CFO Signals™

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

Less concern about capital markets; more concern about oil and politics

2nd Quarter 2016

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 for access to the full report.

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About the CFO Signals survey

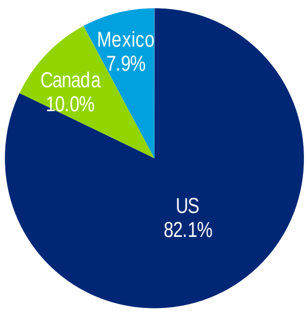
Each quarter, *CFO Signals* tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies. This is the second quarter report for 2016.

For more information about the survey, please see the methodology section at the end of this document or contact nacfosurvey@deloitte.com.

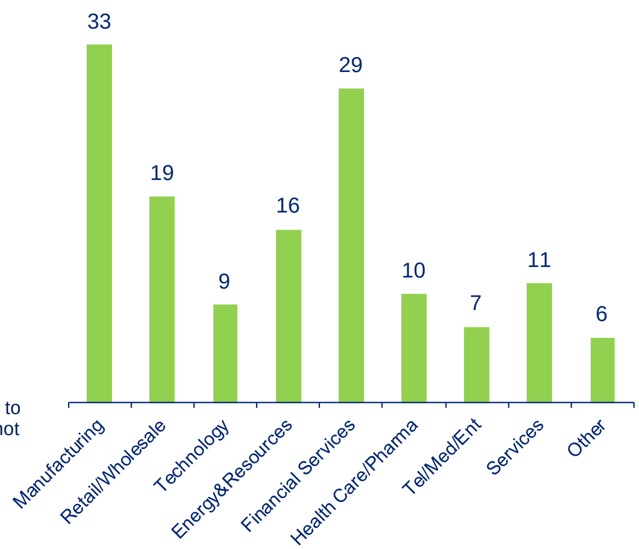
Who participated this quarter?

One hundred forty CFOs responded during the two-week period ending May 20. Seventy-two percent of respondents are from public companies, and 78% are from companies with more than $1B in annual revenue. For more information, please see the "About the survey" section of this report.

Participation by country



Participation by industry*



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

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 5 respondents. Please see the appendix for more information about survey methodology.

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Additional findings available in full report
(please contact nacfosurvey@deloitte.com for full report)

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

Findings at a glance

Perceptions

How do you regard the current and future status of the North American, Chinese, and European economies? Forty percent of CFOs describe the North American economy as good or very good (41% last quarter), and 39% expect better conditions in a year (up from 35% last quarter). Nine percent regard China's economy as good (same as last quarter), and 10% expect improvement (down from 11%). Six percent describe Europe's economy as good (up from 5%), and only 15% see it improving in a year (down from 17%). **Page 8.**

What is your perception of the capital markets? Fifty-six percent of CFOs say US equity markets are overvalued (up dramatically from 30% last quarter). Eighty percent say debt is currently an attractive financing option (up from 68%), and 30% of public company CFOs view equity financing favorably (up from 22% last quarter). **Page 9.**

Priorities

What is your company's business focus for the next year? Companies are more biased toward growing revenue and investing cash (versus reducing costs and returning cash) than they have been in several quarters. The bias toward current markets over new ones continues, but it is less pronounced than last quarter's survey high. **Page 10.**

Expectations

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 3.3% to 4.0%, but are still among their survey lows. Earnings growth expectations rose to 7.7% from last quarter's survey-low 6.0%. Capital spending expectations rebounded strongly from last quarter's survey-low 1.7% to 5.4%. Domestic hiring growth expectations rose to 1.1% from last quarter's survey-low 0.6%. **Pages 11-13.**

Sentiment

Compared to three months ago, how do you feel now about the financial prospects for your company? This quarter's net optimism of +30 is up sharply from last quarter's +1.7 and marks the fourteenth consecutive net-positive reading. Forty-nine percent of CFOs express rising optimism (up from 33% last quarter), and the proportion citing declining optimism fell from 31% to 19%. **Page 14.**

Overall, what external and internal risks worry you the most? CFOs indicate less concern about equity markets and consumer demand than they did last quarter, but rising worries about oil prices, the US economy, and the impact of US elections. **Page 15.**

Special topic: Finance operating models

How is your finance function organized to support the business (centralized vs. decentralized)? Nearly 70% of CFOs say they have more centralized support functions than decentralized. On average, CFOs reported about eight centralized support functions, three "decentralized by business" support functions, and one-to-two "decentralized by region" support functions. Only 31% of CFOs reported no decentralization of any support functions. **Page 16.**

How well is your finance operating model delivering on needs related to service quality and cost, finance talent retention, and process standardization? CFOs reported mostly positive outcomes across all measures, but their assessments were not uniformly positive, and there appear to be significant differences across industries and between centralized and decentralized models. **Page 17.**

