

**Challenges and competition –  
growth agenda for CFOs  
despite economic uncertainty**  
China CFO Survey 2017 Q3



Making another century of impact  
德勤百年庆 开创新纪元

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# Foreword

It is our great pleasure to present the results of our China CFO Survey 2017 Q3. This biannual exercise is conducted specifically for our CFO community and is a tool for us to track the trends in market sentiment over time, as well as collect a snapshot perspective on some of the key matters for those in finance leadership roles. Over the regular surveys we try to cover views on the business environment, areas of company focus and expectations, financial and personal priorities. We specifically conduct this survey for the China market, in order to gain an understanding of this important market which has been steadily growing in significance on the global stage.

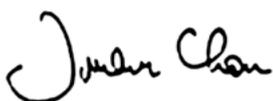
In addition to identifying areas of consensus, there were also areas which split opinion. In this edition of the survey, we have uncovered a range of both. This is a period of extreme complexity for those charged with running and managing companies and

our results showed a mix in sentiment about the economic outlook amongst the participants. There was however, an underlying bullishness about the future plans of firms in 2018. We believe that it is important to explore the challenges that firms face at any given time and we received some good input on the nature of competition in this latest survey. Our community of CFOs are key figures within the business world and we also gathered information on their working style with their respective CEOs – a dynamic that can set the direction and cultural tone of any company.

Deloitte China's CFO Program brings together a multidisciplinary team of Deloitte leaders and subject matter specialists to help CFOs stay ahead of these challenges and demands. The Program encompasses a wide range of initiatives with the purpose of helping CFOs manage the complexities of their roles, tackle their company's challenges, and adapt to strategic shifts in the market.

We are, as always, extremely grateful to all those who took the time to complete the survey. Their insights are all valuable in our ongoing industry-level conversation. The next survey will take place in 2018 Q1 ahead of our CFO Vision Conference and I hope that you will be encouraged to add your own opinions at that time.

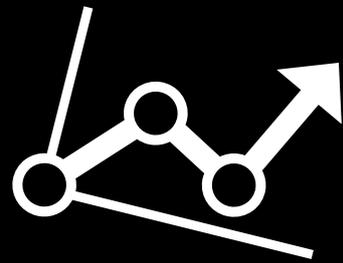
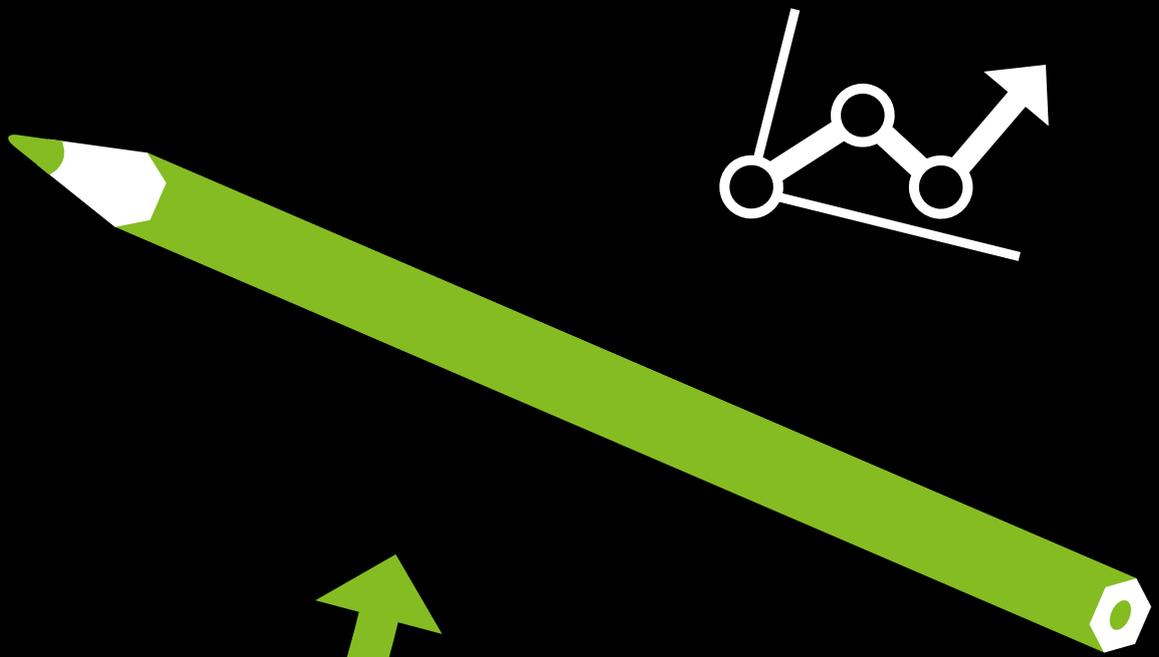
This is only one of the Deloitte China CFO Program's initiatives. We will keep you posted about other activities and events that take place throughout the year. If you have any feedback about the survey or our Program, please do not hesitate to contact us.



**William Chou**  
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# Our survey

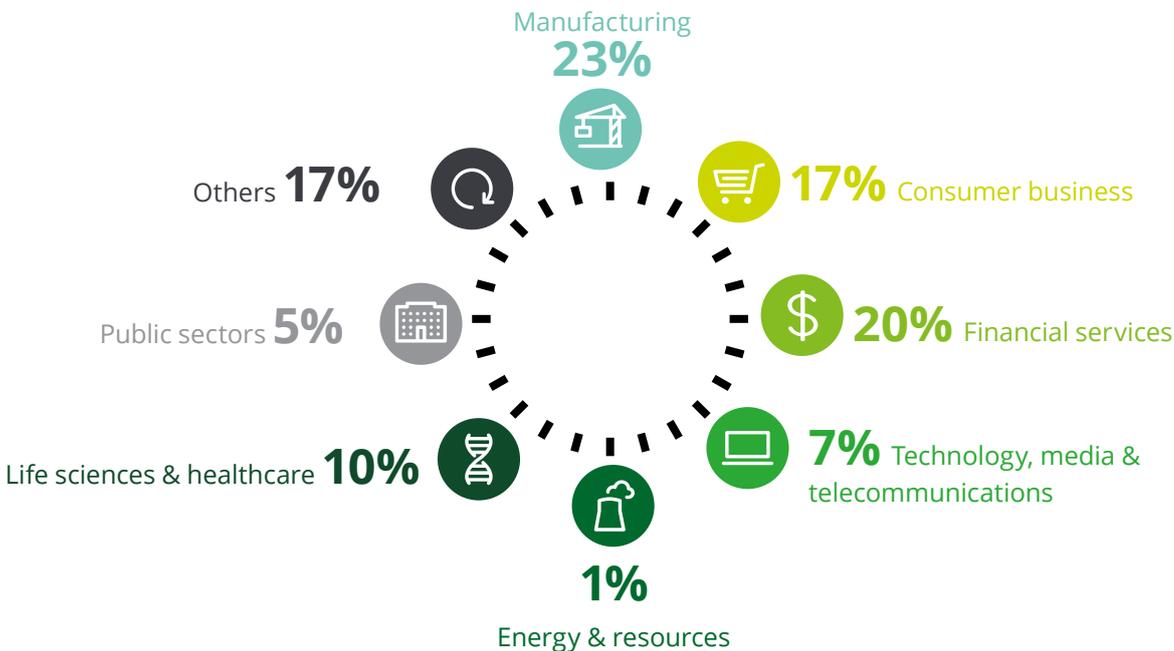


This survey, conducted by the Deloitte China CFO Program, is becoming a regular feature that allows us to pulse check the sentiment within our CFO community in China. Its reach brings insight on a wide range of issues that are affecting senior financial practitioners operating in China.

The 2017 Q3 edition was carried out in September 2017 and had 109 participants: 49 of which were from MNCs, 47 from POEs and 13 from SOEs of differing sizes and a range of sectors from Financial Services to Manufacturing. Compared to our last survey, the Financial Services Industry participants doubled to 20% this time.

