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CFO Signals™
What North America's top finance executives are thinking – and doing

Full Report

4th Quarter 2011

CFO Signals

About the CFO Signals survey

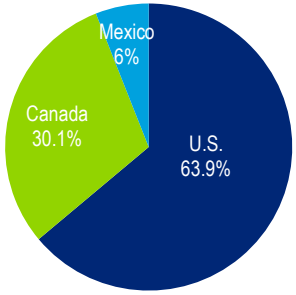
Each quarter, *CFO Signals* tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies. This report summarizes CFOs' opinions in five areas: economy, industry, company, finance organization, and career.

This is the fourth quarter report for 2011. For more information, please see the methodology section at the end of this document or contact nacfosurvey@deloitte.com.

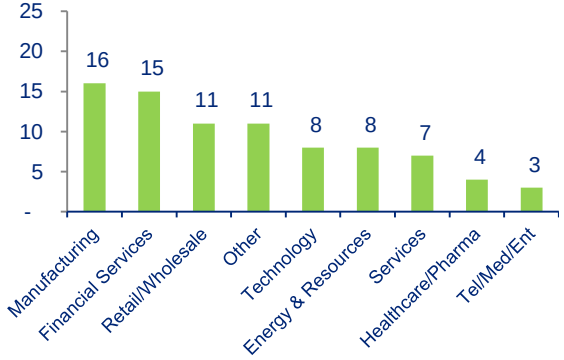
Who participated this quarter?

Eighty four CFOs responded during the two weeks ended November 29. Over 70% are from public companies, and over 75% are from companies with more than $1B in annual revenue.

Participation by Country



Participation by Industry*



** This chart does not include respondents who did not indicate an industry affiliation.*

IMPORTANT NOTES ABOUT THIS SURVEY REPORT:

All participating CFOs have agreed to have their responses aggregated and presented.

Please note that this is a "pulse survey" intended to provide CFOs with quarterly information regarding their CFO peers' thinking across a variety of topics. It is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed population but does not necessarily indicate economy- or industry-wide perceptions or trends. Except where noted, we do not comment on findings for segments with fewer than 10 respondents. Please see the Appendix for more information about survey methodology.

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, tax, legal, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decisions that may impact your business, you should consult a qualified professional advisor.

Results at a Glance

Economy

What one potentially high-impact risk are you worried about the most? Driven largely by concerns about the euro-zone, economic turmoil repeats as CFOs' most worrisome risk. The possibility of internal execution missteps and the impact of government policy are next, followed by worsening capital availability/cost. **Page 8.**

What are your company's top three economy challenges? Social policy/ spending and environmental policy are in the top three for the U.S. and Canada. The U.S. adds unemployment; Canada adds capital cost/availability. **Page 9.**

What are your expectations for your country's economy? Over the next six months, 83% of U.S. CFOs and 64% of Canadian CFOs expect no change (12% and 28% expect worse conditions, respectively). About 30% of all CFOs expect improvement in a year, and nearly 90% expect improvement in three. **Page 10.**

Would mandatory audit firm rotation enhance auditor independence and objectivity? Many auditors do not believe mandatory rotation would provide these benefits, and an overwhelming majority of CFOs appear to agree. **Page 10.**

Industry

What are your company's top three industry challenges? Pricing trends and industry regulation/legislation (both 52%) are the top concerns, with both rising significantly. Market contraction and growth concerns are next at 25%. **Page 11.**

Company

What are your top company-specific challenges? Revenue growth from existing markets (54%, unchanged), framing and/or adapting strategy (41%, up from 34%), and prioritizing investments (39%, up from 18%) round out the top three. Revenue from new markets rebounded to 27%. **Page 12.**

What is your company's business focus for the next 12 months? The focus on revenue continues with 53% of companies' strategic focus on revenue growth/ preservation (35% on existing markets,18% on new markets). **Page 12.**

Compared to the past 12 months, how do you expect your performance, spending, and hiring to change over the next 12 months? CFO expectations are positive, but lower than in the first half of 2011. Expected gains are 6.3%* for sales (6.8%% last quarter), 10.1%* for earnings (9.3 % last quarter) and 9.6%* for capital spending (7.9 % last quarter). Domestic hiring fell to 1.0%*, **Page 13.**

How does your optimism regarding your company compare to last quarter? Optimism plunged last quarter and did not recover this quarter. Only 27% of CFOs report a more positive outlook, and 38% are less optimistic. The spread between those more and less optimistic improved a bit to -11 percentage points. **Page 14.**

How focused is your board on each major category of risk? Boards appear most focused on strategic risk (66% report a substantial focus), compliance risk, and financial risk (both around 50%), but there is significant variation across industries. **Page 15.**

How involved is your board in each category of business decisions? About three quarters of CFOs say their boards have substantial impact on decisions related to strategic objectives and executive compensation. Influence in other areas appears to vary significantly by industry. **Page 15.**

What is your strategy for providing 2012 earnings guidance? Only about one fifth of companies are providing best estimates and underlying assumptions. About 25% prefer to provide conservative estimates that allow for macro volatility, and nearly 40% are choosing not to provide any earnings guidance at all. **Page 16.**

In formulating your forward-looking expectations, on which external indicator(s) do you most rely? Macroeconomic indicators like GDP, unemployment, and housing starts are the most common external inputs, and many CFOs mentioned increased tracking of them for a broader range of geographic regions. Other indicators vary by industry. **Page 16.**

What risk-reduction strategies are you utilizing around retirement risk? Few companies appear to be ignoring retirement risk, with less than 5% of CFOs reporting no use of risk reduction strategies. The vast majority appear to have moved toward active risk management, especially through liability-driven investment (LDI) and revised retirement plans. **Page 17.**

Finance Organization

What are your finance organization's top three challenges? Leading the list is providing metrics/info/tools for business decisions and influencing business strategies and operational priorities (both 43%). Close behind is ensuring business initiatives achieve desired outcomes at 41%. **Page 18.**

How strong are the competencies of your finance organization? CFOs say their staff need stronger analytical acumen (75%), political acumen (60%), facilitation skills (47%), and macroeconomic knowledge (46%). **Page 19.**

Career

What are your top three job stresses? Change initiatives dominate with 49% of CFOs citing this stress. Next are changing regulatory requirements (43%) and strategic ambiguity (36%). Internal power struggles rose notably to 30%. **Page 20**.

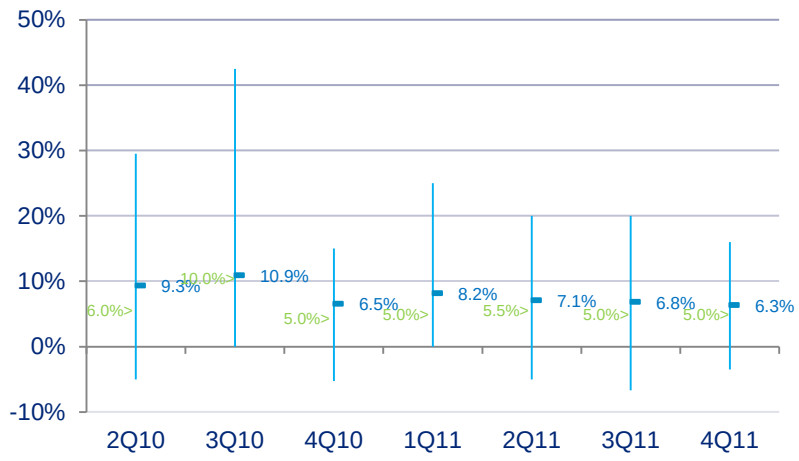
How do you spend your time? Just under 60% of CFOs report heavy workloads, but roughly two thirds report being satisfied with this commitment. Substantial attention to physical and mental well-being may be a key reason. **Page 21.**

*All numbers with an asterisk are averages that have been adjusted to eliminate the effects of stark outliers.

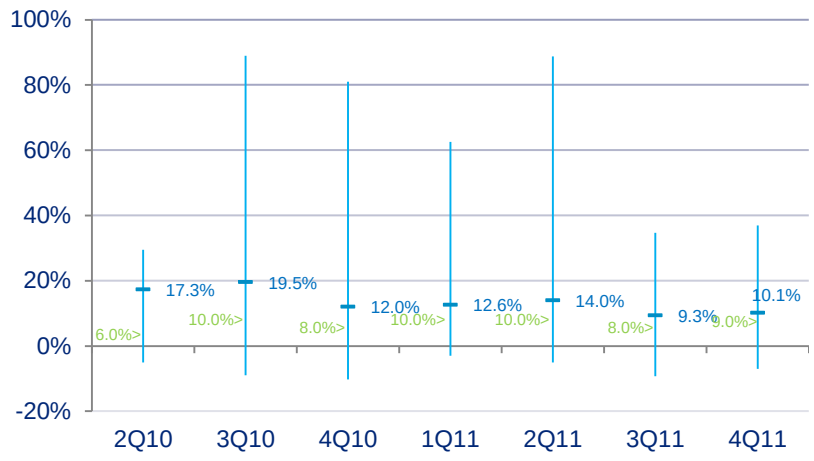
Trends: Growth

CFOs' expected year-over-year increases in growth metrics

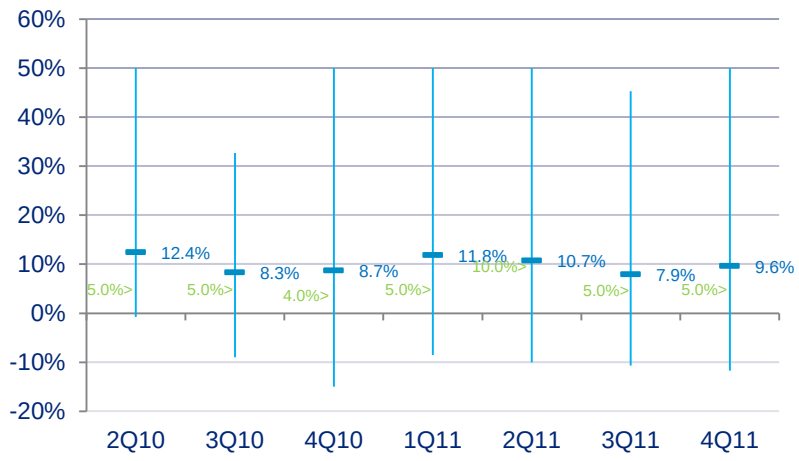
Revenue Growth



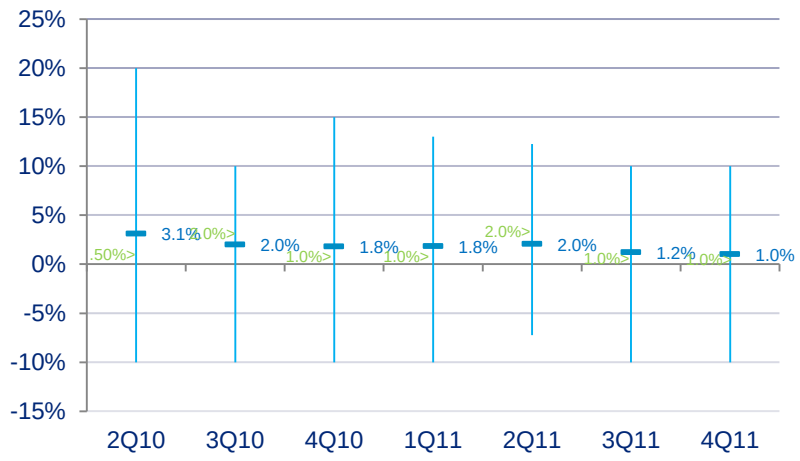
Earnings Growth



Capital Spending Growth



Domestic Employment Growth



Vertical lines indicate range for responses between 5th and 95th percentile.
Horizontal marks (–) indicate outlier-adjusted means.
Arrows (>) indicate unadjusted medians for all responses .

Trends: Operating

CFOs' expected year-over-year increases in operating metrics

Year-Over-Year Projections
(and percent of CFOs who expect year-over-year gains)

	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	
Sales	9.3%	10.9%	6.5%	8.2%	7.1%	6.8%	6.3%	Declining since 1Q11
	84%	93%	81%	89%	80%	83%	87%	
Earnings	17.3%	19.5%	12.0%	12.6%	14.0%	9.3%	10.1%	
	89%	93%	80%	83%	83%	82%	84%	
Wages/salaries	3.1%	3.3%	3.2%	3.1%	3.3%	3.2%	2.9%	
	94%	93%	95%	96%	95%	94%	94%	
Employee benefits	4.1%	4.7%	5.3%	4.5%	4.7%	4.3%	4.3%	
	85%	90%	89%	87%	90%	93%	87%	
Non-labor input costs / commodities	2.9%	2.2%	2.6%	3.4%	5.0%	4.2%	3.5%	Peaked in 2Q11 with rising oil prices; declining since
	73%	68%	75%	84%	93%	89%	78%	
Dividends	6.5%	8.6%	4.1%	4.4%	3.7%	3.5%	2.4%	Declining as sales and earnings projections have declined
	38%	39%	28%	36%	35%	41%	27%	
Capital spending	12.4%	8.3%	8.7%	11.8%	10.7%	7.9%	9.6%	Has not been as volatile as sales and earnings estimates
	62%	58%	57%	61%	69%	59%	61%	
R&D spending			4.1%	5.9%	3.5%	3.9%	5.4%	
			54%	51%	43%	47%	53%	
Marketing and advertising					4.6%	4.4%	3.9%	
					59%	53%	60%	
Number of domestic personnel	3.1%	2.0%	1.8%	1.8%	2.0%	1.2%	1.0%	Took a major hit last quarter, especially in U.S.; no rebound this quarter
	50%	60%	48%	61%	64%	52%	51%	
Number of offshore personnel	3.5%	2.8%	3.6%	3.7%	4.1%	2.9%	4.8%	Offshore hiring consistently outpacing domestic – sign of offshore growth focus?
	41%	49%	47%	41%	57%	37%	50%	
Use of offshore/outsourced third parties	2.9%	1.4%	2.8%	2.2%	2.2%	3.1%	3.7%	Picked up substantially over past two quarters – sign of margins focus?
	35%	37%	32%	41%	31%	36%	49%	

Summary

Europe casts a long shadow over near-term expectations

Remarkable volatility in the macro-business environment clearly rattled CFOs last quarter. After six straight quarters of mostly positive sentiment, large-company CFOs turned decidedly pessimistic thanks to the combined impacts of the U.S. debt deal, the downgrading of U.S treasuries by S&P, rising sovereign debt troubles in Europe, global economic malaise, and governments' continuing struggles to find solutions.

Little has improved this quarter. Sovereign debt issues in the euro-zone escalated this quarter. Employment languished, fueling increasingly-visible social unrest. And governments' struggles to address those financial and social challenges underscored the elusiveness of the solutions required to generate long-term improvement. Little wonder that economic risks and sovereign debt issues were named among the most worrisome risks by nearly all CFOs this quarter.

Those macroeconomic risks have also put a damper on CFOs' growth plans. Last quarter we saw a distinct defensive shift in focus from growth toward competition in current markets and more modest revenue, earnings, and investment expectations. And while the focus appeared to turn back toward growth a bit this quarter, CFOs remain in a conservative mood amid worries that the debt crisis might not be contained and that a spillover might threaten consumer and capital markets throughout the world.

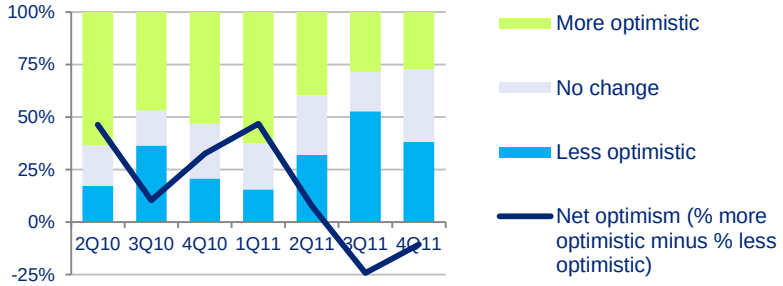
Early 2011 optimism has faded, but CFOs still see growth

Few current economic trends bode well for consumer demand or economic growth at home or abroad, and CFOs expectations bear this out. CFO optimism did not rebound after last quarter's large drop, and year-over-year financial projections continued their declining (albeit positive) trend.

Since the first quarter of this year (when more than 60% of CFOs were reporting increased optimism), quarter-over-quarter optimism has fallen steadily and now sits at just 27%. And in the wake of last quarter's 53% pessimism, 35% of CFOs report no change this quarter and 38% actually report further declines. Net optimism, which turned negative last quarter for the first time, improved a bit from -24 percentage points to -11.

Own-Company Optimism

CFO optimism relative to previous quarter



Rising pessimism has clearly taken a toll on business performance expectations. But the relatively good news is that, although year-over-year estimates have been declining, they are still in positive territory. CFOs now project average sales gains of about 6.3%* (down from last quarter's 6.8%* and a new low for this survey), but 87% do expect year-over-year gains. Earnings growth expectations rebounded from their 18-month low of 9.3%* last quarter to 10.1%* this quarter. Projections for U.S. firms were above average at 10.9%* (10.5%* last quarter), with Canada lower at 7.4%* (8%* last quarter).

Growth and investment, yes. Domestic hiring, no.

Despite their pessimistic sentiment, many CFOs appear to expect a brighter future. Few CFOs see economic conditions improving by the middle of 2012, but nearly 90% expect their home economies to be in better shape three years from now. This might explain why many companies (especially those in the Manufacturing, Retail/Wholesale, and Energy/Resources sectors) appear to be regaining some of their more typical proactive thrust this quarter.

*All numbers with an asterisk are averages that have been adjusted to eliminate the effects of stark outliers.

Summary

CFOs say more than half of their strategic focus is on revenue growth, and their focus on new markets rebounded somewhat after a sharp decline last quarter. They are again mentioning the adaptation of strategy and the prioritization of investments among their top challenges. Accordingly, capital investment growth expectations rebounded from 7.9%* last quarter to 9.6%* this quarter (driven by the sectors mentioned above), and R&D spending growth rose to 5.4%* (driven mostly by Manufacturing).

Unfortunately, companies' growth plans are not spurring substantial domestic hiring. Although U.S. projections improved from just .33%* last quarter to 1.4%* this quarter, aggregate expectations for North America are just 1.0%* (the lowest on record), and just half of CFOs project gains. Rising expectations for offshore hiring may suggest an increasing focus on foreign growth over domestic growth and/or continuing efforts to reduce costs.

Competition for revenue, and possibly for capital

Even as companies eye longer-term growth, they are focused on protecting near-term profitability. Continuing global economic malaise appears to be causing rising uncertainty around global market demand and heightened competition for revenue. Pricing trends are a top concern for 52% of companies (up from 40% last quarter) and new competitive tactics are on the rise.

As they consider their companies' near- and longer-term prospects, CFOs continue to monitor governments' impact on global economies and industries. Social policy is the top economic concern for well over half of CFOs (with unemployment just behind at 42%), and regulation is a top industry challenge for roughly the same proportion.

On top of demand-centered worries, CFOs indicate growing concerns about the possible spread of Europe's financial distress to North American banks and a resulting deterioration of capital availability. Accordingly, concerns around both inflation and capital cost/availability rose notably this quarter.

Unrelenting uncertainty thwarts earnings guidance

As companies look ahead to 2012, unrelenting volatility and uncertainty are creating substantial difficulties when it comes to predicting company performance and managing shareholder expectations. Consequently, many are choosing to either provide conservative estimates or to not provide guidance at all.

Straight-forward approaches based on providing best estimates and underlying assumptions have become less common with just one fifth of CFOs reporting this method. About one quarter are instead providing conservative estimates that allow for macro volatility, and nearly 40% are choosing not to provide any earnings guidance at all. CFOs also mentioned approaches including delaying guidance until particular factors become clearer, providing only one quarter's expectations at a time, and providing only longer-term expectations beyond 2012.

Growing pains for finance

This quarter's findings show that the macro- and microeconomic challenges that have been driving CFOs' toward their strategist and catalyst roles are creating similar demands on the broader finance organization – and those demands are generating significant growing pains.

As CFOs confront their organizations' demands for finance expertise, they say the three most pressing challenges are: influencing decisions related to strategy and operational priorities; providing information, analysis, and metrics for decisions; and ensuring initiatives achieve desired business outcomes. But three quarters of them say they need to improve their finance organization's analytical acumen, 60% say they need better political acumen, and nearly half say they need stronger macroeconomic knowledge and facilitation skills.

Clearly, many CFOs want and need to strengthen their organizations in short order. But since these advanced competencies take time to develop, and in light of previous survey results suggesting difficulties recruiting new staff with the right skillsets, they appear to have their work cut out for them.

*All numbers with an asterisk are averages that have been adjusted to eliminate the effects of stark outliers.

High-Impact Risks

All eyes on the euro-zone

High-impact risks

Europe's sovereign debt crisis generates global fears

From late 2010 through the first part of 2011, CFOs' concerns about global and domestic economies took a back seat to worries about internal missteps and detrimental government policy as barriers to growth. But two quarters ago, apparently sparked by rising sovereign debt issues in Europe, economic concerns began to climb back to the top of CFOs most worrisome risks. Recent escalation of the euro-zone financial crisis has only fueled the climb.

Last quarter, CFOs began to mention sovereign debt as a top concern as Greece's debt situation took a turn for the worse. As they responded to this quarter's survey, conditions were worsening in Italy, Portugal, and Spain, government leaders were being replaced, and the very sustainability of the Economic Union was being debated. Not surprisingly, specific mention of euro-zone debt issues skyrocketed this quarter.

