2014 GLOBAL INDUSTRIAL EXECUTIVE SURVEY:
Global Growth, Regional Diversification, Local Leadership
MESSAGE TO INDUSTRIAL LEADERS FROM STANTON CHASE

Stanton Chase consultants partner with industrial corporations around the world, and we have listened to many executives give their perceptions about industry trends and competitive pressures. These discussions prompted us to investigate challenging questions and issues that are relevant to your business.

As an executive, what keeps you awake at night?
What is the current global business outlook?
How do you maximize your resources to invest for growth?
What strategies can you implement to keep pace with globalized competition?
How can human capital empower your business to grow?

Now in our second year of performing this global research, we discovered some thought-provoking trends. Survey participation increased 35% over last year, with more than 600 executives worldwide contributing their experiences and observations.

This white paper provides insights from you and for you including compelling trend data, new analysis, and corporate growth strategies. The senior business leaders who participated have helped us take a look “behind the wall” of the boardroom with the results communicating a heightened optimism for corporate growth internationally. The report contains information about your investment strategies, your methodologies of recruiting new executives, and your priorities and directions in growing your businesses in today’s hyper-competitive global economy.

Our sincere thanks and appreciation to everyone who participated in the survey. If you would like to follow up on anything in this report, please visit www.stantonchase.com or contact your local Stanton Chase office.

**Mickey Matthews**
Vice Chairman
Baltimore/Washington, USA
m.matthews@stantonchase.com

**Jan Duniec**
Partner
Warsaw, Poland
j.duniec@stantonchase.com

**Bernard Layton**
Partner
Chicago, USA
b.layton@stantonchase.com
# 2014 Global Industrial Strategy Survey: Global Growth, Regional Diversification, Local Leadership

## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>2</td>
</tr>
<tr>
<td>Findings</td>
<td>6</td>
</tr>
<tr>
<td>Analysis</td>
<td>12</td>
</tr>
<tr>
<td>Recommendations</td>
<td>15</td>
</tr>
<tr>
<td>Demographics</td>
<td>17</td>
</tr>
<tr>
<td>About Stanton Chase</td>
<td>18</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Although heightened global competition and quality leadership talent acquisition remain challenges, there is an undeniable sense of confidence and optimism throughout the global industrial sector, with 82% of respondents describing their business as equally strong or stronger than it was one year ago and 77% optimistic for economic and business growth in the coming year.

FINDINGS

607 participants completed the survey worldwide. Over half of the respondents were executive and board level, with the other half being distributed amongst every major functional role. Participating firms varied in size from $100M to $5B in annual revenues, both privately owned and publicly traded across ten industrial sectors.

Top 3 Issues Facing Executives
1. Financial Results
2. Leadership: Relationships and Talent Acquisition
3. Heightened Competition

Top 3 Challenges Impeding Corporate Growth
1. Government Regulatory Issues
2. Global Competition
3. Shortage of Leadership Talent

Top 3 Areas for Capital Deployment
1. New Product Development
2. Talent: Acquiring, Developing, and Retaining
3. New Market Development

Top 3 Leadership Challenges
1. Lack of Leadership, Vision, and Strategic Thinking
2. Lack of Entrepreneurship and Creative Thinking
3. Lack of Management Skills

Top 3 Functional Talent Deficits
1. Sales and Marketing
2. General Management
3. Engineering
ANALYSIS

Continued Organic Growth

As opposed to acquisitional growth, the industrial sector is growing organically, with all initiatives supporting a focus on new talent, new products, and new services.

- For the second year in a row, sales and marketing has been one of the top three functions with a notable talent shortage, indicating a need for professionals that can mine current customers to generate increased revenue.

- Rather than expending resources to seek out new customers, companies are primarily focusing their efforts on deepening relationships with current customers. Approximately 65% of respondents see a trend towards corporate growth through increased aftermarket services and consider it to be an investment-worthy business segment with global scalability.

- Companies are channeling their technology investments into managing and enhancing the experience of their current customers and improving their processes, with the top technology spends being customer relationship management systems, research and development of new products, and supply chain management.

