

## **CFO Signals™**

What North America's top finance executives are thinking—and doing

1<sup>st</sup> quarter 2018

High-level report

This report is a subset of a full report containing analysis and trends specific to industries and geographies. Please contact [nacfosurvey@deloitte.com](mailto:nacfosurvey@deloitte.com) for access to the full report.



# About the survey

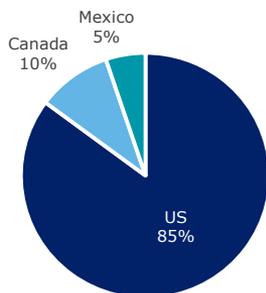
## Contents and background

### About the CFO Signals survey

Each quarter (since 2Q10), *CFO Signals* has tracked the thinking and actions of CFOs representing many of North America's largest and most influential companies.

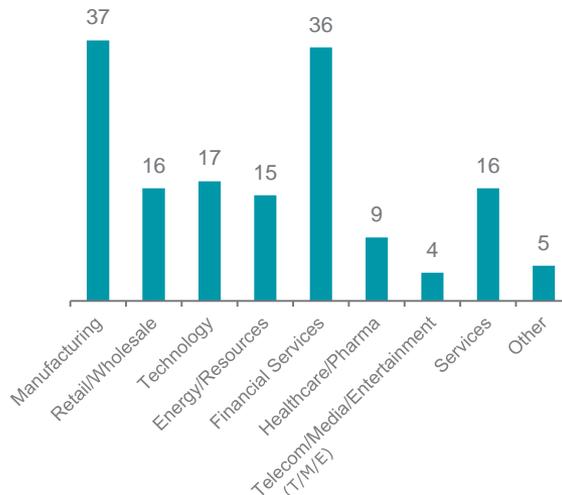
All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than \$1 billion in annual revenue. For a summary of this quarter's response demographics, please see the sidebars and charts on this page. For other information about participation and methodology, please contact [nacfosurvey@deloitte.com](mailto:nacfosurvey@deloitte.com).

Participation by country\*



\* Sample sizes for some charts may not sum to the total because some respondents did not answer all demographic questions.

Participation by industry\*



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### Additional findings in full report

(please contact [nacfosurvey@deloitte.com](mailto:nacfosurvey@deloitte.com))

- Detailed findings (by industry)
- Industry-by-industry trends
- Country-by-country trends

### Survey responses

Survey period:	2/12-2/23
Total responses:	155
• CFO proportion:	100%
• Revenue >\$1B:	87%
• Public/private:	74%/26%

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# Findings at a glance

## Perceptions

**How do you regard the current/future status of the North American, European, and Chinese economies?** Perceptions of North America improved, with 90% of CFOs rating current conditions as good (up sharply from 74% last quarter and a new survey high), and 59% expecting better conditions in a year (up from 56%). Perceptions of Europe rose to 55% and 51%, respectively (both new highs), and China rose sharply to 50% (new high) and 37%. [Page 6.](#)

**What is your perception of the capital markets?** Seventy-seven percent of CFOs say debt financing is attractive (down from 85%). Attractiveness of equity financing decreased for public company CFOs (from 46% to 43%) and also for private company CFOs (from 47% to 35%). Seventy-six percent of CFOs now say US equities are overvalued—down from last quarter’s survey-high 84%. [Page 7.](#)

## Sentiment

**Overall, what risks worry you the most?** Anticipating higher post-tax-reform investment, CFOs voice very strong internal concerns about securing the talent they need. They again cite external worries about politics and policy (especially trade policy) and also new concerns about rising government debt. [Page 8.](#)

**Compared to three months ago, how do you feel about the financial prospects for your company?** The net optimism index rose from last quarter’s +47 to +54 this quarter—a new survey high. Nearly 60% of CFOs express rising optimism (up from 52%), and just 6% express declining optimism. [Page 9.](#)

## Expectations

**What is your company’s business focus for the next year?** CFOs indicate a strong bias toward revenue growth over cost reduction (64% vs. 18%) and investing cash over returning it (57% vs. 14%). The bias toward current offerings over new ones held steady this quarter (40% vs. 37%), and the bias toward current geographies over new ones declined slightly (61% vs. 20%). [Page 10.](#)

**Compared to the past 12 months, how do you expect your key operating metrics to change over the next 12 months?** Revenue growth expectations rose from 4.7% to 5.9% (a two-year high). Earnings growth rose from 8.4% to 9.8% (the highest level in nearly three years). Capital investment rose sharply from 6.5% to 11.0% (a five-year high). Domestic hiring rose from 2.0% to 3.1% (a new high). Manufacturing and Retail/Wholesale led for most metrics. [Page 11.](#)

## Special topic: Companies’ response to US tax law changes

**What will be the impact of new US corporate tax laws on your company?** Many CFOs expect tax reform to raise their domestic investment, hiring, and wages; many also expect accelerated earnings repatriation and challenges for their tax function. [Page 12.](#)

**What will you do with your repatriated cash?** Investment (in both core and new businesses and also in R&D) is far and away CFOs’ top expected use for repatriated cash. Many expect some use for hiring and pay, but more extensive use appears focused on debt repayment, buybacks, and dividends. [Page 13.](#)

## 1Q18 Survey Highlights

- Optimism regarding the health and trajectory of the North American, Chinese, and European economies hit survey highs.
- With US equity markets hitting new highs (and recovering from a one-week 10% drop), 76% of CFOs say equities are overvalued.
- Own-company optimism surged to a new survey high.
- Growth expectations for revenue, earnings, capex, and hiring all rose to multi-year highs.
- Many CFOs say US tax reform will raise their domestic investment, hiring, and wages, and also accelerate cash repatriation.
- CFOs’ top expected use for repatriated cash is investment—in core businesses, new businesses, and R&D/innovation.
- IT risk/cybersecurity is the most common IT topic for boards.
- The dominant approach for educating leaders around new technology is to explain it in the context of strategy discussions.
- The most common approaches to managing IT investments focus mostly on selection and prioritization and less on managing value.
- There appears to be a proliferation of CXO positions focused on managing, utilizing, and protecting IT infrastructure and data.

## Special topic: IT management

**What technology topics were addressed at your most recent board meeting?** IT risk/cybersecurity is by far the topic CFOs are most likely to say they addressed. Digital, innovation, and IT strategy were next. Retail/Wholesale and Financial Services were the most likely to cite a broad range of topics. [Page 14.](#)

**What initiatives does your IT function have in place to help business leadership better understand technology?** By a wide margin, CFOs say the most common approach is to explain new technologies in the context of business strategy discussions. The next tier includes sharing thoughtware and holding briefings and training. Healthcare/Pharma cites broad-based approaches. [Page 15.](#)

**Which of the following tactics does your company use to manage technology investments?** CFOs’ most cited tactics focus on IT investment selection and prioritization, with less use of tactics for measuring and managing value. Most CFOs say they spend the right amount on IT. [Page 16.](#)

**Which IT-related positions do you have and to whom do they report?** There appears to be a proliferation of management positions focused on managing, utilizing, and protecting IT infrastructure and data. [Page 17.](#)

# Summary and context

## Sentiment swells in wake of US tax and spending bills

A year ago, coming out of the 2016 US presidential election, CFOs' sentiment soared—with the first quarter survey registering the sharpest sentiment uptick in its history. Although things ebbed a bit over the next two quarters, sentiment remained quite positive even as CFOs voiced growing concerns about geopolitical conflict and US political turmoil. And, in the fourth quarter, sentiment rose again—with CFOs' confidence in their companies' prospects hitting its third-highest level.

Throughout last year, CFOs' positive sentiment was underpinned by positive assessments of the North American economy and, more recently, by rising perceptions of Europe and China. The same applies this quarter, with confidence in all three regions hitting new survey highs.

In addition, the passage of tax reform and government spending bills in the US appears to have further bolstered confidence—with growth expectations for revenue, earnings, capex, and hiring all rising to multi-year highs and CFOs' optimism about their companies' prospects hitting its highest-ever level.

So what are US policy changes and skyrocketing optimism leading companies to do next? To help answer this question, this quarter's survey explores the changes companies are making in response to new US tax law.

