



THE CONFERENCE BOARD

The Conference Board CEO Challenge® 2015

Creating Opportunity Out of Adversity: Building Innovative, People-Driven Organizations



REGIONAL REPORT

HONG KONG

UNITED STATES

INDIA

ASEAN

Searching for the Levers of Growth in a Slowing Global Economy

Despite a weak global economy, CEOs across the globe say they are seeking high-quality sustainable growth—and the strategies they selected to meet their top challenges in the 2015 CEO Challenge survey reveal a long-term focus on capacity building in both leadership benches and the rank-and-file workforce, along with a determination to develop strong organizational cultures around innovation, engagement, accountability, and customer centricity. For CEOs in Hong Kong, it is truly a volatile, uncertain, complex and ambiguous road ahead—the classic VUCA world.

Finding growth in the region's uncertain economic and geopolitical climate will not be easy. CEOs in Hong Kong, highly cognizant of macro political and economic risks (such as the slowing Chinese economy and its signs of increasing financial instability, and ongoing conflicts and territorial disputes in the South China Sea), realize their organizations must cope with fundamental shifts in the business environment, especially the rapidly changing behavior of their customers, a chronic shortage of quality talent, the emergence of new competitors globally, and the growing threat of attack and disruption from cyber space.

Like their peers elsewhere in the world, they are focused on “controlling the controllable”—dealing with people, processes, and performance within their own organizations to drive growth. However, compared to their peers in other parts of the world, Hong Kong CEOs appear more focused on the highly volatile macro political and economic global risk environment.

EXPLORE THE PORTFOLIO

This **regional report** for Hong Kong is one offering from a suite of research products on *The Conference Board CEO Challenge® 2015*. Additional publications on this topic include:

Strategic Overview A brief summary of the full report, highlighting top-line results and analysis

Principal Member Report providing key insights and deeper analysis, research, and data

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They cite **Global Political/Economic Risk** as a top five challenge in this year's survey, one of the highest rankings for this challenge globally and considerably higher than colleagues in mainland China, the ASEAN community, and India.¹

But even with heightened political and economic risks and expected modest global economic growth in 2015 (about 3.4 percent), CEOs globally and in Hong Kong are optimistic about profit expectations for the coming year. A majority of Hong Kong CEOs who responded to our survey (77 percent) expect profits to increase either moderately (65 percent) or substantially (12 percent) in 2015. Whether this optimism is justified remains to be seen. The Conference Board predicts China's 2015 GDP growth to be around 6.5 percent, down from 7.3 percent in 2014, and about 5.5 percent per year for the remainder of the decade. In the ASEAN community and Southeast Asia generally, growth looks to be about 4.5 percent in 2015, up slightly from 4.4 percent in 2014. In Hong Kong, growth is expected to be considerably lower compared to both the mainland and Southeast Asia at 2.3 percent in 2015, which is essentially flat from 2014. And medium- and long-term growth rates are not much rosier at 2.1 percent until the end of the decade and only 1.3 percent from 2020 to 2025.²

Global and regional challenges, 2015

CEOs in Hong Kong are focused on talent and performance, with **Human Capital** and **Operational Excellence** ranking as their top challenges. **Innovation** is rated higher across Southeast Asia than in Hong Kong. CEOs in China give **Sustainability** the highest global ranking, while CEOs in Hong Kong place it ninth and US CEOs place it last.

Hong Kong N=52	Challenges 2015	Global** N=943	United States N=230	Europe** N=133	Latin America N=80	Asia N=332	ASEAN N=121	Singapore* N=34	China N=99
T1	Human capital	1	1	2	1	2	1	1	1
7	Innovation	2	4	3	4	1	4	3	2
4	Customer relationships	3	2	1	3	3	3	2	5
T1	Operational excellence	4	3	4	2	4	2	4	4
9	Sustainability	5	10	9	9	5	6	5	3
3	Corporate brand and reputation	6	6	5	7	6	10	8	6
6	Government regulation	7	5	10	5	9	5	6	8
5	Global political/economic risk	8	7	6	6	7	7	7	7
8	Global/international expansion	9	8	7	8	8	9	10	10
10	Trust in business	10	9	8	10	10	8	9	9

* We acknowledge that for the smaller country samples, the rankings provide a qualitative and directional indication of the importance of challenges and strategies rather than a statistically significant ranking.