Strategic Talent Acquisition

Quality leadership is a key resource and requisite differentiator to achieve corporate growth internationally. For two years in a row, 60% of respondents have perceived a global talent shortage across all geographic locations, with talent acquisition ranked as the second most challenging issue facing executives. Evidence that the talent shortage is a problem of quality as opposed to quantity is supported by the following findings:

- Acquiring, developing, and retaining talent was ranked as the second most important area for capital deployment as companies invest for growth. This signifies an increasing awareness that leadership talent is a long-term strategic investment.

- The top three talent deficits have remained consistent year over year: lack of leadership, lack of entrepreneurship, and lack of management skills. This reiterates that there is not an overall talent shortage, but rather a challenge in finding the right talent.

- The top three attributes most highly valued in tomorrow’s leaders are execution and delivery, vision and strategic thinking, and honesty and integrity, showing a need for executives that are capable of managing both the tactical and strategic sides of business, all while maintaining a high ethical code.
ANALYSIS continued

International Manufacturing, Local Leadership

As the economy becomes increasingly global, there is a trend of keeping manufacturing closer to customers and leadership closer to home. Technological investments in supply chain management allow international manufacturing and distribution to be more efficient and cost-effective.

• There is a departure from hiring expatriates, with more than half of respondents identifying a trend towards hiring in-country executives due to their leadership qualities, local knowledge, understanding of customer relationships, and ability to communicate with headquarters.

• Future leaders are developed primarily in-house, with 80% of respondents identifying in-house training as their primary strategy to insure the upward career trajectory of their leadership.

• Only 12% of companies are implementing a reshoring strategy for their organization wherein they relocate manufacturing back to their home country. With manufacturing revolving around the location of customers, there are no new global hotspots for manufacturing, only local regional opportunities.

EXECUTIVE SUMMARY continued

“As our organization continues to focus on organic growth, a key challenge is finding enough quality sales and marketing professionals. We are investing in retaining, recruiting and developing the best talent so our organization is positioned for future growth.”

Glen Teel
Chief Executive Officer
Peri Formwork Systems, Inc. USA
RECOMMENDATIONS

It’s All About the Build
With economic and business optimism at record levels, the time is right to build: build the business, build customer relationships, build a world-class team, and build the product pipeline.

Invest in the Current Customer
Businesses need to leverage their resources to deepen relationships with their current customers, extending these interactions to include the development of additional products and new business including aftermarket parts and services.

Expand Locally
To compete in the globalized marketplace, companies must manage international customer relationships through local teams, producing, selling, and servicing customers in their own backyard in order to enhance responsiveness and the speed of innovation.

Hire for Character
Corporate leaders must identify, recruit, retain, and develop trustworthy, nimble executives who possess a strong moral compass, a track record of delivering results, and who have the vision to strategically and creatively grow the company.

Prioritize Talent
In an increasingly competitive economy, world-class human capital is an absolute necessity in order for companies to achieve both their tactical and strategic goals. Successful companies value talent development and acquisition as long-term investments and as important optimized business processes.
FINDINGS

AS AN EXECUTIVE, WHAT BUSINESS ISSUES KEEP YOU AWAKE AT NIGHT?

Executives today face a unique set of challenges while striving for strong financial results and growth in the globalized marketplace. Although the increased pace of business via technological modernization and global expansion has its challenges, the issues most pressing to senior executives focus on the foundation of building a strong organization and finding the right people to deliver compelling financial results and overcome heightened competition.

- **61%** Financial Results
- **56%** Talent Acquisition
- **54%** Heightened Competition
- **39%** Increased Pace of Business
- **33%** Technology Change
- **21%** Globalization
“Our focus on revenue growth has led us to further emphasize the *aftermarket services* as an important *business channel.*”

Jeffrey Nank
President
Ammeraal Beltech
North America

**TOP CHALLENGES IMPEDING CORPORATE GROWTH**

A major determining factor in the trend towards companies keeping manufacturing close to customers and leadership close to home rather than expatriates is the increased difficulty in navigating the international marketplace due to heightened government regulation. Over the past year, government regulatory issues soared from being a minimal concern to becoming the foremost concern, surpassing the previous primary impediment of global competition.
HOW DO YOU ASSESS YOUR BUSINESS SITUATION AS COMPARED TO LAST YEAR?