This quarter, CFOs' responses appear to reflect worries that the European crisis might not be contained and that a spillover could threaten consumer and capital markets throughout the world. Economic risks and/or sovereign debt issues were named by the vast majority of CFOs as one of their most worrisome risks. And CFOs mentioned worries not just about global customer demand, but also about the possible spread of financial distress to North American banks and a resulting deterioration of capital availability and cost at home.

As they face difficult economic environments and rising competition for revenue, CFOs continue to be concerned about their own execution as well. Internal worries focused mostly on reputation-damaging events, failure of major initiatives (especially M&A and ERP implementations), and control/compliance issues this quarter. CFO concerns about the impacts of government policy (especially tax policy and detrimental regulatory changes) continued this quarter as well, but worries over domestic and foreign economies were more pressing overall.

Potentially High-Impact Risks

(**Mentions in 4Q11** / Mentions in 3Q11 / Mentions in 2Q11 / Mentions in 1Q11)

Economic turmoil / demand issues* (**33**/41/18/13/24)

Internal execution / missteps (**21**/23/19/11)

Detrimental government policy/regulation (**13**/14/20/21)

Worsening capital availability/cost* (**12**/9/4/5)

People and personal challenges (**10**/0/3/0)

Increasing competition / pricing pressures (**5**/4/9/5)

** Both the "economic turmoil / demand issues" and "worsening capital availability/cost" totals include mentions of European sovereign debt issues*

Please see Appendix for industry-specific findings.

Economy & Government

No near-term fixes

Top challenges

Government policy and jobs

In the U.S., slow economic growth, rising federal and state budget deficits, persistent unemployment, escalating sovereign debt issues in Europe, and government responses to all of these factors are clearly weighing heavily on CFOs' minds.

Social policy repeats as a top concern this quarter, with 57% of U.S. CFOs naming it a top three concern and six of eight industries naming it one of their top two (Financial Services and Services are the exceptions). **Environmental policy** concerns held steady this quarter, and are the top concern for 36% of U.S. CFOs and four industries – Manufacturing (tie), Energy/Resources, Financial Services (tie), and Services (tie).

Unemployment remains a top concern with 42% of U.S. CFOs and five of eight industries naming it one of their top three concerns. Manufacturing, Technology, and T/M/E are the exceptions.

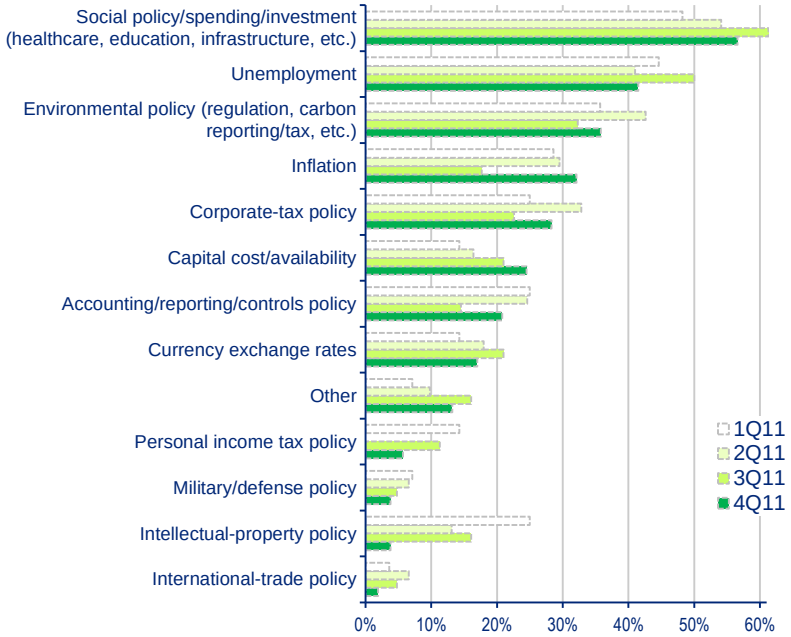
Other notable U.S. findings: **Inflation** concerns climbed notably from 18% last quarter to 32% this quarter; **corporate tax policy** and **capital cost/availability** are now top concerns for 28% and 25% of U.S. CFOs, respectively. The most common write-in concerns were slowing global economic growth and North American exposure to the European debt crisis.

Canadian concerns are notably different. Similar to the U.S. results, social policy and environmental policy are at the top with 40% of Canadian CFOs naming these concerns. But capital cost/availability concerns are also high at 40% (well above the U.S.), and accounting/reporting/controls policy finished very high at 36% (versus just 21% in the U.S.). Unemployment is a relatively minor concern at 24%, and currency exchange rate concerns are relatively high at almost 30%.

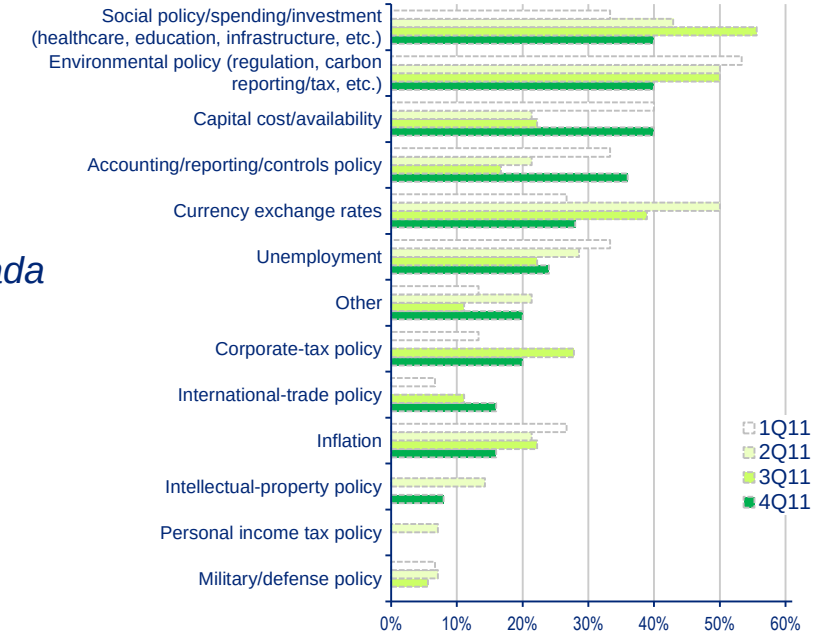
Economy Challenges

Percent of respondents who place each option in their top three

U.S.



Canada



Please see Appendix for industry-specific findings.

Economy & Government

Expectations for the economy

More of the same in the near term, but improvement on the horizon

Few CFOs see economic conditions improving by the middle of 2012. U.S. CFOs are the most optimistic with just 12% expecting declines and 83% expecting no change. Canadian CFOs are considerably more pessimistic with 28% expecting conditions to worsen and 64% expecting a continuation of current conditions.

U.S. and Canadian CFOs are more closely aligned in their more positive outlooks for the longer term. Some 13% expect conditions to decline over the next year and 56% expect conditions to stay the same, but about one third expect conditions to improve at least somewhat. Better still, nearly 90% of U.S. and Canadian CFOs expect their home economies to be in better condition three years from now and less than 2% expect poorer conditions.

Mandatory audit firm rotation

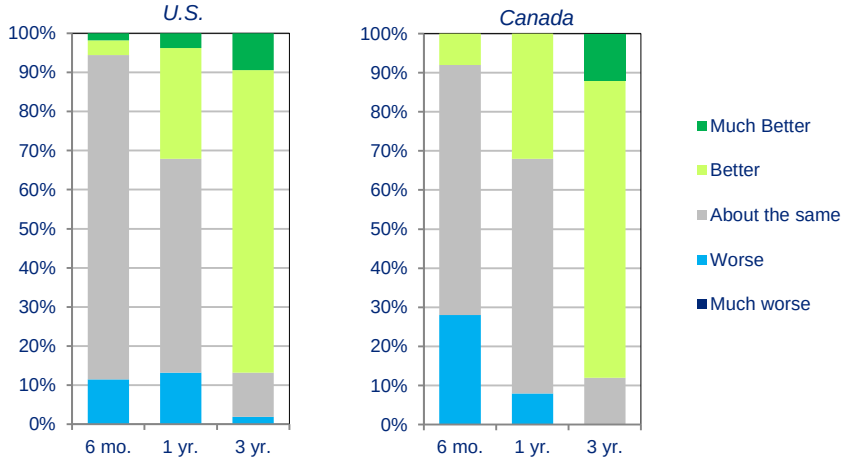
Little support

Partly fueled by rising business risk from the global financial crisis, mandatory audit firm rotation has become a hotly-debated topic in both Europe and North America. Many in the audit profession do not believe this approach would enhance auditor objectivity, independence, and professional skepticism. And based on results from this quarter's survey, an overwhelming majority of large company CFOs appear to agree with this assessment.

Overall, more than three fourths of CFOs indicate a belief that it would not be an improvement, citing particularly strong concerns around internal costs, audit fees, and loss of managerial discretion. Only about 20% of all CFOs (15% of those in the U.S.) support mandatory rotation, believing that it can work if the rotation period is long enough or that it would enhance independence and objectivity.

Status of Economy Six Months, One Year, and Three Years From Now

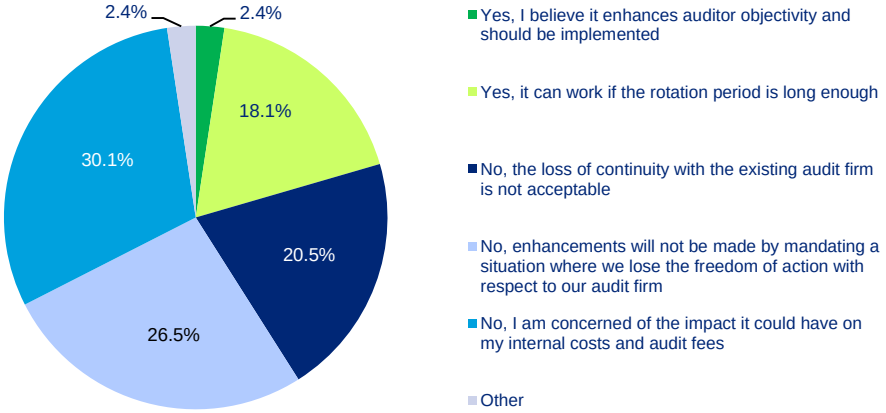
Percent of respondents reporting each expectation



Please see Appendix for industry-specific findings.

CFO Views on Mandatory Audit Firm Rotation

Percent of respondents who agree with each of the statements



Industry

Slow market growth intensifies competition

Top challenges

Regulation and rising competition

As it has been for the past six quarters, **industry regulation/legislation** is a top challenge for roughly half of CFOs. It is a top concern for all industries except Retail/Wholesale and Technology, and it is the top concern for Energy/Resources, Financial Services, Healthcare/Pharma, and Services.

Last quarter, CFOs' growth-related concerns appeared to give way to rising concerns about preserving the health of their core business. While growth rebounded a bit this quarter, the comparatively heavy focus on revenue preservation continues this quarter.

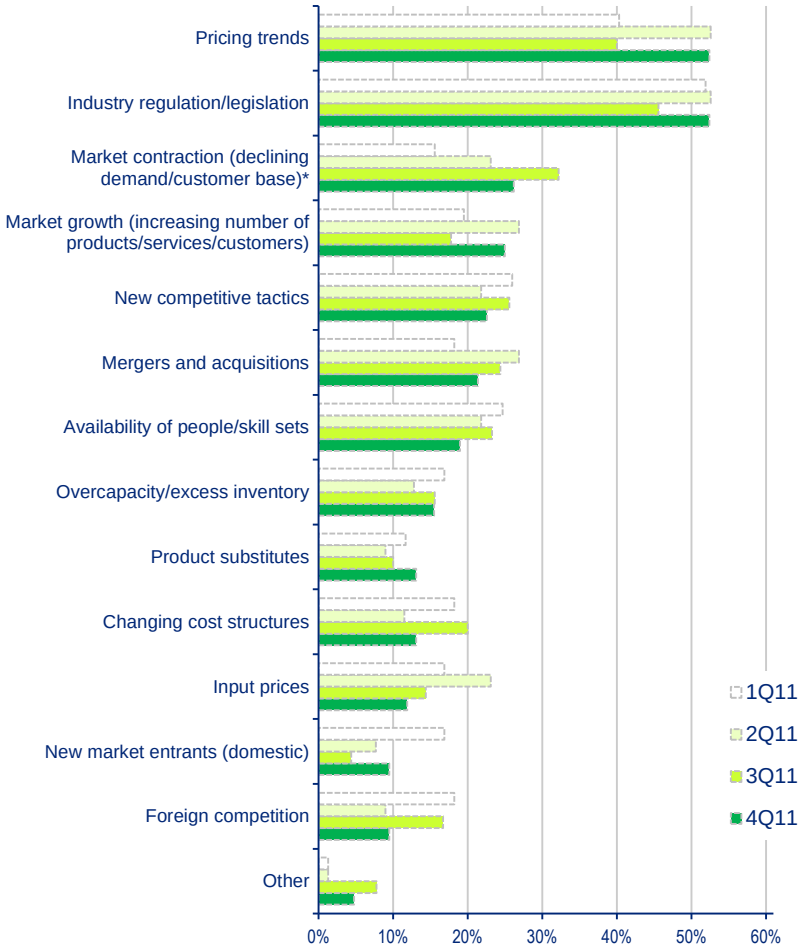
Nearly 30% of CFOs named **market growth** a top challenge two quarters ago, but that number fell to 18% last quarter and rebounded to just 25% this quarter. Meanwhile, the proportion of CFOs citing pressures from **market contraction** held relatively steady at 26%.

Global economic malaise appears to be causing rising uncertainty around market demand and rising competition for revenue. **Pricing trends** are a top concern for 52% of companies (40% last quarter) and are the top concern within four of the eight industries – Manufacturing, Retail/Wholesale, Technology, and Energy/Resources. About one quarter of CFOs cite **new competitive tactics** as a top challenge, especially within Retail/Wholesale, T/M/E, and Services.

Challenges related to **M&A** were cited by 21% of CFOs, down from 25% last quarter.

Industry Challenges

Percent of respondents who place each option in their top three



** "Market contraction (declining demand/customer base)"* is an option that was introduced in 1Q11 and was not offered in past surveys.

Please see Appendix for industry-specific findings.

Company

Searching for growth as revenue and earnings stall

Top challenges

Defensive orientation short-lived

After indicating a more defensive orientation last quarter (with a rising focus on existing markets, core operations, and risk management), companies appeared to regain some of their proactive thrust this quarter.

Revenue from existing markets again tops this quarter's list with 54% of all CFOs and six of eight sectors naming it the top challenge (Energy/Resources and Healthcare/Pharma are the exceptions). **Revenue from new markets** rebounded to 27%, up from 20% last quarter. It is a top concern for Technology, T/M/E, and Services.

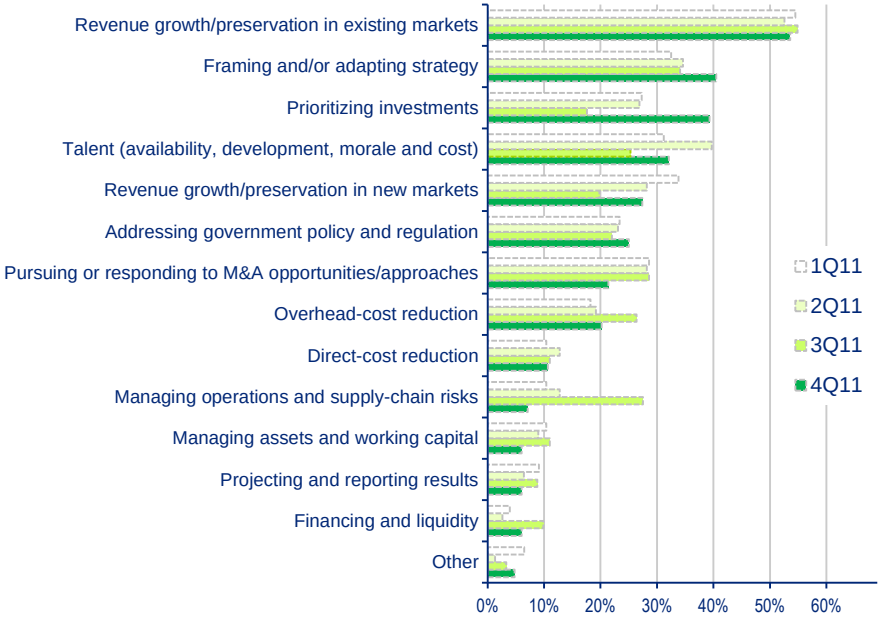
Consistent with a resumption of growth plans, challenges related to **framing and/or adapting strategy** surged this quarter with more than 40% of CFOs naming it a top challenge (only Manufacturing did not rate it in the top three). Similarly, **prioritization of investments** rebounded to nearly 40% after falling to just 18% last quarter. It is a top three challenge in all sectors except Technology, Healthcare/Pharma, and T/M/E.

As CFOs' focus on growth appeared to slow last quarter, their focus on cost reduction appeared to rise. That trend appears to have reversed this quarter with the focus on **overhead costs** declining from 26% to 19% (more in-line with average levels over the past 18 months). Similarly, CFOs' concerns about **operations and supply chain risks** subsided notably over the past quarter, falling from 28% to just 7%.

Talent challenges rebounded to 32% after falling to 25% last quarter, and they are a top concern for both Manufacturing and Energy/Resources. **M&A-related challenges** declined to 21% after sitting at about 30% for the past several quarters. Addressing **government policy** is a top challenge for about one fourth of all companies and is still a top concern for Financial Services and Healthcare/Pharma.

Company Challenges

Percent of respondents who place each option in their top three



Business focus

Revenues from existing markets, but industries vary

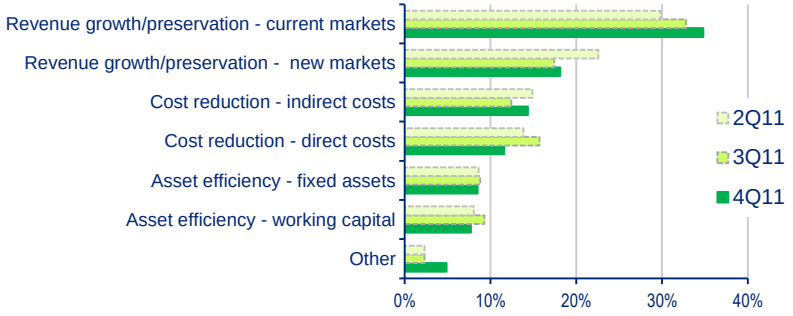
Despite strong economic and capital markets concerns, and consistent with findings from the "top company challenges" question above, revenue growth/preservation continues to be the companies' primary focus.

Just over half of companies' strategic focus is on revenue growth and preservation (essentially the same as last quarter). Retail/Wholesale, Technology, and T/M/E lead with roughly two-thirds of their strategic focus concentrated on revenues. Across all companies, CFOs cite a 35% focus on revenue growth/preservation in existing markets and an 18% focus on growth in new markets. Retail/Wholesale and T/M/E indicate the strongest focus on current markets at 47% and 43%, respectively, and T/M/E and Technology indicate the strongest focus on new markets at 28% and 24%.

Financial Services, Healthcare/Pharma, and Services have a strong focus on direct costs at about 20%, and the latter two also have a strong focus on indirect costs (also about 20%). The highest focus on asset efficiency is within Energy/Resources (fixed assets) and Manufacturing (working capital).

Company Business Focus

Distribution of company focus among respondents



Please see Appendix for industry-specific findings.

Company

Expected sales and earnings

Increasingly conservative expectations, but not negative

The second quarter of this year appeared to signal a turning point in CFOs' assessments of the economic recovery. Revenue increases seemed harder to achieve as competition intensified, and growth expectations for earnings, hiring, and capital spending declined accordingly. The tumultuous events of the past two quarters appear to have only amplified this dynamic.

CFOs currently project average **sales gains** of about 6.3%*, slightly below last quarter's 6.8%* and a new low for this survey. On the plus side, 87% of CFOs do expect year-over-year gains. Mexico bolstered the results with 10% expected growth (note the small sample size), but U.S. estimates of 6.2%* (6.3%* last quarter) and Canadian estimates of 6.0%* (7%* last quarter) lagged. Expectations for Retail/Wholesale, Technology, and Healthcare/Pharma all declined significantly.

Earnings growth expectations rebounded from their 18-month low of 9.3%* last quarter to 10.1%* this quarter, but they are still below the levels we saw from 2Q10 to 2Q11. The good news is that 84% of CFOs still expect gains, and median earnings growth rose from 8% to 9% this quarter. Expectations for U.S. firms were above average at 10.9%* (10.5%* last quarter), with Canada lower at 7.4%* (8%* last quarter). Similar to the case for revenue expectations, earnings expectations declined significantly within Retail/Wholesale, Technology, and Healthcare/Pharma. T/M/E and Services reported strong increases, but the sample sizes were relatively low.

Non-labor input cost growth continued to decline this quarter, falling to 3.5%* (down from 4.2%* last quarter and 5%* in 2Q11) with all sectors except T/M/E lowering their projections. Wage/salary projections are consistent with previous quarters at around 3%*, and expected employee benefits cost increases of 4.3%* are roughly the same as last quarter.

* Numbers with asterisks have been adjusted to eliminate the effects of stark outliers.

Expected dividends, capital spending, and employment

Some sectors may be gearing up for a better future

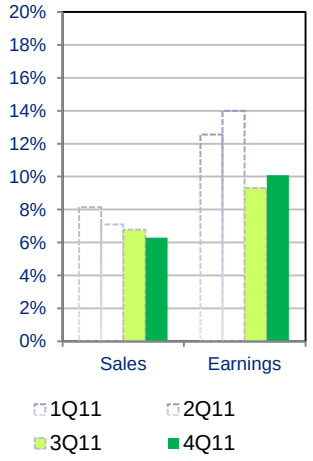
CFOs expect **dividend increases** of just 2.4%*, well below the 3.5%* expectation last quarter and a new survey low. The median expectation is again 0%, and just 27% of CFOs project dividend increases (down from 41% last quarter, another survey low). Financial Services is the outlier at 6% dividend growth.