** Rankings reflect re-weighted data from Europe, revised 11 February 2015. For details, visit www.conference-board.org/ceo-challenge.

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. T=Tie. In addition to other countries, the Asia category includes China, India, and Australia.

Source: The Conference Board, 2015

- 1 ASEAN member states include: Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.
- 2 *The Conference Board Global Economic Outlook 2015: Are We Asleep at the Wheel, StraightTalk*®, 25 no 1, The Conference Board, November 2014 (www.conference-board.org/economic-outlook).

There is certainly risk attached to overly optimistic expectations for growth, especially considering that recent global growth leaders—namely, emerging markets—are not likely to come to the rescue yet again, as structural issues and the lack of reform are tempering growth there. While it's OK to be bullish, CEO optimism needs to be balanced by understanding the organization's global risk profile, as well as those of individual countries, and then setting realistic targets for growth and profitability, while ensuring the C-suite, boards, and country managements are all on the same page when it comes to risk and contingency planning.

Since 1999, The Conference Board CEO Challenge® survey has asked CEOs, presidents, and chairmen across the globe to identify their most critical challenges. In the 2015 edition of the survey based on 943 responses, CEOs globally rank **Human Capital, Innovation, Customer Relationships, Operational Excellence, and Sustainability** as their top five long-term challenges to drive business growth. CEOs in Hong Kong have a different view, however. While they do include **Human Capital** (tied for first), **Operational Excellence** (tied for first) and **Customer Relationships** in their top five, they also cite **Global Political/Economic Risk** and **Corporate Brand and Reputation** among their top five. At number seven, they give one of the lowest rankings globally to **Innovation**, even as their peers across the region cite it as one of their most critical challenges to drive growth and maintain competitiveness (It is first in Asia, second in China, and fourth in ASEAN). While Hong Kong CEOs certainly see the criticality of **Human Capital** to long-term success, they are also focused on an enterprise-wide integrated approach in their growth strategies that equally values excellence in execution, building a strong leadership pipeline, high levels of employee engagement, and a strong customer focus.

While the challenge list represents long-term issues confronting CEOs, responses to our question on hot-button issues—more immediate and tactical events and situations that CEOs in Hong Kong believe will require much of their attention in the coming year—reveal their short-term concerns. Hong Kong features a somewhat eclectic mix of big-picture and narrow-focus concerns—from financial instability in China to wage inflation and social media management.

The Challenges: 10 Global Big-Picture Trends

While the long-term challenges identified by CEOs show a surprising congruence across regions, the strategies they are employing to meet these challenges highlight the disparity of the issues in their micro business climates. Ten major global trends clearly emerge from this year's global survey responses:

- 1 On the offensive against slowing global growth** Cost-related defensive strategies are now trumped by more growth-oriented, aggressive monetary and time-investment strategies in intangibles, such as business process redesign, improving workforce and leadership skills, and employee engagement and productivity.
- 2 Focus on controlling the controllable** While global geopolitical and economic risk certainly impact the business environment, the focus of CEOs in this year's survey is on internal development of strong cultures of engagement, customer centricity, innovation, and accountability. They see organizational agility and flexibility as a critical competency and place relatively less emphasis on geopolitical risk. (Hong Kong is somewhat of an exception since CEOs there have **Global Political/Economic Risk** as one of their top challenges and rank regional volatility high on their hot-button list.)
- 3 Strengthening human capital through a grow-your-own strategy** Clearly visible from the view of CEOs is that success in meeting their most urgent business growth challenges is inextricably linked to the strength of their human capital base. Effective utilization of human capital resources remains their top challenge, and their strategies to improve productivity center on greater leadership effectiveness, building a performance culture through measurement and accountability, providing training to upskill their existing workforce, and raising employee engagement.
- 4 Building a stronger, more dynamic relationship with customers** CEOs are now placing more emphasis on what their customers are trying to achieve rather than what their companies are trying to sell. Judging by the importance they place on customer-centric strategies to meet an array of challenges, understanding changing customer needs is at the center of their growth strategies. CEOs in Hong Kong are highly focused on customer-related strategies to meet an array of their most critical challenges and see the development of a customer-centric culture as a fundamental building block of high performance.
- 5 Sustainability emerges as a top global challenge** For the first time, **Sustainability** rises to a top five challenge in the survey. CEO priorities revolve around meeting market demand for socially and environmentally conscious products and ensuring sustainability is part of their corporate brand identity. While not high on their challenge list compared to peers in China and elsewhere in the region, Hong Kong CEOs seek to promote sustainability as part of the corporate brand and enhance their portfolio of products and services to meet evolving customers' needs. They also see a need to improve measurement and reporting.