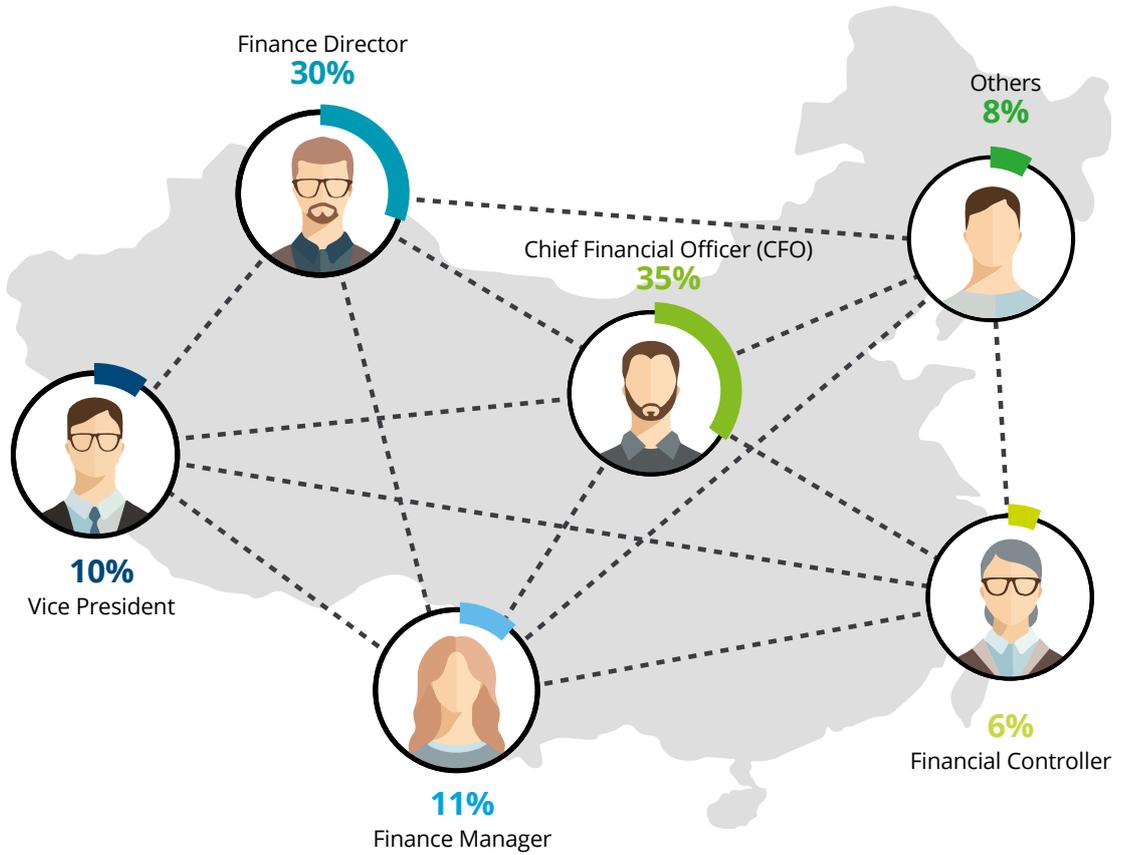
This diversity of participation is one of the reasons that this survey continues to be such an interesting process and the coverage of sectors, types of firms and range of sizes provides some balanced insight into the current thinking in the China market.

**Figure 1. Distribution of participating enterprises by industry**



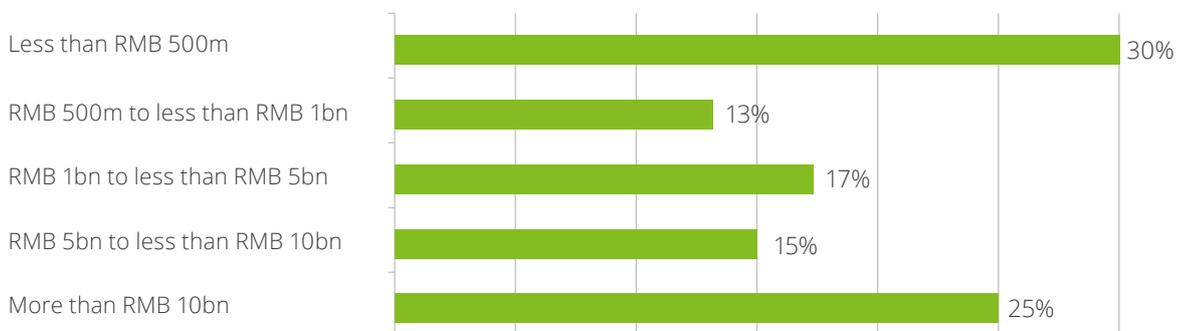
Source: Deloitte China CFO Survey 2017 Q3

**Figure 2: Titles of the respondents**



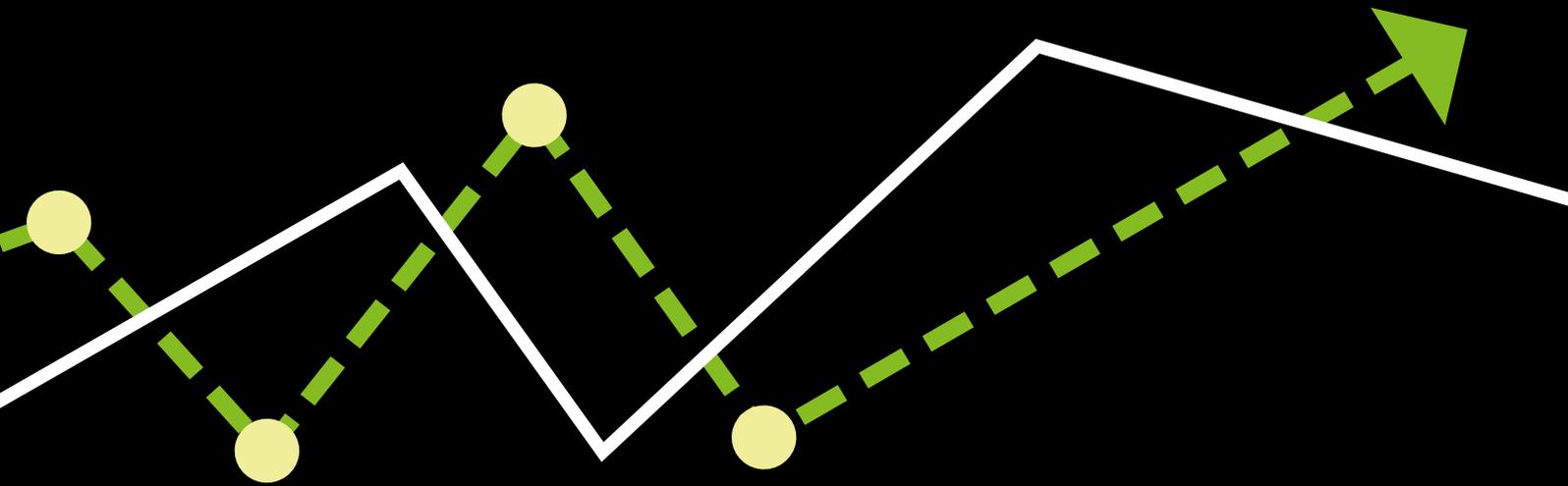
Source: Deloitte China CFO Survey 2017 Q3

**Figure 3: Total revenue of participating enterprises in the past financial year (Unit: RMB)**



Source: Deloitte China CFO Survey 2017 Q3

# Economic sentiment



### Positivity shines through uncertainty but risks are clear and significant

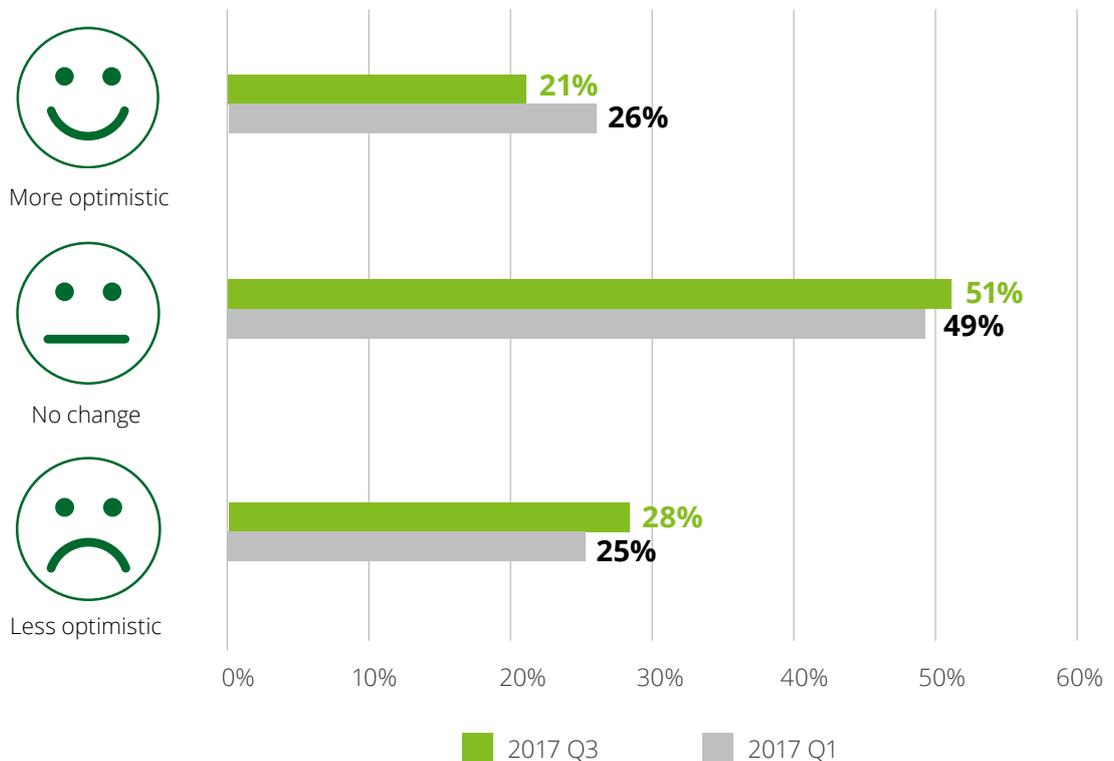
The year 2017 has been extremely politically unpredictable, with nationalistic and divisive politics coming to the fore in multiple countries.

In China, generally capital markets have shrugged this off leading to commentators suggesting that there are in fact bubbles in asset valuations. Overseas investments have been taking place, sometimes driven by opportunities derived from economic uncertainty, but a number of them have been blocked for protectionist reasons in certain markets.

It is a period that is characterized by the need to analyze and look for unexpected correlations.