Capital investment growth expectations rebounded to 9.6%* after falling to 7.9%* last quarter, but the median expectation is still only 5%. Consistent with last quarter, just over 40% of CFOs expect flat or decreased spending. Estimates for Manufacturing, Retail/ Wholesale, and Energy/Resources all rose markedly, but estimates for all other sectors fell.

Driven by Manufacturing, Financial Services, and Healthcare/Pharma improvements, **R&D spending** is expected to rise 5.4%* (up from 4%* last quarter) with more than half of all CFOs expecting gains. **Marketing spend** is expected to rise 3.9%* (down from 4.4%*) with more than 60% of CFOs expecting gains.

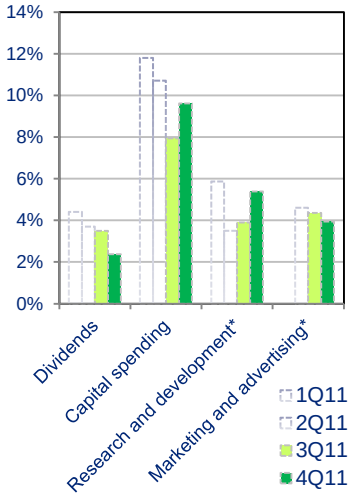
Operating Results*

Expected change year-over-year



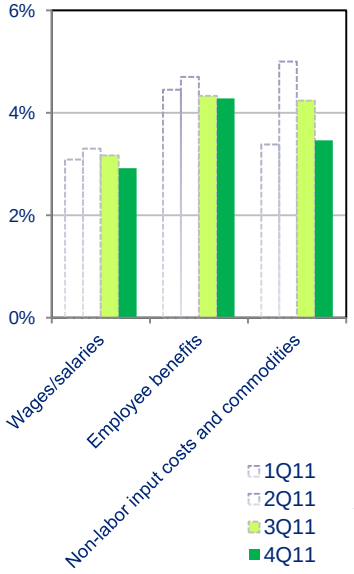
Investments*

Expected change year-over-year



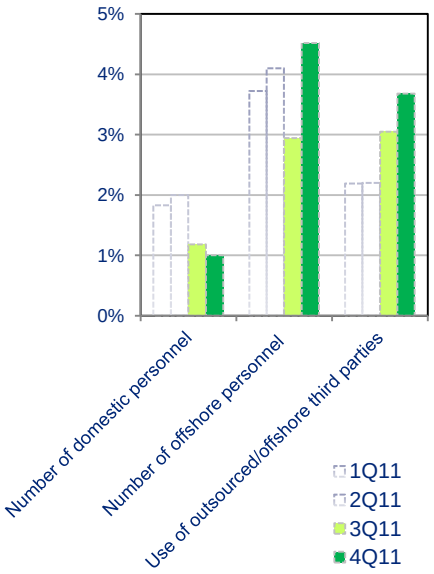
Costs*

Expected change year-over-year



Employment*

Expected change year-over-year



**Averages have been adjusted to eliminate the effects of stark outliers.*
**Research and development was not offered in 2Q10 and 3Q10 surveys.*
**Marketing and advertising is an option that was not offered in past surveys.*

Please see Appendix for industry-specific findings.

Company

Domestic hiring gains of 1.0%* (down from 1.2%* last quarter) are the lowest on record, and just half of CFOs project gains at all. U.S. CFOs' projections are highest at 1.4%* (0.33%* last quarter) and Canadian projections dropped from 1.9%* last quarter to just 0.7%* this quarter. None of the sectors provide much of a bright spot.

Most hiring appears to be focused offshore, likely in pursuit of lower costs and/or growth in new markets. **Offshore personnel growth** reached 4.5%* this quarter (the highest in this survey's history), up from 2.9%* last quarter. Canada's projections were highest at 4.7%*, followed by the U.S. at 4.1%*. **Outsourced staffing** rose from 2.2%* last quarter to 3.7%* this quarter – another survey high – led by the U.S. at 4.0%* and Canada at 3.4%*.

* Numbers with asterisks have been adjusted to eliminate the effects of stark outliers.

Own-company optimism

Still mostly pessimistic – U.S. improved a bit, Canada declined

Until the first quarter of this year, improving assessments of the macro-business environment had fueled rising optimism on the whole. But over the past three quarters (particularly over the last two), CFOs' optimism has fallen markedly.

Last quarter, net optimism (the spread between those indicating rising optimism and those indicating rising pessimism) turned negative for the first time – to the tune of a stunning -24 percentage points. This quarter it continued its negative trend at -11 percentage points. Even in the wake of last quarter's 53% pessimism, 38% of CFOs still reported declining optimism this quarter. One consolation: 35% of CFOs reported no change.

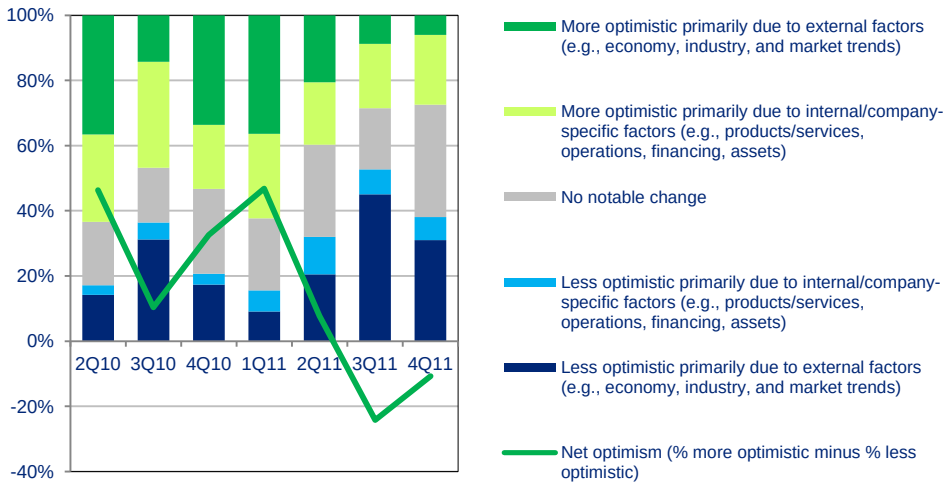
Similar to last quarter, externally-driven pessimism is at the heart of the gloom. Last quarter, externally-driven optimism fell to a historic low of just 9%, and this quarter it dropped even further to 6%. Some 45% of CFOs said they were less optimistic because of external factors last quarter, and 31% say the same thing this quarter (the balance is mostly in the "unchanged" category this quarter).

It is important to note that there are substantial differences between regions. Canadian CFOs have historically reported higher-than-average optimism (mostly driven by more favorable assessments of internal/company-specific factors), and this quarter is no exception. Net optimism for Canada is still positive at +4 percentage points, but below last quarter's +22. The 28% who are more pessimistic exclusively cite external reasons, down from 33% last quarter. Net optimism in the U.S. is -15 percentage points, significantly above last quarter's -34, overwhelmingly fueled by externally-driven pessimism. Mexico is difficult to characterize due to a low sample size and little response consistency.

It is also important to note that CFO optimism varies markedly by industry. The most substantial deviations from the average are Healthcare/Pharma (all four CFOs were more optimistic), Manufacturing (much more pessimistic), and Retail/Wholesale (mostly indicating no change this quarter after being comparatively upbeat last quarter).

Company Optimism

Company optimism compared to previous quarters



Please see Appendix for industry-specific findings.

Company

Board's risk focus

Strategic, compliance, and financial risk

Strategic risk is the top risk focus for boards with 66% of all CFOs citing substantial board focus in this area. At 56%, Canadian CFOs indicate a somewhat lower focus than the overall result. Just 4% of CFOs cite little or no board focus in this area.

Compliance and regulatory risk is a substantial focus for just under half of all boards with little variance across regions. Just 10% of CFOs cited little or no board focus in this area. More than two thirds of Financial Services and Healthcare/Pharma CFOs report a substantial focus.

Financial risk is a substantial focus for 48% of all boards with just 6% citing little/no board focus in this area, but Technology, Financial Services, and Energy/Resources are notably higher, and Manufacturing and T/M/E are notably lower.

Reputational risk edged operational risk with 41% of all CFOs citing substantial board focus in this area. More than half of Canadian CFOs cite substantial board focus in this area, and only one Canadian CFO cited little/no focus (16% of U.S. CFOs cited little/no focus). Technology CFOs report very little board focus in this area.

Operational risk is a substantial focus for more than 40%* of U.S. and Mexican boards, but for just 28% of Canadian boards. More than 15% of Canadian CFOs cite little/no focus in this area, double the rate for U.S. and Mexican boards. Technology and Energy/Resources CFOs report a much higher board focus in this area, and Services CFOs report a much lower focus.

Board's role in decisions

Most influential around strategic objectives and executive compensation

Approximately 75% of all CFOs say their boards have substantial influence over decisions related to **strategic objectives** with little variability across regions. Services reported relatively low influence in this area.

Roughly 75% of U.S. and Canadian CFOs report substantial board influence around **executive compensation,** as do 40%* of Mexican CFOs. Essentially all Retail/Wholesale, Energy/Resources, and Healthcare/Pharma CFOs report high board influence in this area.

Nearly 45% report substantial influence around **dividends and/or share buybacks**, but about one third report little/no influence. Energy/Resources indicates strong influence at 75%.

About one third of all CFOs report substantial board influence around **revenue growth/preservation** decisions (14% report little/no influence) and just 10% report influence around **cost cutting** (41% report little/no influence).

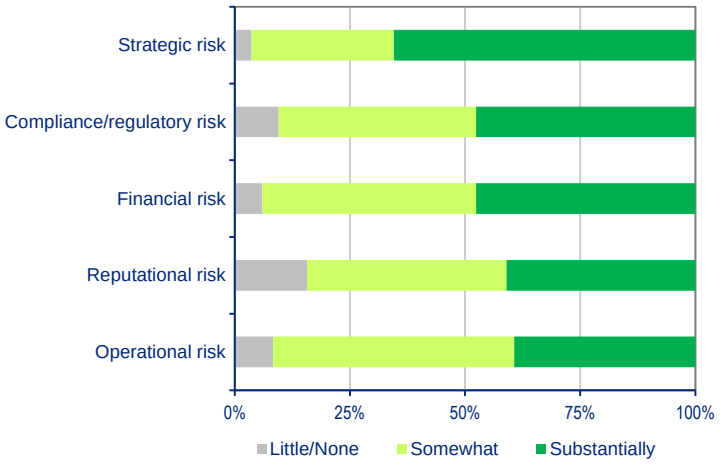
Nearly one quarter of all CFOs report substantial board influence around **financing approaches**, but nearly 30% report little/no influence. Financial Services is the lowest with less than 10% reporting substantial influence and more than half reporting little/no influence.

Only 10% of U.S. CFOs report substantial board influence around **shareholder relations**, but 20% of Canadian CFOs and 40%* of Mexican CFOs do so. Nearly 30% of Financial Services CFOs report strong board influence in this area.

** Please note that the sample size for Mexico for these questions is just five.*

Board's Focus on Risk

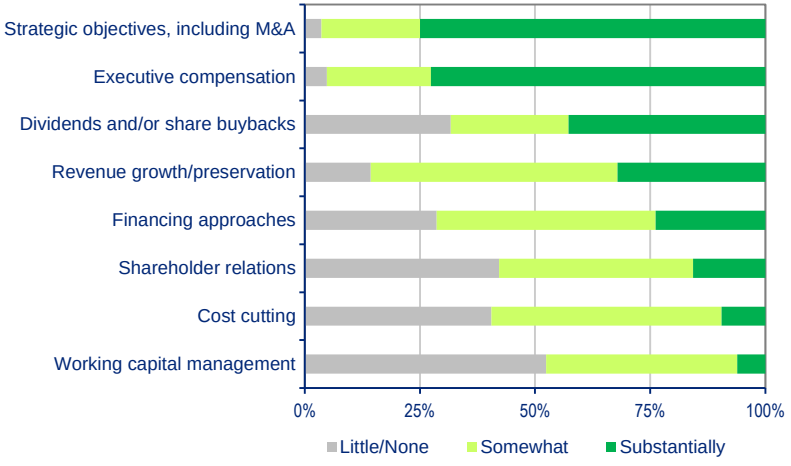
Degree to which CFOs say their board is focusing on different risk areas



Please see Appendix for industry-specific findings.

Decision Making by Board

Degree to which CFOs say their board is involved in decision making



Please see Appendix for industry-specific findings.

Company

Earnings guidance for 2012

Economic uncertainty is changing companies' approaches

As companies look ahead to 2012, continuing volatility and uncertainty are causing many of them to provide conservative estimates or to not provide guidance at all.

Only about one fifth of companies are providing best estimates and underlying assumptions. About one quarter prefer to provide conservative estimates that allow for macro volatility (especially within Canada and Mexico, and within the Technology sector), and nearly 40% are choosing not to provide any earnings guidance at all (roughly half of Manufacturing and Retail/Wholesale companies cite this approach, but none of the Technology companies do).

Other alternatives written in by CFOs (all from the U.S.) include: delaying guidance until major factors become clearer; providing longer-term targets beyond 2012; and projecting only as far out as the next quarter.

External inputs to earnings guidance

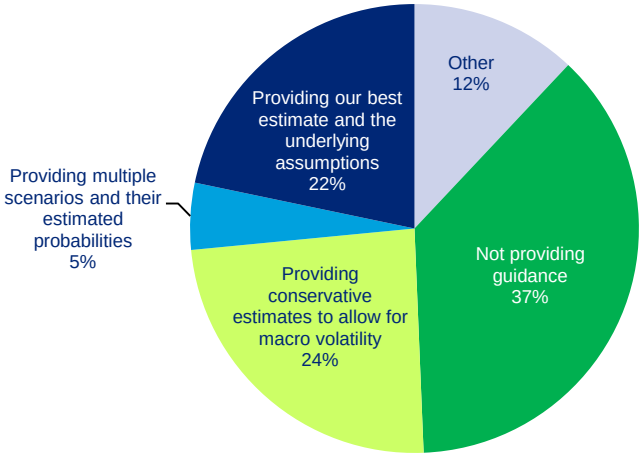
Rising focus on international economic health

In light of economic turmoil, it is probably not surprising that macroeconomic indicators like GDP, unemployment, and housing indicators are the most frequently-cited external inputs to CFOs' projections. More surprising may be the frequency with which CFOs specifically mention their newly-increased tracking of economic indicators from a broader range of geographic regions.

It also appears that some industries may be more reliant on economic indicators than others. For example, while Manufacturing, Retail/Wholesale, and Financial Services indicate a heavy focus on a wide range of macroeconomic metrics, Energy/Resources and Healthcare/Pharma CFOs tend to focus more industry-level indicators (although Healthcare/Pharma sample size was only four).

Strategy for Providing 2012 Earnings Guidance

Percent of CFOs who indicate each strategy as part of earnings guidance



Please see Appendix for industry-specific findings.

External Indicators and Forward-Looking Expectations

(Mentions in 4Q11)

GDP (current and projected) (31)
Consumer confidence/spending (18)
Input/commodity cost trends (12)
Employment / unemployment (11)
Currency/capital markets and interest rates (11)
Capital spending / manufacturing indexes (6)
Other / industry-specific (6)
Inflation / deflation / CPI (5)
Weather patterns/projections (3)

Please see Appendix for industry-specific findings.

Company

Retirement risk

Companies increasingly look to de-risk retirement liabilities

In the not-so-distant past, companies' typical approach to retirement plans was to maintain open and accruing plans and to focus more on maximizing investment return than on mitigating risk. Economic and capital market concerns appear to have made this strategy largely obsolete.

In the continuum of retirement risk management, very few are on the laissez faire end. Less than 5% of CFOs say their companies are not using (or at least not planning to use) retirement risk reduction strategies. The vast majority appear to have moved toward the middle of the continuum by coordinating the management of retirement assets and liabilities, and also by limiting both existing and future retirement liabilities through revised plan design.

Liability driven investment (LDI) is the most-cited risk management strategy, with 52% of CFOs indicating the use of some form of LDI-based approach (56% in the U.S. and 44% in Canada).

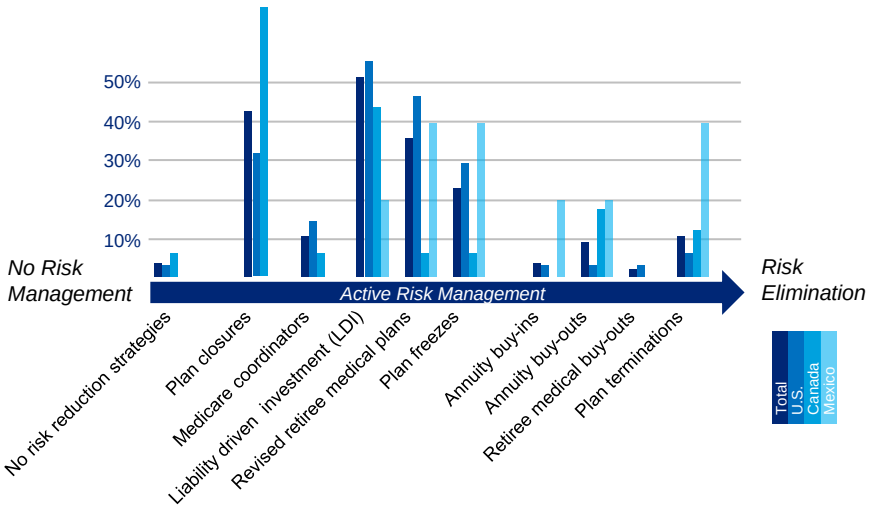
Plan redesign approaches (focusing on minimizing liability growth and risk) are also popular. **Plan closures** were cited by 43% of respondents, with 70% of Canadian CFOs saying future employees had been moved to defined contribution plans. Complete **plan freezes** were reported by 23% of CFOs, with almost one third of U.S. companies using this strategy to stem liability growth. **Revised retiree medical plans** were cited by nearly 36% (50% for U.S. companies), and 11% cited the use of Medicare coordinators.

Only a small proportion of companies have moved to the most aggressive end of the risk management continuum. Despite the benefit of eliminating (or greatly reducing) retirement risks, approaches like **annuity buy outs** (less than10% overall, but 18% in Canada and 40% in Mexico) and **annuity buy-ins** (less than 4% overall) have not yet gained substantial traction. Other relatively aggressive approaches like **plan terminations** (11%) and **retiree medical buy outs** (2%) are also relatively unpopular.

The low popularity of aggressive risk reduction strategies may be driven at least in part by their steep costs in a low-interest-rate environment. Accordingly, their use may rise significantly in response to higher interest rates.

Retirement Risk Reduction Strategies

Percent of respondents citing the use of each strategy



Due to a sample size of 60, we did not provide industry-specific findings.

Finance Organization

Strategist and catalyst roles strain finance's capabilities

Top challenges

Back to growth and decision-making

Last quarter's turmoil appeared to shift finance organizations' top challenges somewhat away from growth and toward a more defensive set of core operational concerns. This quarter's results, however, appear to indicate a renewed focus on supporting growth.

Influencing decisions related to strategy and operational priorities rebounded to 43% from a low of just 35% last quarter, and it is a top-three challenge within all sectors except Energy/Resources, Healthcare/Pharma, and T/M/E. **Providing information, analysis, and metrics** also stayed high at 43% and is high for all industries.

Also consistent with a renewed growth focus, **ensuring initiatives achieve desired business outcomes** rebounded to 41% (well above its low point of 20% last quarter) driven mostly by Financial Service, Healthcare/Pharma, and Services companies. Similarly, **aligning budgets and capex decisions with priorities/strategies** rebounded to 21% from 16% last quarter.

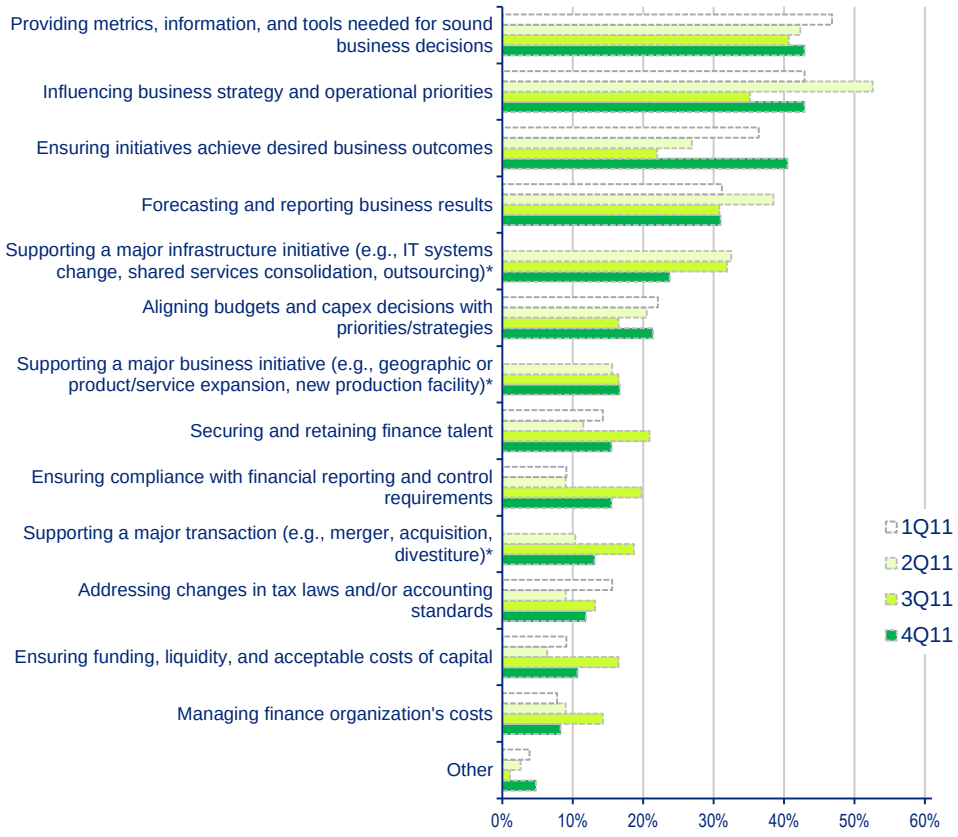
Challenges around **forecasting and reporting business results** are a top challenge for roughly one third of all CFOs and are the top challenge in Energy/Resources and T/M/E.