Tax reform was intended to increase companies' domestic investment, hiring, and pay, and CFOs' survey responses seem to indicate that the new tax law will aid all of these to a very substantial extent. For example, 46% expect higher investment in US operations, and just 6% expect higher investment outside the US.

On top of this, 46% of CFOs say they plan to accelerate their repatriation of foreign earnings, with 93% of these companies using the funds to invest in core businesses, 82% using them for new businesses, and 77% using them for investment in R&D and innovation.

Hiring and wages appear to be getting a boost as well. Thirty-one percent of CFOs say they expect to increase their domestic hiring, and 38% expect to raise wages. On top of this, 55% of CFOs say their company plans to use repatriated earnings to hire new employees, while 43% cite wage increases, and 23% cite one-time bonuses.

Notwithstanding these impacts, CFOs continue to voice substantial concerns as they look at the external business environment. They again express concerns about geopolitics and especially about the future of trade policy—particularly related to NAFTA and China. They also voice growing concerns about rising interest rates and inflation, high equity valuations, and (new for this quarter) the long-term impacts of growing government and consumer debt.

On top of this, CFOs' persistent internal worries about their ability to deliver major initiatives and secure key talent are even more pronounced this quarter—apparently amplified by an anticipated ramp-up of capital investment. To learn more about how companies are approaching major investments, this quarter, in conjunction with Deloitte's CIO Program, we asked CFOs about their approaches to selecting, managing, and communicating around major IT investments.

CFOs say a broad range of IT-related topics are being addressed at the board level (led by IT risk/cybersecurity) and that the most common way their IT function educates business leaders is by explaining new technologies in the context of business strategy discussions. They also say their most common tactics for managing IT investments relate to front-end controls—with a relatively high focus on selection and prioritization, and a lower focus on managing value. Overall, most CFOs say they spend about the right amount on IT.

We also asked about where IT responsibility lies within companies, and there appears to be a proliferation of newer management positions focused on managing, utilizing, and protecting infrastructure and data. Prevalence and reporting relationships for the positions vary considerably, especially by industry.

### Key developments since the 4Q17 survey

- US economy was buoyed by consumer/business spending and exports, limited by strong imports.
- President Trump signed a tax reform bill lowering the corporate rate from 35% to 21%, and another raising government spending for two years.
- The US Fed said they expect faster growth in the wake of tax cuts and left interest rates unchanged.
- US inflation exceeded expectations and retail sales fell short; equities fell sharply, then recovered.
- The US trade deficit hit a nine-year high; Secretary Mnuchin said the US is considering rejoining TPP.
- Oil prices declined considerably from recent highs.
- The Eurozone economy grew at its fastest rate in a decade; unemployment rate is lowest since 2009.
- Canadian retail sales decelerated, but were strong for 2017; full-time employment rose.
- Mexico's private investment and consumer price inflation fell; the central bank raised rates.
- Chinese exports were strong; officials threatened to retaliate if US imposes steel and aluminum tariffs.

### Summary of CFO sentiment and expectations

		This quarter	Last quarter	2 yr. avg.
Economy optimism—North America (Index)		<b>54.8</b>	46.6	40.1
Economy optimism—Europe (Index)		<b>37.9</b>	20.7	13.1
Economy optimism—China (Index)		<b>32.7</b>	29.9	16.4
Own-company optimism (Net)		<b>+53.5</b>	+46.9	+37.1
Revenue growth (YOY)		<b>5.9%</b>	4.7%	4.8%
Earnings growth (YOY)		<b>9.8%</b>	8.4%	7.8%
Capital investment growth (YOY)		<b>11.0%</b>	6.5%	7.4%
Domestic personnel growth (YOY)		<b>3.1%</b>	2.0%	2.1%
Percent of CFOs saying US equity markets overvalued		<b>75%</b>	84%	75%

Well below two-year average    Well below last quarter    Well above two-year average    Well above last quarter

# Topical findings

# Perceptions

## Assessments of regional economies

**In the aftermath of the US Congress's passage of tax reform and a spending bill, CFOs' assessments of the North American, European, and Chinese economies all hit new survey highs.**

CFOs' assessments of the North American economy rose sharply in the first quarter of 2017 and remained very strong throughout the year. This quarter's assessments got even stronger, with nearly 90% of CFOs rating current conditions as good, well up from 74% last quarter and a new survey high by a wide margin. Nearly 60% expect better conditions in a year (up from 56%), and the region's optimism index<sup>1</sup> rose from +47 to +55—another new survey high.

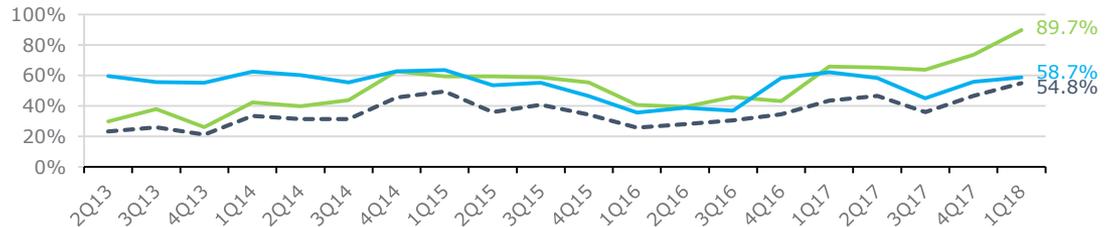
Perceptions of Europe's current state and trajectory both hit new survey highs last quarter, and they did so again this quarter. Fifty-five percent of CFOs now say current conditions are good, and 51% expect better conditions in a year—both metrics up sharply from last quarter's survey highs of 35% and 33%, respectively. The optimism index<sup>1</sup> hit another high at +38 (up sharply from +21).

Perceptions of China's economy rose to new survey highs last quarter and did so again this quarter. Fifty percent of CFOs say current conditions are good (up from 49%), and 37% expect better conditions in a year (down from 41%). The optimism index<sup>1</sup> reached another new survey high at +33.

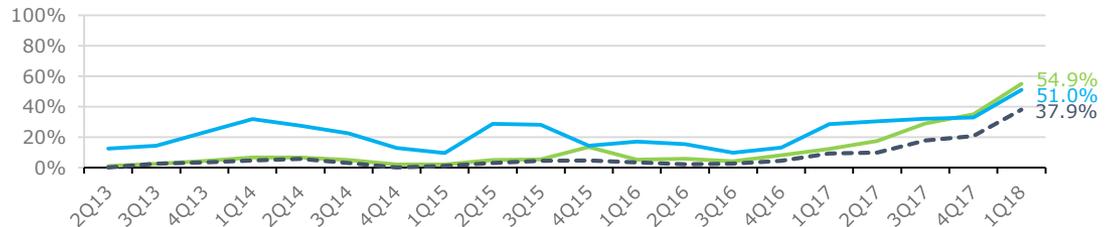
### Economic optimism

*How do you regard the North American, European, and Chinese economies? Percent of CFOs saying current conditions are good or very good, percent saying conditions next year will be better or much better, and percent saying both (dotted line).*

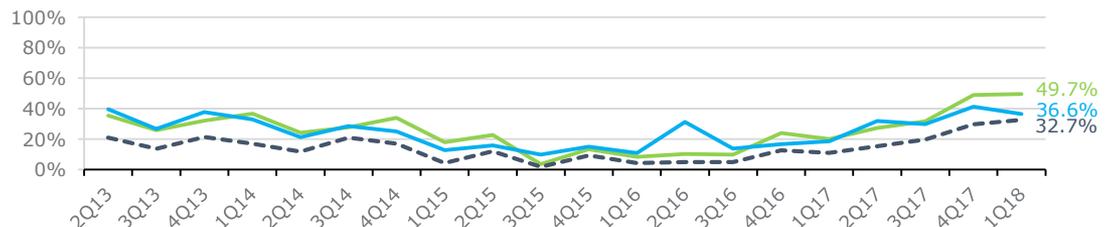
#### North America



#### Europe



#### China



Good now — Better in a year — Economic optimism index<sup>1</sup> - - -

<sup>1</sup> Indexes reflect the percentage of respondents who rate current economic conditions as "good" or "very good" and who also expect "better" or "much better" conditions in a year. Please note that the calculation of this index changed in 1Q18 and all values from prior quarters have been recalculated based on the new methodology.