- 6 A more integrated approach to innovation** While technology still plays a role, the notion that corporate culture and an engaged and empowered workforce are now the critical enablers of innovation—a dominant theme based on CEO responses to this year’s survey—argues for a more integrated approach involving the human capital function and overall management of intangible assets, from process improvements to up-skilling the workforce. CEOs see an inseparable link between customer centricity, human capital and innovation, as well as the importance of diversity of thought on innovation teams and projects.
- 7 CEOs seek to rebuild trust, sometimes below the radar** Even though **Trust in Business** is not seen as a top challenge by CEOs, the emphasis they place on fostering trust-building behavior through their high rankings of such strategies as ethical accountability within their organizations, communicating corporate values to key stakeholders, improving transparency of customer relationship processes, and enhancing the quality of the products and services they offer, shows that the issue of trust building is viewed as fundamental to business growth.
- 8 There is a surprising lack of emphasis on cross-cultural competency** Mastering cross-cultural competencies, even among the largest companies in our sample, is a relatively low strategic priority globally. This runs contrary to what we hear from human capital practitioners in our Councils across the globe, who say cultural sensitivity, or the lack of it, presents a major challenge to organizational alignment, performance management and measurement, and the development of effective global leaders, especially as it pertains to the leadership of global teams. Again, CEOs in Hong Kong demonstrate more sensitivity than their regional colleagues when it comes to cross-cultural issues, giving relatively higher rankings to cross-cultural and diversity-related strategies to meet various challenges. They also rank *develop a global mindset among our leaders* in their top 10 strategies to achieving high performance—one of the highest rankings in the world.
- 9 Increasing comfort with big data, but continued uncertainty about how to use it** Last year’s top hot-button issue has moved back to the middle of the pack in 2015, indicating increased comfort with the concept of big data. However, its value as a strategic tool may not yet be fully recognized by CEOs. For many companies, it is still early in the learning cycle, and processes for gathering and analyzing the right data in a business-relevant manner are still developing. CEOs place big data analytics-related strategies near the bottom of their lists when it comes to both the **Customer Relationships** and **Human Capital** challenges.
- 10 CEOs expect much of themselves** CEOs are not content to just pull organizational levers to meet business challenges, but rather see themselves playing a very hands-on role by personally engaging with key customers and clients, as well as government regulators. They clearly embrace the concept that organizational culture is character in action and that it starts with the boss, as demonstrated by the importance they place on their own behavior as a model of ethical leadership within their organizations—a top three strategy to meet the **Trust in Business** challenge.

Meeting the Challenges in Hong Kong

In the past year, the growth performance of Southeast Asia has been challenged, largely due to slowing global growth, specifically in China, as well as the anticipated tapering of quantitative easing by the US Federal Reserve. And 2015 promises to be no easier, as China continues a long soft fall, the United States recovery struggles to get traction, and both Europe and Latin America face continued productivity and debt issues that has retarded growth. Achieving quality sustained growth will not be easy.

The two common threads that run through the top strategies Hong Kong CEOs selected to meet their toughest challenges are the importance of talent—at all levels of the organization—and the focus on keeping the customer satisfied through improved quality and innovative products and services to meet the changing demands of consumers and business partners.

Human Capital CEOs in Hong Kong see improved leadership development programs and enhancing the effectiveness of their senior management teams as top priorities, but they also realize the importance of a broader focus on talent in the enterprise, selecting *raise employee engagement* and *increase efforts to retain critical talent* as two of their top five **Human Capital** strategies. Their top 10 strategies are almost evenly split between a focus on senior leaders and the broader workforce. This is all part of a clear grow-your-own talent development strategy. *Hiring talent on the open market* comes in a relatively lowly thirteenth on their strategies list.

