economic times to find a bargain. China topped the list of countries seen overall as most important for future growth, cited by 31% of CEOs, followed by the US (23%), Brazil(15%), Germany (12%), and India (10%). Indonesia was listed among the top ten for the first time this year, two points above Japan. Among large companies (over US$10 billion), however, China was viewed as most important by 45% while the US dropped to 20%.

2. Concentrating on the customer
Nearly half the CEOs (49%) see shifts in consumer buying patterns as a serious business threat and 51% said their top investment priority for the next 12 months was growing their customer base. 82% of CEOs anticipate making changes to their customer growth and retention strategies -- and 31% have major changes in mind.

3. Improving operational effectiveness
Improving operational effectiveness is a top investment priority for CEOs. 77% have undertaken cost reduction initiatives in the past 12 months and 70% plan to do so in the next 12 months.

But CEOs are wary about inadvertently cutting value. One indicator: 48% of CEOs have increased their company's headcount during the past 12 months, while 25% have kept it at the same level.

Jobs and the search for talent

CEOs remain relatively cautious on plans for increasing headcount for this coming year. 45% of CEOs plan to recruit in 2013 (down from 51% in 2012) while 23% plan to reduce the size of their workforce.

Looking at which industries are recruiting and which are shedding jobs shows an interesting picture. CEOs most likely to be increasing headcount are in business services (56%), engineering and construction (52%), retail (49%) and healthcare (43%); while the biggest number of CEOs planning headcount reductions are in banking (35%), the metal industries (32%) and forestry and paper (31%).

Whatever their hiring outlook, finding and keeping the right people remains a major challenge for CEOs. Availability of key skills was ranked by CEOs as a major threat to growth prospects, cited by 58% worldwide. The skills threat was especially acute among smaller companies and in high growth areas like Africa, the Middle East and Asia Pacific.

And the CEOs most concerned about the skills shortage were those in mining (75%), engineering and construction (65%), communications (65%), technology (64%) and insurance (64%).

In view of all this, it is unsurprising that more than three quarters (77%) of CEOs said they anticipate making changes in their company's strategies for managing talent during the next 12 months, and nearly a quarter (23%) said they expect the changes to be major.

Addressing public trust

CEOs also recognise the need to build trust with a wider set of stakeholders. 37% worry that lack of trust in their industry could endanger their company's growth, and 57% plan to focus more heavily on promoting an ethical culture. In addition, nearly half of CEOs (49%) plan to put more effort into reducing their environmental footprint in the next 12 months.

The full survey report with supporting graphics can be downloaded at www.pwc.com/ceosurvey.

Corporate Restructuring Back On The Upswing In 2013

Corporate restructuring will be back on the upswing in 2013, according to valuation expert Boris Steffen, managing director of corporate restructuring and public affairs consulting firm, Gavin/Solmonese. Since 2008, U.S. federal bankruptcy filings saw a decline and fell significantly, particularly in both Chapter 11 and Chapter 7 filings.

Total filings fell 14% to roughly 1.2 million for the fiscal period ending September 30, 2012. Chapter 11 filings also decreased 12% to 10,597 and Chapter 7 filings fell 16% to 874,337. Across these cases, business bankruptcy filings fell 16% to 42,008.

Despite the downward trend, compelling evidence indicates that corporate restructuring will reverse and increase in 2013. According to Steffen, several underlying factors will spur the reversal.

"While jobs are being created, housing prices are recovering and consumer confidence in the economy has steadily grown for the past five years, the fact is that the stop-gap measure passed by U.S. policy makers to avert the 'fiscal cliff' has done little to alleviate the uncertainty of businesses and consumers, and left the economy vulnerable to significant risks," said Steffen.

The fiscal cliff was priced into the market based on the realized yield on 10-year Treasuries. While it was avoided January 1, 2013, albeit temporarily, the $1.2 trillion in spending cuts mandated by sequestration over the next 10 years will have to be dealt with, according to Steffen.