What are your solid-line and dotted-line organizational responsibilities? On average, CFOs say nine functions report to them on a solid-line basis (with six reporting to them directly and three reporting to them through one of their direct reports). Corporate finance, treasury, accounting/reporting, FP&A, and tax are the most common solid-line reports, with investor relations, internal audit, strategic planning, risk/compliance, and corporate development/M&A occupying the next tier. Interestingly, IT/systems was not in the top 10. **Page 18.**

In the current business environment, for which of the following roles does your CEO most look to you? The most common roles are "fact provider," "challenger," "stakeholder manager," and "capital manager" (with the first two particularly dominant), but many CFOs chose roles other than these, and there appear to be substantial industry differences. **Page 19.**

Special topic: CFO working styles and CEO-CFO relationships

When it comes to natural working style, how would you characterize yourself and your CEO? About 60% of CFOs consider themselves "drivers" (up from 50% in 4Q10), and 35% consider their CEOs to be "pioneers" (up slightly from 33%). The proportion of "integrators" rose for both CFOs and CEOs, and the proportion of "guardians" fell. "Pioneer/driver" (CEO/CFO) pairings are the most common, and some pairings (like "integrator/driver") are more common than random pairing would suggest. **Page 20.**

How do you adapt to the style of your CEO, and with which type of CEO do you believe you work most effectively? Most CFOs say they adapt to their CEO's working style, with the type of adaptation depending greatly on the CEO/CFO pairing. In some cases, CFOs say they double down on their own type's traits; in others, they say they adopt more of the traits of their CEO's style. The biggest mismatch between CFOs' actual and preferred CEO pairing occurs in the "pioneer/integrator" (CEO/CFO) pairing, where many "integrator" CFOs who are paired with a "pioneer" CEO would prefer to be paired with an "integrator" CEO. **Page 21.**

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

Summary

Less concern about capital markets; more concern about oil and politics

Last quarter's survey indicated that a very rocky start to 2016—for both global economic performance and equity markets—had significantly shaken CFOs' outlook. Performance expectations fell sharply to levels at or near new survey lows, and CFOs' confidence in their own companies' prospects hit its lowest level in more than three years.

Behind CFOs' pessimism were assessments of the North American economy that appeared to falter last quarter. CFOs voiced particularly strong concerns about the impact of economic and equity market volatility on liquidity and consumers' willingness to spend. And they continued to cite challenges related to unrelenting uncertainty.

CFOs' assessments of the North American economy are only slightly better this quarter. But equity markets and consumer confidence have improved substantially, and this seems to have fueled a reversal in several of last quarter's downward trends. Year-over-year growth expectations improved across the board (but are mostly still below their survey averages), and CFOs' confidence in their companies' prospects rebounded markedly from last quarter's strong downturn.

Summary of CFO sentiment and growth expectations

Economy optimism – North America	
Economy optimism – Europe	
Economy optimism – China	
Own-company optimism (Net optimism)	
Revenue growth (YOY)	
Earnings growth (YOY)	
Capital investment growth (YOY)	
Domestic employment growth (YOY)	

Developments since 1Q16 survey[2]

- China's government announced 4.7 trillion renminbi (US$722.5 billion) in infrastructure projects over the next three years, sparking concerns about Chinese debt levels.
- British manufacturing indicated its sharpest decline in three years; economists and officials continued to debate the impact of a potential UK exit from the EU.
- US retail sales grew strongly in April, with the University of Michigan's consumer sentiment index rising to its highest level since June 2015.
- The US Federal Reserve released meeting minutes containing expectations of better second quarter growth and two 2016 rate hikes (with the first taking place in June).
- Oil prices approached $50/bbl; US inflation rose on higher energy prices, but remains low.
- Donald Trump effectively secured the Republican Presidential nomination after his rivals dropped out; Hillary Clinton's lead for the Democratic Presidential nomination expanded.
- US equity markets bounced back strongly between surveys. The S&P 500 fell almost 8% between 4Q15 and 1Q16, but it bounced back nearly 10% between 1Q16 and 2Q16.

Well below two-year average — Average — Well above two-year average

Well below last quarter — No change — Well above last quarter

Better (but not good) expectations

This quarter's net optimism[1] of +30.0 marks a sharp reversal from declining sentiment that left last quarter's measure at +1.7—the lowest level in more than three years. Sentiment is net-positive across all industries, with both Manufacturing and Energy/Resources posting significantly more optimism than they did last quarter.

Consistent with this reversal, CFOs' expectations for revenue, earnings, capital spending, and domestic hiring all rebounded from last quarter's mostly dismal levels. But the gains for some metrics were modest. Revenue growth expectations, for example, rose from last quarter's 3.3%* to 4.0%,* but remain relatively low. Moreover, nearly all industries continue to show weakness, with Manufacturing again lowest.