82% Same or Better

HOW OPTIMISTIC ARE YOU FOR GROWTH IN 2015?

77% Optimistic

PRIORITIZATION OF CAPITAL DEPLOYMENT

Although the development of new products and markets remained important endeavors as companies invest for growth, the past year has seen a deprioritizing of technology spend and a significant surge in investing in talent acquisition. While technology takes on a supporting role to enable organic growth, acquiring, developing, and retaining world-class talent has become an investment-worthy endeavor and strategic differentiator.
**IS A GLOBAL TALENT SHORTAGE AFFECTING YOUR ORGANIZATION?**

60% Say “Yes”

**WHAT ARE THE PRIMARY CHALLENGES CONCERNING YOUR GLOBAL HUMAN CAPITAL?**

For the second consecutive year, the same three leadership challenges are a lack of leadership, lack of entrepreneurship, and lack of management skills. This reinforces the edict that there is not an overall talent shortage, but rather difficulty identifying, hiring, and training the right kind of talent.

- **61%** Lack of Leadership
- **55%** Lack of Entrepreneurship
- **54%** Lack of Management
- **51%** People Development
- **37%** Overall Scarcity of Talent
- **23%** Diversity
TOP FUNCTIONAL TALENT SHORTAGES
The industry is experiencing a shortage of quality talent across all functions of business, but within the past year, sales and marketing has moved from being a high priority need to being the highest. As companies strive to grow organically, investing in creative, adaptable sales and marketing executives and a strong general management team is a key component of financial success.

GROWTH THROUGH AFTERMARKET PARTS AND SERVICES
Aftermarket parts and services have emerged as a significant force within the trend of companies growing organically by deepening and extending relationships with current customers.

Do You See a Trend Towards Corporate Growth Through Increased Aftermarket Services?  
Are Aftermarket Services an Investment-Worthy Business Segment With Global Scalability?

65% Say “Yes”  
63% Say “Yes”
MOST SIGNIFICANT IMPACTS OF TECHNOLOGY IN YOUR BUSINESS

Technology spend coincides with the industry-wide trends of companies growing organically and servicing customers locally. As opposed to production or communication, technological initiatives focus on improving the customer experience through better communication, new products and services, and more efficient logistics.

INTERNATIONAL MANUFACTURING, LOCAL LEADERSHIP

Due in large part to government regulatory issues becoming a major hurdle to international corporate growth, companies are focusing on serving their current customers through local and regional manufacturing, distribution and leadership teams. Specifically, companies are looking local to hire and train executives based on their established leadership skills, local knowledge, and ability to communicate with headquarters.

Expansion to a Targeted Country? 73% No

Reshoring Strategy? 88% No

Hiring Local Executives? 51% Yes
CONTINUED ORGANIC GROWTH
Survey data reflects a continued trend and optimistic investment focus toward organic growth with an orientation towards prioritizing and optimizing existing customer relationships. Investment capital and people are being deployed to deepen relationships through new products, extended service lines, and better supply chain management.

Prevailing Optimism
There is a distinct sense of economic recovery and optimism throughout the industry. Instead of reacting to the volatile swings of the global economy, companies are now regaining the capital and resources to proactively focus growth on strategic initiatives such as creating the opportunity to expand their business with current customers and training future leaders through internal programs.

Leadership Training Close to Home
Today’s executives require a unique skillset of adaptability to succeed — the ability to deliver financial results as well as plan strategically to face heightened global competition. Rather than utilizing external resources like executive coaching and international assignments, companies are grooming their future leaders in-house with internal training, continuous learning opportunities, and project team involvement. This allows companies to develop future leaders who are capable of navigating the marketplace with a keen, firsthand knowledge of their company’s strengths and resources.

Aftermarket Services
Nearly two-thirds of respondents see a trend towards corporate growth through increased aftermarket services and consider it to be an investment-worthy business segment with global scalability. In the face of heightened competition and the need to deliver financial results, companies are finding it a successful strategy to utilize their resources to develop current customers for increased business as opposed to focusing extensively on seeking out new customers.