# Perceptions

## Assessments of markets and risk

### Equities remain overvalued

With the S&P 500 up 5.8% since last quarter's survey (having recovered from a 10% drop between late January and early February) and equity markets again near their historic highs, 76% of surveyed CFOs say US equity markets are overvalued—a decrease from last quarter's survey-high 84%.

### Debt still attractive, but less so; equity attractiveness declining

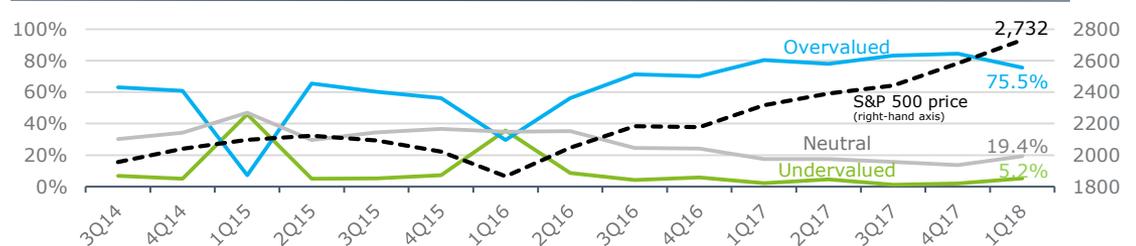
Seventy-seven percent of CFOs say debt financing is attractive, down from last quarter's 85% and at its lowest level in two years. Attractiveness of equity financing decreased for public company CFOs (from 46% to 43%) and especially for private company CFOs (from 47% to 35%).

### Very high appetite for risk-taking

Sixty-nine percent of CFOs say now is a good time to be taking greater risk—up from 63% last quarter and a new survey high.

### Equity market valuations

How do you regard US equity market valuations? Percent of CFOs saying markets are overvalued, undervalued, or neither (compared to S&P 500 price at survey midpoint)



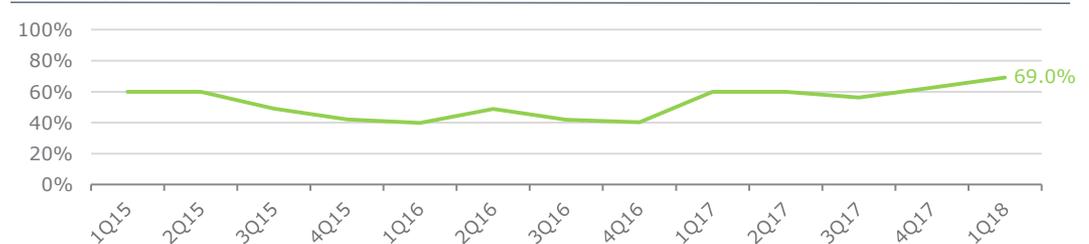
### Debt/equity attractiveness

How do you regard debt/equity financing attractiveness? Percent of CFOs citing debt and equity attractiveness (both public and private companies)



### Risk appetite

Is this a good time to be taking greater risk? Percent of CFOs saying it is a good time to be taking greater risk



# Sentiment

## Most worrisome risks

**As companies ramp up for post-tax-reform investment, CFOs voice even stronger internal concerns about driving initiatives and finding talent. They still express strong external concerns about politics and policy and now voice worries about the longer-term impacts of rising government debt.**

Prior to 2017, CFOs' top external risks centered on slow economic growth. With global economic performance much stronger now, CFOs' worries have shifted toward their own companies' ability to capitalize on opportunities and toward external risks that could hurt future growth.

CFOs continued to voice strong concerns about the impact of Washington turmoil on economic performance—especially around the future of US trade policy and the effects of potential geopolitical conflicts on trade, growth, and capital markets. Also surging this quarter were worries about rising inflation, interest rates, and US government debt.

Talent concerns have topped CFOs' list of internal risks for many quarters. This quarter, as CFOs claimed rapidly growing struggles to execute on initiatives supporting their growth strategies, their focus on talent acquisition, quality, and retention further intensified.

**Please see the appendix for specific CFO comments by industry.**

### Most worrisome risks

*What external and internal risk worries you the most? Paraphrasing and normalization of CFOs' most common free-form comments*

#### External risks

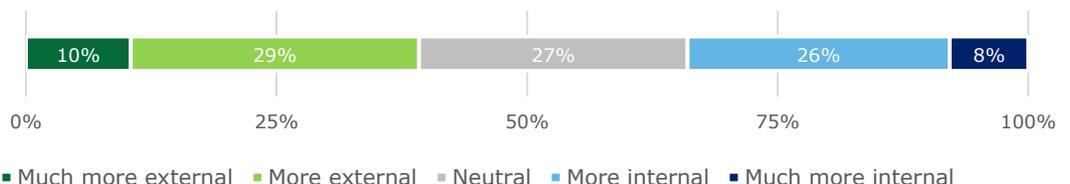


#### Internal risks



### Growth constraints

*Which factors (external or internal) are most constraining your company's performance?*



# Sentiment

## Optimism regarding own-company prospects

**After bouncing back last quarter to the high levels we saw early in 2017, net optimism rose again to another survey high this quarter—on strength in all three geographies and most industries.**

Net optimism hit a survey-high +50% in 1Q17. Then, after declining in the second and third quarters, it bounced back in the fourth to a very strong +47. This quarter's net optimism continued the positive trend, reaching another survey high at +54. Nearly 60% of CFOs expressed rising optimism (up from 52%), and just 6% cited declining optimism (near the historic low).

Net optimism for the US rose from last quarter's already-high +50 to +55 this quarter. Canada rose slightly from +46 to +47, while optimism in Mexico rose sharply from zero to +38.

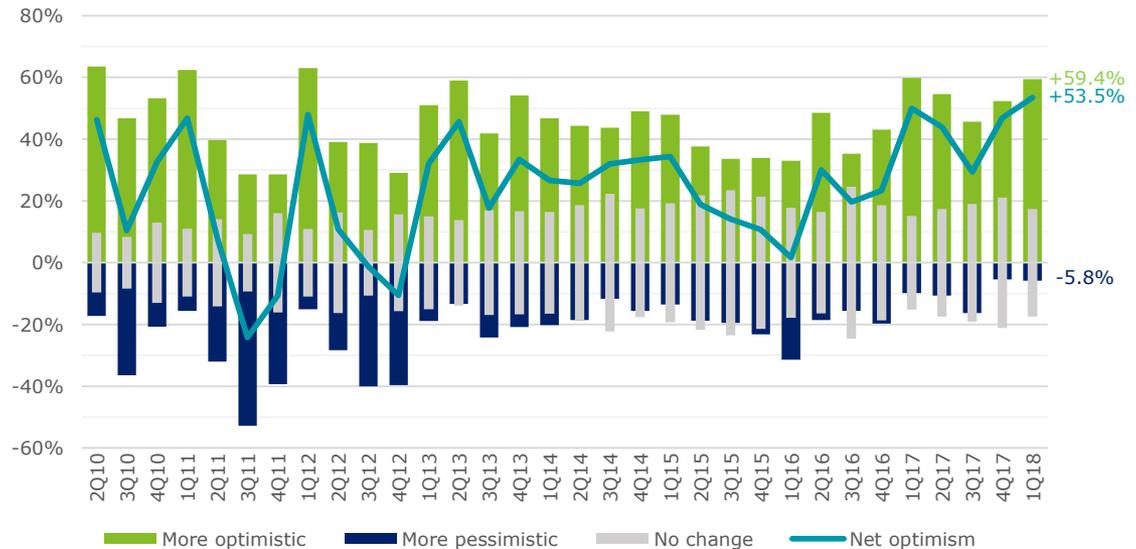
Sentiment was particularly strong in Services, Manufacturing, Technology, and Retail/Wholesale—all of which came in above +62. Financial Services and T/M/E\* were lowest at +25.