Given this backdrop, it is unsurprising that the economic sentiment of our participants in China was mixed. The spread was largely consistent with six months previously, with just small increases to the number who had “No Change” and those who were “Less Optimistic”. The percentage who are “Less Optimistic” is still down significantly from 38% a year before.

**Figure 4: Changes in sentiment towards the economy over the last 6 months**

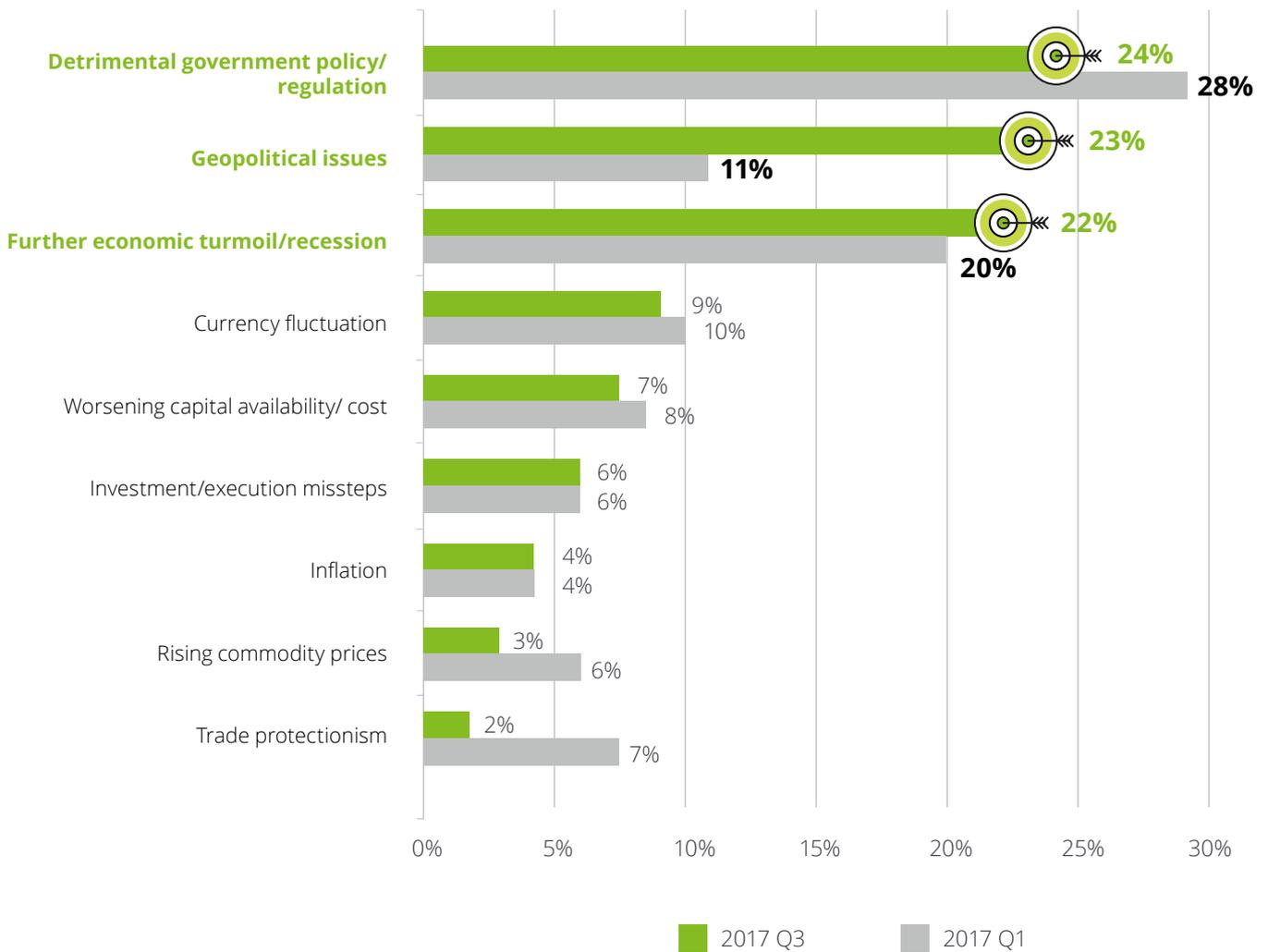


Source: Deloitte China CFO Survey 2017 Q3

Facing uncertainty, and on such a global scale, it can be difficult for businesses to identify the major risk that they face. Interestingly, the responses showed three clear issues that stand out above all others.

Among those top three, regulation again appeared as the highest risk factor identified by respondents. Alongside geopolitical factors from beyond China and the potential of a looming economic recession, the survey threw up some worrying concerns for the mid-term outlook.

Figure 5: Top 3 high-impact risks CFOs worry about the most

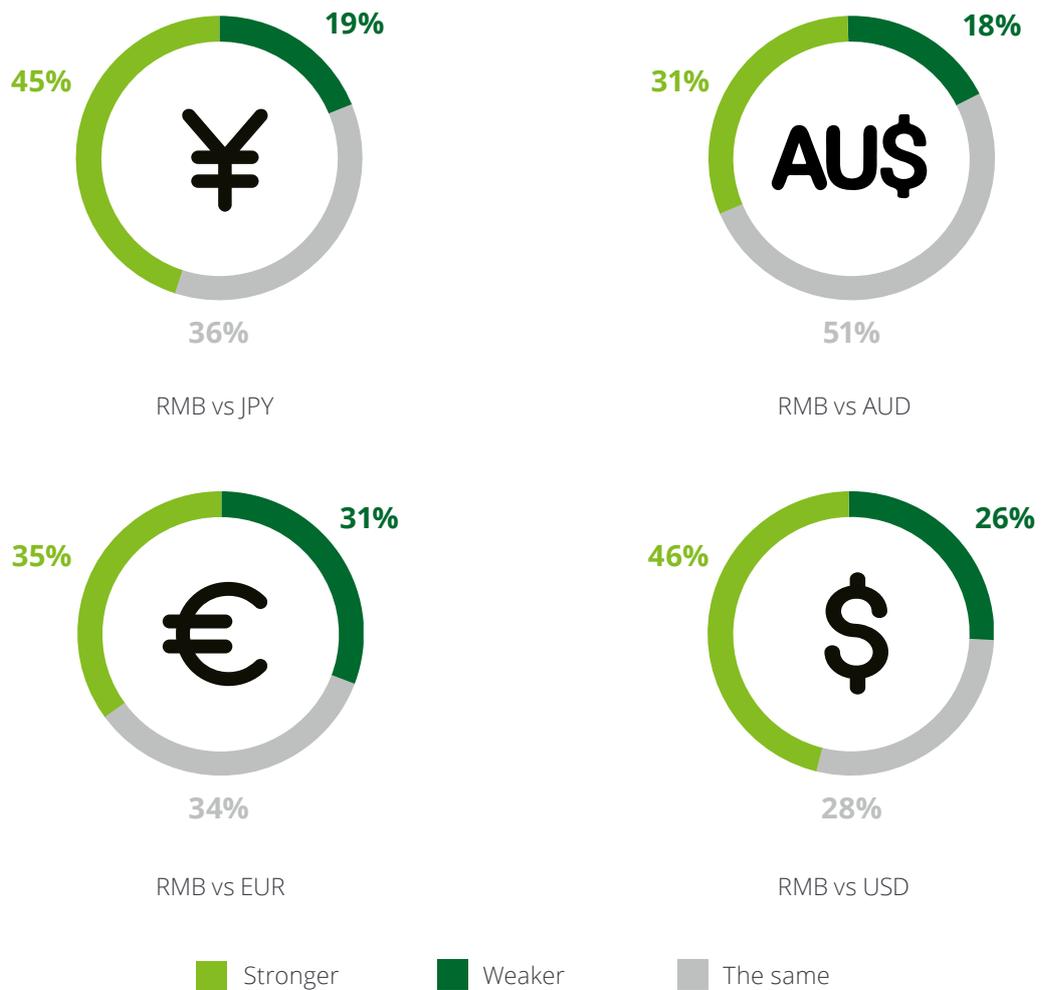


Source: Deloitte China CFO Survey 2017 Q3

The third economic question for our China CFO community was on RMB's strength compared to a number of other major currencies by the end of 2017. With the White House voicing concerns over the level of the Chinese currency, but some stability prevailing despite criticism, we wanted thoughts on what might happen by the end of the year.