Similarly, earnings growth expectations rebounded from their survey-low 6.0%* last quarter to 7.7%*—better, but still well off the long-term average. All industries expect positive growth (with Energy/Resources and Healthcare/Pharma highest and Manufacturing improving), but most are still comparatively low.

Domestic hiring growth expectations rose to 1.1%* from last quarter's survey-low 0.6%,* but they are still relatively low as well. Energy/Resources, Manufacturing, and Services were all below 0.5%.

Capital spending is the bright spot, rebounding strongly from last quarter's survey-low 1.7%* to 5.4%*—the highest level since the second quarter of 2015. Expectations for Manufacturing improved, but Energy/Resources again lagged.

Concerns about oil and North America

Last quarter's dismal sentiment was substantially driven by worries over the impact of faltering equity markets on consumer demand. These worries have declined, but they have been joined by even stronger concerns about oil prices and by growing concerns about the policy impacts of upcoming US elections. Consequently, assessments of the North American economy are only slightly better than they were last quarter.

Meanwhile, CFOs' confidence in Europe remains weak, with increasing concerns about Britain's potential exit from the EU. Assessments of China improved, but CFOs began voicing rising concerns about government debt there—and in other regions as well.

Notwithstanding these headwinds, companies and investors seem more optimistic this quarter than last. This quarter's findings indicate a rising focus on growth and investment (over cost reduction and returning cash), and equity markets are up about 10% from where they were a quarter ago (56% of CFOs now say markets are overvalued, up sharply from last quarter's 30% and about even with two quarters ago).

Broadening finance support models

Previous surveys have indicated that finance teams are providing support services for a broadening set of operational teams and business decisions. This quarter's survey asked about the scope of finance's support responsibilities, the degree to which support services are centralized versus decentralized, and the quality of outcomes generated by chosen support models.

Summary (cont.)

This quarter's findings confirmed that the scope of finance support services is very broad, with an overwhelming majority of CFOs saying they support all 12 of the areas we asked about (see page 16 for the full listing). In fact, only three areas were not supported by finance at least 85% of the time (HR, marketing, and sales support).

CFOs said their support models are mostly centralized (only marketing and sales support were likely to be decentralized). While most reported positive outcomes in terms of service quality and cost, finance talent retention, and process standardization, their assessments may not have been as positive as expected—and there appear to be significant differences across industries and between centralized and decentralized models.

Varying scope of CFO responsibility

This quarter we asked about the scope of CFOs' responsibility and the nature of direct and indirect reporting relationships. On average, CFOs said nine functions report to them on a solid-line basis (reporting to them directly or through a direct report). The average number of direct reporting relationships was six, and the average number of secondary reporting relationships was three.

This quarter's findings indicate that five functions make up the core of solid-line reporting relationships for about 90% of CFOs: corporate finance, treasury, accounting/reporting, FP&A, and tax (only the first three report directly to the CFO more than 60% of the time). The second tier solid-line functions (reporting to CFOs an average of 55% of the time) includes investor relations, internal audit, strategic planning, risk/compliance, and corporate development/M&A. Interestingly, IT/systems was not in either tier, with just 34% of CFOs reporting solid-line responsibility.

To get a feel for where CFOs themselves are focusing their efforts, we also asked about the top roles they are currently playing within their companies. The most common roles were fact provider, challenger, stakeholder manager, and capital manager (with the first two particularly dominant), but many CFOs chose roles other than these, and there appear to be substantial industry differences.

More "integrator" CFOs and CEOs

Back in 4Q10, we asked about the natural working styles of both CFOs and their CEOs. We asked again this quarter, and the results seem to indicate a significant change—with more CFO "drivers" and "integrators" than before, more CEO "integrators," and a sharp decline in "guardians" for both CFOs and CEOs. Drivers are again the dominant CFO working style, and pioneers took over as the top CEO style.

As was the case in 2010, some CEO/CFO pairings appear more common than random pairing would predict—suggesting some pairings may be more complementary and durable than others. Pioneer/driver (CEO/CFO) pairings are the most common (as predicted by the high prevalence of both styles), but driver/driver pairings are less common than expected, and integrator/driver pairings are more common.

New for this quarter are insights about how CFOs say they adapt to their CEO's style, and also about the CEO types with whom CFOs believe they work best. For more information about how Deloitte's Business Chemistry research applies to CFOs, please click here.

What's next?

While it is encouraging that CFOs' sentiment regarding their own companies' prospects rose sharply this quarter, it is important to recall that this measure is relative and not absolute—meaning that sentiment is a lot better than it was last quarter, but is not necessarily good compared to longer time frames. The fact that expectations for revenue, earnings, capital spending, and hiring are still relatively low helps to underscore the idea that companies are still facing substantial headwinds.