Focus on **supporting major infrastructure/back-office initiatives** declined from nearly one third to one quarter, and just 13% of CFOs indicate a strong focus on **supporting a major transaction** – significantly below the 20% level from last quarter. About 17% report challenges in **supporting major business expansion initiatives**, roughly equal to last quarter.

Other notable findings: **Ensuring funding, liquidity, and acceptable cost of capital**, which tripled to 17% last quarter, receded to a more normal level of about 10%.

Finance Organization Challenges

Percent of respondents who place each option in their top three



- Starting with the 1Q11 survey, "Supporting a major change initiative (e.g., M&A, IT systems change, IPO)" has been broken out into three options: "Supporting a major infrastructure initiative", "Supporting a major transaction," and "Supporting a major business initiative."

Please see Appendix for industry-specific findings.

Finance Organization

Finance Capabilities

Increasing strategist and catalyst roles cause growing pains

In prior surveys, CFOs have said they are spending increasing amounts of time in their strategist and catalyst roles. This quarter's findings suggest that the organizational demands that are driving those changes in CFO focus are shifting the focus of other finance staff as well.

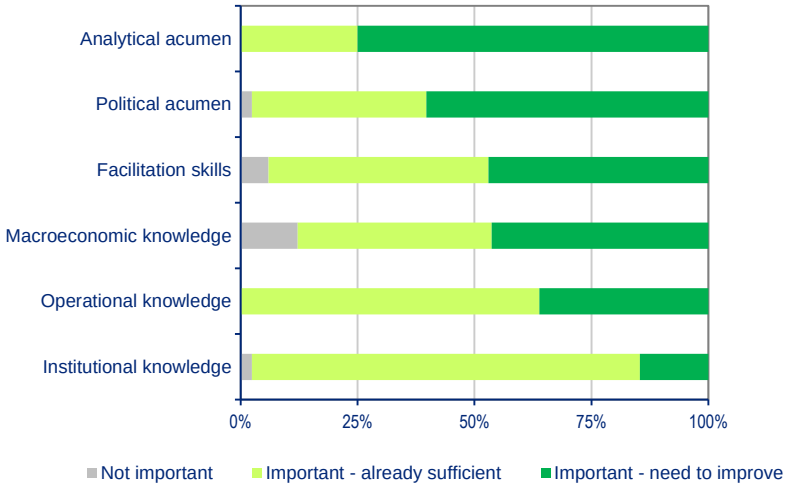
As companies are reworking and adapting their strategies, finance is taking on a stronger role in strategy setting – but not without some struggles. Three-quarters of CFOs say they need to improve their staff's analytical acumen – or ability to access, analyze, and present information for decisions. Nearly half say they need to improve their staff's macroeconomic knowledge, and the same proportion say their staff's facilitation skills need to improve. More than one third say they need to improve their staff's knowledge of the company's business model and performance dynamics.

Our previous surveys have shown that once strategic decisions are made, finance is playing a stronger role in driving change throughout the organization. But 60% of CFOs say they need to improve their staff's political acumen – or ability to get decisions, consensus, and action. More encouraging, however, is the fact that more than 80% of CFOs say their staffs are where they need to be when it comes to institutional knowledge around organization structures and operational performance.

Despite general agreement across industries, there are interesting differences. For example, Services CFOs indicate relatively low importance for macroeconomic knowledge, but above-average importance (and development needs) around operational knowledge and facilitation skills. Energy/Resources indicates relatively high improvement needs around institutional knowledge, but relatively low improvement needs around political acumen.

Status of Finance Capabilities

How important are the following competencies to your organization?



Please see Appendix for industry-specific findings.

CFO Career

More focus on strategic issues, but renewed operational challenges

Top job stresses

Change initiatives, regulation, and ambiguity

Three change-related stresses (strategic ambiguity, major change initiatives, and changing regulatory requirements) consistently top the list of CFOs' job stresses, and this quarter is no exception.

Consistent with all but one previous quarter, **major change initiatives** (e.g. M&A, systems changes, IPOs) are the dominant career stress this quarter. Nearly half of all CFOs cite this stress, and only the Services sector is markedly below this average. Change initiatives are the most mentioned career stress mentioned over the seven quarters of this survey, and the predominant drivers appear to be new infrastructure investments (especially ERP-related) and business growth initiatives.

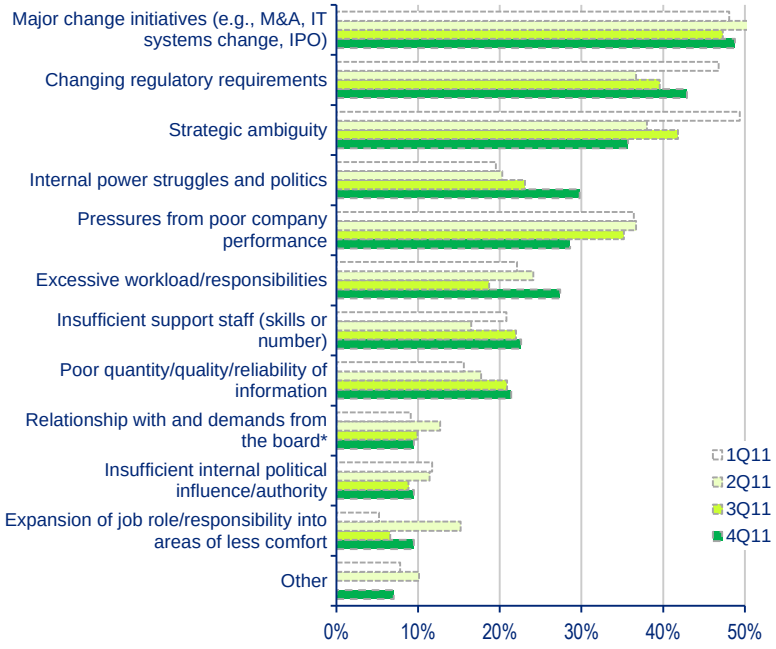
Changing regulatory requirements are the top challenge for Manufacturing, Energy/Resources, Financial Services and T/M/E, and they are a top-three challenge for 43% of CFOs overall. Just over 35% of CFOs cite **strategic ambiguity** (down from 42% last quarter), highest in Technology, Energy/Resources and Services.

Internal power struggles continued to rise and are now a top stress for 30% of all CFOs and for nearly half of CFOs in Retail/Wholesale. Another 29% cite **pressures from poor company performance**, with the strongest effects in Technology, Energy/Resources, and Services.

Other notable finding: **Excessive workloads and responsibilities** are a top concern for just over one quarter of CFOs; 23% cite **insufficient support staff**; and 21% cite **information quantity/quality/reliability issues**.

Job Stresses

Percent of respondents who place each option in their top three



Please see Appendix for industry-specific findings.

CFO Career

Personal time

Not surprisingly, work/life balance is slanted toward work

As might be expected of successful C-level executives, CFOs are generally effective in managing their workloads and maintaining their productive capacity. Just under 60% of CFOs report very heavy workloads, but roughly two thirds report being satisfied with their commitment. Contributing to this may be the fact that just over half report a moderate time commitment to mental well-being and nearly 60% are satisfied with their allocation to this. (It is still notable, however, that nearly 40% say they spend little time in this area and want more.) Similarly, CFOs appear to be carving out time for their health and fitness. Just under half report a moderate commitment in this area and another 8% report a high commitment. (Still, 60% would like to devote more time to this.)

CFOs also manage to carve out time to improve their long-term career effectiveness. Just over one third report a moderate time commitment to career development, and nearly 10% report a high commitment. Nearly two thirds, however, would still like more. They also seem relatively satisfied with their home and family time, with more than 40% reporting a moderate time commitment and the same proportion happy with their allocation. Still, 60% say they would like more.

Given CFOs' heavy workloads and competing priorities outside of work, something has to give. Social activity and community involvement gets a moderate time commitment from less than one third, and almost nobody reports a heavy commitment. About 45% of CFOs are satisfied with this commitment. Coming in last appears to be personal development not related to work. Only 21% report a moderate time commitment in this area, and just one third are satisfied with their level of commitment.

CFO Time Allocation

Actual time commitment vs. desired

Please see Appendix for industry-specific findings.

Appendix

Detailed findings

High-Impact Risks

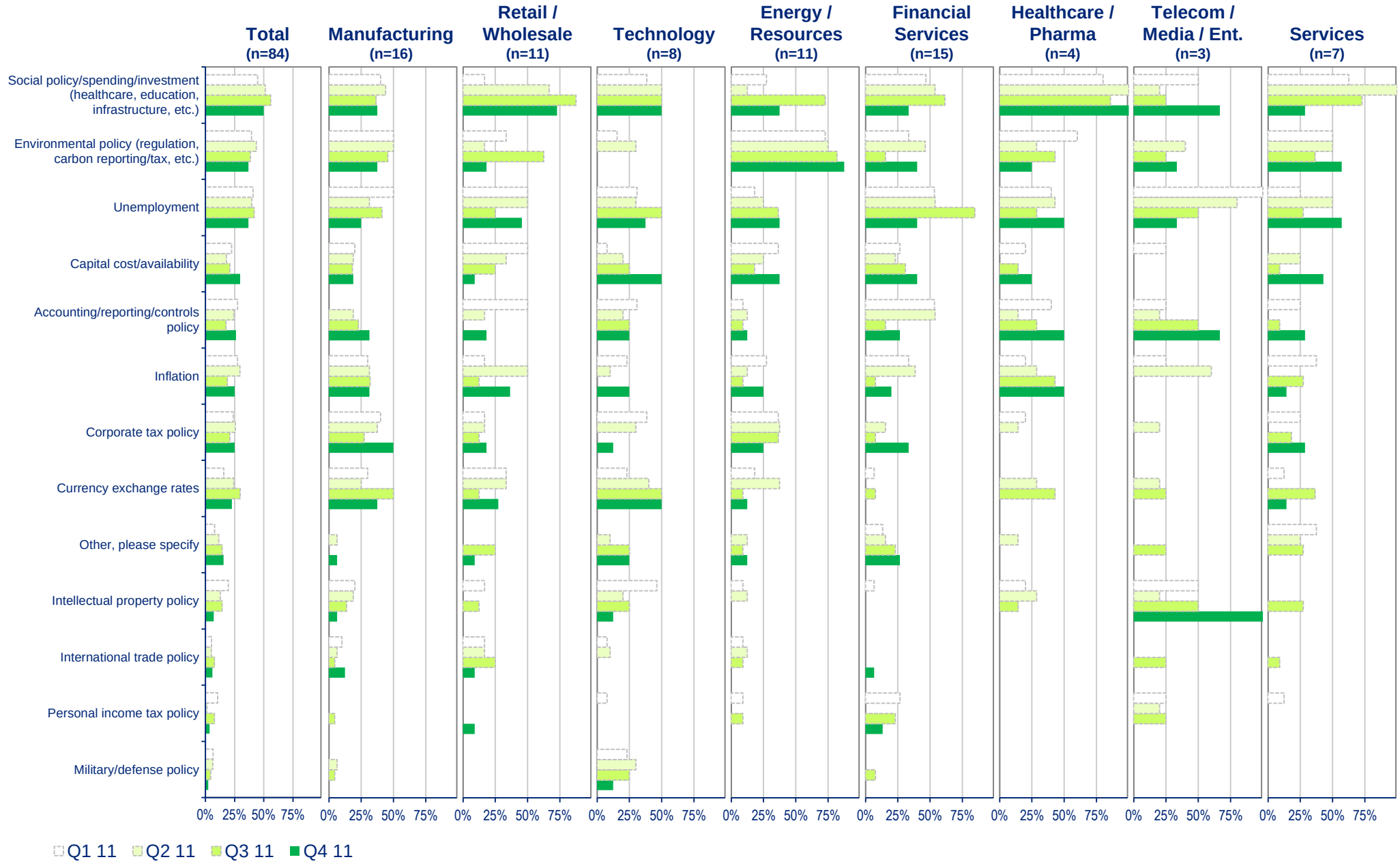
What one potentially high-impact risk are you worried about the most?

	Manufacturing	Retail / Wholesale	Technology	Energy / Resources	Financial Services	Healthcare / Pharma	Telecom/ Media/ Entertainment	Services
Economic turmoil / demand issues	Economic recession Economic uncertainty Europe risk Europe and impact on US World economic conditions, debt levels Success of our company in poor economy Housing recovery muted for many years	Economy Economic growth in US Second recession European banks and/or Euro catalyst for another financial crisis Europe double dip impact on NA World wide economy and geopolitical stability	Global economic uncertainty Euro debt crisis Weaker consumer confidence Health of world wide economies Surprise recession due to the countries' budget exposure	Economic uncertainty Economy Global economic crisis Poor economy putting additional pressure on financial results Potential global impact of worst case scenario in European debt crisis	Economy Slow recovery Europe sovereign debt crisis Global crisis and the impact on the financial institutions			Continued/ deepening recession European Financial mess Global credit crisis
Internal execution / missteps	New ERP system and associated changes Growth through acquisitions with downturn in performance	Security issues impacting brand Information security Execution risk around growth Initiatives System changes		Quality assurance/control	Control environment tone at top Impact of ownership change	Expense rationalization success	Regulatory compliance issues	Reputation risk
Government policy/regulation	Adverse tax policy Extreme increases in U.S. taxation Regulatory environment		Uncertainty from Regulatory change US administration leadership		Regulatory changes Continued regulatory changes	Regulatory changes Government regulations	Regulatory	New government regulations regulation
People and personal challenges	Acquiring sufficient talent in new markets to support growth Having enough time to adapt to a changing environment and changes in roles and responsibilities	Age	Company performance creating more pressure. Evolving the company's skill set and hiring new managers Poor share price performance damaging personal reputation	Missing something important in the haste to get everything done	Increasing demands with limited resources Organizational leadership and impact on the BOD Too much to do, too little time Personal health Succession planning	Personal health	Building leadership strength in the organization	The need to be objective, which can many times be interpreted as pessimistic Executive change and /impact on management team Key employee departures
Capital availability/cost*	Europe risk Europe, and impact on the US		Euro debt crisis		Volatility in financial markets Europe sovereign debt Impact of low interest rates			European Financial mess Global credit crisis
Competition / pricing pressures	Competitive industry pressures		Competition in industry	Hostile M&A activity		Disruptive innovation or investment		

** For some comments regarding European sovereign debt, it was difficult to tell whether CFOs were worried about impacts on customer demand or on global capital markets. In these cases, we included their comments in both the "Economic turmoil" and "Capital availability/cost" sections.*

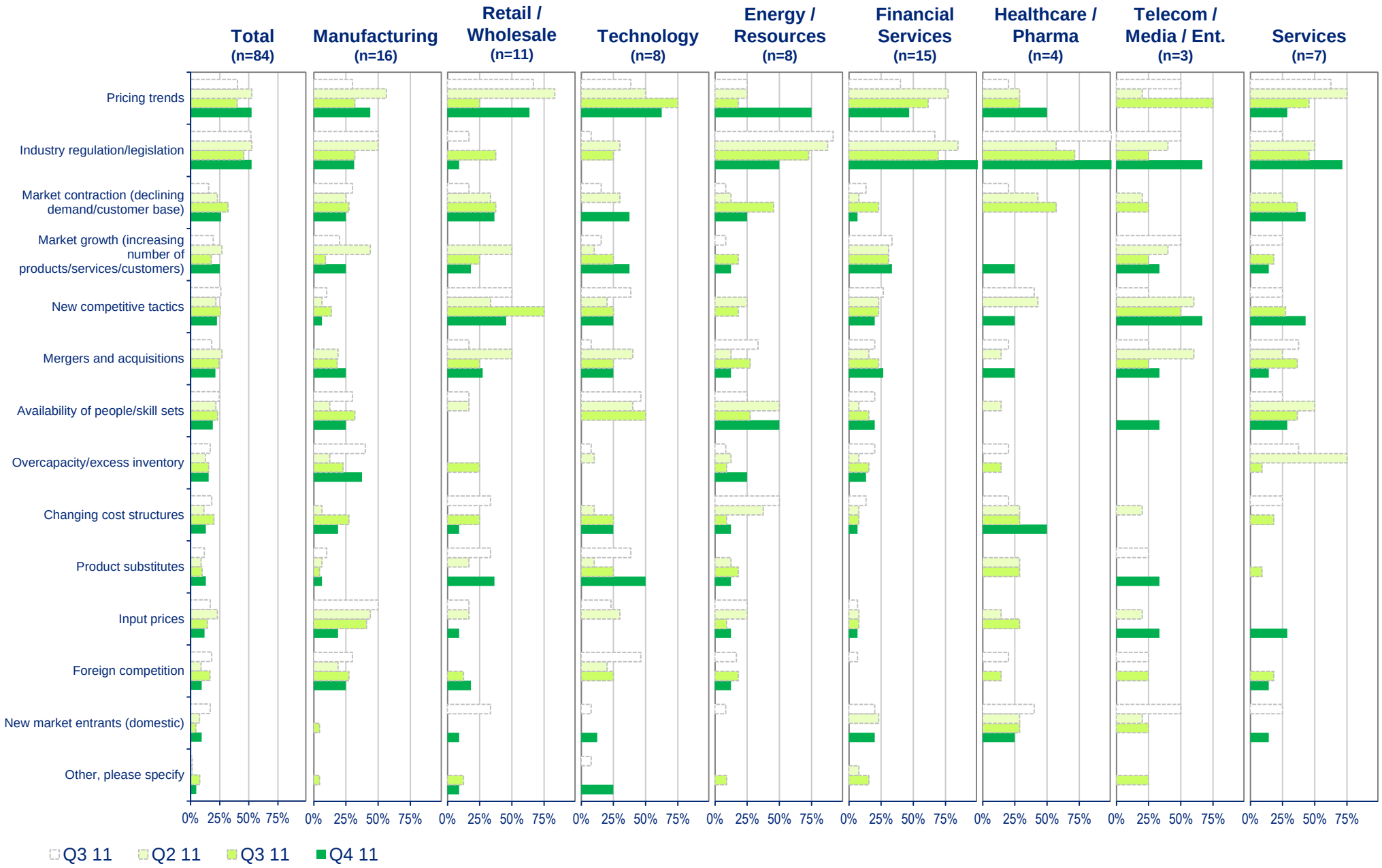
Economy – Top Challenges

What are your company's top three economy challenges?



Industry – Top Challenges

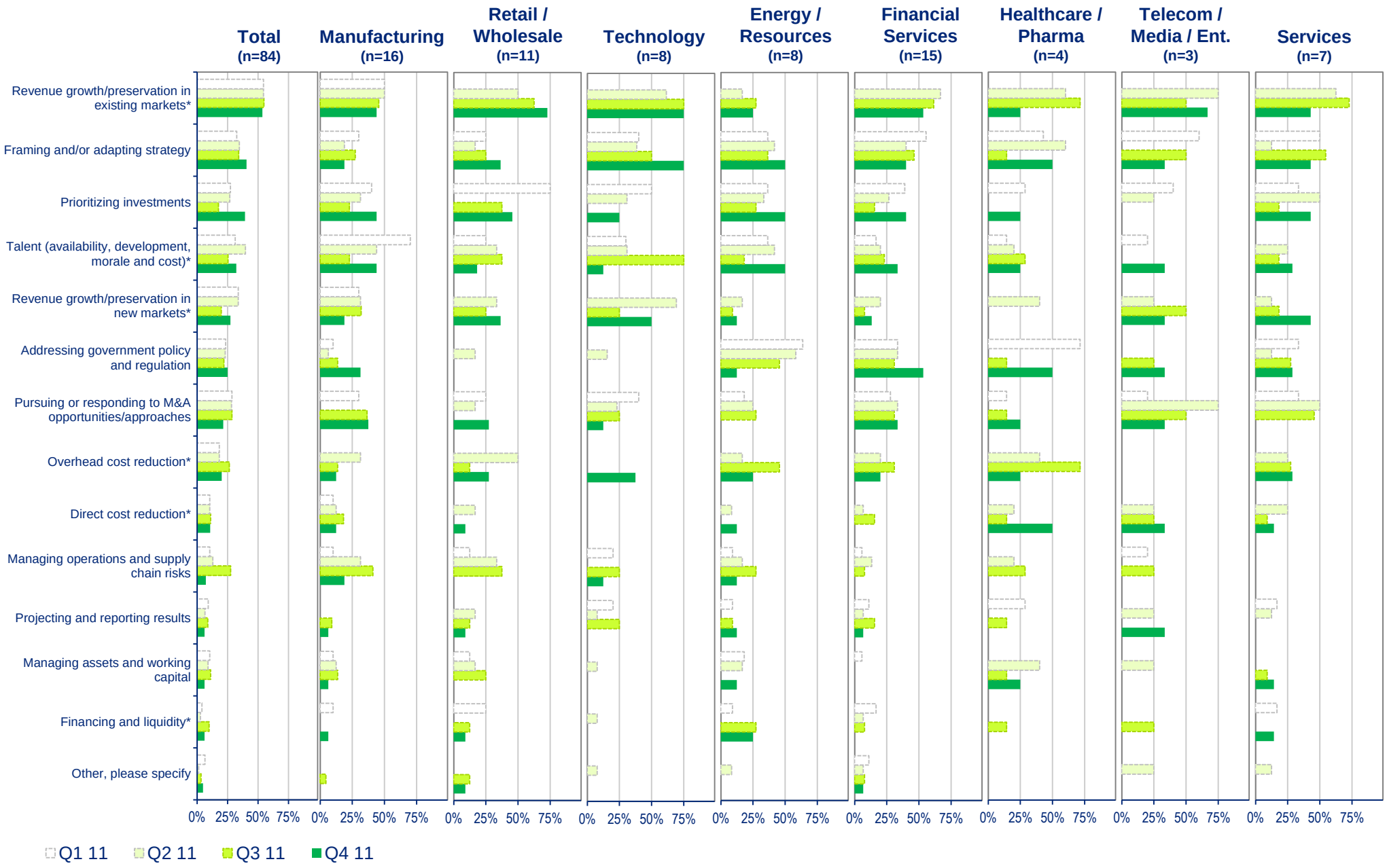
What are your company's top three industry challenges?