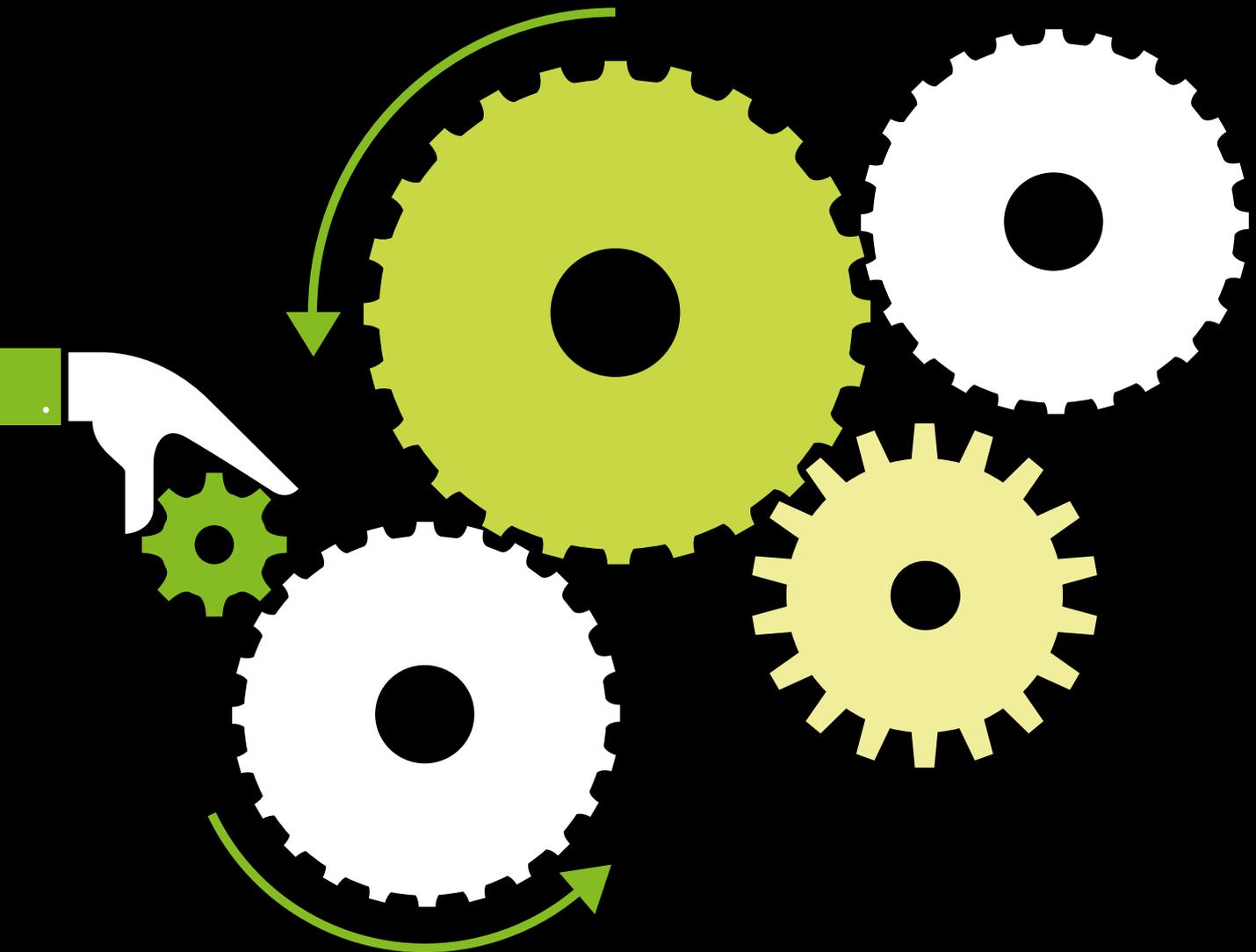
There were very few points of clear consensus. A larger percentage of participants believed that the RMB would end up becoming stronger against the US Dollar and Japanese Yen over the period, reflecting the political situation in these countries. But views on the Euro were completely split despite signs of a crisis looming over Brexit. A small majority of participants felt there would be no change against the Australian Dollar.

**Figure 6: CFOs' predictions of RMB against other currencies by the end of 2017**



Source: Deloitte China CFO Survey 2017 Q3

# Industry risks and challenges



### Competition challenge shows need for innovation

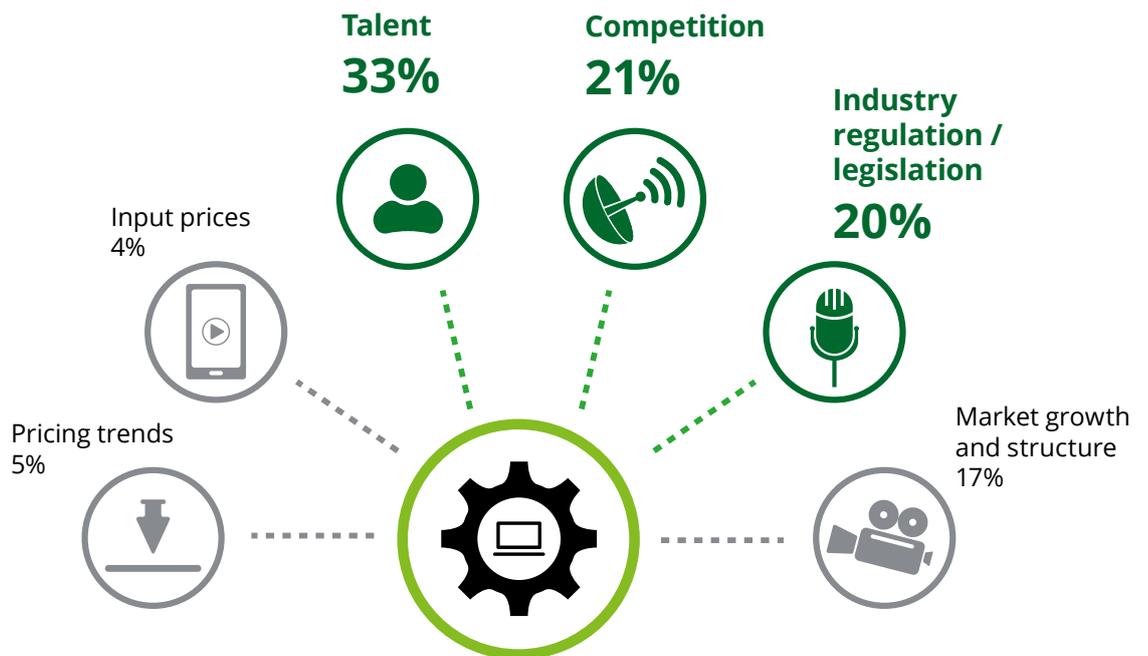
Understanding how companies are looking at risks and what they perceive as their biggest challenges is important to Deloitte. Just as we had in the previous surveys, we asked the participants what their top three challenges were.

What our community of CFOs viewed as their most pressing challenges has not changed in the previous six months, but Competition now has taken over the first place, followed by Talent and then Industry Regulation/Legislation.

Breaking down into the sector level, there were some interesting findings.

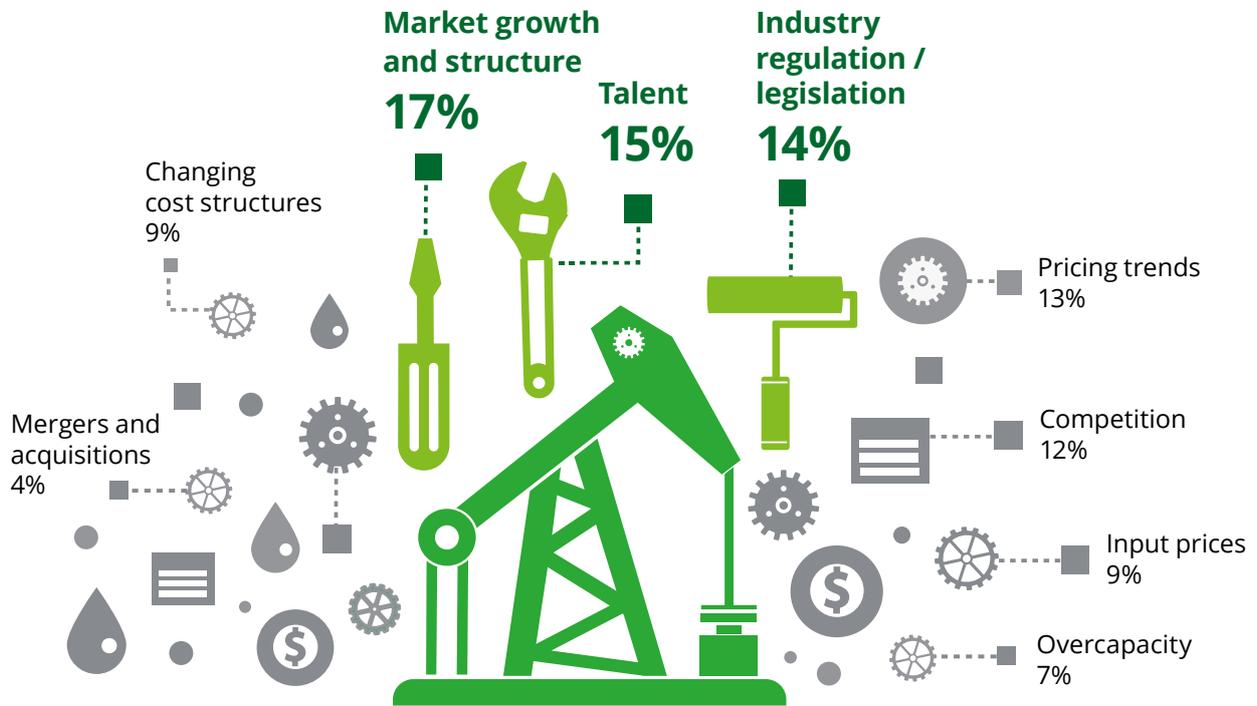
Talent is a clear top ranking issue in the Tech, Media and Telecom Sector which is not surprising considering its growth and uniqueness. For our participants from Manufacturing firms, Competition was not a challenge but Market Growth and Structure was a significant one, showing the changing paradigms in an industry facing disruption from automation and robotics amongst other things. Competition topped the challenges for Consumer Business and Financial Services but wasn't a major concern for Life Sciences which ranked Industry Regulation/Legislation and Talent at the top of its list.