A fixture among CFOs' most worrisome risks for the last several years of this survey has been regulatory and policy uncertainty. As we approach the November elections, it will be interesting to see where the candidates settle on important regulatory and policy issues, and also how the discourse affects the sentiment and expectations CFOs will express in upcoming quarterly surveys.

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* Arithmetic means adjusted to eliminate the effects of stark outliers.

[1] Net optimism is calculated as the difference between the proportions of those expressing rising and falling optimism. Accordingly, this metric does not explicitly account for the level of "no change" responses.

[2] Compiled from news stories in major business media between survey periods.

Key Charts: Sentiment

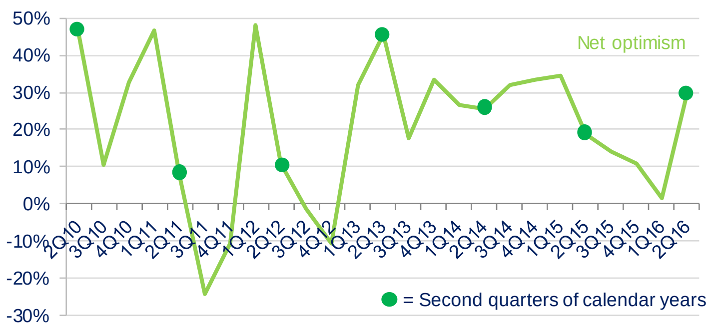
Sentiment regarding the health of major economic zones, industries, and capital markets

Economic optimism

Average rating based on five-point scales for current state (“very bad” to “very good”) and expected state one year from now (“much worse” to “much better”)

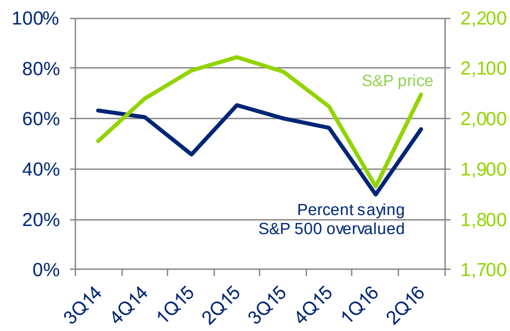
Own-company optimism

Difference between the percent of CFOs citing higher and lower optimism regarding their company’s prospects compared to the previous quarter



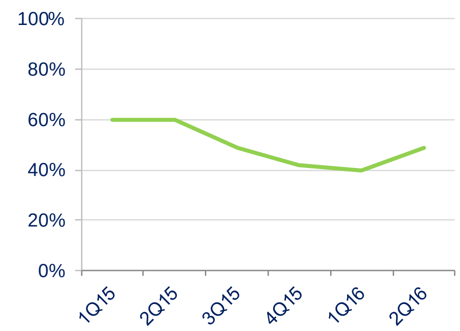
Equity market sentiment

Percent of CFOs saying US equity markets are “overvalued” or “very overvalued”; S&P 500 price at survey midpoint



Risk appetite

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

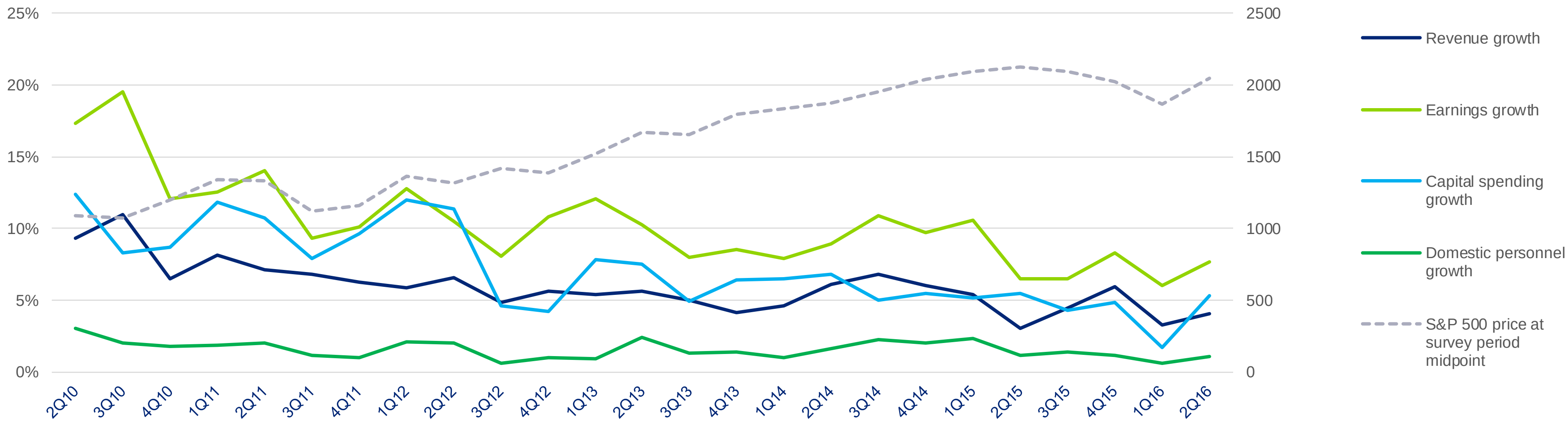


Key Charts: Expectations

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

Consolidated expectations

CFOs' expected year-over-year growth in key metrics (compared to the value of the S&P 500 index at the survey midpoint)