Operational Excellence For CEOs in Hong Kong, improving operational efficiency is about not only raising employee engagement to improve productivity, but also investing in training and development for their rank-and-file workforce. They also express a critical need for greater organizational agility and flexibility, as well as better alignment between strategy, objectives, and organizational capabilities. But, unlike their peers in Singapore, China, and the Philippines, who placed it among their top 10, Hong Kong CEOs do not see *better alignment of executive compensation packages with performance* as a critical enabler of operational excellence, ranking it fifteenth.

Corporate Brand and Reputation In a slow-growth global economy with intense competition from a mushrooming number of global competitors and a more sophisticated and better informed consumer, it is no longer enough to simply produce a quality product at an affordable price. Today, companies and their brands must also stand for something beyond just good products. In an age when customers value the *experience* of using a product or service, not just the product or service itself, a brand's connection to a higher social purpose can generate a more highly engaged and loyal customer base and inspire employees to go above and beyond to create a world-class customer experience. Hong Kong CEOs clearly understand the critical importance of marrying the corporate brand and reputation to quality products with social and ethical accountability, as clearly demonstrated in four of their top six strategies: *enhance quality of products and processes*; *improve alignment of business practices/management behavior with corporate values*; *ensure ethical accountability throughout the organization*; and *communicate corporate values to customers and key stakeholders*.

Hong Kong CEOs also see the importance of using social media to enhance and protect brand and reputation. *Use social media and new communication technologies* is the number three strategy to meet this challenge and *integrate social media into product and service offerings* places ninth.

Top five strategies to meet the top five challenges, Hong Kong

	1 Human Capital	2 Operational Excellence	3 Corporate Brand and Reputation	4 Customer Relationships	5 Global Political/Economic Risk
1	Improve leadership development programs	Raise employee engagement to drive productivity	Enhance quality of products and processes	Enhance quality of products/services	Improve our organizational agility/flexibility
2	Enhance effectiveness of the senior management team	Seek better alignment between strategy, objectives and organizational capabilities	Improve alignment of business practices/management behavior with corporate values	Engage personally with key customers/clients	Partner with local businesses to mitigate risk
3	Raise employee engagement	Improve performance and accountability of senior management	Use social media and new communication technologies to enhance brand image	Develop a more outward looking customer-centric culture	Integrate long-term risk recognition into strategic planning
4	Improve succession planning for current and future needs	Invest in employee training and development to improve employee skills base	Enhance corporate brand awareness and understanding across different cultures	Tailor marketing, promotion, and communications campaigns to key customer needs	Improve due diligence to limit partner risk
5	Increase efforts to retain critical talent	Improve our organizational agility/flexibility	Ensure ethical accountability throughout the organization	Use competitive intelligence to better understand customer/client needs	Review effectiveness and composition of crisis management teams

Source: The Conference Board, 2015

Finally, in an era when corporate philanthropy, aligned with business strategy, can be a brand enhancer and a way to expand regional markets, CEOs in Hong Kong do not yet see this as a critical brand and reputation building strategy. They rank *increase corporate philanthropy in the communities where you operate* near the bottom of their strategy lists. Despite constant media and consumer attention to the degradation of the regional environment, Hong Kong CEOs, in what seems to be a disconnect from customers, have *decrease carbon footprint/resource use* as their lowest-rated strategy to meet this challenge.

Customer Relationships As the customer relationship evolves, Hong Kong CEOs are focused on product and service quality improvements, as well as the need to personally engage with key clients and customers. *Enhance quality of products/services* is their top strategy to meet this challenge, while *engage personally with key customers/clients* is number two. They also emphasize the importance of building a customer-centric culture in their organizations and see an important role for competitive intelligence in helping meet evolving customer needs. CEOs in the region see a clear shift in their relationships with customers. On the business-to-business side, it is moving from a relationship-based culture to a value-driven one in which vendors now have a stake in the long-term success of their customers. On the business-to-consumer side, customers are looking not only at the products a company produces, but also its values and mission.

While big data—a top hot-button issue for CEOs globally and especially in the United States—is critical to efficiently targeting customers and clients, there is a tendency (as exhibited by the low ranking of *incenting customer-facing employees* as a strategy to meet the **Customer Relationships** challenge) to lose focus on the “high-touch” part of customer relations. In Asia especially, the combination of “high tech” and “high touch” is a cultural imperative.