**Figure 7: Top three challenges by industry**  
**Technology, media & telecommunications**



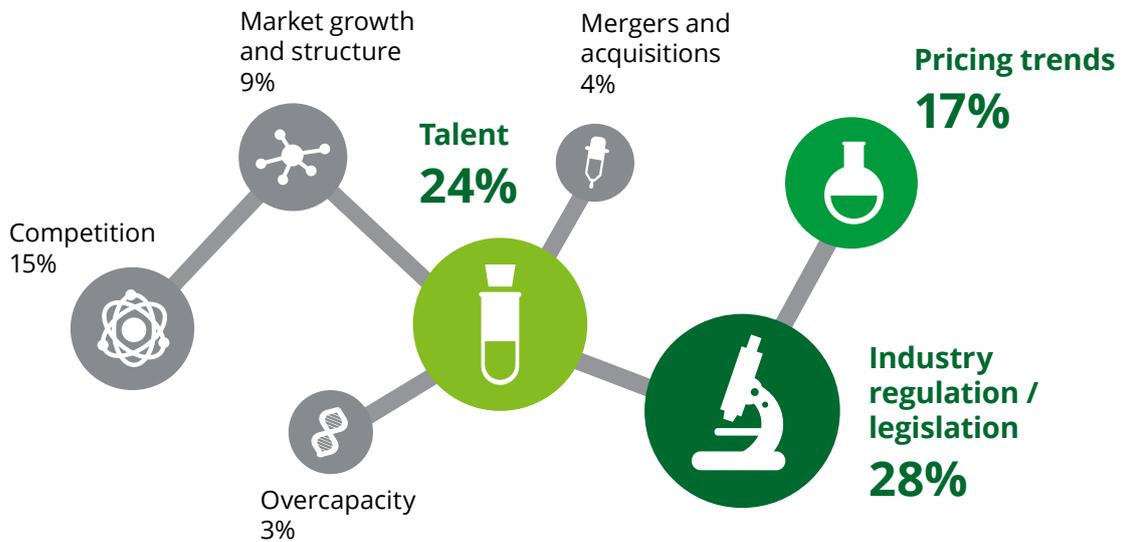
Source: Deloitte China CFO Survey 2017 Q3

## Manufacturing



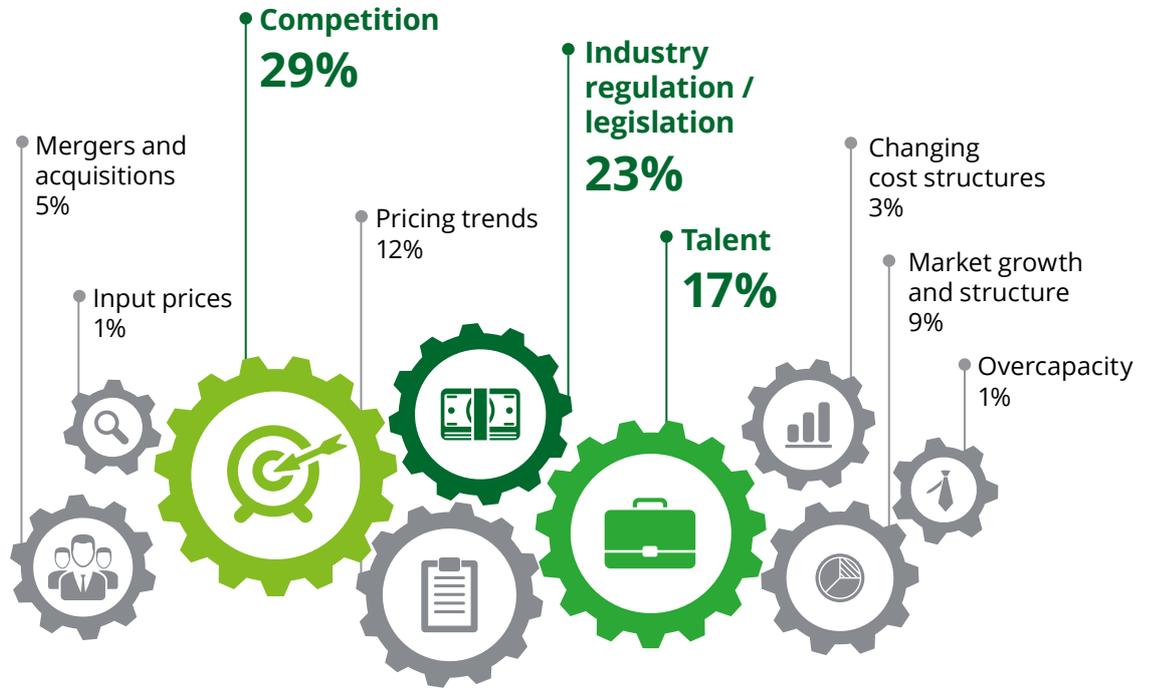
Source: Deloitte China CFO Survey 2017 Q3

## Life science & healthcare



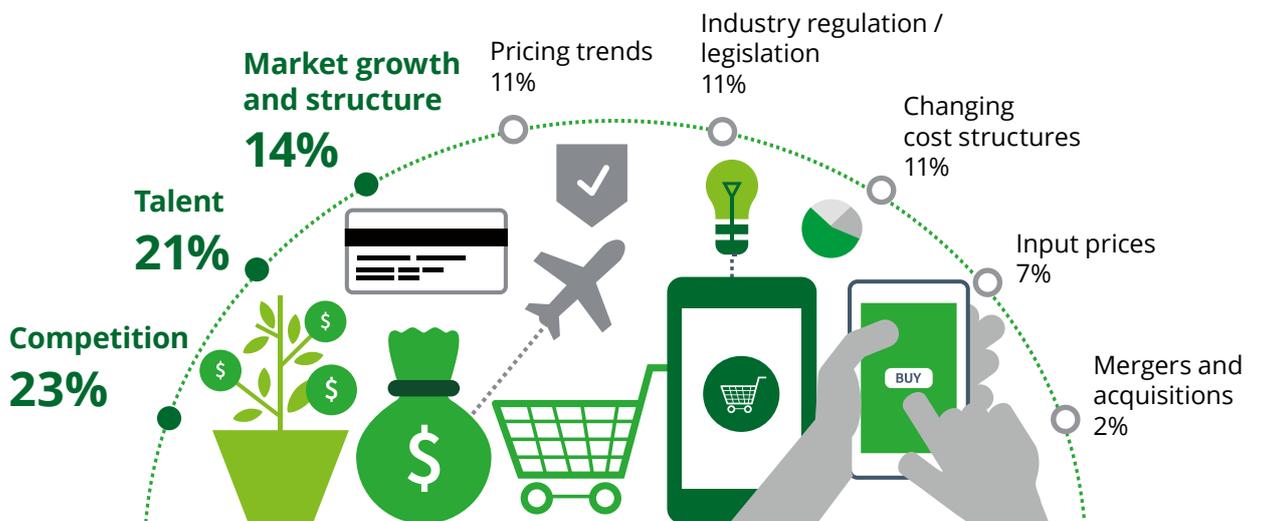
Source: Deloitte China CFO Survey 2017 Q3

### Financial services



Source: Deloitte China CFO Survey 2017 Q3

### Consumer business



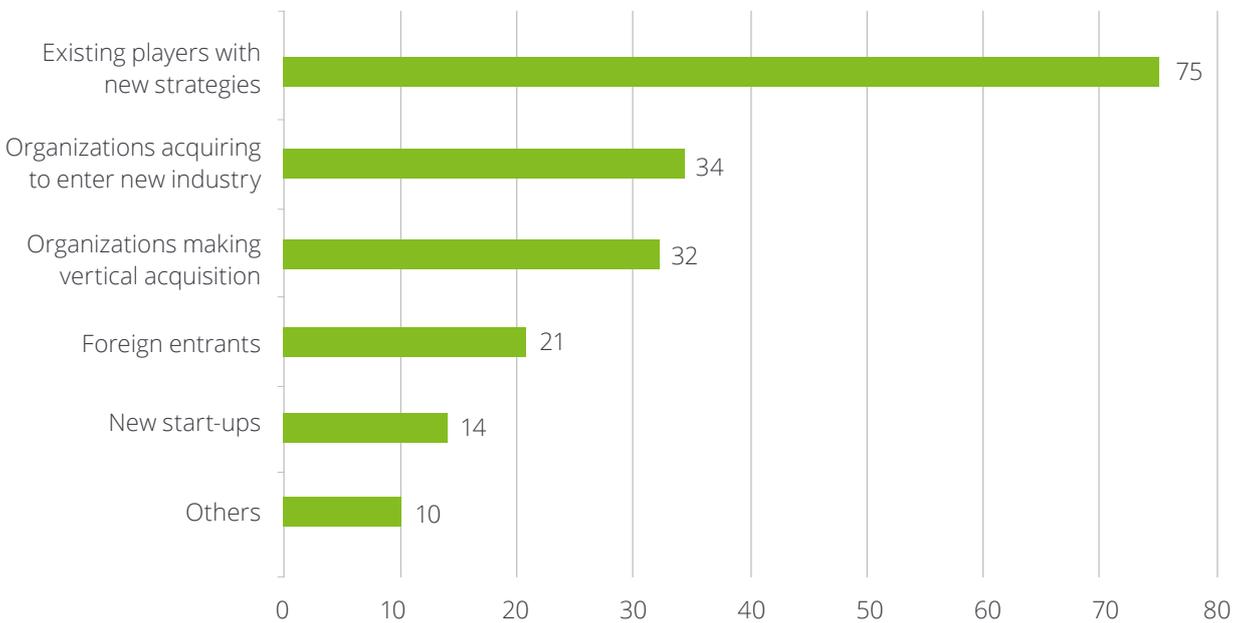
Source: Deloitte China CFO Survey 2017 Q3

Competition was a common challenge across industries, so we also asked respondents where this was arising from.