Breakdown by country and industry[1]

	Total*	U.S.	Canada	Mexico	Manufacturing	Retail / Wholesale	Technology	Energy / Resources	Financial Services	Healthcare / Pharma	T/M/E	Services
	(n=132-137)	(n=109-112)	(n=12-14)	(n=9-11)	(n=31-33)	(n=19)	(n=9)	(n=14-16)	(n=26-27)	(n=9-10)	(n=6-7)	(n=10-11)
Revenue growth	**4.0%**	3.7%	3.1%	8.6%	2.1%	5.8%	6.7%	3.1%	3.4%	4.0%	6.9%	3.9%
Earnings growth	**7.7%**	7.3%	9.4%	9.7%	8.0%	8.8%	6.0%	9.9%	6.5%	10.9%	6.9%	5.5%
Capital spending growth	**5.4%**	5.1%	2.4%	12.4%	7.6%	4.3%	6.3%	-2.4%	6.1%	9.9%	0.8%	7.1%
Domestic personnel growth	**1.1%**	0.9%	0.9%	3.9%	0.2%	2.0%	3.2%	-0.5%	1.6%	1.2%	2.7%	0.4%

*Sample sizes may not sum to total due to responses from "other" categories and non-responses.

[1]All averages have been adjusted to eliminate the effects of stark outliers.

Highest two industry expectations
Lowest two industry expectations

Perceptions

Assessment of economies

How do CFOs regard the current and future health of some of the world's major economic zones?

Perceptions rebounded for North America (slightly) and China (significantly); the outlook for Europe remains muted:

North America

Assessments of North America's economy slipped substantially last quarter and rebounded only slightly this quarter.

- Forty percent of CFOs describe the North American economy as good or very good, about even with last quarter's 41%, but again well below the 55% from two quarters ago. On a positive note, only 4% describe it as bad, down slightly from 6% last quarter.
- Thirty-nine percent believe conditions will be better a year from now (up from 36% last quarter, but again well below the 47% from two quarters ago), and 15% expect conditions to be worse (up from 9% last quarter).

Europe

Perceptions of Europe's current state slid again, and perceptions of its trajectory remained glum.

- Just 6% of CFOs describe Europe's economy as good (up slightly from 5% last quarter). The proportion describing it as bad rose to 45% from last quarter's 39%.
- Only 15% expect Europe's economy to be better a year from now, down slightly from 17% last quarter and again well below the 30% levels of a year ago. Thirty percent expect it to be worse in a year, down from last quarter's 33%, but again above the 25% from two quarters ago. About 55% expect conditions to remain the same.

China

Perceptions of China's economy rebounded from last quarter's survey lows, but are still pessimistic.

- Only 9% of CFOs now say China's economy is good or very good (even with last quarter), but the percentage who say the economy is bad fell from 56% to 45%.
- Just 10% of CFOs believe China's economy will be better in a year (down from 11% last quarter), but the percentage who expect it to get worse over the next year fell from 51% to 37%.

How do you regard the current and future status of the North American, Chinese, and European economies?

CFOs' assessment based on five-point Likert scales: "very bad" to "very good" and "much worse" to "much better" (n=139-140)

Perceptions

Assessment of markets

How do CFOs perceive valuations and pricing within the financial markets?

With equity markets up about 10% since the 1Q16 survey, CFOs again regard US equity markets as overvalued:

- Fifty-six percent of surveyed CFOs say US equity markets are overvalued, up drastically from last quarter's 30% and back in line with levels from the end of 2015. About 9% now say markets are undervalued, well below last quarter's 36% and also back in line with levels from late last year.
- On an industry level, Energy/Resources, Manufacturing, and Healthcare/Pharma CFOs are the most likely to say markets are overvalued (all at 60% or more), while the Technology and Services CFOs are least likely (both under 46%).
- US CFOs are the most pessimistic, with 59% citing overvaluation (up sharply from 26% last quarter).