Global Political/Economic Risk To meet this challenge, CEOs in Hong Kong, first and foremost, are focused on improving their organization’s agility to cope with global volatility, and they see the importance of partnering with local businesses to help mitigate risk. They also believe integrating long-term risk into their strategic plans is essential. However, in the short term, they are also stressing the operational side of risk mitigation. *Improve due diligence to limit partner risk* and *review effectiveness and composition of crisis management teams* are the fourth- and fifth-ranked strategies to meet this challenge. In contrast, CEOs in Hong Kong, as well as growth-oriented Asia, a region where companies may be more comfortable with maintaining operations in relative high-risk countries, rank *reduce exposure to risky countries/region* much lower on their strategy lists than their European and US counterparts.

What It Means for Business Organizations

Pursuing sustainable, quality growth in a slowing global economy presents a unique set of challenges for C-suite executives, not the least of which is excellence in executing an organization’s business strategy. Based on CEO responses to this year’s survey, here are some of the implications affecting C-suite executives.

Using change management to build organizational agility CEO responses point to the critical importance of the organization’s agility and flexibility to not only meet geopolitical and macroeconomic risk, but also manage such disruptive forces as changes in customer behavior and new and highly innovative global competitors. The foundation of any agile organization is its willingness and ability to change (most often, on the fly). This requires the ability to share and communicate knowledge and information at high speed across the organization. Embedding the capacity for effective change—from broadening accountability to developing individual resilience—is the new paradigm for organizational effectiveness.

Managing the tradeoff between innovation and sustained execution One struggle CEOs say they face is managing the natural tension and tradeoff between maintaining a culture of innovation and one of high performance (daily high-quality execution). How innovators and executors view risk can be dramatically different.

Investing in intangibles to drive growth The global economy’s disappointing moderate growth continues to provide a challenging operating environment for business and puts pressure on profit margins and the bottom line. CEOs are looking to people, processes, and developing cultures of innovation and customer centricity to drive growth. They want to upskill their workforces through training and improve their leadership bench strength through more effective development programs. Investment in intangible assets, such as research and development, mega databases (big data analytics), workforce training, customer process improvement, and effective brand building, are increasingly important components of a company’s assets. The crucial questions facing many executives are how to value intangibles appropriately in making management decisions and how to present them accurately in financial statements.^a

^a *How Do Companies Make the Value of Intangibles, Well, More Tangible?* The Conference Board, Executive Action Report 429, June 2014.

Their accurate measurement is critical in making appropriate management decisions on raising and using capital. Accurate measurement and reporting is also a prerequisite for communicating a company’s true worth to investors, lenders, and other stakeholders.

Building an innovative culture CEOs believe that culture has overtaken technology as the critical enabler of innovation, and they are emphasizing the importance of a strong entrepreneurial culture to drive growth. In the CEOs view, building that culture starts with an engaged and incentivized workforce and driving innovation skills deeply into and across their organizations.

Ethics, living corporate values, and ensuring compliance Slowing global economic growth, pressure on profit margins, and changes in the global regulatory environment mean monitoring and measuring the organization’s ethical performance, effective third-party due diligence, and developing a strong ethical culture are even more critical to sustainable performance, trust building, crisis avoidance, and enhancing reputational capital.

The Hot-Button Issues: What Is Keeping CEOs Up at Night?

Hot-button issues—the short-term events, issues, and situations that CEOs believe will require their focus in the next year—tap into the business realities on the ground. In most cases, they reduce the global nature of business into highly specific regional pain points. While CEOs around the world have a common goal of driving business growth and improving their organizations’ performance, the obstacles they face vary widely according to their location. *Changes in customers’ behavior* is the only hot-button issue to make the top five in all global regions—and it is near the top in Hong Kong. Interestingly, CEOs on Hong Kong are more concerned about China’s financial instability than are CEOs in China. *Financial instability in China* is the top-ranked hot-button issue in Hong Kong, yet it ranks seventh among mainland China CEOs.

While CEOs in Hong Kong are concerned about the emergence of new competitors, slowing emerging-market growth, and political instability and conflict in the region, they, like their counterparts in ASEAN and China, are feeling the bite of wage inflation in a talent market that remains tight and where, they say, key positions are even harder to fill than in the previous year.

Global and regional hot-button issues, 2015

Financial instability in China, changing customer behavior, and wage inflation are top hot-button issues in Hong Kong.