Technology Supports Organic Growth
Talent has replaced technology as a top three priority for spending as companies strive to grow. Technology has been deprioritized as a revenue stream and instead is being utilized to strengthen organic growth. As opposed to being used to implement production initiatives such as manufacturing and robotics or communication initiatives such as social media and internal communications, technology spend and correlating impact is being concentrated in areas that support organic growth — improving CRM and supply chain management and exploring new products to further satisfy current customers.
STRATEGIC TALENT ACQUISITION

Board of Directors and C-level executives recognize that many products and processes are replicable and what truly differentiates a company is their people. To separate from the competition and to achieve corporate growth objectives senior executives realize that acquiring, motivating, and developing the best leadership teams provides them with the greatest probability to reach their goals.

Critical Investment

After financial results, world-class talent acquisition is the most pressing issue keeping executives awake at night. Consequently, it is also the second highest priority for capital deployment as companies invest for growth. This demonstrates quite clearly that talent acquisition is recognized industry-wide as a long-term, strategic endeavor.

Quality, Not Quantity

Year-over-year, the shortage of leadership talent is the only concern that remained in the top three challenges impeding corporate growth. This shows a consistent struggle to find the exceptional talent necessary to lead companies to success. With the top three primary challenges concerning global human capital being lack of leadership, lack of entrepreneurship, and lack of management skills, the issue is not an overall talent shortage, but difficulty finding the right talent.

Leadership Attributes

For the second consecutive year, companies have valued the same three attributes above all others as they assess and recruit their future leaders: execution and delivery, vision and strategic thinking, and honesty and integrity. Executives today have a unique challenge as they must be capable of delivering strong financial results that fuel growth while concurrently strategizing ways to navigate an increasingly competitive global landscape, all while maintaining a high ethical code.

Functional Talent Shortages

Companies are looking for leaders to foster organic growth, and as such, the two functions exhibiting the greatest talent shortage are sales and marketing and general management. When combined with overall lack of leadership, the need for solid execution and delivery of financial results, and the need for vision and creative thinking, it is clear that companies cannot effectively grow – organically or otherwise – without making strategic talent development and acquisition their number one priority.

“Local leadership talent is one of the key success factors in the deployment of our global strategy of growth and diversification.”

Marek Dereziński
President of the Managing Board of Krajowa Spółka Cukrowa S.A.
Poland
INTERNATIONAL MANUFACTURING, LOCAL LEADERSHIP

Reshoring, which saw a surge in recent years, is still relevant to the global industrial marketplace, but its momentum has plateaued. Instead of a push to bring manufacturing back to home countries, there is a growing trend towards maintaining plants closer to customers and hiring local in-country executives.

Government Regulatory Issues Deter Internationalization

Only a quarter of participants are looking to expand their business to a specific targeted country or region, due in large part to the hurdles placed in their way by differences in international regulations. Government regulatory issues were ranked as the foremost challenge to corporate growth, impeding organization, production, and distribution on an international scale.

As such, there are no new global hotspots for manufacturing, only local regional opportunities. There is a strong correlation between countries that respondents would like to target for new business growth and countries that they would consider bases for manufacturing (Brazil, China, India, and Mexico), indicating that international expansion plans, however minimal, would be manufactural.

Reshoring Remains Flat

Less than one-third of respondents saw a trend towards reshoring, which is unchanged from last year, but only 12% are implementing a reshoring strategy for their organization. For those that are reshoring, the main motivators are cost, quality, and location. Additionally, as companies invest for growth, new plants and automation is the least popular area for capital deployment. This lukewarm attitude towards reshoring combined with technological investments in CRM and supply chain management shows a level of comfort and even a preference for keeping manufacturing closer to the customers.

Local Executives

More than half of respondents, located in 17 countries around the world, identified a trend of hiring in-country executives, with the top three motivators being leadership qualities, local knowledge and contacts, and ability to work and communicate with headquarters. Companies want leaders that can work internally to foster organic growth.

Leadership Talent Shortage Equally Distributed Globally

With a trend towards hiring in-country executives as opposed to expatriates, every region is feeling the difficulty of discovering qualified talent at home. Where in the past Europe and North America have been slightly less pressurized by the talent shortage than other evolving marketplaces, now the need for talent is felt equally across all geographic locations.
RECOMMENDATIONS

To encourage growth and insure stability, we offer the following recommendations:

IT’S ALL ABOUT THE BUILD
With economic and business optimism at record levels, the time is right to build: build the business, build customer relationships, build a world class team, and build the product pipeline.