* *"Market contraction (declining demand/customer base)"* is an option that was introduced in 1Q11 and was not offered in past surveys

Company – Top Challenges

What are your company's top three company-specific challenges?



Company – Strategic Focus

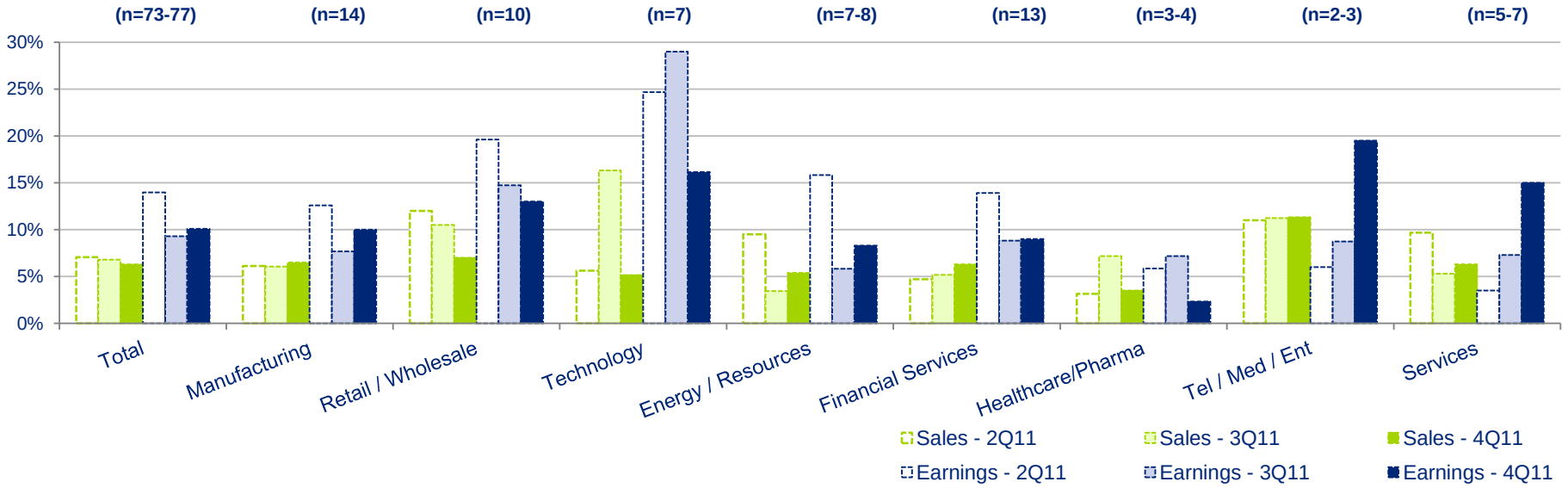
What is your company's business focus for the next 12 months?

Totals may not add to 100% due to possible respondent selection of an "other" option that is not included in this chart.

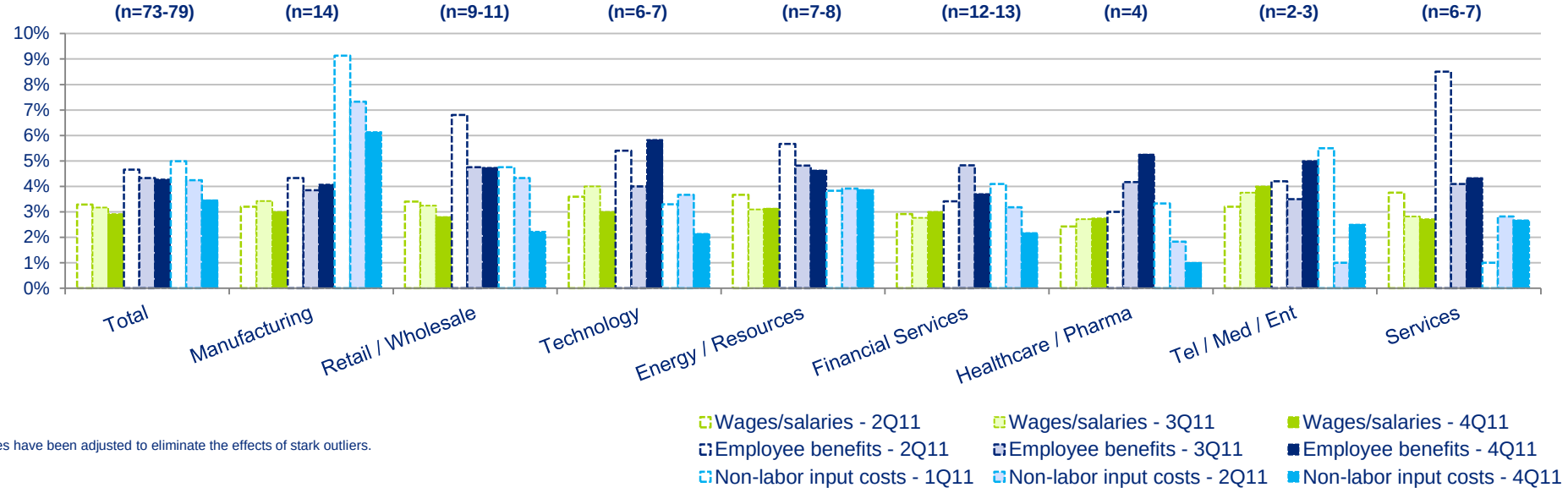
Company – Operational Results Expectations

Compared to the past 12 months, how do you expect the following factors to change over the next 12 months?

Operating Results*



Costs*

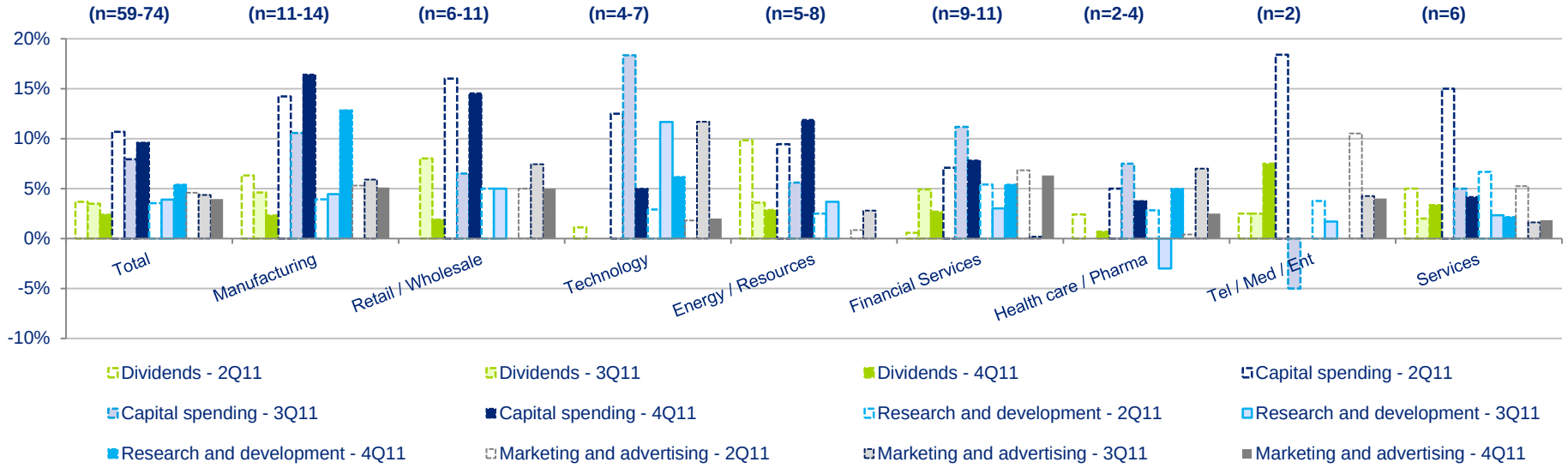


* Averages have been adjusted to eliminate the effects of stark outliers.

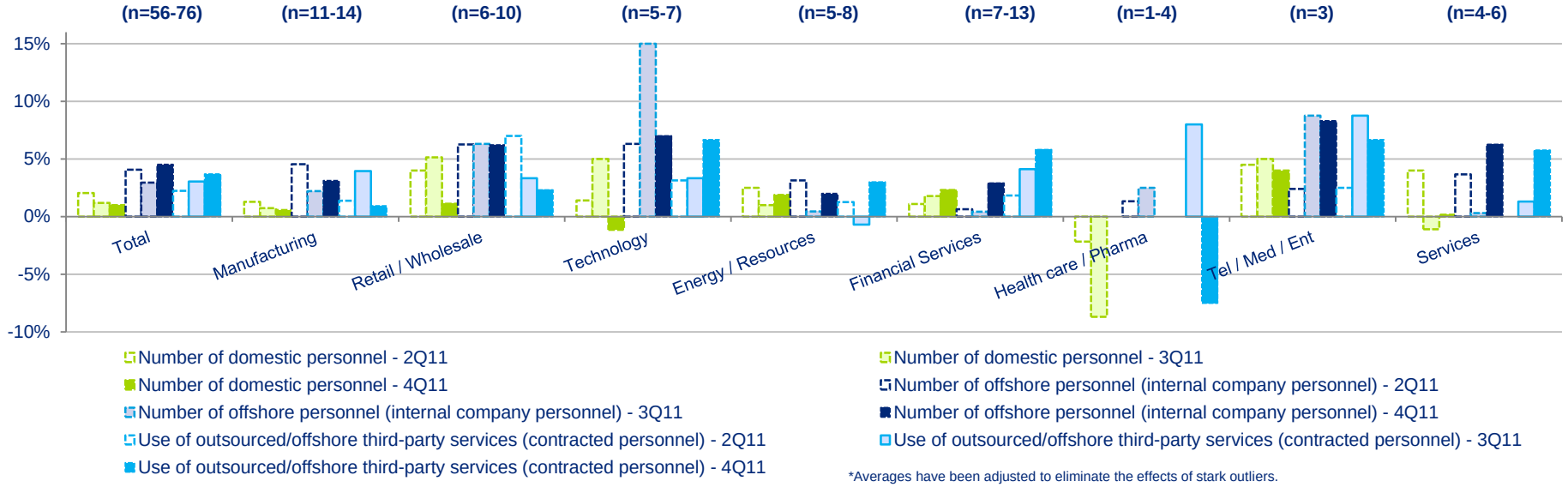
Company – Spending and Employment Expectations

Compared to the past 12 months, how do you expect the following factors to change over the next 12 months?

Investments*



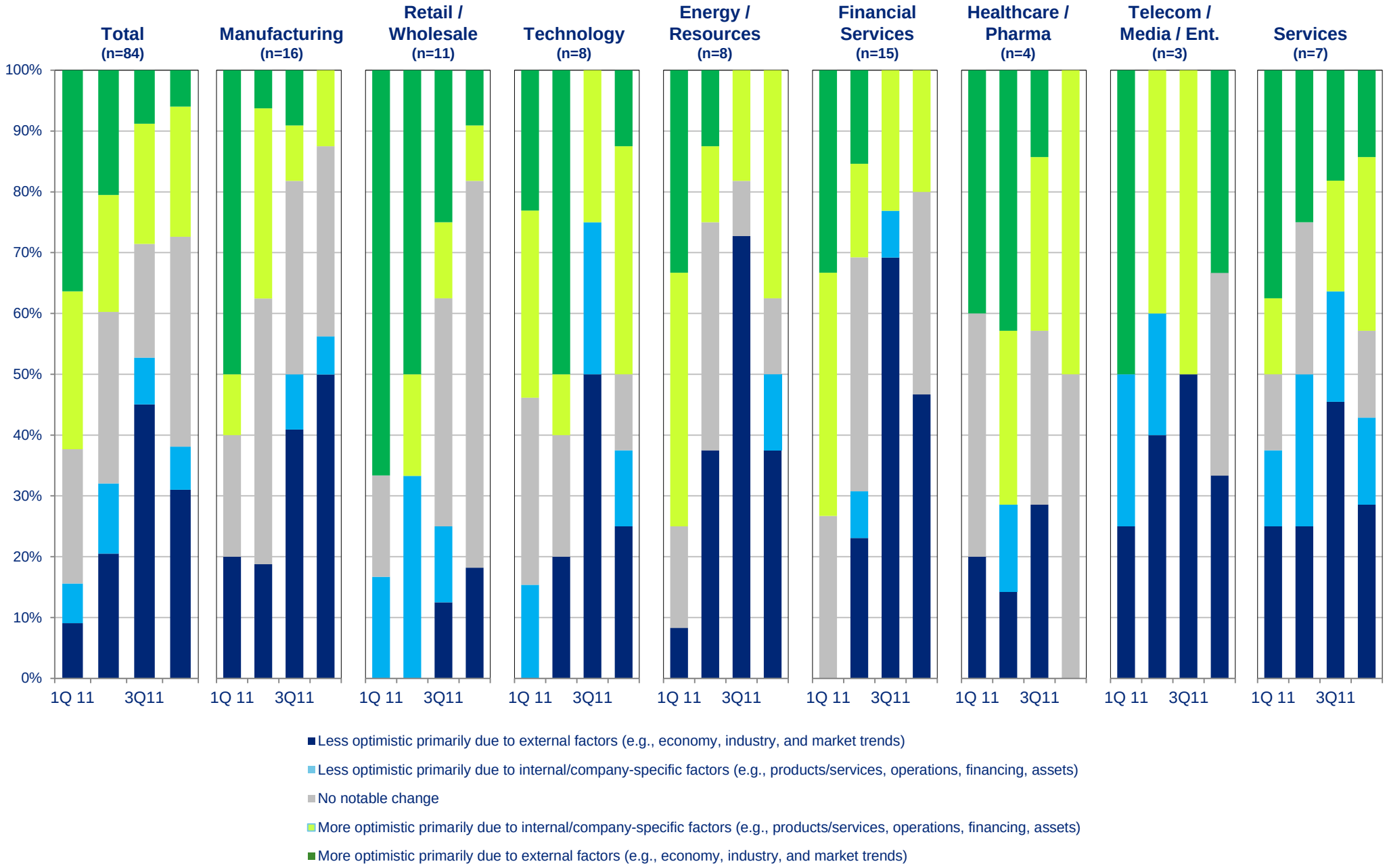
Employment*



*Averages have been adjusted to eliminate the effects of stark outliers.

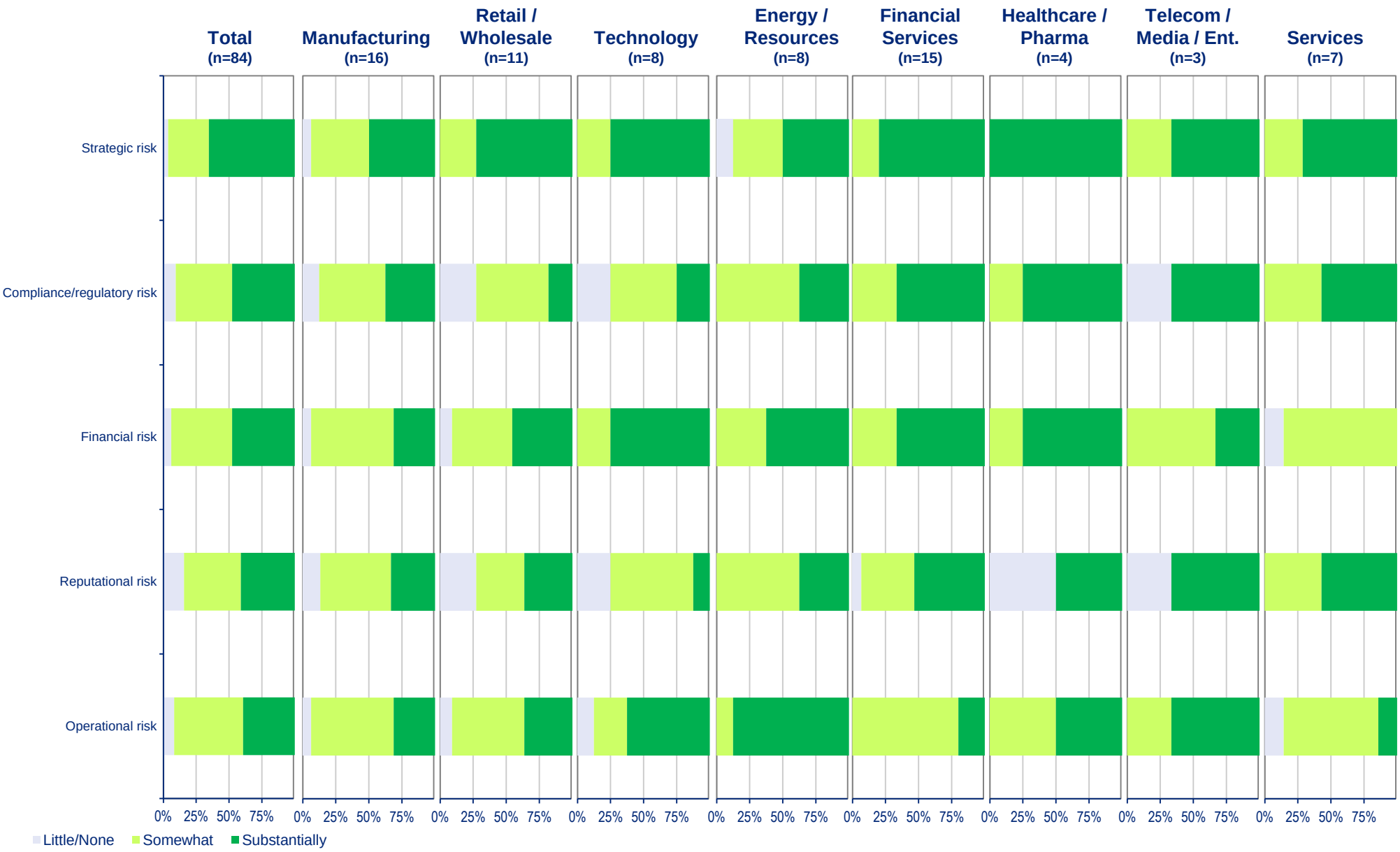
Company – Own-Company Optimism

How does your optimism regarding your company compare to last quarter?



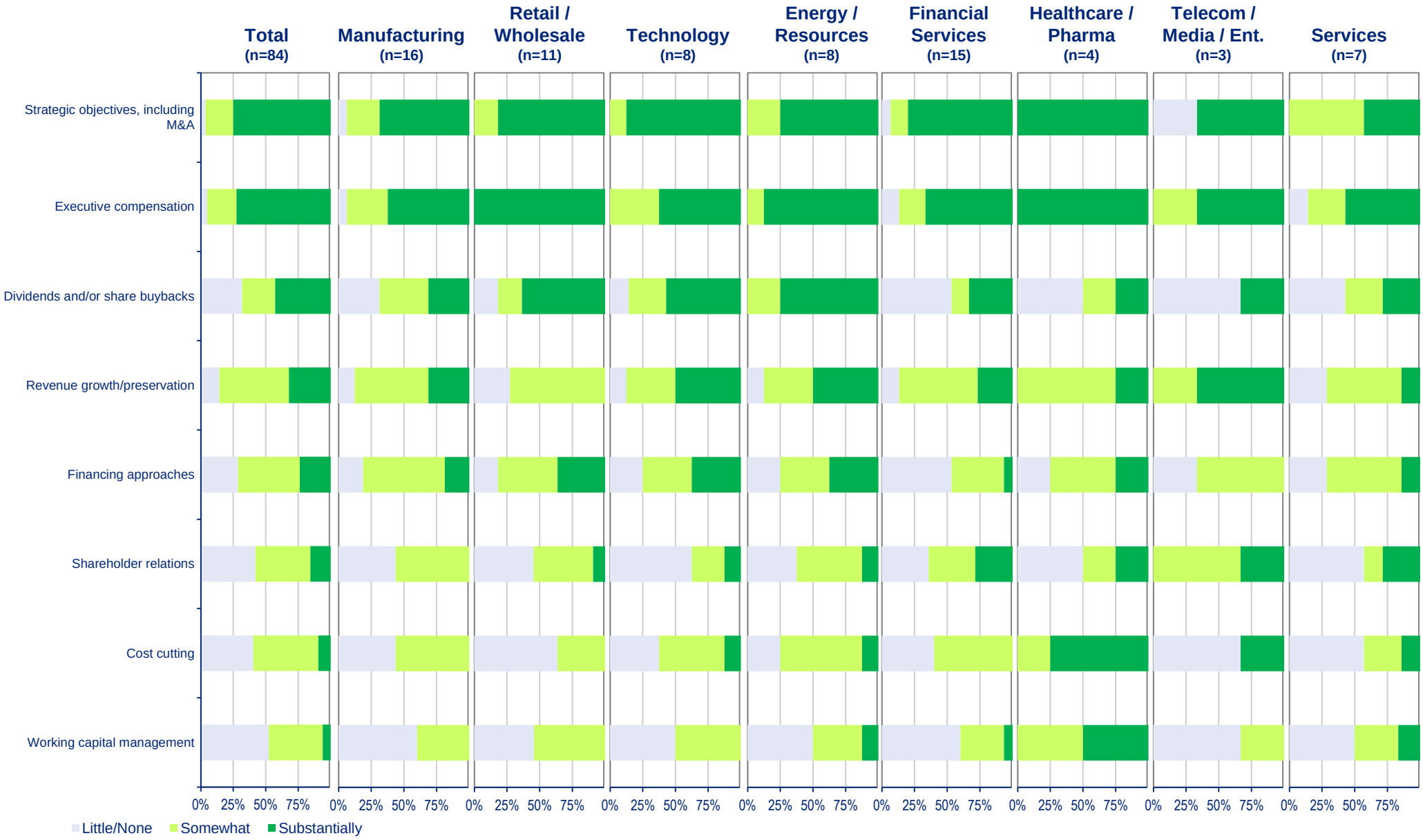
Company – Board's Focus on Risk

How focused is your board on risks in the following areas?



