5%	5%
Quality of service delivery	**2%**	1%	0%	2%	**48%**	46%	73%	46%	**37%**	37%	27%	39%	**5%**	8%	0%	4%	**2%**	1%	0%	4%
Economic value of customer to the company	**5%**	5%	5%	5%	**34%**	32%	41%	34%	**41%**	44%	45%	39%	**9%**	10%	0%	10%	**4%**	1%	9%	5%
Customer loyalty	**4%**	4%	5%	4%	**43%**	38%	64%	44%	**33%**	40%	18%	30%	**8%**	10%	5%	8%	**4%**	0%	9%	7%
Other	**–**	0%	0%	1%	**1%**	1%	5%	1%	**2%**	3%	5%	1%	**–**	1%	0%	0%	**5%**	5%	5%	5%

Q.27
What triggers would spur your organization to reassess the way in which it measures and monitors its performance? Please rate each event between 1 and 4: certain to trigger reassessment, likely, unlikely, or certain not to trigger reassessment.

	Certain to trigger reassessment				Likely to trigger reassessment				Unlikely to trigger reassessment				Certain not to trigger reassessment			
	Total	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**	**Total**	**Executive director**	**Nonexecutive director**	**Senior manager**
Greater understanding of how to measure nonfinancial drivers of performance	**27%**	33%	36%	20%	**51%**	46%	45%	55%	**15%**	12%	14%	18%	**1%**	1%	0%	1%
Competition for capital dictates expanded reporting and more stringent control	**36%**	30%	36%	40%	**41%**	41%	45%	40%	**15%**	18%	14%	13%	**2%**	2%	0%	2%
Board members or the CEO demand greater visibility and accountability	**47%**	41%	36%	52%	**35%**	39%	45%	31%	**10%**	12%	14%	9%	**2%**	1%	0%	2%
Sharp decline in customer satisfaction/ retention	**55%**	52%	36%	60%	**33%**	31%	50%	31%	**6%**	9%	9%	3%	**1%**	1%	0%	1%
Sharp decline in employee satisfaction/ retention	**31%**	34%	32%	29%	**47%**	41%	45%	51%	**13%**	15%	14%	11%	**3%**	2%	5%	3%
Significant increase in competition	**39%**	32%	50%	42%	**41%**	48%	36%	37%	**12%**	9%	9%	16%	**2%**	3%	0%	1%
Introduction of a breakthrough product/service by a competitor	**32%**	32%	45%	29%	**39%**	40%	27%	41%	**19%**	17%	18%	21%	**3%**	3%	0%	4%
Significant increase in customer power	**22%**	20%	18%	25%	**50%**	48%	55%	51%	**18%**	23%	18%	16%	**3%**	1%	5%	4%
Public relations crisis	**36%**	34%	32%	37%	**37%**	33%	50%	37%	**17%**	20%	14%	16%	**3%**	2%	0%	4%

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