Attractiveness of debt financing bounced back a bit:

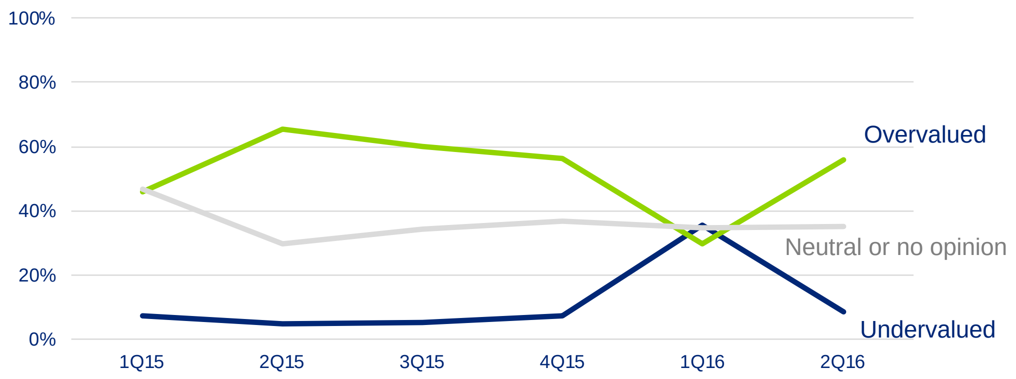
- Eighty percent of CFOs say debt is currently an attractive financing option, up from 68% last quarter and back in line with levels from late 2015. Forty-four percent say debt is a *very* attractive option, up from 32% last quarter.
- At an industry level, Financial Services and Services CFOs are the most likely to say debt financing is attractive (both at 90% or higher), while Healthcare/Pharma CFOs are the least likely (at about 50%).
- US and Canadian CFOs are the most positive, with 82% and 79%, respectively, saying debt financing is attractive. Mexico trails at 64%.

Attractiveness of equity financing also bounced back:

- Thirty percent of public company CFOs say equity financing is attractive (up from 22% last quarter), and 36% say it is not (down from 56%). Twenty-one percent of private company CFOs say it is attractive (up from 18%), and 21% say it is not (down from 45%).
- T/M/E is the most likely to say equity financing is attractive at 43%, with Retail/Wholesale and Energy/Resources next at 32% and 31%, respectively.
- Mexican and US CFOs are the most positive, with 36% and 28%, respectively, saying equity financing is attractive. Canada is lowest at 14%.

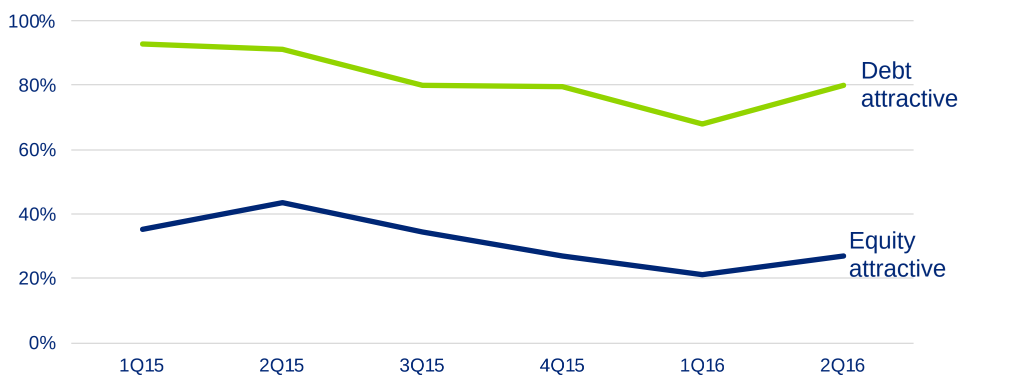
How do you regard US equity market valuations?

Percent of CFOs saying markets are overvalued and undervalued based on five-point semantic differential scale (n=139)



How do you regard debt and equity financing attractiveness?

Percent of CFOs saying debt and equity markets provide attractive financing options based on five-point semantic differential scale (n=140)



Please see full report for industry-specific findings.