**Please see the appendix for charts specific to individual industries and countries.**

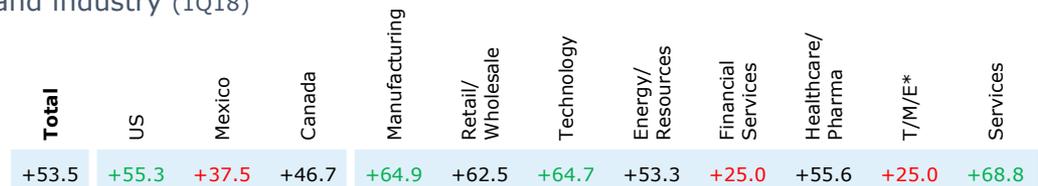
\* Please note the very small sample size for T/M/E.

### Own-company optimism

How does your optimism regarding your company's prospects compare to last quarter? Percent of CFOs citing higher optimism (green bars), lower optimism (blue bars), and no change (gray bars); net optimism (line) is difference between the green and blue bars



### Net optimism by country and industry (1Q18)



\* Please note very small sample size this quarter.

Red = relative lows  
Green = relative highs

# Expectations

## Business focus for next year

**The focus on revenue growth over cost reduction reached a new survey high, and the bias toward investing cash over returning remains among its recent highs.**

Approximately 64% of CFOs say they are biased toward revenue growth (among the highest levels in survey history), and only 18% claim a bias toward cost reduction (one of the lowest levels) for a net value of +46% (a new survey high). The bias toward investing cash over returning it to shareholders (57% versus 14%) increased slightly and remains among its highest levels in the past five years at +43%.

CFOs' bias toward current product/service offerings over new ones held fairly steady this quarter (40% versus 37%, for a net of -3%). The bias toward current geographies over new ones declined somewhat (61% versus 20%, for a net of -41%).

The recent strong bias toward organic growth over inorganic growth continued this quarter (60% versus 15%, for a net of -45%).

**Please see the appendix for charts specific to individual industries.**

### Business focus

*What is your company's business focus for the next year? Net percent of CFOs citing a stronger focus on the top choice than on the bottom choice (e.g., grow revenue vs. reduce costs)*

#### Offense vs. defense



#### New business vs. current business



#### Inorganic growth vs. organic growth



# Expectations

## Growth in key metrics, year-over-year

**All key metrics rose to multi-year highs—largely on skyrocketing optimism in the US, but also on strength in Canada and Mexico. The Manufacturing and Retail/Wholesale sectors powered much of the improvement.**

**Revenue growth rose** from 4.7% to 5.9% and sits at its two-year high. The US rose to its two-year high. Canada rose substantially, but is still below its two-year average; Mexico rose above its two-year average. Retail/Wholesale and Technology lead; T/M/E\* trails.

**Earnings growth rose** from 8.4% to 9.8% and sits at its highest level in nearly three years. The US rose sharply to its three-year high. Canada rose, but remains below its two-year average; Mexico rose above its two-year average. Manufacturing and Retail/Wholesale lead; T/M/E\* and Healthcare/Pharma trail.

**Capital investment rose sharply** from 6.5% to 11% (a five-year high). The US rose to its five-year high. Canada rose sharply, but remains below its two-year average. Mexico rose sharply to its fourth-highest-ever level. Manufacturing and Retail/Wholesale are highest; T/M/E\* and Technology are lowest.

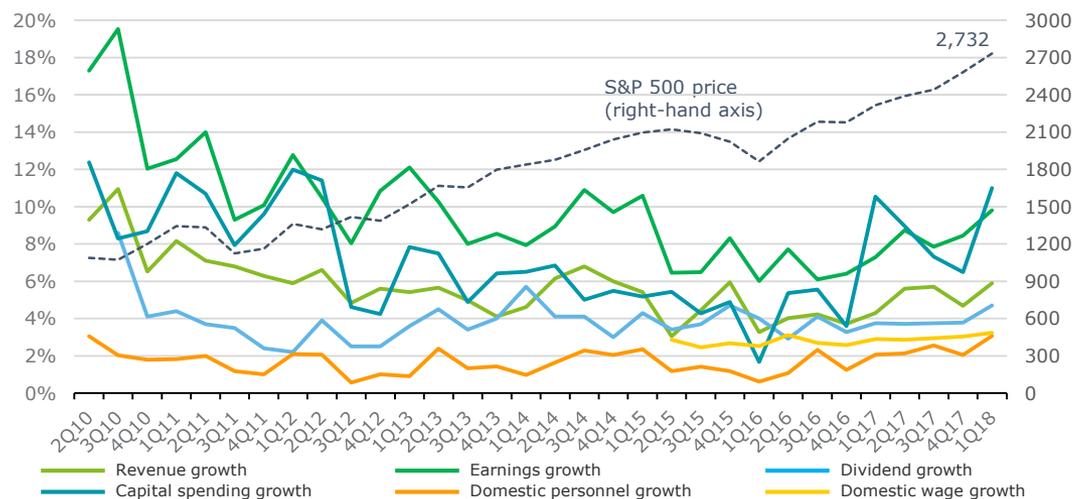
**Domestic personnel growth rose** from 2.0% to 3.1%, a new survey high. The US and Canada both rose sharply—the US to its new survey high, and Canada to its second-highest level in nearly five years. Mexico rose, but sits below its two-year average. Services and Technology lead; T/M/E\* and Energy/Resources trail.

**Please see the appendix for charts specific to individual industries and countries.**

\* Please note the very small sample size for T/M/E.

### Growth expectations

Compared to the past 12 months, how do you expect the following metrics to change over the next 12 months? CFOs' expected year-over-year company growth in key metrics (compared to the value of the S&P 500 index at the survey midpoint)



### YOY growth expectations by country and industry (1Q18)

	Total	US	Mexico	Canada	Manufacturing	Retail/Wholesale	Technology	Energy/Resources	Financial Services	Healthcare/Pharma	T/M/E*	Services
Revenue	<b>5.9%</b>	5.8%	8.5%	5.1%	5.8%	6.2%	8.4%	5.4%	5.4%	5.3%	1.3%	5.1%
Earnings	<b>9.8%</b>	10.4%	7.2%	6.3%	12.9%	10.5%	7.4%	8.1%	9.6%	7.1%	6.3%	9.1%
Capital spending	<b>11.0%</b>	10.7%	22.3%	7.7%	18.4%	13.0%	5.0%	6.5%	8.1%	11.4%	-2.5%	11.2%
Domestic personnel	<b>3.1%</b>	3.0%	2.6%	3.9%	3.3%	3.5%	4.5%	1.1%	3.0%	3.0%	-4.8%	5.5%
Dividends	<b>4.7%</b>	4.7%	2.6%	5.4%	5.8%	5.8%	0.5%	2.8%	4.4%	9.1%	2.0%	4.0%
Domestic wages	<b>3.2%</b>	3.1%	5.5%	2.8%	3.1%	3.6%	3.1%	2.9%	3.4%	3.3%	2.2%	3.1%

\* Please note very small sample size this quarter.

Red = relative lows  
Green = relative highs

# Special topic: Response to tax law changes

## Impact on operations, financing, talent, and capital

**Many CFOs expect tax reform to raise their domestic investment, hiring, and wages; many also expect accelerated earnings repatriation and challenges for their tax function.**

**Operations:** Forty-six percent of CFOs expect higher investment in US operations (versus 6% for non-US operations). Expectations were similar across industries, but Services and Healthcare/Pharma were notably above the average.

**Investment:** Thirty-eight percent expect to front-load capital investment, and 32% expect higher R&D/innovation investment. Services and Energy/Resources were high for front-loading investment, while Healthcare/Pharma and Technology were high for R&D/innovation.

**Talent:** Thirty-one percent expect to raise hiring, and 38% expect to raise wages. Retail/Wholesale was low for hiring, but high for wages; Healthcare/Pharma was high for hiring, but low for wages. Services was high for hiring.