The top source of competition identified was about existing players adjusting their strategies, showing that business agility in the China context is still a key success factor, as domestic markets and consumers change very

rapidly. The next largest source of competition in China is other firms expanding or adjusting business models by capturing more of the value chain through either widening their existing scope, or vertical integration.

**Figure 8: Sources of competition viewed by the CFOs**



Source: Deloitte China CFO Survey 2017 Q3

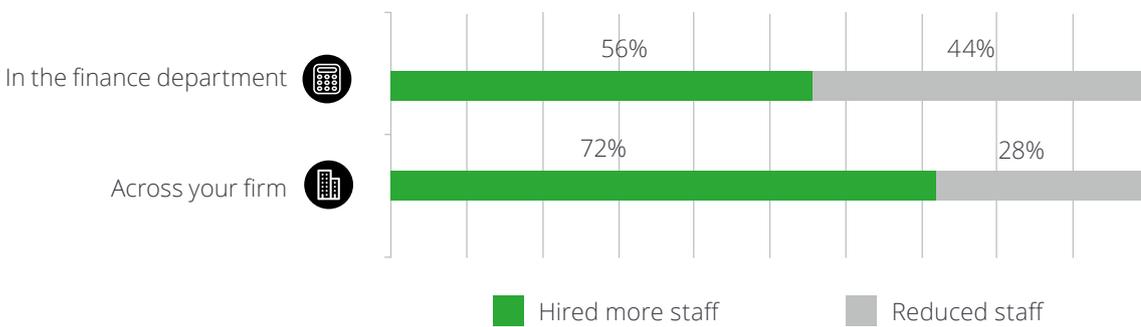
# People and growth planning



### Positivity in planning for 2018 as forecasts rise

Unsurprisingly, talent remains a key management topic for the CFOs surveyed. Capturing talent with the right competencies is a major concern, but 72% of respondents indicated that they continue to hire. Hiring specifically in the finance function however was statistically down, reflecting the shift to more technology usage and higher efficiencies within the function.

**Figure 9: The hiring trend of interviewed companies**



Source: Deloitte China CFO Survey 2017 Q3

Positive growth expectations for 2018 means talent acquisition and greater expansion targets are the focus. Given that China in particular faces talent shortages in growth sectors driven and impacted by e-commerce, it seems that the ‘war for talent’ is set to continue. This will in turn create pressure on operating costs such as compensation and benefits.

**Figure 10: The 2018 growth plan of interviewed companies comparing with 2017 business outlook in China**

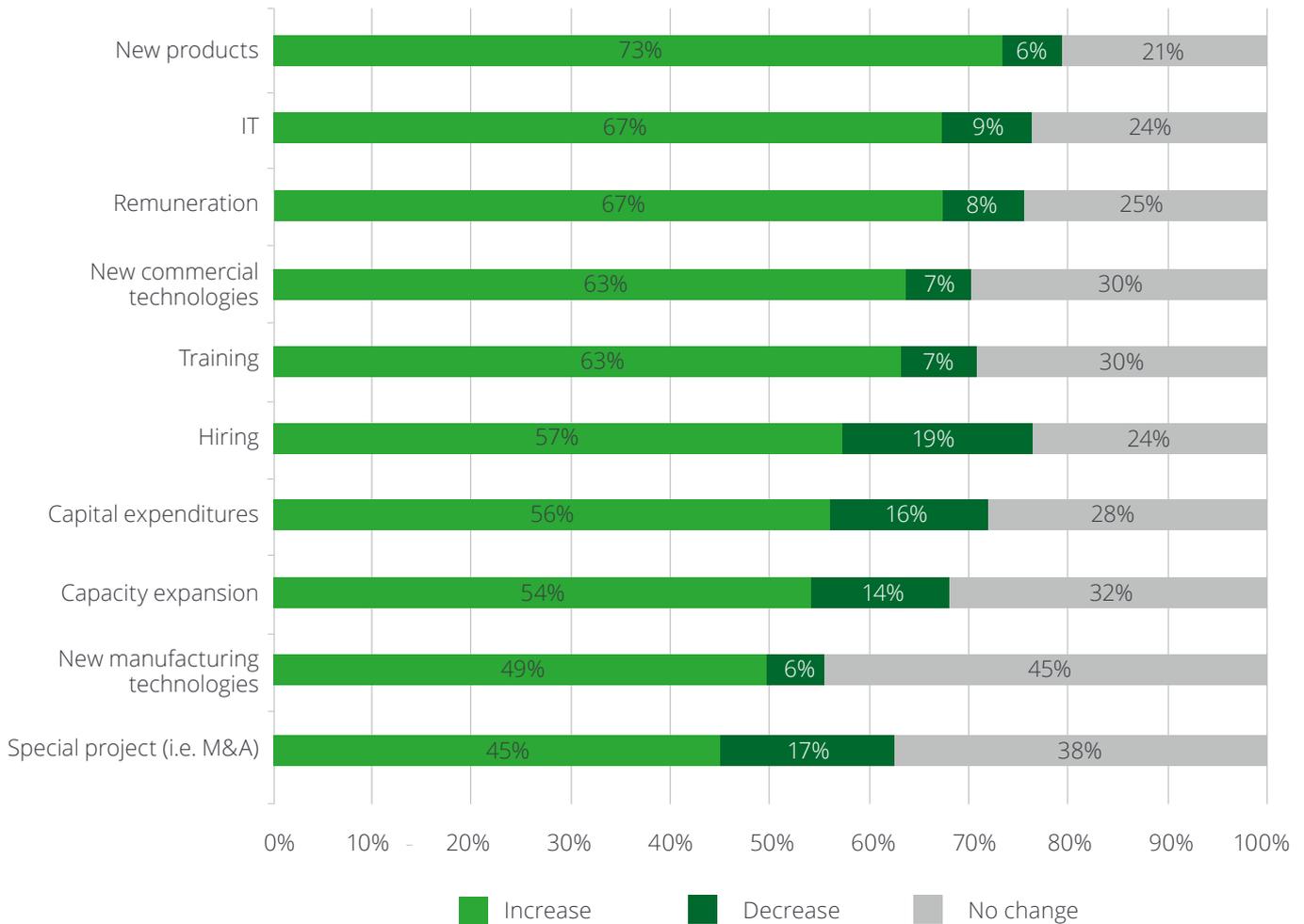


Source: Deloitte China CFO Survey 2017 Q3

We asked the China CFOs how resource allocation would change to meet the demands of the expected growth. The area that is set to have the greatest increase in investment is 'New Product Development', followed by 'IT investments' and 'Talent related remuneration'. This finding suggests that the fast changing business environment in China not only requires

market players to innovate first and foremost, but also to invest in new technologies to support their business infrastructure while attracting and retaining the best talent.