• Capitalize on the economic momentum and commit resources — capital, technology, and talent — to growing organically.

• Encourage customer loyalty by innovating products and services to anticipate and satisfy customers’ needs.

INVEST IN THE CURRENT CUSTOMER
Businesses need to leverage their resources to deepen relationships with their current customers, extending these interactions to include the development of additional products and new business including aftermarket parts and services.

• Utilize technology to cater to the current customer, investing in CRM systems to enhance the customer experience, in research and development of new products to reinvigorate current relationships, and in supply chain management improvements to service customers more effectively.

• Recognize aftermarket services as a viable organic growth strategy and develop product and service offerings that suit customers’ localized needs.

EXPAND LOCALLY
To compete in the globalized marketplace, companies must manage international customer relationships through local teams, producing, selling, and servicing customers in their own backyard in order to enhance responsiveness and the speed of innovation.

• Business is global but customers are local, and successful companies must be able to adapt their corporate global programs to the needs, customs, values, and culture of their customers’ localities by hiring and empowering local regional management.

• Customize products and services to suit regional growth opportunities and improve execution and distribution through technological advancements in supply chain management.
RECOMMENDATIONS continued

“Leaders who show versatility and adaptability remain scarce, especially in sales and technical fields.”

Kevin Kane
President & CEO
Datron World
Communications, Inc.

HIRE FOR CHARACTER
Corporate leaders must identify, recruit, retain, and develop trustworthy, nimble executives who possess a strong moral compass, a track record of delivering results, and who have the vision to strategically and creatively grow the company.

• Filter through the quantity of candidates to identify and hire the highest quality candidates. Future leaders must value strong morals, place importance on business ethics, and possess change management skills that expedite growth through agility.

• Take ownership of leadership training through internal programs and project team involvement to insure that future executives understand their company’s unique position in the marketplace and adhere to corporate ethical codes.

PRIORITIZE TALENT
In an increasingly competitive economy, world-class human capital is an absolute necessity in order for companies to achieve both their tactical and strategic goals. Successful companies value talent development acquisition as long-term investments and as important optimized business processes.

• Leadership talent acquisition is a key success factor of continual and sustained growth, and must be prioritized accordingly, with the necessary investment of capital required to attract, attain, acquire, and effectively train tomorrow’s executives.

• Focus talent investments in functions that foster organic growth: sales and marketing and general management.
607 participants completed the survey worldwide. Over half of the respondents were executive and board level, with the other half being distributed amongst every major functional role. Participating firms varied in size from under $100M to exceeding $5B in annual revenues, both privately owned and publicly traded across ten diverse industrial sectors.
68 OFFICES IN 46 COUNTRIES

SERVICES
• Executive Search
  A successful and rapid project methodology for search and recruitment of the best leaders worldwide
• Candidate Assessment
  Using the latest methodology for the identification, and assessment of competencies and personality profiles
• Leadership Consulting for Boards and C-Suite
  Recognizing the unique challenges of CEOs, Boards, and the C-Suite and counseling our client partners on a breadth of corporate, governance, and strategic imperatives
• Diversity Search
  Our diversity-engrained culture yields seamless responsiveness to our clients’ multicultural needs

NINE INTERNATIONAL SPECIALIST PRACTICE GROUPS
• Industrial
• Natural Resources and Energy
• Logistics and Transportation
• Technology
• Consumer Products and Services
• Life Sciences and Healthcare
• Financial Services
• Professional Services
• Government, Education and Nonprofit

FUNCTIONAL SPECIALIZATIONS FOR ALL SECTORS AND ROLES

KNOWLEDGE OF INTERNATIONAL, REGIONAL, AND LOCAL ECONOMIC, INDUSTRY, AND FUNCTIONAL TRENDS

ACCESS TO TOP TALENT FROM ALL OVER THE WORLD

CONSULTING PARTNERS DELIVER HANDS-ON CLIENT SERVICES

To learn more about Stanton Chase and connect with a Consultant in the appropriate office and/or Industry Practice Group, please visit our website at:

WWW.STANTONCHASE.COM