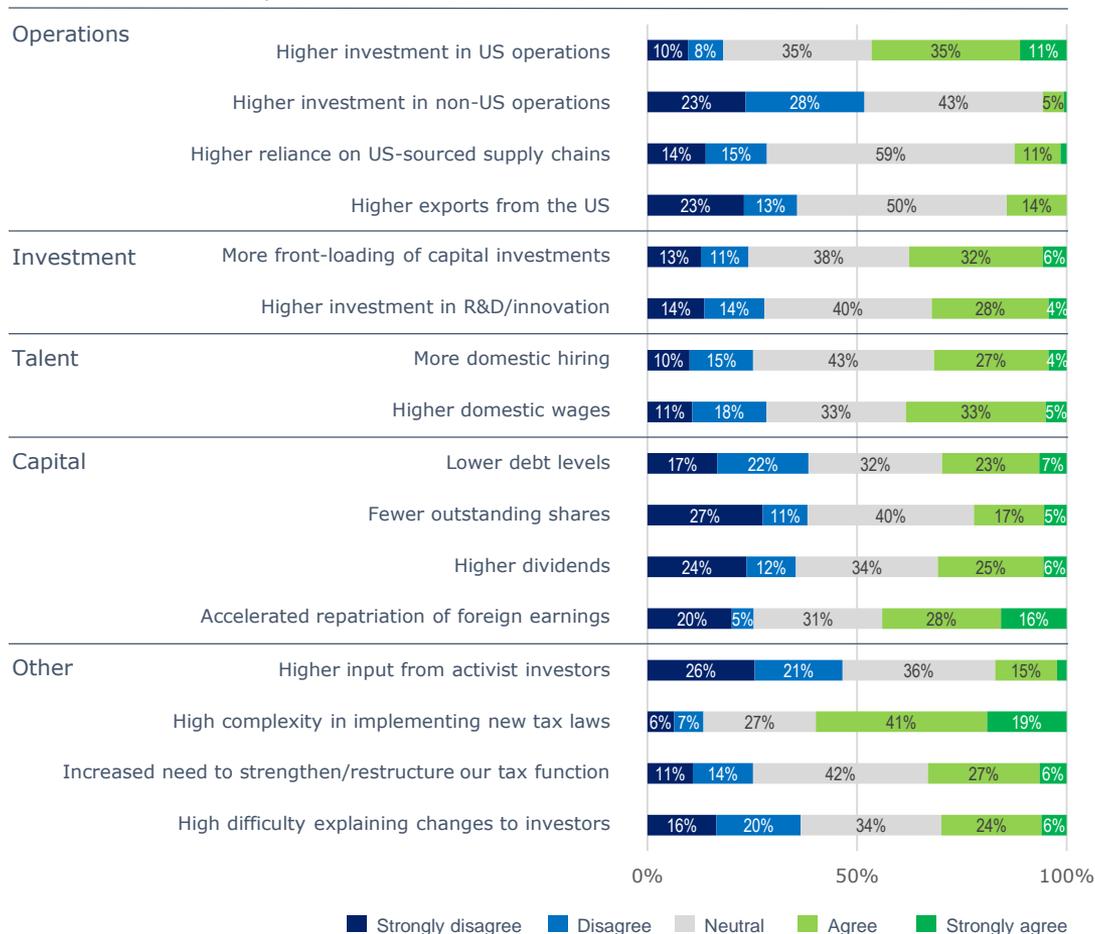
**Capital:** Forty-four percent expect accelerated repatriation of foreign earnings. Manufacturing and Technology were higher; Financial Services and Energy/Resources were lower.

**Tax function:** Sixty percent expect high complexity in implementing new tax laws, and one-third cite the need to strengthen or restructure their tax function.

**Please see the appendix for charts specific to individual industries.**

### Business impact of US tax law changes

*What will be the impact of new US corporate tax laws on your company? Percent of CFOs selecting each level of agreement for each statement (among CFOs for whom the statement was relevant)*



# Special topic: Response to tax law changes

## Plans for repatriated cash

**Investment is far and away CFOs' top expected use for repatriated earnings. Many expect some use for hiring and pay, but more extensive use appears focused on debt repayment, buybacks, and dividends.**

**Investment:** Ninety-three percent expect investment in core businesses (72% expect moderate/high use), 82% expect investment in new businesses (61% for moderate/high), and 77% expect R&D/innovation investment (45% for moderate/high). Financial Services was low for core businesses, but high for new businesses. Retail/Wholesale and Energy/Resources were relatively low for new businesses and R&D/innovation. Technology, Healthcare/Pharma, and Manufacturing were high for all investment types.

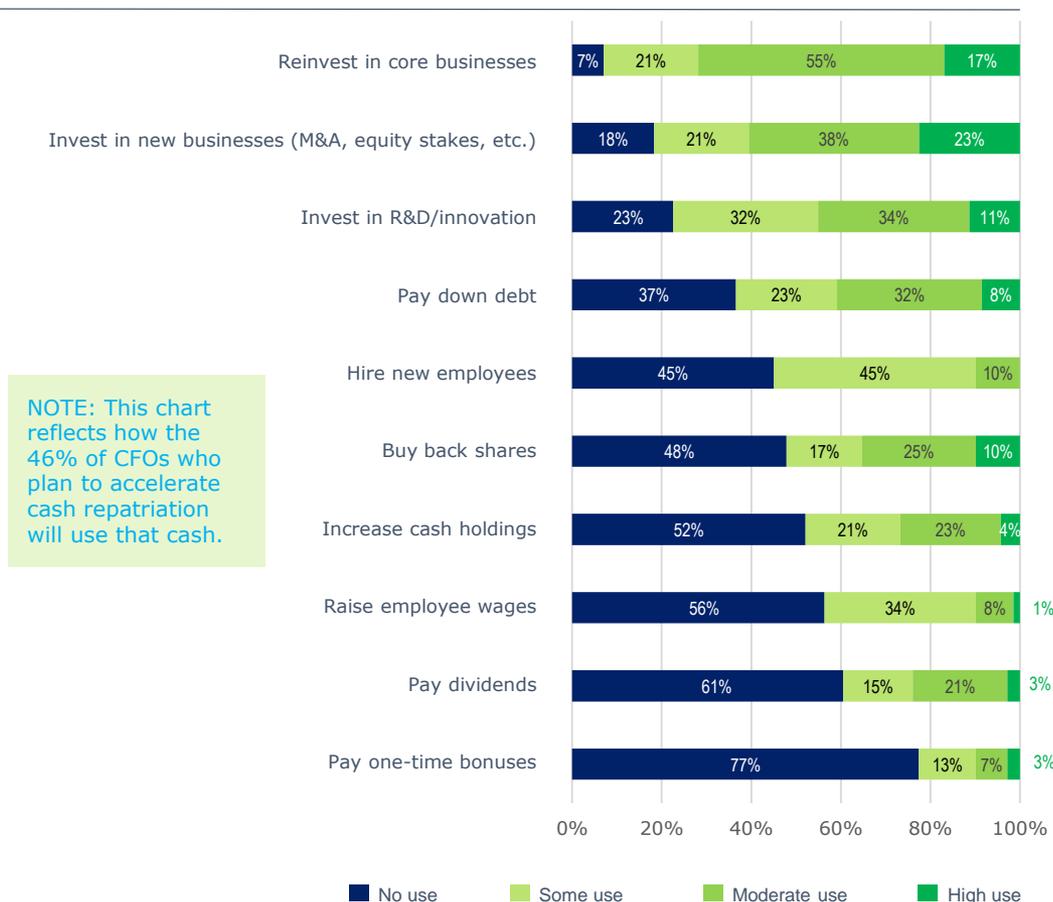
**Talent:** Fifty-five percent expect to use repatriated cash to hire new employees. Forty-three percent expect to raise wages (9% for moderate/high), and 23% expect to pay one-time bonuses (10% for moderate/high). Manufacturing, Services, and Retail/Wholesale were relatively low for using the cash for hiring. Energy/Resources was high for raising wages; Manufacturing and Healthcare/Pharma were low.

**Capital:** Sixty-three percent expect to pay down debt (40% for moderate/high use), 52% expect share buybacks (35% for moderate/high), and 39% expect to pay dividends (24% for moderate/high). Healthcare/Pharma was high for dividends, debt repayment, and buybacks. Technology was high for buybacks.