**Figure 11: CFOs' current expectation on changes for the 2018 budget**



Source: Deloitte China CFO Survey 2017 Q3

# The role of the CFO and the finance department

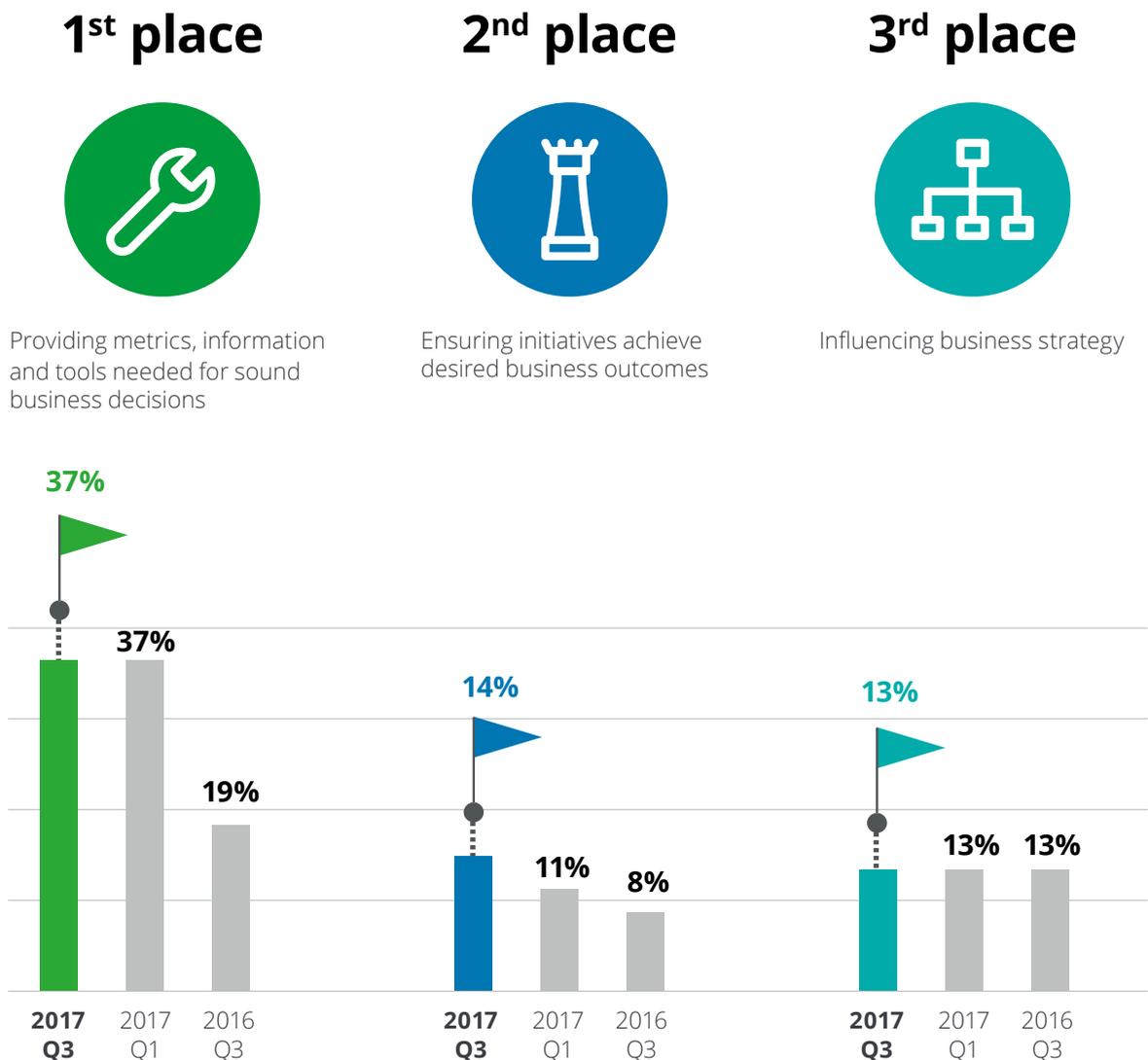


### Dynamic relationship with CEO suggests no one-size-fits-all approach

For our CFO community, one of the topics that we repeat in our surveys is how the finance operation fits into the structure of different firms and how that might change. We asked again in this edition what the challenges are for the finance department of the participants.

Providing metrics, information and tools needed for sound business decisions was identified as the top challenge by 37% of the respondents.

Figure 12: Voting of CFOs on the top 3 challenges of finance department



Source: Deloitte China CFO Survey 2017 Q3

Making use of the Deloitte 'Business Chemistry Model' in the Q3 2017 survey, we wanted to investigate the relationship between CFO and CEO further. This is one of the key dynamics for a successful business no matter the size or focus. The model is used to provide insights on individuals, their behaviors and the nature of their relationships.

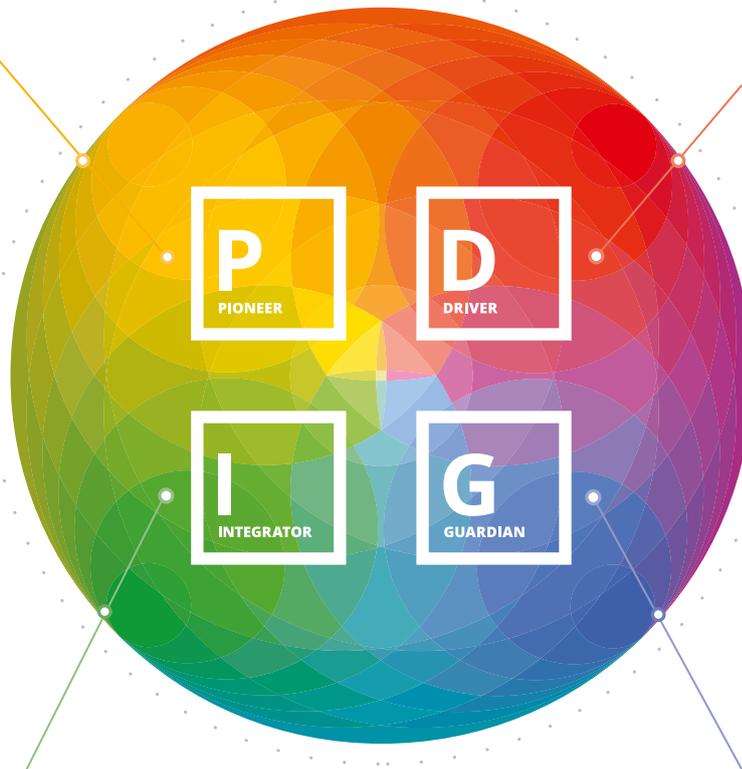
We asked our respondents to consider some different working styles:

## Pioneer

- Adventurous
- Creative
- Interested in new experiences
- High energy
- Spontaneous
- Optimistic
- Adaptable

## Driver

- Analytical
- Logical
- Experimental
- Determined
- Decisive
- Direct
- Tough-minded
- Competitive
- Pragmatic



- Web thinking
- Intuitive
- Imaginative
- Empathic
- Expressive
- Consider all options and implications
- Diplomatic

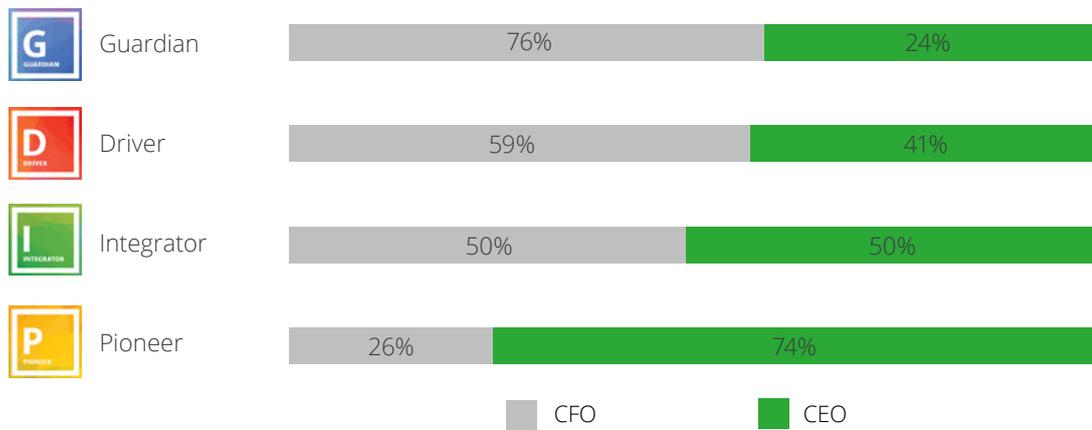
- Concrete
- Process/Detail oriented
- Meticulous
- Traditional
- Calm
- Socially connected
- Loyal
- Conscientious

## Integrator

## Guardian

We asked how our participants viewed themselves and their CEOs in terms of these styles and categories. A majority of the CFOs viewed themselves as 'Guardians' which the model defines as individuals who like concrete ideas, stability and have respect for what has been proven through testing. The most common dynamic for the respective CEO was that of a 'Pioneer' who generally appreciate variety, possibilities and have high levels of energy for idea generation.

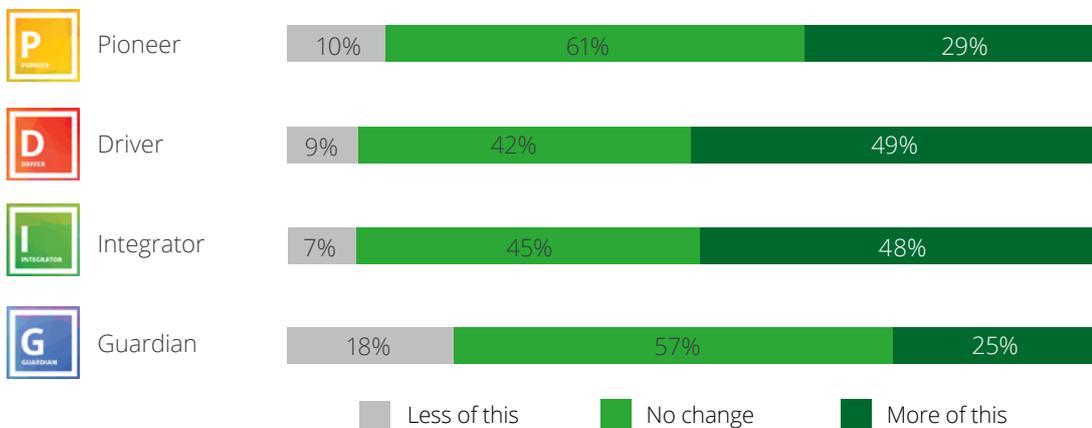
**Figure 13: Classifications of CFOs and CEOs by type of personality**



Source: Deloitte China CFO Survey 2017 Q3

In the second question around Business Chemistry, we asked participants about how they have adapted their own style to accommodate the nature of their CEOs.