Further, "With federal borrowing nearing the $16.394 trillion debt ceiling and public debt increasing about $100 billion per month, the Treasury has had to resort to extraordinary

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measures to stay under the statutory limit," said Steffen."This includes re-investing federal worker's retirement contributions in short-term bonds."

Investors are now expecting the growth in US gross domestic product, which had been forecasted at 2.3 percent, to be decreased by 1.0 percent to 1.73 percent. This equates to an unemployment rate of above nine percent, with significant job losses likely across the aerospace, construction, defense, federal, healthcare and technology sectors, in addition to retail and other sectors dependent on consumer confidence and discretionary spending," said Steffen.

Additionally, an unintended consequence of the Fed's easy-money, low-interest-rate policy has been to increase the present value of pension fund liabilities and funding requirements for many companies under GAAP and ERISA accounting. Specifically, despite the annual asset growth of roughly 16 percent in the U.S. equity market, the aggregate deficit for pension plans sponsored by the S&P 1500 companies increased by $73 billion to a record year-end high of $557 billion on December 31, 2012.

"At the start of 2008, there was a funding surplus of $63 billion, but by the end of 2011, the aggregate funding deficit for companies in the S&P 500 was $355 billion," said Steffen. "In market cap terms, this represents a ratio of pension deficit to market cap of 9 percent."

Further aiding in the corporate restructuring upswing is the underlying fact that approximately $350 billion of bank debt is scheduled to come due between 2013 and 2014.

And while larger companies might be able to refinance or otherwise modify debt maturities, smaller, middle-market firms with values between $200 million and $1 billion may not be able to do so. However, there is a limit to maturity extensions for even the largest of firms, according to Steffen.

"Debtors unable to achieve their business plan due to competitive, operational or financial issues and retire debt will have no choice but to be restructured or sold," said Steffen.

About Boris J. Steffen

Boris Steffen is an expert in accounting, corporate finance, valuation, and solvency with multi-industry, multi-company experience assisting clients in managing a wide range of operating, financing, and investing transactions, claims, and litigation. He has advised in negotiated, as well as hostile, transactions and claims valued in excess of $100 billion. He is an accredited senior appraiser, certified public accountant, accredited in business valuation, certified distressed business valuation analyst, and member of the AICPA, ABA, ABI, Insol International, AIRA, ASA and American Finance Association. For more information about Boris, visit http://www.gavinsolmonese.com/the-team.

About Gavin/Solmonese

Whether it's protecting a company or its creditors from failure, deploying new leadership, or reversing antiquated thinking, Gavin/Solmonese leads companies to measurable bottom line improvement. As one of the country's Outstanding Turnaround Firms in *Turnarounds & Workouts* for the past 17 years, the Gavin/Solmonese Corporate Recovery Group (formerly NHB Advisors) provides leadership for underperforming and troubled companies and their stakeholders, helping businesses maximize value for owners, investors, creditors and employees. Our Corporate Engagement & Public Affairs Group leads organizations through critical strategic thinking and tactical planning, creating better connections with consumers, decision makers and the media, resulting in market share growth and higher profitability. For more information, visit www.gavinsolmonese.com.

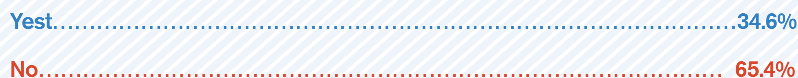
Theodore L. Koenig, President and CEO of Monroe Capital LLC, Named Middle Market Thought Leader of the Year

Monroe Capital LLC announced that Theodore L. Koenig, President and Chief Executive Officer, was named the 2012 Middle Market Thought Leader of the Year by The Alliance of Mergers & Acquisition Advisors (AM&AA) and Grant Thornton LLP. The Middle Market Thought Leader Award recognizes individuals in the mergers and acquisitions profession who create and advocate ideas that are transformative for the industry.

THE *TSL* QUESTION

In each issue, *The Secured Lender* features a question about an issue facing asset-based lenders and factors. All CFA Directors are asked to provide their opinion. The question for March 2013 is:

Does your company utilize social media in its hiring process?



Yest........34.6%

No........65.4%