**Please see the appendix for charts specific to individual industries.**

### Use of repatriated cash

*If you plan to accelerate your cash repatriation, what will you do with your repatriated cash? Percent of CFOs selecting each level of use for those who plan to accelerate*



# Special topic: IT management

## Board-level topics

**IT risk/cybersecurity is the topic CFOs are most likely to say they discussed at their most recent board meeting. Financial Services and Retail/Wholesale CFOs were the most likely to cite a broad range of IT topics.**

Ninety-six percent of CFOs said at least one of the IT topics was addressed at their most recent board meeting. IT risk/cybersecurity was far and away the most cited topic at 89%. The average number of topics selected was 2.3, with 41% citing three or more topics.

Discussion of digital/innovation and IT strategy were second and third at 55% and 43%, respectively. Retail/Wholesale was easily the highest industry for both, registering 69% for each topic.

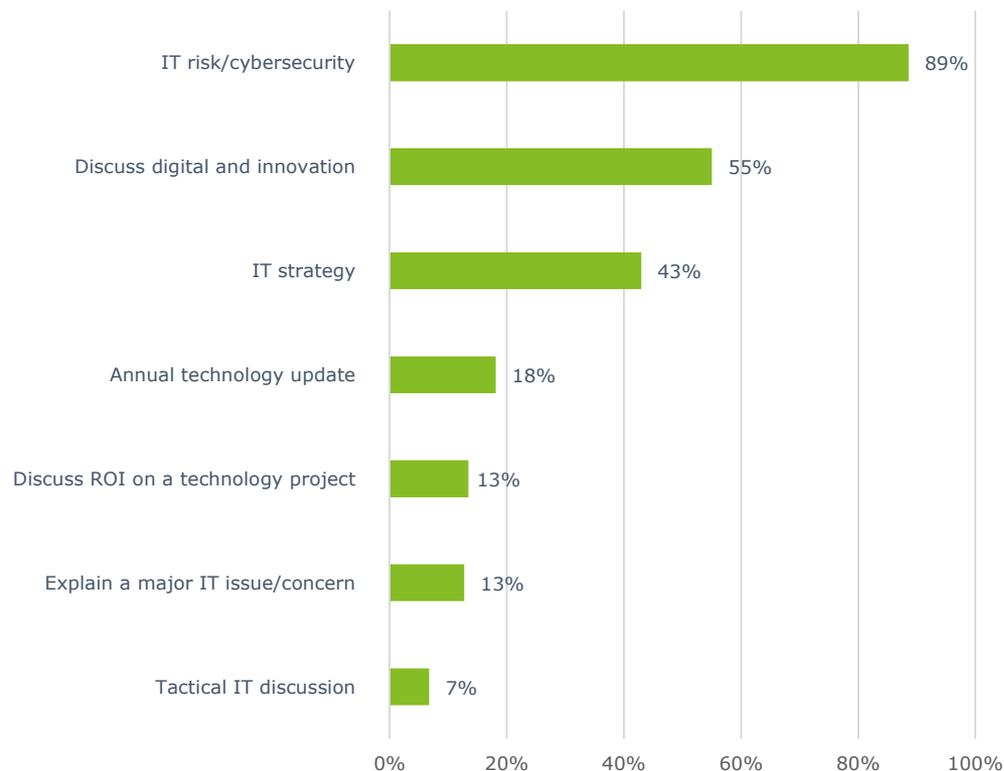
Technology indicated the most concentrated focus, with 100% of CFOs selecting IT risk/cybersecurity and comparatively little selection of the other topics. Financial Services indicated the broadest discussion scope and was above-average for all of the topics.

The most common write-in topics related to ERP implementations and system upgrades.

***Please see the appendix for charts specific to individual industries.***

### Board IT discussions

*What technology topics were addressed at your most recent board meeting?*  
Percent of CFOs selecting each topic



# Special topic: IT management

## Technical education of business leaders

**CFOs say the most common initiatives their IT function utilizes to help business leaders understand technology involve bringing emerging technologies into strategy conversations.**

Ninety-seven percent of CFOs reported utilizing at least one of the initiatives, with the top approach (by a wide margin) focused on bringing new/emerging technologies into strategy conversations. The average number of initiatives selected was 1.8, with just 22% choosing three or more.

The next tier of initiatives included sharing thoughtware on technology trends, holding organization-wide technology briefings, and initiating training on key technology topics.

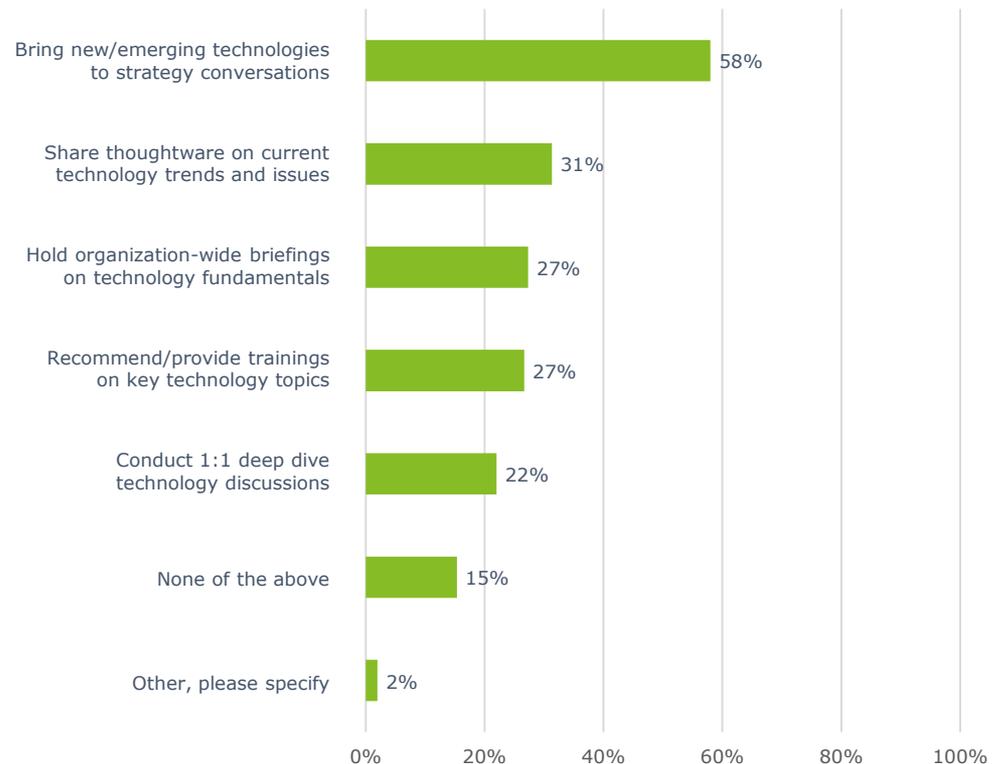
Healthcare/Pharma CFOs mentioned the most broad-based approach, with well-above-average use of all initiatives. Technology also indicated a broader-based approach.

Fifteen percent of CFOs said they do not use any of the presented initiatives. The most common write-ins involved regular executive team briefings on technology topics, especially around cybersecurity and systems implementations.

***Please see the appendix for charts specific to individual industries.***

### IT initiatives to educate business leaders

*What initiatives does your IT function have in place to help business leadership better understand technology? Percent of CFOs selecting each initiative*



# Special topic: IT management

## Technology investment management

**The most reported tactics focused on IT investment selection, with less use of tactics for measuring and managing value. Most say they spend the right amount on IT, with those citing fewer tactics somewhat less likely to say so.**

Ninety-three percent of CFOs reported utilizing at least one of the six investment management tactics, with the top two focused on joint business/IT ownership of the investment process and having defined processes and templates. The average number of tactics was 2.6, with 34% choosing four or more.

One-quarter of CFOs say they underspend on IT, and 21% say they overspend, implying that 54% believe they spend the right amount.