Company – Decision Making by Board

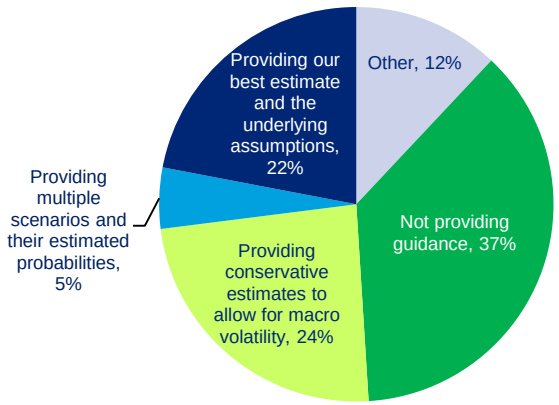
How involved is your board in decisions related to the following topics?



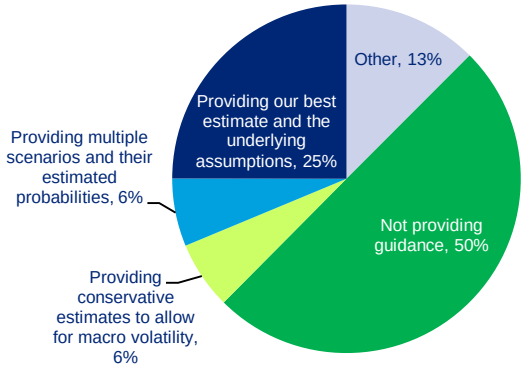
Company – Strategy for Providing 2012 Earnings Guidance

What is your strategy for providing 2012 earnings guidance?

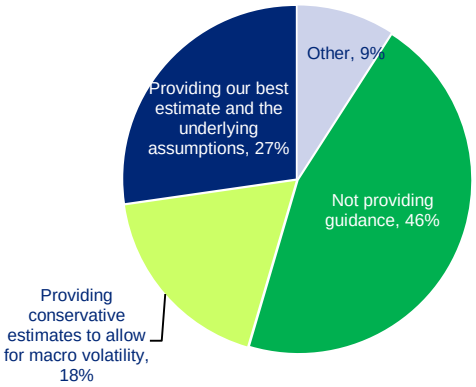
Total
(n=84)



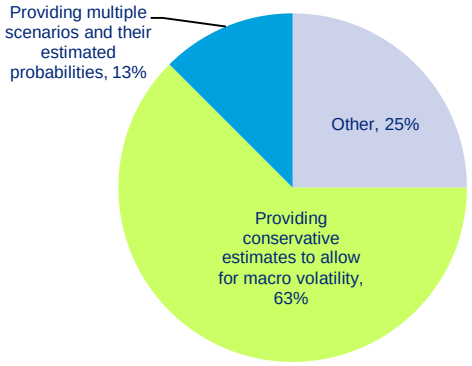
Manufacturing
(n=16)



Retail/Wholesale
(n=11)



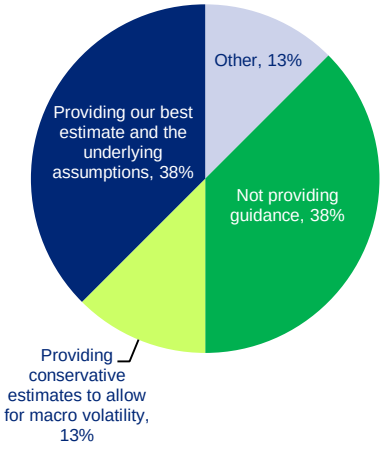
Technology
(n=8)



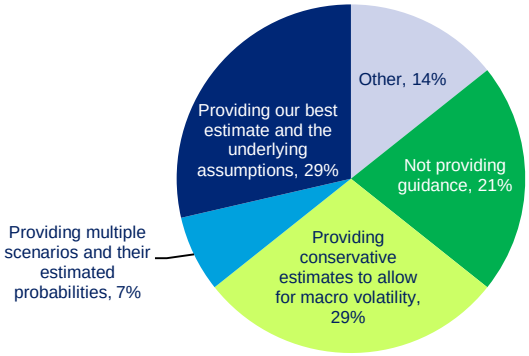
Company – Strategy for Providing 2012 Earnings Guidance

What is your strategy for providing 2012 earnings guidance?

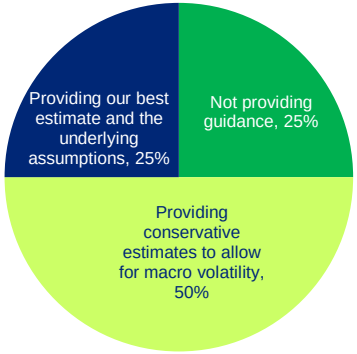
Energy / Resources
(n=8)



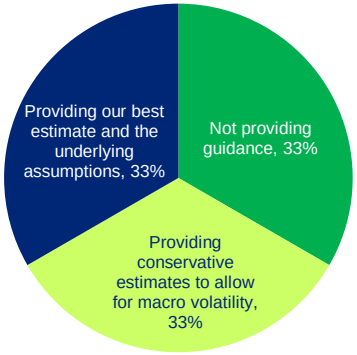
Financial Services
(n=15)



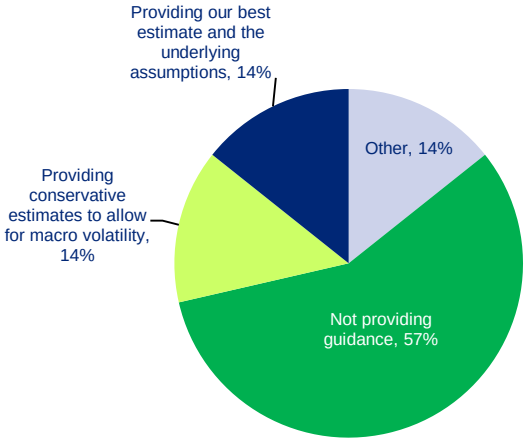
Health Care / Pharma
(n=4)



Telecom / Media / Ent.
(n=3)



Services
(n=7)



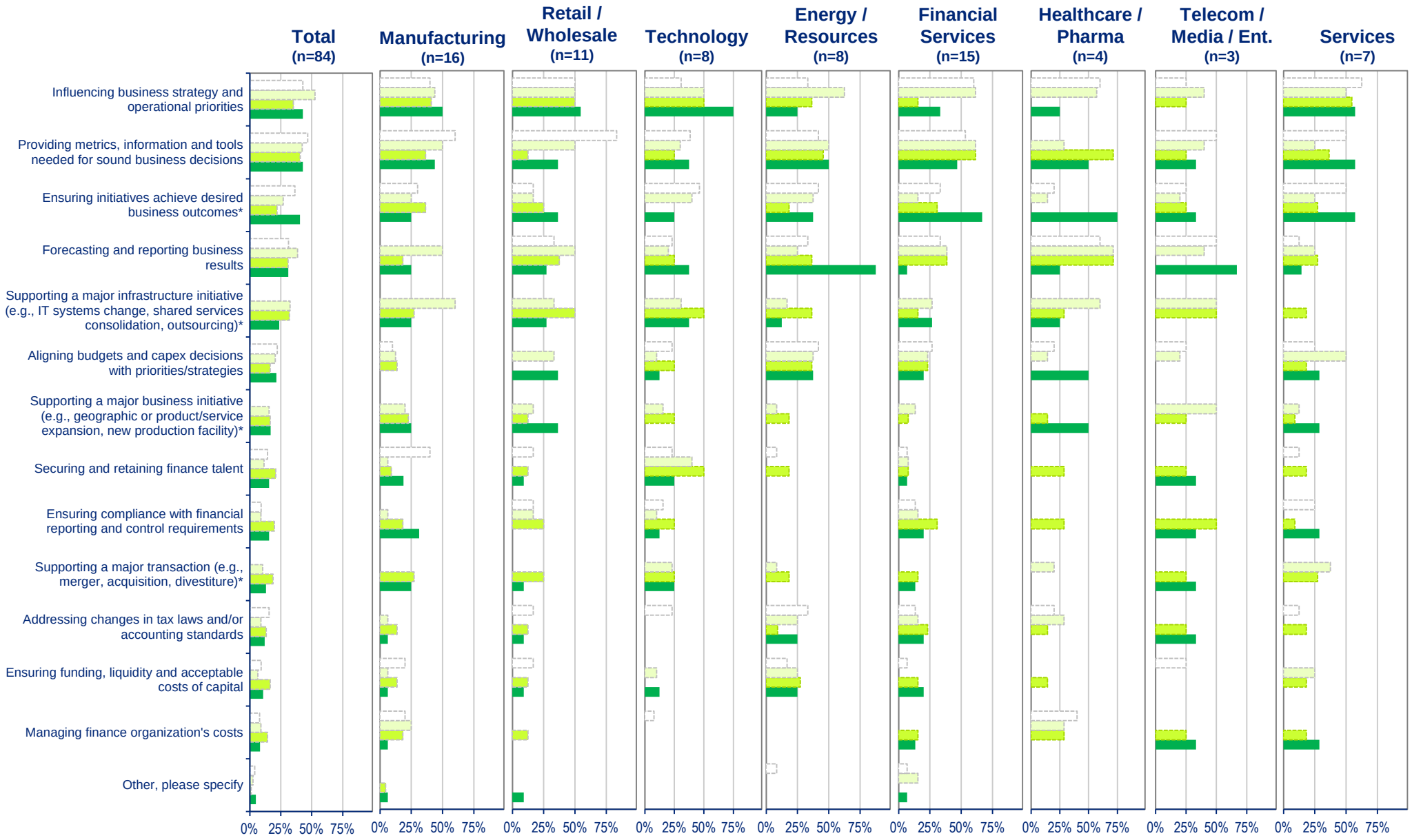
Company – External Indicators

In formulating your forward-looking expectations, on which external indicator(s) do you most rely?

	Manufacturing	Retail / Wholesale	Technology	Energy / Resources	Financial Services	Healthcare / Pharma	Telecom/ Media/ Entertainment	Services
Economy	GDP by region (5) Housing starts (4) Commodity prices/volatility (3) Customer income/sentiment (3) Energy price projections (2) Industrial production Nonresidential construction Unemployment	GDP by region (5) Customer/consumer income/sentiment (3) Inflation/deflation/CPI (2) Unemployment (2) Housing starts Commodity prices/volatility Foreign currency valuations Political policy trends in U.S. Industrial production by country Manufacturing demand forecasts	GDP by region (5) Capital spending trends (2) Manufacturing indexes/orders (2) Retail sales	GDP Housing starts	GDP (4) Inflation (2) CPI (2) Macro payroll growth Economic outlooks of large FS institutions Population growth Government's financial outlook Unemployment S&P500 estimates Housing market indicators Interest rates	Unemployment (2) GDP Interest rates Inflation	Unemployment Consumer sentiment	GDP (4) Unemployment (2) Conference Board forecasts Weather
Industry	Industry market data/trends Product shipment data	Market growth rates Steel pricing	Capital spending for telcos Industry growth rates	Customer demand forecasts (2) Forward curve for commodities (2) Natural gas forecasts Oil price forecasts Weather trends/forecasts	Equity market performance (2) Interest rates Interest rates on corporate bonds Yield curve Loan growth Credit quality	Healthcare cost inflation	Entertainment and travel spending	People cost trends Customer growth projections

Finance Organization – Top Challenges

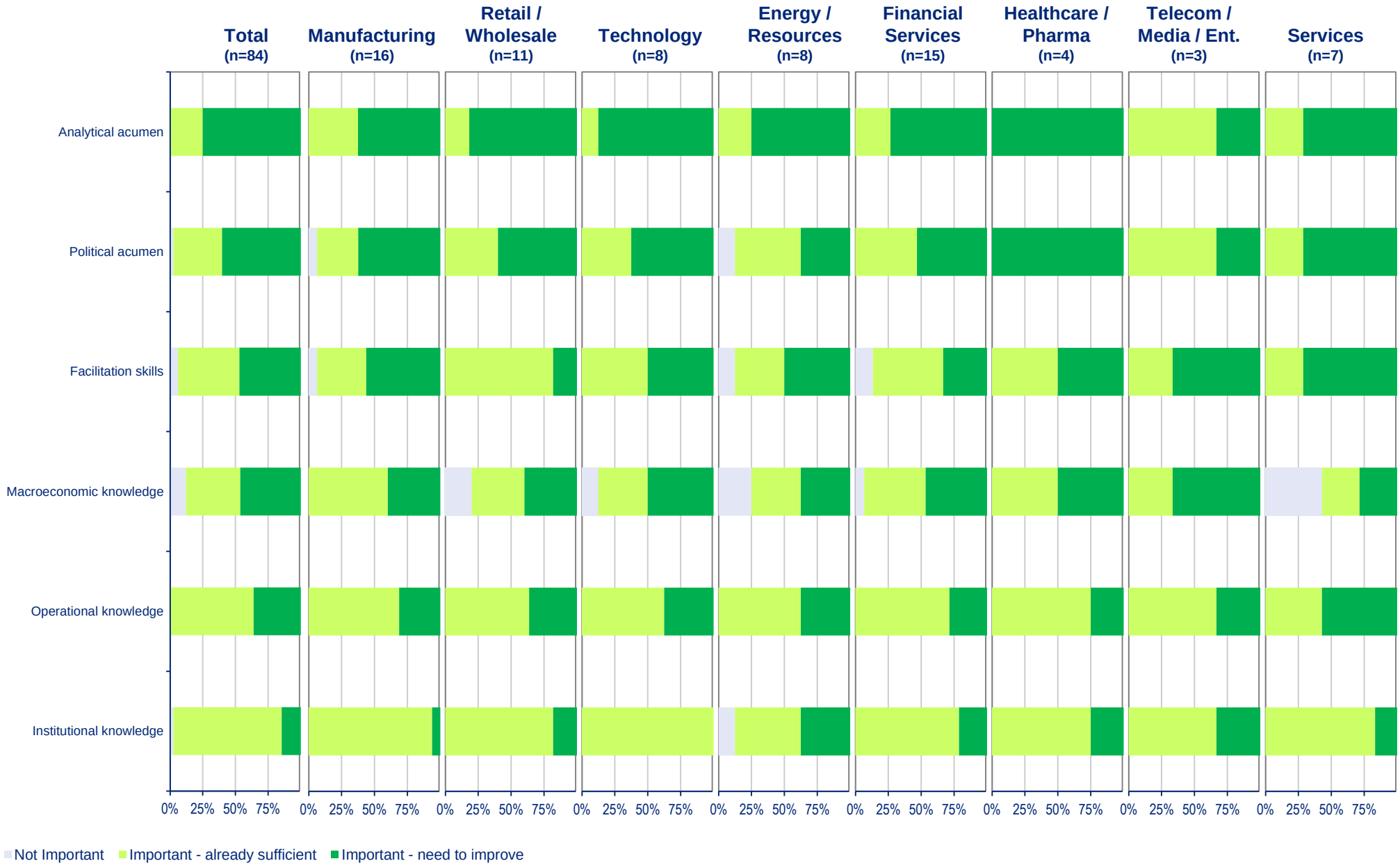
What are your finance organization's top three current challenges?



* Starting with the 1Q11 survey, "*Supporting a major change initiative (e.g., M&A, IT systems change, IPO)*" offered in the past surveys is broken out into three options: "*Supporting a major infrastructure initiative,*" "*Supporting a major transaction*" and "*Supporting a major business initiative.*"

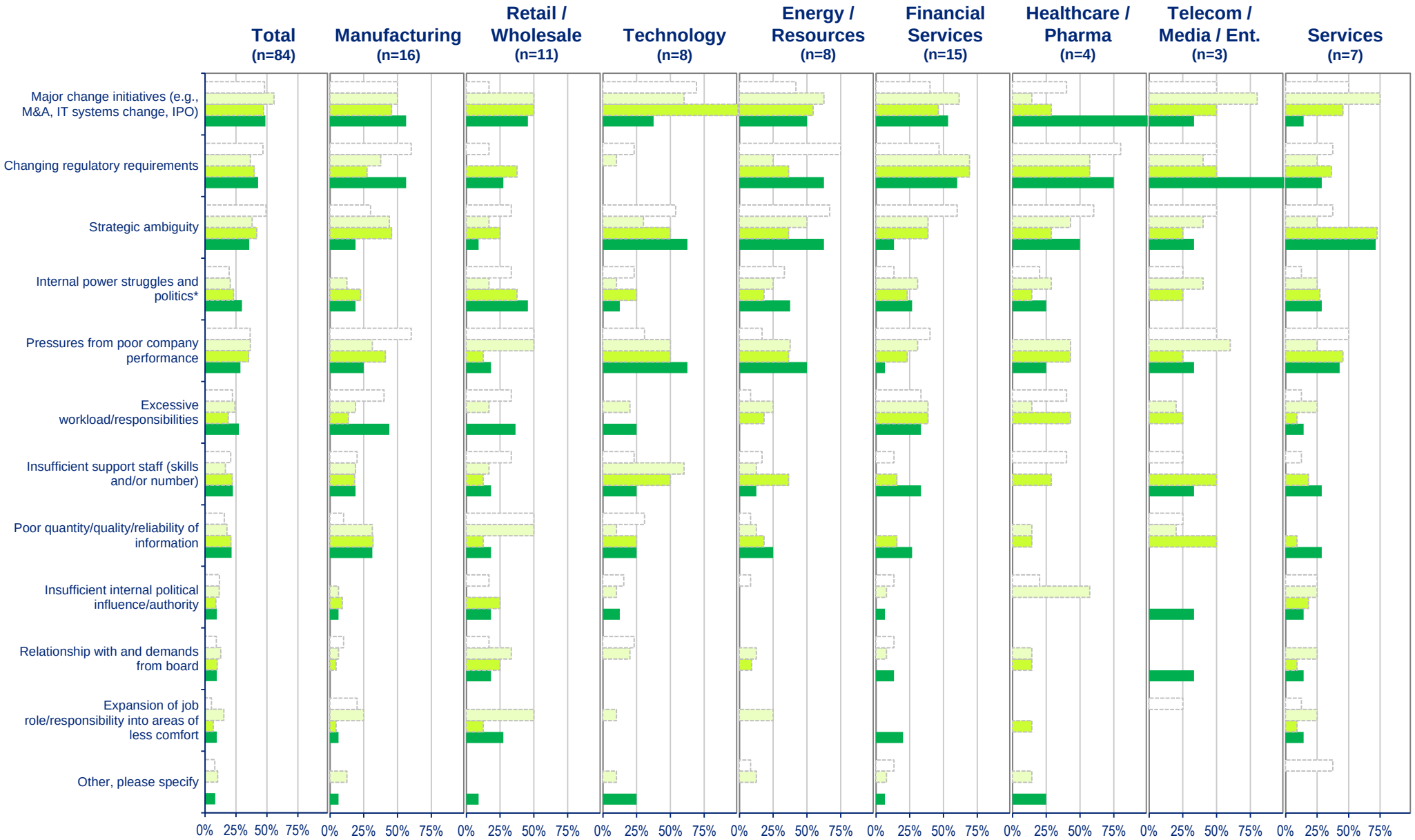
Finance Organization – Status of Finance Capabilities

How important are the following competencies for your finance organization right now?



CFO Career – Top Job Stresses

What are your top three job stresses?



Q1 11 Q2 11 Q311 Q411

* *"Relationship with and demands from the board"* is an option that was introduced in 1Q11 and was not offered in past surveys.