Hong Kong N=52	Hot-Button Issues 2015	Global** N=943	United States N=230	Europe** N=133	Latin America N=80	Asia N=332	ASEAN N=121	Singapore* N=34	China N=99
1	Financial instability in China	14	16	11	T20	7	20	T12	7
2	Changes in customer behavior	1	1	1	1	T1	3	1	1
3	Wage inflation	9	15	25	7	5	2	11	2
4	Political instability/conflict in Asia Pacific	21	T22	T18	27	14	13	4	17
5	Social media management	7	7	8	T9	13	9	T12	19
6	Slowing economic growth in emerging markets	3	12	7	3	3	4	T2	4
7	New competitors globally	2	5	5	2	T1	7	T5	5
8	Cyber security	4	2	3	T13	T16	15	T7	12
9	Harder to fill key positions now compared to last year	5	6	14	4	6	10	T7	3
10	Labor relations	15	16	20	6	12	T5	15	8
Other Notables									
T11	Currency volatility	11	T24	12	5	9	1		15
T11	Diversity in our leadership ranks	8	10	6	8	11	12		9
T16	Big Data analytics	10	9	9	12	15	8		11
20	Health care benefits for employees	T16	3	21	T20	21	T17		18
T24	Political paralysis of US Federal government	23	4	26	24	25	26		22

* We acknowledge that for the smaller country samples, the rankings provide a qualitative and directional indication of the importance of challenges and strategies rather than a statistically significant ranking.

** Rankings reflect re-weighted data from Europe, revised 11 February 2015. For details, visit www.conference-board.org/ceo-challenge.

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. T=Tie. In addition to other countries, the Asia category includes China, India, and Australia.

Source: The Conference Board, 2015

The Quest to Build a High-Performing Organization— the CEO View in Hong Kong

In this year’s survey, CEOs were asked what strategies they will use to support the journey to becoming (or their commitment to remaining) a high-performance organization. In Hong Kong, CEOs see high performance through a lens of a strong and accountable customer-centric culture, whose managers set clear performance goals for employees who are, in turn, empowered to make decisions that matter. While there are certainly commonalities with their counterparts in China and across the ASEAN community, there are differences as well. Hong Kong CEOs place considerably more emphasis on accountability as an enabler of high performance compared to peers in the region. However, unlike their regional peers, who see an agile organization as essential to high performance, CEOs in Hong Kong surprisingly rank *promote agility and flexibility in our organizational design to reflect rapidly changing business needs* a relatively low nineteenth. It is tied for third in Singapore, fourth in Asia, and ninth in ASEAN.

High-performing attributes, 2015

In Hong Kong, CEOs see high performance through a lens of a strong and accountable customer-centric culture.

Hong Kong N=52	High-Performing Attributes 2015	Global** N=943	United States N=230	Europe** N=133	Latin America N=80	Asia N=332	ASEAN N=121	Singapore* N=34	China N=99
1	Create a strong customer-centric culture	1	1	1	7	3	4	2	3
2	Create/maintain a culture of accountability	5	T2	5	2	10	12	6	10
3	Ensure that managers create effective teams	11	17	12	T5	7	8	T18	4
4	Empower employees to make appropriate decisions and execute effectively	T6	4	4	14	9	T2	T11	T12
5	Align our organizational structure to clearly support our business strategy	2	6	T7	1	1	T2	T11	T6
6	Invest in technology infrastructure and processes to support business needs	12	10	9	9	T18	T16	10	22
T7	Ensure that managers set clear goals and manage performance	4	8	13	4	2	5	1	1
T7	Focus our organization’s processes and products toward customer needs	3	5	3	11	5	1	5	2
T9	Support a culture of innovation and entrepreneurship that learns from failure	T8	T2	2	T5	11	13	T3	T12
T9	Develop a global mindset among our leaders	20	20	20	19	18	24	t18	14
Other Notables									
T11	Raise employee engagement to drive productivity	9	9	14	3	8	6	T7	T6
19	Promote agility and flexibility in our organizational design to reflect rapidly changing business needs	T6	7	T7	10	4	9	T3	8

* We acknowledge that for the smaller country samples, the rankings provide a qualitative and directional indication of the importance of challenges and strategies rather than a statistically significant ranking.