Priorities

Business focus

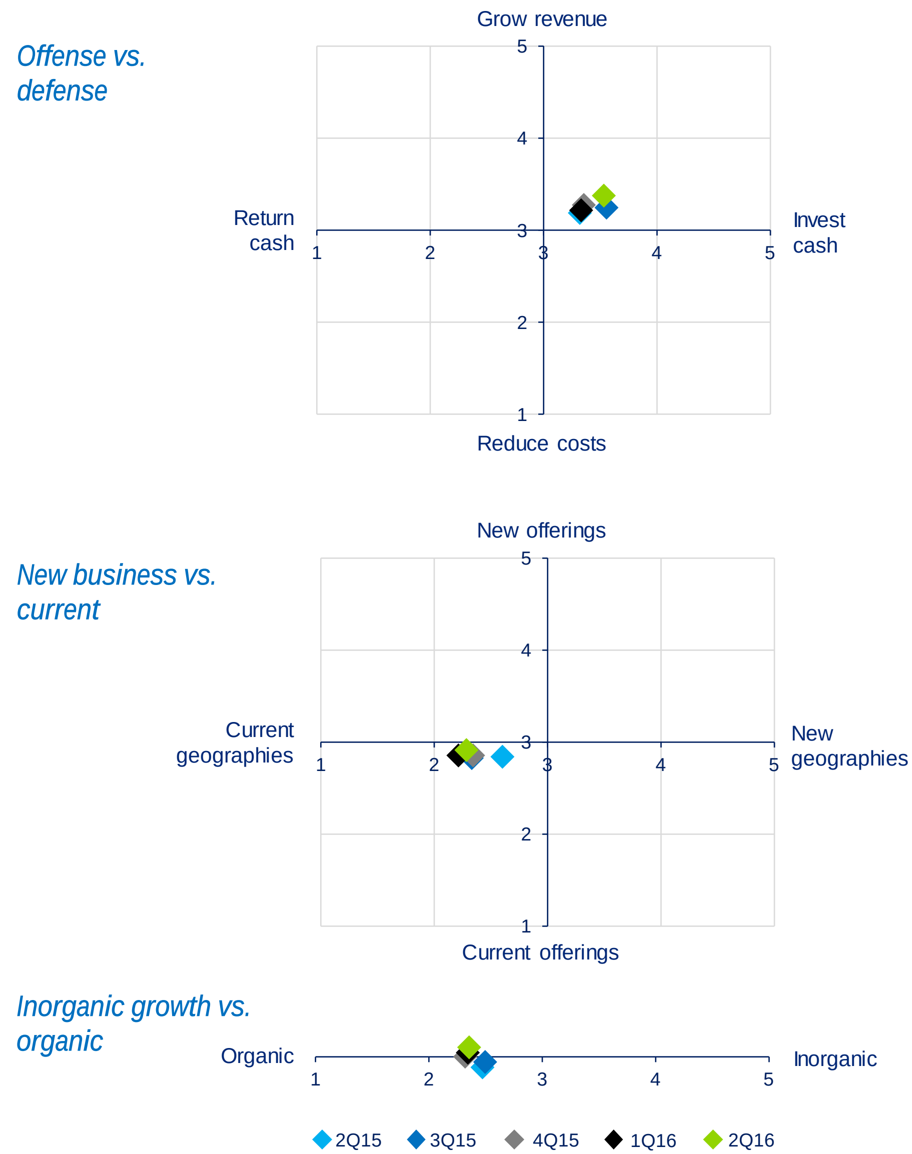
Where do CFOs say their companies are focusing their efforts?

After becoming more defensive last quarter, companies appear more biased toward revenue growth and investment this quarter:

- **Revenue growth still ahead of cost reduction:** Nearly 60% of CFOs say they are biased toward revenue growth (the highest level in more than a year), while only 27% claim a bias toward cost reduction. T/M/E, Healthcare/Pharma, and Retail/Wholesale are the highest for growth (86%, 80%, 74%, respectively), with Energy/Resources again the highest for cost reduction at 56%.
- **Investing cash over returning it:** There is a strong bias toward investing cash over returning it to shareholders (53% versus 20%). As it was last quarter, Energy/Resources is the most biased toward investing cash (88%), while Financial Services is the most biased toward returning cash (38%). Canadian CFOs are the most biased toward investing cash at 79%, with 14% biased toward returning cash.
- **Bias toward new offerings over current offerings:** Overall, 40% of CFOs say their companies are biased toward new offerings (up from 35% last quarter), and 36% claim a bias toward existing ones (down from 42% last quarter). Energy/Resources CFOs are the most biased toward current offerings (63%), while Technology CFOs are the most biased toward new offerings (89%).
- **Focus on current geographies well above new ones:** CFOs still favor current geographies over new ones (59% are biased toward current geographies, while 21% are biased toward new geographies), but the bias is somewhat lower than it was last quarter (65% for current geographies versus 17% for new geographies). Healthcare/Pharma CFOs are heavily biased toward current geographies (80%).
- **Organic growth still ahead of inorganic growth:** The bias is again firmly toward organic growth over inorganic, with 63% biased toward organic growth (down from 58% last quarter) and 19% biased toward inorganic growth (21% last quarter). Financial Services and T/M/E have the strongest bias toward organic growth (76% and 71%, respectively).

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

CFOs' assessments based on five-point semantic differential scale with opposing choices as noted (n=140)



Please see full report for industry-specific findings.

Expectations

Revenue and earnings

What are CFOs' expectations for their companies' year-over-year revenue and earnings?