The average number of tactics for those saying they over- or underspend was 2.4 (2.3 for overspend and 2.5 for underspend); the average for those saying they spend the right amount was 2.7.

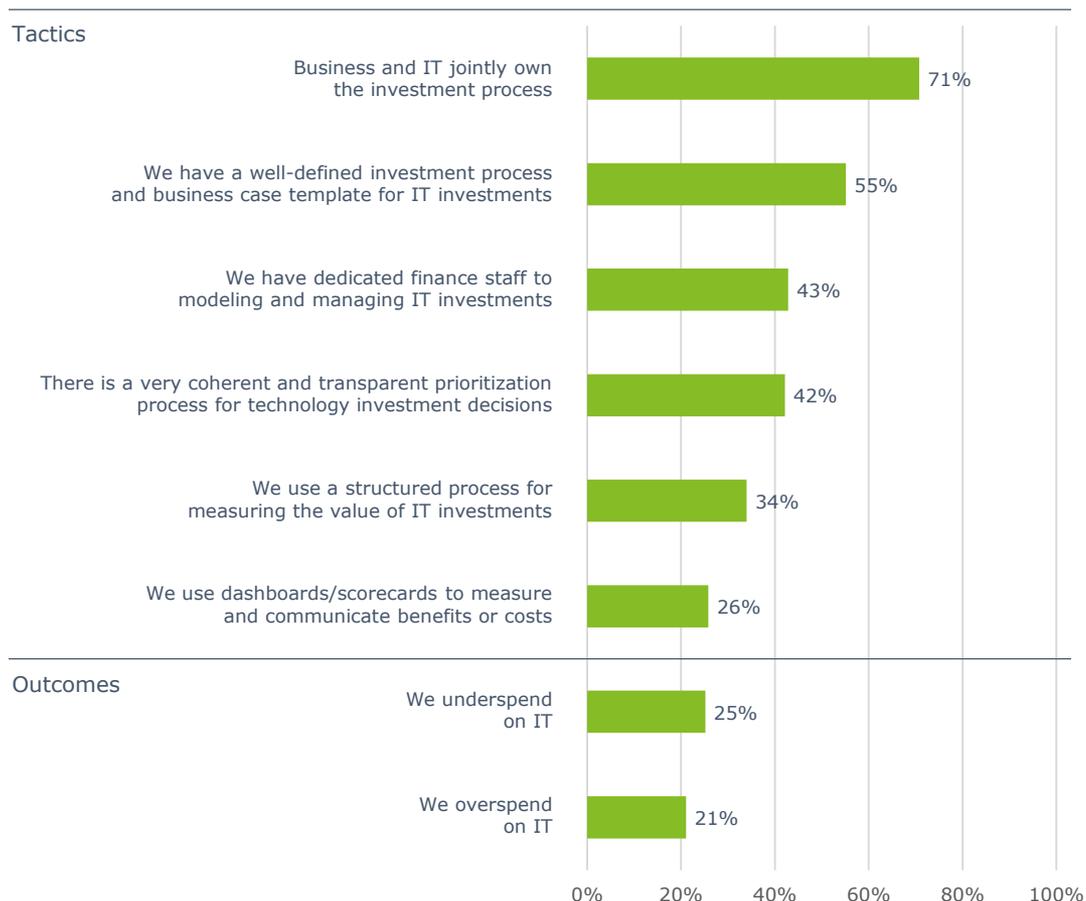
Healthcare/Pharma appears relatively structured in its approach to IT investment, with above-average use of nearly all tactics. It was also among the most likely, however, to cite overspending (44%) and underspending (33%).

Retail/Wholesale was high for a well-defined investment process and business case template and for a coherent/transparent prioritization process, but was low for structured processes for measuring value of IT investments; it was relatively unlikely to cite overspending on IT.

**Please see the appendix for charts specific to individual industries.**

### Approach to managing IT investments, costs, and value

Which of the following statements about technology investments in your organization are true? Percent of CFOs selecting each statement



# Special topic: IT management

## IT leadership positions

**There appears to be a proliferation of management positions focused on managing, utilizing, and protecting IT infrastructure and data. Most of these report to the corporate CIO.**

Ninety-two percent report having a corporate CIO, most of whom report to the CEO. CIOs in Healthcare/Pharma and Manufacturing were much more likely to report to the CFO.

Seventy-five percent report unit/division/region CIOs, most of whom report to the corporate CIO. Services and Energy/Resources were the least likely to report them at about 60%.

Sixty-eight percent report having a CTO, with Technology highest at 82%. Most report to the CEO but they are more likely to report to the CIO in some industries.

Less than half report having a Chief Data Officer (Healthcare/Pharma is highest at 67%), and most report to the CIO.

Less than half report having a Chief Digital Officer (Healthcare/Pharma is highest at 78%, followed by Retail/Wholesale at 56%). Most report to the CIO, but there is high variability.

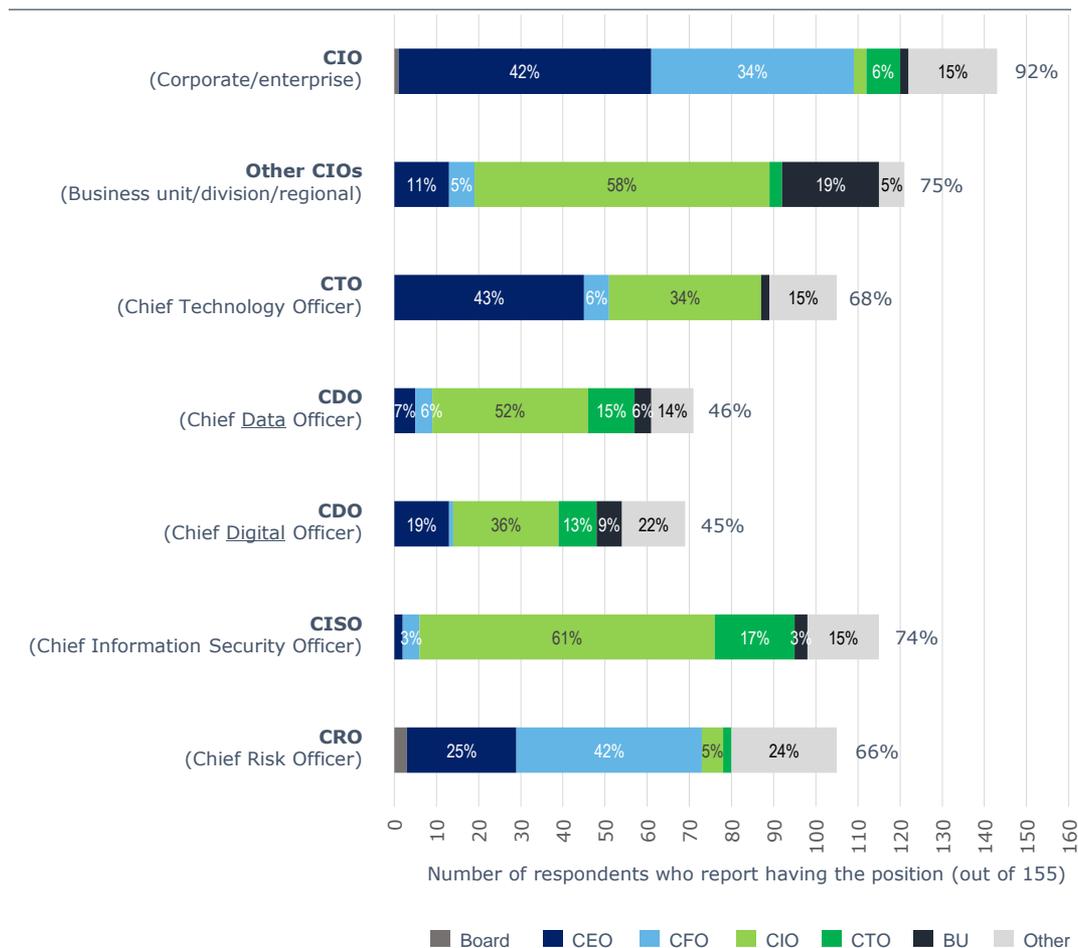
Seventy-four percent report having a CISO, with Healthcare/Pharma highest at 100%. The vast majority report to the CIO.