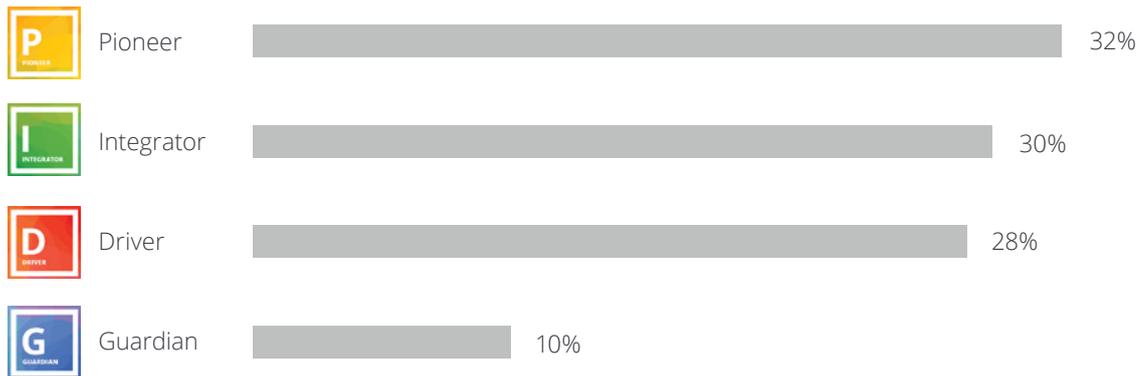
**Figure 14: How CFOs adapted their working style to accommodate with the CEOs**



Source: Deloitte China CFO Survey 2017 Q3

In order to explore this dynamic, we also asked our CFO community which kind of the style they felt was the most suitable to a CEO. There was quite a balanced view across the Driver, Pioneer and Integrator styles showing no clear consensus. This reflects the insight from previous questions that guardian style is most common for CFOs, and would balance the alternative style favored by CEOs.

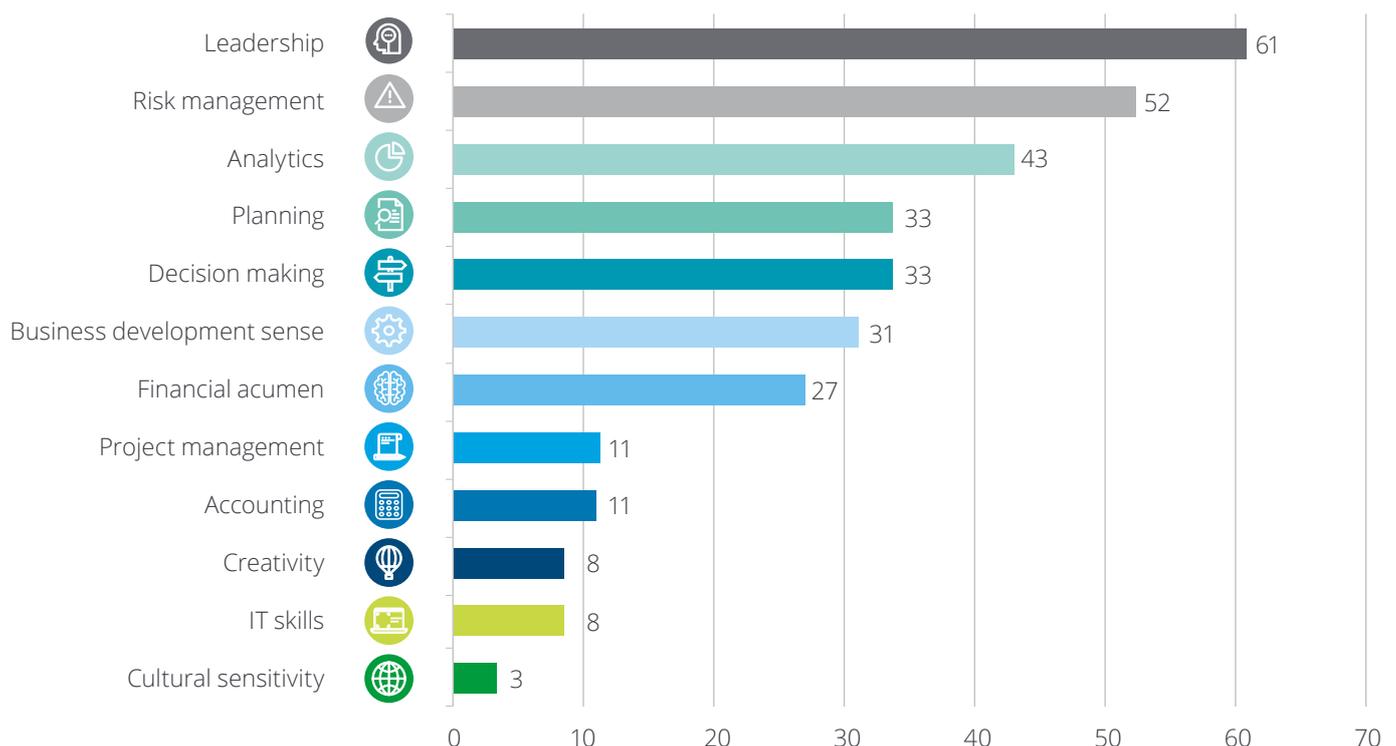
**Figure 15: Best profile for a CEO from the perspective of interviewed CFOs**



Source: Deloitte China CFO Survey 2017 Q3

How might these perceptions on working style be translated to skillsets? We also asked our participants what they felt important in terms of their role and inter-relation with the CEO. Looking at the aggregate score, Leadership came top, reflecting the seniority of those involved. Risk management comes as second which shows the importance of managing the web of challenges for finance teams and Analytics was the third. This gave us an interesting snapshot on the role and demands on CFOs in the current environment.

**Figure 16: The most important skillsets for a CFO to interrelate with CEOs**



Source: Deloitte China CFO Survey 2017 Q3

# Conclusion

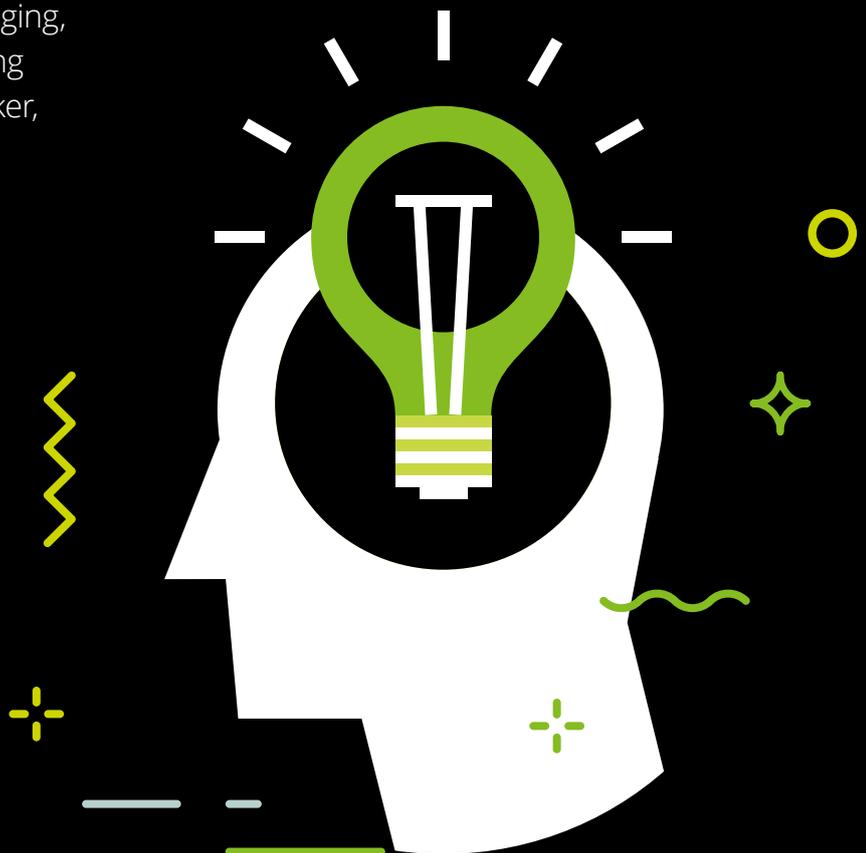
The results of the China CFO Survey 2017 Q3 were collected from a diverse range of firms that provided a good snapshot across industries.

In summary, the business sentiment related highlights would include:

- The majority has a positive economic outlook. There remain some consistent risks on top of mind such as government policies, influence of geopolitics and relative strength of the RMB towards the year end. There is a positive attitude towards 2018 with most firms planning for increased expenditure and net hiring.
- The business environment is rapidly changing, faster than ever, with technology becoming a key driver to new competition and quicker, more agile innovators getting ahead.

On our 'Business Chemistry' related insights in this Q3 2017 survey, the respondents have once more confirmed that the expected and primary role is more of a 'Guardian' personality. Also, the community are showing adaptability when working with their CEO to foster business performance - thus changing their style to incorporate more 'Driver' traits.

A skill that is clearly necessary for leaders of the finance function is being able to adapt to the rapidly changing business environment in China and globally.



# Meet the team

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## Acknowledgement

We would like to thank all participating CFOs for their support in completing the Survey.

## About Deloitte China's CFO Program

China CFO Program brings together a multidisciplinary team of Deloitte leaders and experienced professionals to help CFOs stay ahead in the face of growing challenges and demands. The Program harnesses our organization's broad capabilities to deliver forward thinking and fresh insights for every stage of a CFO's career – helping CFOs manage the complexities of their roles, tackle their company's most compelling challenges, and adapt to strategic shifts in the market.

**i** For more information about Deloitte China's CFO Program, visit our website at: [www.deloitte.com/cn/en/chinacfoprogram.html](http://www.deloitte.com/cn/en/chinacfoprogram.html)

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