Industry highlights

Manufacturing

Sample size: 16

Economy & Government

Economy challenges:

- Highest for corporate tax policy (50%)
- Highest for international trade policy (10%)
- Among highest for currency exchange rates (40%)
- Above average for inflation (30%)
- About average for environmental policy (40%)
- About average for accounting / reporting / controls policy (30%)
- Below average for social policy / spending / investment (40%)
- Among lowest for capital cost / availability (20%)
- Lowest for unemployment (25%)

Industry

Industry challenges:

- Highest for overcapacity / excess inventory (40%)
- Highest for foreign competition (25%)
- Above average for input prices (20%)
- Above average for changing cost structures (20%)
- Above average for availability of people / skilled sets (25%)
- Above average for market contraction (25%)
- About average for mergers and acquisitions (25%)
- About average for pricing trends (45%)
- About average for market growth (25%)
- Below average for industry regulation / legislation 30%)
- Among lowest for product substitutes (5%)

Company

Company challenges:

- Highest for pursuing or responding to M&A opportunities (40%)
- Highest for managing operations and supply chain risks (20%)
- Among highest for talent (45%)
- Among highest for prioritizing investments (45%)
- Above average for addressing government policy and regulation (30%)
- About average for direct cost reduction (15%)
- About average for financing and liquidity (5%)
- Below average for revenue growth / preservation in existing markets (45%)
- Below average for revenue growth / preservation in new markets (20%)
- Among lowest for overhead cost reduction (15%)
- Lowest for framing and / or adopting strategy (20%)

Company optimism:

- 13% are more optimistic (100% due to external factors)
- 56% are less optimistic (90% due to external factors ; 10% due to internal factors)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	6.5	6.0
Earnings	10.0	10.0
Wages and salaries	3.0	3.0
Employee benefits	4.1	5.0
Non-labor input costs and commodities	6.1	4.5
Dividends	2.3	0.0
Capital spending	16.4	15.0
Research and development	12.9	5.0
Marketing and advertising	5.1	5.0
Number of domestic personnel	0.6	1.0
Number of offshore personnel	3.1	2.0
Use of outsourced/ offshore third-party services	0.9	0.0

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Manufacturing

Board's focus on risk:

- Majority (50%) substantially focus on strategic risk
- Majority (60%) somewhat focus on financial and operational risk; 55% somewhat focus on reputational risk, 50% somewhat focus on compliance / regulatory risk

Decision making by board:

- Majority (70%) substantially involved with strategic objectives; 65% substantially involved with executive compensation
- Majority (65%) somewhat involved with financing approaches; 55% somewhat involved with revenue growth / preservation, cost cutting, and shareholder relations
- Majority (60%) have little or no involvement with working capital management

Company business focus*:

- 30% on revenue growth/preservation in current markets
- 19% on revenue growth/preservation in new markets
- 14% on cost reduction within direct costs
- 12% on cost reduction within indirect costs
- 13% on asset efficiency within working capital
- 9% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Among highest for not providing guidance (50%)
- Above average for providing multiple scenarios and their estimated probabilities
- About average for providing best estimate and underlying assumptions (25%)
- Lowest for providing conservative estimates to allow for macro volatility (5%)

Finance Organization

Finance-organization challenges:

- Among highest for ensuring compliance with financial reporting and control requirements (30%)
- Among highest for supporting a major transaction (25%)
- Above average for influencing business strategy and operational priorities (50%)
- Above average for supporting a business initiative (25%)
- Above average for securing and retaining a finance talent (20%)
- Above average for supporting a major infrastructure initiative (25%)
- About average for providing metrics, information, and tools needed for sound business decision making (45%)
- Below average for forecasting and reporting business results (25%)
- Below average for managing finance organization's costs (5%)
- Among lowest for ensuring initiatives achieve desired business outcomes (25%)
- Among lowest for aligning budgets and capex decisions with priorities / strategies (0%)

Status of finance's competencies:

- Sufficient: Majority (95%) view institutional knowledge and political acumen as important and already sufficient; 70% view operational knowledge as important and already sufficient; 60% view macroeconomic knowledge as important and already sufficient
- Need to improve: Majority (65%) view analytical acumen as important but need to improve; 56% view facilitation skills as important but need to improve

Career

Career concerns:

- Highest for excessive workload / responsibilities (45%)
- Highest for poor quantity / quality / reliability of information (20%)
- Among highest for major change initiative (55%)
- Above average for changing regulatory requirements (55%)
- About average for insufficient support staff (20%)
- Below average for pressures from poor company performance (25%)
- Below average for internal power struggles and politics (20%)
- Below average for insufficient internal political influence / authority (5%)
- Among lowest for strategic ambiguity (20%)

Most worrisome risk:

- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

Retail and wholesale

Sample size: 11

Economy & Government

Economy challenges:

- Among highest for social policy / spending / investment (70%)
- Among highest for international trade policy (10%)
- Among highest for personal income tax policy (10%)
- Above average for unemployment (45%)
- Above average for currency exchange rate (25%)
- Above average for inflation (35%)
- About average for corporate tax (20%)
- Among lowest for accounting / reporting / controls policy (10%)
- Among lowest for environmental policy (20%)

Industry

Industry challenges:

- Among highest for pricing trends (65%)
- Among highest for product substitutes (35%)
- Among highest for foreign competition (20%)
- Among highest for new competitive tactics (45%)
- Above average for market contraction (35%)
- Above average for mergers and acquisitions (30%)
- About average for new market entrants (10%)
- Below average for changing cost structures (10%)
- Below average for market growth (20%)
- Among lowest for industry regulation / legislation (10%)
- Among lowest for input prices (10%)

Company

Company challenges:

- Among highest for revenue growth / preservation in existing markets (75%)
- Among highest for prioritizing investments (45%)
- Among highest for revenue growth / preservation in new markets (25%)
- Above average for pursuing or responding to M&A opportunities (30%)
- Above average for overhead cost reduction (30%)
- About average for projecting and reporting results (10%)
- Below average for framing and / or adapting strategy (35%)
- Among lowest for talent (20%)
- Among lowest for direct cost reduction (10%)
- Among lowest for addressing government policy and regulation (0%)

Company optimism:

- 18% are more optimistic (50% due to internal factors; 50% due to external factors)
- 18% are less optimistic (100% due to external factors)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	7.0	6.3
Earnings	13.0	11.0
Wages and salaries	2.8	3.0
Employee benefits	4.7	5.0
Non-labor input costs and commodities	2.2	2.0
Dividends	1.9	0.0
Capital spending	14.6	10.0
Research and development	0.0	0.0
Marketing and advertising	5.0	5.0
Number of domestic personnel	1.1	1.5
Number of offshore personnel	6.2	4.0
Use of outsourced/ offshore third-party services	2.3	3.0

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Retail and wholesale

Board's focus on risk:

- Majority (70%) substantially focus on strategic risk; 45% substantially focus on financial risk
- Majority (55%) somewhat focus on operational and compliance / regulatory risk; 45% somewhat focus on financial risk

Decision making by board:

- Majority (100%) substantially involved with executive compensation; 80% substantially involved with strategic objectives; 65% substantially involved with dividends / share buybacks
- Majority (75%) somewhat involved with revenue growth / preservation; 55% somewhat involved with working capital management
- Majority (65%) have little or no involvement with cost cutting

Company business focus*:

- 47% on revenue growth/preservation in current markets
- 20% on revenue growth/preservation in new markets
- 7% on cost reduction within direct costs
- 9% on cost reduction within indirect costs
- 13% on asset efficiency within working capital
- 3% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Above average for not providing guidance (45%)
- About average for providing best estimate and underlying assumptions (25%)
- Below average for providing conservative estimates to allow for macro volatility (20%)
- Among lowest for providing multiple scenarios and their estimated probabilities (0%)

Finance Organization

Finance-organization challenges:

- Among highest for supporting a major business initiative (35%)
- Among highest for supporting a major infrastructure initiative (25%)
- Above average for influencing business strategy and operational priorities (55%)
- Above average for aligning budgets and capex decisions with priorities / strategies (35%)
- About average for addressing changes in tax laws and / or accounting standards (10%)
- About average for ensuring funding, liquidity, and acceptable costs of capital (10%)
- Below average for providing metrics, information and tools needed for sound business decision making (35%)
- Below average for forecasting and reporting business results (25%)
- Below average for ensuring initiatives achieve desired business outcomes (35%)
- Below average for supporting a major transaction (10%)
- Among lowest for ensuring compliance with financial reporting and control requirements (0%)

Status of finance's competencies:

- Sufficient: Majority (80%) view political acumen, institutional knowledge, and facilitation skills as important and already sufficient; 65% view operational knowledge as important and already sufficient
- Need to improve: Majority (80%) view analytical acumen as important and need to improve

Career

Career concerns:

- Highest for internal power struggles and politics (45%)
- Highest for expansion of job role / responsibility into areas of less comfort (30%)
- Among highest for excessive workload / responsibilities (35%)
- Among highest for relationship with and demands from board (20%)
- Among highest for insufficient internal political influence / authority (20%)
- About average for insufficient support staff (20%)
- About average for poor quantity / quality / reliability of information (20%)
- Among lowest for changing regulatory requirements (30%)
- Among lowest for strategic ambiguity (0%)

Most worrisome risk:

- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

Technology

Sample size: 8

Economy & Government

Economy challenges:

- Highest for currency exchange rates (50%)
- Highest for capital cost / availability (50%)
- Highest for military / defense policy (10%)
- About average for social policy / spending / investment (50%)
- About average for unemployment (40%)
- About average for inflation (25%)
- Below average for accounting / reporting / investment (25%)
- Below average for intellectual property policy (10%)
- Among lowest for corporate tax policy (10%)

Industry

Industry challenges:

- Highest for market growth (40%)
- Highest for product substitutes (50%)
- Among highest for pricing trends (60%)
- Among highest for market contraction (40%)
- Among highest for changing cost structures (25%)
- Above average for new market entrants (15%)
- About average for mergers and acquisitions (25%)
- Below average for new competitive tactics (25%)
- Among lowest for input prices (0%)
- Among lowest for overcapacity / excess inventory (0%)
- Lowest for industry regulation / legislation (0%)

Company

Company challenges:

- Highest for revenue growth / preservation in existing markets (75%)
- Highest for revenue growth / preservation in new markets(50%)
- Highest for framing and / or adapting strategy (75%)
- Highest for overhead cost reduction (40%)
- Among highest for managing operations and supply chain risks (15%)
- Below average for prioritizing investments (25%)
- Among lowest for pursuing or responding to M&A opportunities (15%)
- Among lowest for addressing government policy and regulation (0%)
- Among lowest for direct cost reduction (0%)

Company optimism:

- 51% are more optimistic (50% due to internal factors; 50% due to external factors)
- 38% are less optimistic (65% due to external factors ; 35% due to internal factors)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	5.1	5.0
Earnings	16.1	12.0
Wages and salaries	3.0	3.0
Employee benefits	5.8	3.5
Non-labor input costs and commodities	2.1	2.0
Dividends	0.0	0.0
Capital spending	5.0	2.5
Research and development	6.2	5.0
Marketing and advertising	2.0	5.0
Number of domestic personnel	-1.1	-1.0
Number of offshore personnel	7.0	3.0
Use of outsourced/ offshore third-party services	6.7	5.0

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Technology

Board's focus on risk:

- Majority (75%) substantially focus on strategic and financial risk; 60% substantially focus on operational risk
- Majority (60%) somewhat focus on reputational risk; 50% somewhat focus on compliance / regulatory risk

Decision making by board:

- Majority (90%) substantially involved with strategic objectives; 65% substantially involved with executive compensation; 55% substantially involved with dividend / share buybacks; 50% substantially involved with revenue growth / preservation
- Majority (50%) somewhat involved with cost cutting; 50% somewhat involved with working capital management
- Majority (60%) have little or no involvement with shareholder relations; 50% have little to no involvement with working capital management

Company business focus*:

- 41% on revenue growth/preservation in current markets
- 24% on revenue growth/preservation in new markets
- 16% on cost reduction within direct costs
- 10% on cost reduction within indirect costs
- 8% on asset efficiency within working capital
- 1% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Highest for providing conservative estimates to allow for macro volatility (65%)
- Highest for providing multiple scenarios and their estimated probabilities (15%)
- Lowest for not providing guidance (0%)
- Lowest for providing best estimate and underlying assumptions (0%)

Finance Organization

Finance-organization challenges:

- Highest for influencing business strategy and operational priorities (75%)
- Highest for supporting a major infrastructure initiative (40%)
- Among highest for securing and retaining finance talent (25%)
- Among highest for supporting a major transaction (25%)
- Above average for forecasting and reporting business results (40%)
- Above average for ensuring funding, liquidity and acceptable costs of capital (15%)
- Below average for providing metrics, information and tools needed for sound business decision making (40%)
- Below average for ensuring compliance with financial reporting and control requirements (15%)
- Among lowest for aligning budgets and capex decisions with priorities / strategies (15%)
- Among lowest for ensuring initiatives achieve desired business outcomes (25%)
- Among lowest for supporting a major business initiative (0%)

Status of finance's competencies:

- Sufficient: Majority (100%) view political acumen and institutional knowledge as important and already sufficient; 65% view operational knowledge as important and already sufficient; 50% view facilitation skills as important and already sufficient
- Need to improve: Majority (90%) view analytical acumen as important and need to improve; 50% view facilitation skills and macroeconomic knowledge as important and need to improve

Career

Career concerns:

- Highest for pressures from poor company performance (60%)
- Among highest for strategic ambiguity (60%)
- Above average for insufficient support staff (25%)
- Above average for excessive workload / responsibilities (25%)
- Above average for insufficient internal political influence / authority (15%)
- Above average for poor quantity / quality / reliability of information (25%)
- Below average for major change initiatives (40%)
- Among lowest for internal power struggles and politics (15%)
- Lowest for changing regulatory requirements (0%)

Most worrisome risk:

- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

Energy and resources

Sample size: 8

Economy & Government

Economy challenges:

- Highest for environmental policy (90%)
- Above average for corporate tax policy (25%)
- Above average for capital cost / availability (40%)
- About average for unemployment (40%)
- About average for inflation (25%)
- Below average for social policy / spending / investment (40%)
- Among lowest for currency exchange rates (10%)
- Lowest for accounting / reporting / controls policy (10%)

Industry

Industry challenges:

- Highest for pricing trends (75%)
- Highest for availability of people / skill sets (50%)
- Among highest for overcapacity / excess inventory (25%)
- Above average for market contraction (25%)
- Above average for foreign competition (15%)
- About average for industry regulation / legislation (50%)
- About average for input prices (15%)
- About average for changing cost structures (15%)
- About average for product substitutes (15%)
- Lowest for mergers and acquisitions (15%)
- Lowest for market growth (15%)
- Lowest for new competitive tactics (0%)

Company

Company challenges:

- Highest for talent (50%)
- Highest for prioritizing investments (50%)
- Highest for financing and liquidity (25%)
- Among highest for managing operations and supply chain risks (15%)
- Among highest for projecting and reporting results (15%)
- Above average for overhead cost reduction (25%)
- Above average for managing assets and working capital (15%)
- About average for direct cost reduction (15%)
- Among lowest for revenue growth / preservation in existing markets (25%)
- Among lowest for revenue growth / preservation in new markets (15%)
- Lowest for pursuing or responding to M&A opportunities (0%)

Company optimism:

- 38% are more optimistic (100% due to external factors)
- 51% are less optimistic (75% due to external factors ; 25% due to internal factors)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	5.4	5.0
Earnings	8.3	5.0
Wages and salaries	3.1	3.0
Employee benefits	4.6	4.0
Non-labor input costs and commodities	3.9	2.5
Dividends	2.9	0.0
Capital spending	11.9	10.0
Research and development	0.0	0.0
Marketing and advertising	0.0	0.0
Number of domestic personnel	1.9	0.0
Number of offshore personnel	2.0	0.0
Use of outsourced/ offshore third-party services	3.0	0.0

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Energy and resources

Board's focus on risk:

- Majority (90%) substantially focus on operational risk; 60% substantially focus on financial risk; 50% substantially focus on strategic risk
- Majority (60%) somewhat focus on compliance/regulatory and reputational risk

Decision making by board:

- Majority (90%) substantially involved with executive compensation; 75% substantially involved with strategic objectives and dividend / share buybacks; 50% substantially involved with revenue growth / preservation
- Majority (65%) somewhat involved with cost cutting; 50% somewhat involved with shareholder relations
- Majority (50%) have little or no involvement with working capital management

Company business focus*:

- 25% on revenue growth/preservation in current markets
- 17% on revenue growth/preservation in new markets
- 15% on cost reduction within direct costs
- 15% on cost reduction within indirect costs
- 11% on asset efficiency within working capital
- 14% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Highest for providing best estimate and underlying assumptions (40%)
- Above average for not providing guidance (40%)
- Among lowest for providing conservative estimates to allow for macro volatility (15%)
- Among lowest for providing multiple scenarios and their estimated probabilities (0%)

Finance Organization

Finance-organization challenges:

- Highest for forecasting and reporting business results (90%)
- Highest for ensuring funding, liquidity and acceptable costs of capital (25%)
- Among highest for providing metrics, information and tools needed for sound business decision making (50%)
- Among highest for addressing changes in tax laws and / or accounting standards (25%)
- Among highest for aligning budgets and capex decisions with priorities / strategies (40%)
- Below average for ensuring initiatives achieve desired business outcomes (40%)
- Below average for influencing business strategy and operational priorities (25%)
- Among lowest for supporting a major infrastructure initiative (15%)
- Among lowest for supporting a major transaction (0%)
- Among lowest for securing and retaining finance talent (0%)

Status of finance's competencies:

- Sufficient: Majority (65%) view operational knowledge as important and already sufficient; 50% view institutional knowledge and political acumen as important and already sufficient
- Need to improve: Majority (75%) view analytical acumen as important and need to improve; 50% view facilitation skills as important and need to improve

Career

Career concerns:

- Among highest for strategic ambiguity (60%)
- Among highest for pressures from poor company performance (50%)
- Among highest for internal power struggles and politics (40%)
- Above average for changing regulatory requirements (65%)
- Above average for poor quantity / quality / reliability of information (25%)
- About average for major change initiatives (50%)
- Among lowest for insufficient support staff (15%)
- Among lowest for excessive workload / responsibilities (0%)
- Among lowest for insufficient internal political influence / authority (0%)

Most worrisome risk:

- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

Financial services

Sample size: 15

Economy & Government

Economy challenges:

- Highest for personal income tax policy (10%)
- Among highest for capital cost / availability (40%)
- Among highest for corporate tax policy (30%)
- Above average for international trade policy (5%)
- About average for accounting / reporting / controls policy (25%)
- About average for unemployment (40%)
- About average for environmental policy (40%)
- Below average for inflation (20%)
- Among lowest for social policy / spending / investment (30%)

Industry

Industry challenges:

- Highest for industry regulation / legislation (100%)
- Among highest for market growth (35%)
- Among highest for new market entrants (20%)
- Above average for mergers and acquisitions (25%)
- Above average for overcapacity / excess inventory (15%)
- About average for availability of people / skill sets (20%)
- About average for pricing trends (45%)
- Below average for new competitive tactics (20%)
- Below average for input prices (5%)
- Below average for changing cost structures (5%)
- Among lowest for market contraction (5%)

Company

Company challenges:

- Highest for addressing government policy and regulation (55%)
- Among highest in pursuing or responding to M&A opportunities (35%)
- Above average for revenue growth / preservation in existing markets (55%)
- Above average for talent (35%)
- Above average for prioritizing investments (40%)
- About average for overhead cost reduction (20%)
- Below average for framing and / or adapting strategy (40%)
- Below average for projecting and reporting results (5%)
- Among lowest for revenue growth / preservation in new markets (15%)
- Among lowest for direct cost reduction (0%)

Company optimism:

- 20% are more optimistic (100% due to external factors)
- 47% are less optimistic (100% due to external factors)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	6.3	5.0
Earnings	9.0	6.0
Wages and salaries	3.0	3.0
Employee benefits	3.7	3.0
Non-labor input costs and commodities	2.2	2.3
Dividends	2.7	0.0
Capital spending	7.8	5.0
Research and development	5.4	3.0
Marketing and advertising	6.3	4.0
Number of domestic personnel	2.3	2.0
Number of offshore personnel	2.9	0.0
Use of outsourced/ offshore third-party services	5.8	4.0

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Financial services

Board's focus on risk:

- Majority (80%) substantially focus on strategic risk; 70% substantially focus on financial and compliance / regulatory risk; 50% substantially focus on reputational risk
- Majority (80%) somewhat focus on operational risk

Decision making by board:

- Majority (80%) substantially involved with strategic objectives; 65% substantially involved with executive compensation
- Majority (60%) somewhat involved with revenue growth / preservation and cost cutting
- Majority (60%) have little or no involvement with working capital management; 50% have little or no involvement with financing approaches and dividends / share buybacks

Company business focus*:

- 39% on revenue growth/preservation in current markets
- 11% on revenue growth/preservation in new markets
- 18% on cost reduction within direct costs
- 10% on cost reduction within indirect costs
- 5% on asset efficiency within working capital
- 5% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Among highest for providing multiple scenarios and their estimated probabilities (5%)
- Among highest for providing best estimate and underlying assumptions (30%)
- About average for providing conservative estimates to allow for macro volatility (30%)
- Among lowest for not providing guidance (20%)

Finance Organization

Finance-organization challenges:

- Among highest for ensuring initiatives achieve desired business outcomes (65%)
- Among highest for ensuring funding, liquidity and acceptable costs of capital (20%)
- Among highest for supporting a major infrastructure initiative (30%)
- Above average for ensuring compliance with financial reporting and control requirements (20%)
- Above average for addressing changes in tax laws and / or accounting standards (20%)
- Above average for managing finance organization's costs (15%)
- About average for providing metrics, information and tools needed for sound business decision making (45%)
- About average for supporting a major transaction (15%)
- Below average for influencing business strategy and operational priorities (30%)
- Below average for aligning budgets and capex decisions with priorities / strategies (20%)
- Lowest for forecasting and reporting business results (5%)

Status of finance's competencies:

- Sufficient: Majority (80%) view institutional knowledge and political acumen as important and already sufficient; 70% view operational knowledge as important and already sufficient; 55% view facilitation skills as important and already sufficient; 45% view macroeconomic knowledge as important and already sufficient
- Need to improve: Majority (75%) view analytical acumen as important and need to improve; 45% view macroeconomic knowledge as important and need to improve

Career

Career concerns:

- Among highest for insufficient support staff (35%)
- Among highest for expansion of job role / responsibility into areas of less comfort (20%)
- Among highest for excessive workload / responsibilities (35%)
- Above average major change initiatives (55%)
- Above average changing regulatory requirements (60%)
- Above average for internal power struggles and politics (30%)
- Above average for poor quantity / quality / reliability of information (30%)
- Above average for relationship with and demands from board (15%)
- Below average for insufficient internal political influence / authority (5%)
- Among lowest for strategic ambiguity (15%)

Most worrisome risk:

- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

Healthcare and pharmaceuticals

Sample size: 4

Economy & Government

Economy challenges:

- Highest for social policy / spending / investment (100%)
- Highest for inflation (50%)
- Among highest for unemployment (50%)
- Above average for accounting / reporting / controls policy (50%)
- Below average for capital cost / availability (25%)
- Among lowest for environmental policy (25%)
- Among lowest for corporate tax policy (0%)
- Among lowest for currency exchange rates (0%)
- Among lowest for intellectual property policy (0%)

Industry

Industry challenges:

- Highest for regulation / legislation (100%)
- Highest for changing cost structure (50%)
- Highest for new market entrants (25%)
- Above average for pricing trends (50%)
- About average for mergers and acquisitions (25%)
- About average for market growth (25%)
- Below average for new competitive tactics (25%)
- Among lowest for input prices (0%)
- Among lowest for market contraction (0%)
- Among lowest for availability of people / skill sets (0%)

Company

Company challenges:

- Highest for managing assets and working capital (25%)
- Highest for direct cost reduction (50%)
- Among highest for addressing government policy and regulation (50%)
- Among highest for framing and / or adapting strategy (50%)
- Above average for pursuing or responding to M&A opportunities (25%)
- Above average for overhead cost reduction (25%)
- Below average for talent (25%)
- Among lowest for revenue growth / preservation in existing markets (25%)
- Among lowest for prioritizing investments (25%)
- Lowest for revenue growth / preservation in new markets (0%)

Company optimism:

- 50% are more optimistic (100% due to external factors)
- 0% are less optimistic

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	3.5	1.0
Earnings	2.3	1.0
Wages and salaries	2.8	3.0
Employee benefits	5.3	5.0
Non-labor input costs and commodities	1.0	3.0
Dividends	0.7	0.0
Capital spending	3.8	5.0
Research and development	5.0	5.0
Marketing and advertising	2.5	0.0
Number of domestic personnel	0.0	0.0
Number of offshore personnel	0.0	0.0
Use of outsourced/ offshore third-party services	-7.5	-7.5

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Healthcare and pharmaceuticals

Board's focus on risk:

- Majority (100%) substantially focus on strategic risk; 75% substantially focus on financial and operational risk; 50% substantially focus on operational risk
- Majority (50%) somewhat focus on operational risk
- Majority (50%) have little to no focus on reputational risk

Decision making by board:

- Majority (100%) substantially involved with strategic objectives; 75% substantially involved with cost cutting; 50% substantially involved with working capital management
- Majority (75%) somewhat involved with revenue growth / preservation; 50% somewhat involved with working capital and finance approaches
- Majority (50%) have little or no involvement in dividends / share buybacks and shareholder relations

Company business focus*:

- 16% on revenue growth/preservation in current markets
- 21% on revenue growth/preservation in new markets
- 19% on cost reduction within direct costs
- 19% on cost reduction within indirect costs
- 8% on asset efficiency within working capital
- 8% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Among highest for providing conservative estimates to allow for macro volatility (50%)
- About average for providing best estimate and underlying assumptions (25%)
- Below average for not providing guidance (25%)
- Among lowest for providing multiple scenarios and their estimated probabilities (0%)

Finance Organization

Finance-organization challenges:

- Highest for ensuring initiatives achieve desired business outcomes (75%)
- Highest for aligning budgets and capex decisions with priorities / strategies (50%)
- Highest for supporting a major business initiative (50%)
- Among highest for providing metrics, information and tools needed for sound business decision making (50%)
- Above average for supporting a major infrastructure initiative (25%)
- Below average for forecasting and reporting business results (25%)
- Among lowest for influencing business strategy and operational priorities (25%)
- Among lowest for supporting a major transaction (0%)
- Among lowest for securing and retaining finance talent (0%)
- Among lowest for managing finance organization's costs (0%)

Status of finance's competencies:

- Sufficient: Majority (75%) view institutional knowledge, political acumen, and operational knowledge as important and already sufficient; 50% view macroeconomic knowledge and facilitation skills as important and already sufficient
- Need to improve: Majority (100%) view analytical acumen as important and need to improve; 50% view macroeconomic knowledge and facilitation skills as important and need to improve

Career

Career concerns:

- Highest for major change initiatives (100%)
- Among highest for changing regulatory requirements (75%)
- Above average for strategic ambiguity (50%)
- About average for internal power struggles and politics (25%)
- Below average for pressures fro poor company performance (25%)
- Among lowest for excessive workload / responsibilities (0%)
- Among lowest for poor quantity / quality / reliability of information (0%)
- Among lowest for insufficient internal political influence / authority (0%)
- Lowest for insufficient support staff (0%)

Most worrisome risk:

- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

Telecommunications, media, and entertainment

Sample size: 3

Economy & Government

Economy challenges:

- Highest for intellectual property policy (100%)
- Highest for accounting / reporting / controls policy (70%)
- Among highest for social policy / spending / investment (70%)
- Below average for environmental policy (30%)
- Among lowest for unemployment (30%)
- Among lowest for corporate tax policy (0%)
- Among lowest for currency exchange rates (0%)
- Lowest for inflation (0%)
- Lowest for capital cost / availability (0%)

Industry

Industry challenges:

- Highest for mergers and acquisitions (30%)
- Highest for input prices (30%)
- Highest for new competitive tactics (70%)
- Among highest for market growth (35%)
- Among highest for availability of people / skill sets (35%)
- Among highest for product substitutes (35%)
- Above average for industry regulation / legislation (70%)
- Among lowest for market contraction (0%)
- Among lowest for changing cost structures (0%)
- Lowest for pricing trends (0%)

Company

Company challenges:

- Highest for projecting and reporting results (35%)
- Among highest for revenue growth / preservation in existing markets (70%)
- Among highest for direct cost reduction (35%)
- Among highest for pursuing or responding to M&A opportunities (35%)
- Above average for addressing government policy and regulation (35%)
- Above average for revenue growth / preservation in new markets (35%)
- Above average for talent (35%)
- Below average for framing and / or adapting strategy (35%)
- Lowest for prioritizing investments (0%)
- Lowest for overhead cost reduction (0%)

Company optimism:

- 33% are more optimistic (100% due to external factors)
- 33% are less optimistic (100% due to external factors)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	11.3	20.0
Earnings	19.5	19.5
Wages and salaries	4.0	3.5
Employee benefits	5.0	4.0
Non-labor input costs and commodities	2.5	7.5
Dividends	7.5	16.5
Capital spending	0.0	0.0
Research and development	0.0	0.0
Marketing and advertising	4.0	4.0
Number of domestic personnel	4.0	2.0
Number of offshore personnel	8.3	0.0
Use of outsourced/ offshore third-party services	6.7	5.0

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Telecommunications, media, and entertainment

Board's focus on risk:

- Majority (70%) substantially focus on strategic, operational, compliance / regulatory and reputational risk
- Majority (70%) substantially focus on financial risk

Decision making by board:

- Majority (65%) substantially involved with revenue growth / preservation, strategic objectives, and executive compensation
- Majority (65%) somewhat involved with financing approaches and shareholder relations
- Majority (65%) have little or no involvement with cost cutting, working capital management, and dividends / share buybacks

Company business focus*:

- 43% on revenue growth/preservation in current markets
- 28% on revenue growth/preservation in new markets
- 8% on cost reduction within direct costs
- 13% on cost reduction within indirect costs
- 2% on asset efficiency within working capital
- 7% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Among highest for providing best estimate and underlying assumptions (35%)
- Above average for providing conservative estimates to allow for macro volatility (35%)
- About average for not providing guidance (35%)
- Among lowest for providing multiple scenarios and their estimated probabilities (0%)

Finance Organization

Finance-organization challenges:

- Highest for ensuring compliance with financial reporting and control requirements (35%)
- Highest for addressing changes in tax laws and / or accounting standards (35%)
- Highest for managing finance organization's costs (35%)
- Highest for securing and retaining finance talent (35%)
- Highest for supporting a major transaction (35%)
- Among highest for forecasting and reporting business results (65%)
- Below average for ensuring initiatives achieve desired business outcomes (33%)
- Among lowest for supporting a major business initiative (0%)
- Among lowest for aligning budgets and capex decisions with priorities / strategies (0%)
- Lowest for influencing business strategy and operational priorities (0%)
- Lowest for providing metrics, information and tools needed for sound business decisions (35%)

Status of finance's competencies:

- Sufficient: Majority (65%) view analytical acumen, operational knowledge, institutional knowledge, and political acumen as important and already sufficient
- Need to improve: Majority (65%) view macroeconomic knowledge and facilitation skills as important and need to improve

Career

Career concerns:

- Highest for changing regulatory requirements (100%)
- Highest for relationship with and demands fro board (35%)
- Highest for insufficient internal political influence / authority (35%)
- Among highest for insufficient support staff (35%)
- About average for pressures from poor company performance (35%)
- Below average for strategic ambiguity (35%)
- Among lowest for major change initiative (35%)
- Among lowest for excessive workload / responsibilities (0%)
- Among lowest for poor quantity / quality / reliability of information (0%)
- Lowest for internal power struggles and politics (0%)

Most worrisome risk:

- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

Services

Sample size: 7

Economy & Government

Economy challenges:

- Highest for unemployment (60%)
- Among highest for environmental policy (60%)
- Among highest for capital cost / availability (40%)
- Above average for corporate tax policy (30%)
- About average for accounting / reporting / controls policy (30%)
- Below average for currency exchange (15%)
- Among lowest for inflation (15%)
- Lowest for social policy / spending / investment (30%)
- Among lowest for intellectual property policy (0%)

Industry

Industry challenges:

- Highest for market contraction (45%)
- Among highest for industry regulation / legislation (70%)
- Among highest for input prices (30%)
- Among highest for new competitive tactics (45%)
- Above average for availability of people / skill sets (30%)
- Above average for foreign competition (15%)
- Above average for new market entrants (15%)
- Below average for pricing trends (30%)
- Among lowest for mergers and acquisitions (15%)
- Among lowest for market growth (15%)
- Among lowest for changing cost structures (0%)

Company

Company challenges:

- Among highest for revenue growth / preservation in new markets (45%)
- Among highest for overhead cost reduction (30%)
- Among highest for financing and liquidity (15%)
- Among highest for managing assets and working capital (15%)
- Above average for prioritizing investments (45%)
- Above average for addressing government policy and regulation (30%)
- About average for talent (30%)
- About average for framing and / or adapting strategy (45%)
- About average for direct cost reduction (15%)
- Below average for revenue growth / preservation in existing markets (45%)
- Among lowest for pursuing or responding to M&A opportunities (0%)

Company optimism:

- 43% are more optimistic (30% due to internal factors; 70% due to external factors)
- 43% are less optimistic (70% due to external factors ; 30% due to internal factors)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	6.3	6.3
Earnings	15.0	15.0
Wages and salaries	2.7	2.5
Employee benefits	4.3	3.5
Non-labor input costs and commodities	2.7	1.5
Dividends	3.3	0.0
Capital spending	4.2	5.0
Research and development	2.2	0.0
Marketing and advertising	1.8	0.0
Number of domestic personnel	0.2	0.0
Number of offshore personnel	6.3	2.5
Use of outsourced/ offshore third-party services	5.8	1.5

**Averages have been adjusted to eliminate the effects of stark outliers.*

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Services

Board's focus on risk:

- Majority (70%) substantially focus on strategic risk; 60% substantially focus on compliance/regulatory and reputational risk
- Majority (85%) somewhat focus on financial risk; 70% somewhat focus on operational risk

Decision making by board:

- Majority (55%) substantially involved with executive compensation
- Majority (55%) somewhat involved with revenue growth / preservation, strategic objectives, and financing approaches
- Majority (55%) have little or no involvement with cost cutting and shareholder relations; 50% have little or no involvement with working capital management

Company business focus*:

- 24% on revenue growth/preservation in current markets
- 16% on revenue growth/preservation in new markets
- 20% on cost reduction within direct costs
- 21% on cost reduction within indirect costs
- 5% on asset efficiency within working capital
- 13% on asset efficiency within fixed assets

Most-referenced indicators:

- Please see page 36 for industry-specific findings.

Strategy for providing 2012 earning's guidance:

- Highest for not providing guidance (55%)
- Below average for providing best estimate and underlying assumptions (15%)
- Below average for providing conservative estimates to allow for macro volatility (15%)
- Among lowest for providing multiple scenarios and estimated probabilities (0%)

Finance Organization

Finance-organization challenges:

- Highest for providing metrics, information and tools needed for sound business decision making (60%)
- Among highest for influencing business strategy and operational priorities (60%)
- Among highest for managing finance organization's costs (30%)
- Above average for ensuring initiatives achieve desired business outcomes (60%)
- Above average for aligning budgets and capex decisions with priorities / strategies (30%)
- Above average for supporting a major business initiative (30%)
- Above average for ensuring compliance with financial reporting and control requirements (30%)
- Among lowest for forecasting and reporting business results (15%)
- Among lowest for supporting a major infrastructure initiative (0%)
- Among lowest for supporting a major transaction (0%)
- Among lowest for securing and retaining finance talent (0%)

Status of finance's competencies:

- Sufficient: Majority (85%) view political acumen and institutional knowledge as important and already sufficient
- Need to improve: Majority (70%) view analytical acumen and facilitation skills as important and need to improve; 55% view operational knowledge as important and need to improve
- Not Important: Most (40%) view macroeconomic knowledge as not important

Career

Career concerns:

- Highest for strategic ambiguity (70%)
- Among highest for insufficient support staff (30%)
- Among highest for poor quantity / quality / reliability of information (30%)
- Above average for pressures from poor company performance (45%)
- Above average for internal power struggles and politics (30%)
- Above average for relationship with and demands from board (15%)
- Above average for insufficient internal political influence / authority (15%)
- Above average for expansion of job role / responsibility into areas of less comfort (15%)
- Below average for changing regulatory requirements (30%)
- Lowest for major change initiatives (15%)

Most worrisome risk:

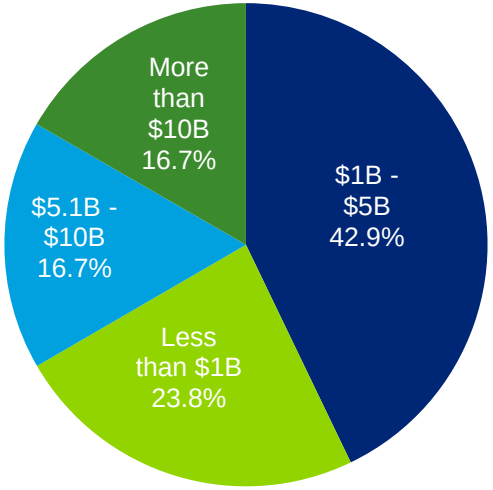
- Please see page 24 for industry-specific findings.

* Total may not add to 100% due to rounding of individual averages.

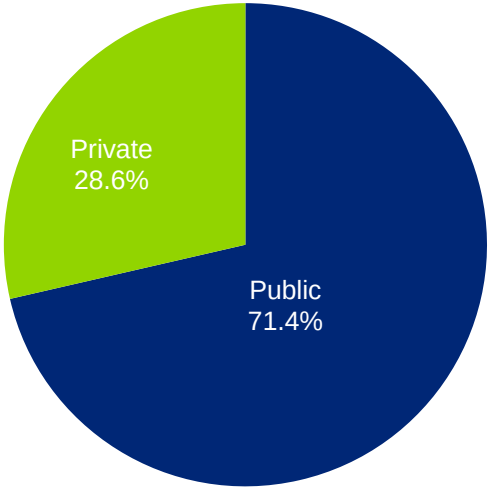
About the survey

Demographics

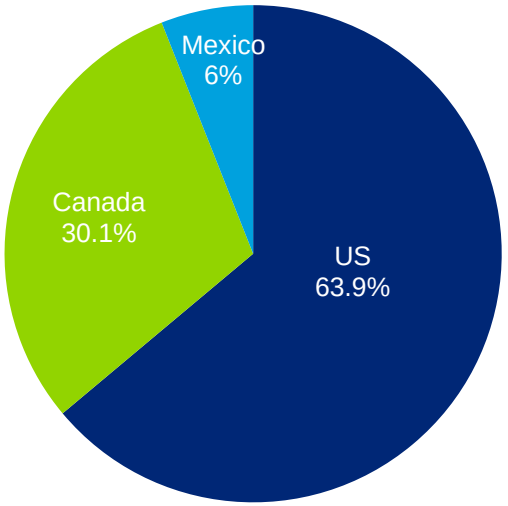
Annual Revenue ($US)
(n=84)



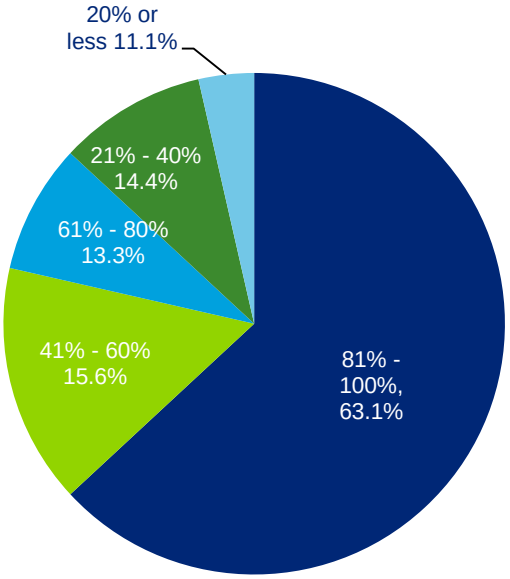
Ownership
(n=84)



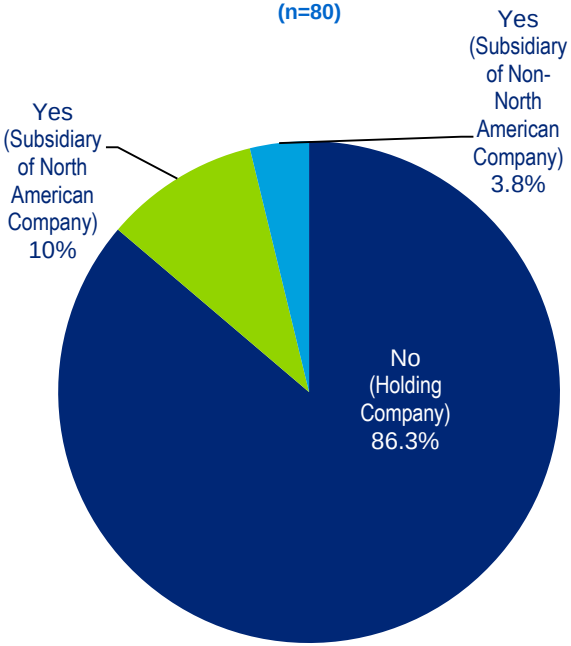
Country
(n=83)



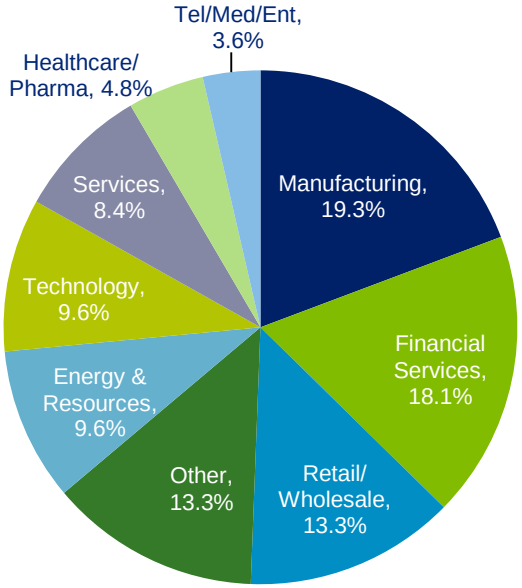
Revenue from N.A.
(n=84)



Subsidiary Company
(n=80)



Industry
(n=83)



Methodology

Background

The Deloitte North American CFO Survey is a quarterly survey of CFOs from large, influential companies across North America. The purpose of the survey is to provide these CFOs with quarterly information regarding the perspectives and actions of their CFO peers across five areas: CFO career, finance organization, company, industry, and economy.

Participation

This survey seeks responses from client CFOs across the United States, Canada, and Mexico. The sample includes CFOs from public and private companies that are predominantly over $3B in annual revenue. Respondents are nearly exclusively CFOs. Participation is open to all sectors except for government.

Survey Execution

At the opening of each survey period, CFOs receive an email containing a link to an online survey hosted by a third-party service provider. The response period is typically two weeks, and CFOs receive a summary report approximately two weeks after the survey closes. Only CFOs who respond to the survey receive the summary report for the first 30 days after the report is released.

Nature of Results

This survey is a “pulse survey” intended to provide CFOs with information regarding their CFO peers’ thinking across a variety of topics; it is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate – especially within individual industries. Accordingly, this report summarizes findings for the surveyed population but does not necessarily indicate economy- or industry-wide perceptions or trends.

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