Sixty-six percent report having a CRO, led by Financial Services and Energy/Resources at 83% and 80%, respectively. Most report to the CFO, but many report to the CEO.

**Please see the appendix for charts specific to individual industries.**

### IT positions and reporting

*To whom do the following positions report most directly?* Percent of CFOs reporting they have each position (outside the bars) and the percent selecting each reporting relationship (within the bars)



# **Appendix**

Longitudinal data and survey  
background

# Longitudinal trends

## Cross-industry expectations and sentiment (last 24 quarters)

### CFOs' year-over-year expectations<sup>1</sup>

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses<sup>2</sup>)

		CFOs' year-over-year expectations																								Survey mean	2-year mean				
		2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18						
Operating results	Revenue	mean	6.6%	4.8%	5.6%	5.4%	5.7%	5.0%	4.1%	4.6%	6.1%	6.8%	6.0%	5.4%	3.1%	4.4%	5.9%	3.3%	4.0%	4.2%	3.7%	4.3%	5.6%	5.7%	4.7%	5.9%	5.7%	4.8%			
		median	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	5.0%	3.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%		
		%>0	85%	82%	83%	81%	84%	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	82%	85%	89%	92%	87%	91%	84%	85%	85%		
Operating results	Earnings	standard deviation	6.1%	5.7%	6.3%	5.9%	4.5%	5.1%	4.9%	3.9%	4.5%	5.9%	4.0%	6.4%	6.3%	5.4%	6.8%	5.1%	6.7%	4.8%	3.9%	3.7%	4.4%	3.9%	4.0%	4.1%	5.6%	4.4%			
		mean	10.5%	8.0%	10.9%	12.1%	10.3%	8.0%	8.6%	7.9%	8.9%	10.9%	9.7%	10.6%	6.5%	6.5%	8.3%	6.0%	7.7%	6.1%	6.4%	7.3%	8.7%	7.9%	8.4%	9.8%	9.8%	7.8%			
		median	8.5%	6.0%	7.0%	10.0%	10.0%	9.0%	8.0%	7.0%	8.0%	8.0%	8.0%	8.0%	5.0%	8.0%	7.0%	7.0%	8.2%	7.9%	7.6%	8.1%	8.1%	8.9%	8.8%	9.0%	8.6%	8.0%			
Investment	Dividends	standard deviation	13.4%	9.7%	16.8%	14.1%	9.6%	8.1%	9.3%	7.5%	9.8%	8.6%	6.9%	17.1%	11.6%	11.0%	10.5%	9.1%	13.5%	7.0%	7.1%	5.6%	8.6%	5.7%	7.5%	7.7%	12%	8%			
		mean	3.9%	2.5%	2.5%	3.6%	4.5%	3.4%	4.0%	5.7%	4.1%	4.1%	3.0%	4.3%	3.4%	3.7%	4.7%	4.0%	2.9%	4.1%	3.3%	3.8%	3.7%	3.8%	3.8%	4.7%	4.0%	3.8%			
		median	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Investment	Capital spending	standard deviation	7.0%	4.2%	5.3%	5.7%	5.8%	4.7%	6.7%	7.3%	6.1%	4.8%	3.8%	5.9%	5.3%	4.7%	7.0%	6.0%	4.7%	7.6%	3.9%	4.7%	5.5%	6.0%	5.8%	6.6%	6%	6%			
		mean	11.4%	4.6%	4.2%	7.8%	7.5%	4.9%	6.4%	6.5%	6.8%	5.0%	5.5%	5.2%	5.4%	4.3%	4.9%	1.7%	5.4%	5.6%	3.6%	10.5%	9.0%	7.3%	6.5%	11.0%	7.3%	7.4%			
		median	10.0%	3.0%	0.0%	0.0%	3.5%	2.4%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	5.0%	0.0%	4.0%	2.0%	3.0%	5.0%	5.0%	4.5%	3.0%	5.0%	4.2%	3.9%			
Talent	Number of domestic personnel	standard deviation	22.1%	9.5%	15.3%	17.6%	11.7%	9.0%	11.2%	13.2%	12.1%	8.9%	10.9%	12.7%	16.5%	11.5%	12.4%	10.7%	11.4%	20.9%	17.8%	14.2%	12.2%	14.9%	14%	15%	15%				
		mean	2.1%	0.6%	1.0%	0.9%	2.4%	1.3%	1.4%	1.0%	1.6%	2.3%	2.1%	2.4%	1.2%	1.4%	1.2%	0.6%	1.1%	2.3%	1.3%	2.1%	2.1%	2.6%	2.0%	3.1%	1.7%	2.1%			
		median	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	1.5%	0.0%	0.0%	1.0%	1.0%	0.0%	1.0%	2.0%	2.0%	1.0%	2.0%	0.8%	1.3%			

### CFOs' own-company optimism<sup>3</sup> and equity market performance

	CFOs' own-company optimism and equity market performance																								Survey mean	2-year mean		
	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18				
Optimism	39.1%	38.8%	29.1%	51.0%	59.0%	41.9%	54.2%	46.8%	44.3%	43.7%	49.0%	47.9%	37.6%	33.6%	33.9%	33.1%	48.6%	35.2%	43.1%	59.9%	54.6%	45.6%	52.4%	59.4%	45.9%	49.8%		
Neutrality (% no change)	32.6%	21.2%	31.3%	30.1%	27.7%	33.9%	33.4%	33.0%	37.2%	44.6%	35.3%	38.5%	43.6%	46.9%	42.9%	35.6%	32.9%	49.2%	37.2%	30.3%	34.8%	38.1%	42.2%	34.8%	32.8%	37.4%		
Pessimism (% less optimistic)	28.3%	40.0%	39.6%	18.9%	13.3%	24.2%	20.8%	20.2%	18.6%	11.7%	15.6%	13.5%	18.8%	19.5%	23.2%	31.4%	18.6%	15.6%	19.7%	9.9%	10.6%	16.3%	5.4%	5.8%	21.5%	12.7%		
Net optimism (% more minus % less optimistic)	10.8%	-1.2%	-10.5%	32.1%	45.7%	17.7%	33.4%	26.6%	25.7%	32.0%	33.3%	34.4%	18.8%	14.2%	10.7%	1.7%	30.0%	19.7%	23.4%	50.0%	43.9%	29.4%	46.9%	53.5%	22.6%	37.1%		
S&P 500 price at survey period midpoint	1,317	1,418	1,387	1,520	1,667	1,656	1,798	1,839	1,878	1,955	2,040	2,097	2,123	2,092	2,023	1,865	2,047	2,184	2,177	2,316	2,391	2,441	2,582	2,732	1,788	2,359		
S&P gain/loss QoQ	-3.2%	7.7%	-2.2%	9.6%	9.7%	-0.7%	8.6%	2.3%	2.1%	4.1%	4.3%	2.8%	1.2%	-1.5%	-3.3%	-7.8%	9.8%	6.7%	-0.3%	6.4%	3.2%	2.1%	5.8%	5.8%	3.0%	4.9%		
US equity valuations (% who say overvalued)													65.4%	60.2%	56.3%	29.7%	56.1%	71.3%	70.1%	80.3%	78.0%	83.1%	84.4%	75.5%	67.5%	74.8%		

<sup>1</sup> All means have been adjusted to eliminate the effects of stark outliers. The "Survey mean" column contains arithmetic means since 2Q10.

<sup>2</sup> Standard deviation of data winsorized to 5th/95th percentiles.

<sup>3</sup> Averages for optimism numbers may not add to 100% due to rounding.

Please contact [nacfosurvey@deloitte.com](mailto:nacfosurvey@deloitte.com) for data as far back as 2Q10.

# About the survey

## **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 four areas: business environment, company priorities and expectations, finance priorities, and CFOs' personal priorities.

## **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 industries except for public sector entities.

## **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 current and frequent responders receive the summary report for the first two weeks 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.



### **IMPORTANT NOTES ABOUT THIS SURVEY REPORT:**

Participating CFOs have agreed to have their responses aggregated and presented.

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.

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