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Source: The Conference Board, 2015

The Road to Profitability—the CEO View in Hong Kong

In this year’s survey, CEOs were asked which strategies in the current economic environment they see as most critical to increasing or maintaining profitability in the coming year. By a considerable margin, CEOs both globally and in Hong Kong are placing their focus on growing topline revenue, supported by bringing new products and services to market and an engaged workforce to improve productivity. They also plan to better leverage both innovation and technology to improve processes and operational performance.

Profitability enablers, 2015

In Hong Kong, CEOs see an engaged workforce and the ability to leverage both technology and innovation as key enablers of profitability.

Hong Kong N=52	Profitability Enablers 2015	Global** N=943	United States N=230	Europe** N=133	Latin America N=80	Asia N=332	ASEAN N=121	Singapore* N=34	China N=99
1	Focus more strongly on revenue growth	1	1	1	1	3	1	1	4
2	Launch new products/services	2	2	2	3	1	3	2	1
3	Increase employee engagement initiatives	5	5	3	T5	9	6	3	7
4	Leverage technology to increase efficiency of business operations	4	3	4	7	4	8	4	T2
5	Leverage innovation to increase efficiency of processes	3	4	6	2	2	2	5	T2
6	Launch customer engagement initiatives & loyalty programs to increase demand	8	5	6	13	10	13	12	8
7	Eliminate low margin operations	9	7	10	8	11	T9	9	9
T8	Open new sales outlets or stores	15	14	T23	20	14	5	T13	T18
T8	Intensify training of employees in critical areas of operational performance	6	9	8	9	5	4	7	6
10	Organizational restructuring	7	8	9	T5	7	T9	6	12
Other Notables									
16	Consolidate supply chain for efficiency	10	15	15	4	16	7	T10	5

* We acknowledge that for the smaller country samples, the rankings provide a qualitative and directional indication of the importance of challenges and strategies rather than a statistically significant ranking.

** Rankings reflect re-weighted data from Europe, revised 11 February 2015. For details, visit www.conference-board.org/ceo-challenge.

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. T=Tie. In addition to other countries, the Asia category includes China, India, and Australia.

Source: The Conference Board, 2015

Conclusion

CEOs in Hong Kong realize that, in a slow-growth economy and politically volatile environment, paying attention to fundamentals is essential. Coping with an external environment fraught with downside risk means organizations need to build internal strength, and this requires a focus on your people and your customers, as well as an enterprise-wide dedication to building strong cultures around accountability and engagement. One concern is the relative lack of emphasis CEOs in Hong Kong put on innovation in this survey compared to their regional peers.

They realize that, within Asia-Pacific's unique economic, political, and social context, the challenges to long-term sustainable growth are many. They say a focus on customers, a strong and aligned leadership cadre, a highly engaged workforce, improved organizational agility, and building an entrepreneurial spirit around innovation capabilities are the tools they need to make headway against the buffer of slowing economic growth.

About This Report

This report is based on responses from CEOs, presidents, and chairmen to The Conference Board CEO Challenge[®] survey, distributed between September and October 2014. Responses are weighted based on the share of the respondent's country GDP as a proportion of all countries represented in the survey sample. For greater insight into how CEOs plan to meet their challenges, respondents were also asked rank order five critical strategies for meeting each of their top five challenges, which were weighted in the same way as the challenges.

We acknowledge that a survey of almost 1,000 respondents creates limitations regarding the statistical significance of the rankings. Therefore, the results presented are mostly for groupings of more than 50 respondents. In particular, for the smaller samples, the rankings provide a qualitative and directional indication of the importance of challenges.

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Charles Mitchell Executive Director, Knowledge Content and Quality
Email charles.mitchell@conference-board.org

Rebecca L Ray Executive Vice President, Knowledge Organization, and Human Capital Practice Lead

Email rebecca.ray@conference-board.org

Twitter @RebeccaLeaRay

Blog <http://hcexchange.conference-board.org/blog>

Bart van Ark Executive Vice President, Chief Economist, and Chief Strategy Officer

Email bart.vanark@conference-board.org

Twitter @bart_ark

Blog <http://tcbblogs.org/economy/author/bvanark>

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AMERICAS | +1 212 759 0900 | customer.service@conferenceboard.org

ASIA | +65 6325 3121 | service.ap@conferenceboard.org

EUROPE, MIDDLE EAST, AFRICA | +32 2 675 54 05 | brussels@conferenceboard.org

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