Revenue[1]

Expectations bounced back somewhat, but are still among their survey lows; weakness is again evident across nearly all industries:

- Last quarter's revenue growth expectations were 3.3%, only slightly above the 2Q15 survey low of 3.1% and well below the prior quarter's 5.9%. This quarter's expectations improved to 4.0%, but are still among the lowest levels in the survey's history. The median expectation rose from a survey-low 3.0% to 4.0%, and just 72% of CFOs expect year-over-year gains (a new survey low). The distribution[2] of this quarter's responses is among the widest on record.
- Country-specific expectations are 3.7% for the US (up from 3.3% last quarter), 3.1% for Canada (up from 2.2%), and 8.6% for Mexico (up from 4.5%).
- Industry expectations are mostly low, with Manufacturing lowest at 2.1% (up from 0.7% last quarter) and Energy/Resources at 3.1% (even with last quarter). Technology and T/M/E are the only industries above 6%, at 6.7% and 6.9%, respectively.

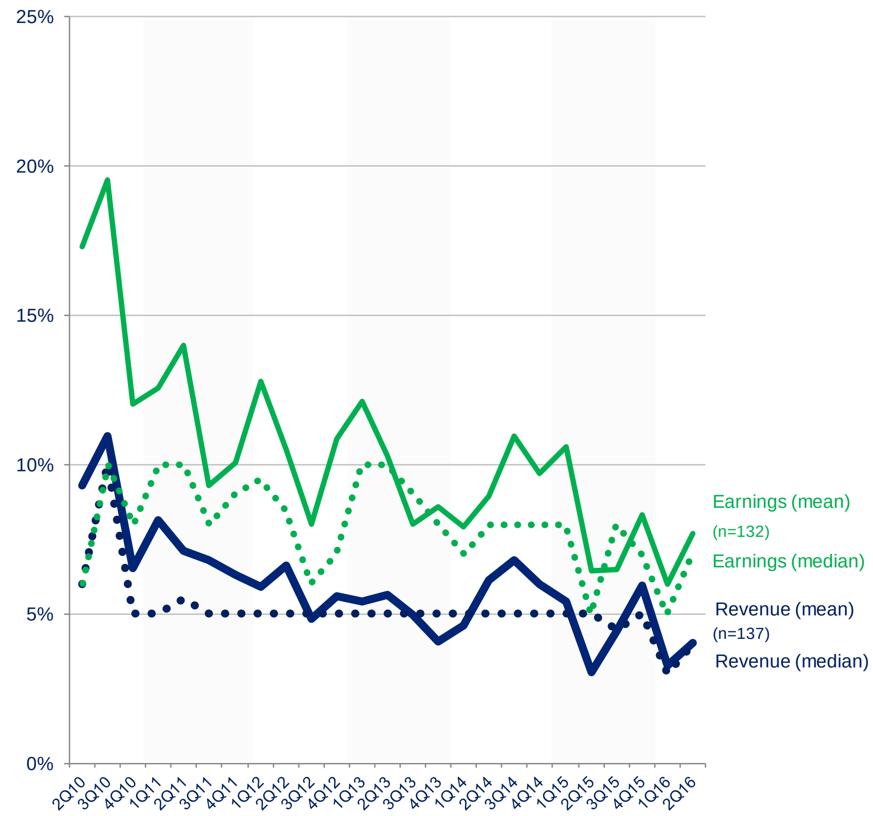
Earnings[1]

Expectations improved across all geographies and recorded a substantial rebound in Manufacturing:

- This quarter's earnings growth expectations came in at 7.7%, significantly above last quarter's survey-low 6.0%. The median rebounded from 5.0% to 7.0%, but the percentage of CFOs expecting year-over-year gains fell from 79% last quarter to just 76%—a new survey low. The distribution[2] of responses was well above the two-year average.
- Country-specific expectations are 7.3% for the US (up from 6.4% last quarter), 9.4% for Canada (up from 4.2%), and 9.7% for Mexico (up from 3.1%).
- All industries expect positive growth, with Healthcare/Pharma and Energy/Resources highest at 11% and 10%, respectively. Manufacturing improved from 5% to 8%. Technology and Services are again comparatively low at around 6%.

Compared to the past 12 months, how do you expect your revenue and earnings to change over the next 12 months?

CFOs' expected change year-over-year[1]



[1] All averages have been adjusted to eliminate the effects of stark outliers.
[2] "Distribution" refers to the spread of the middle 90% of responses.

Please see full report for industry-specific findings.

Expectations

Dividends and investment

What are CFOs' expectations for their companies' year-over-year dividends and capital investment?

Dividends[1]

Expectations fell to a new survey low, with Canadian CFOs expecting a dividend decline:

- Dividend growth expectations fell to 2.9% (a new survey low), down from 4.0% last quarter. The median is again 0.0%, and 42% expect year-over-year gains.
- Country-specific expectations are 3.2% for the US (down from 4.1% last quarter), -0.3% for Canada (down from 3.0% last quarter), and 4.5% for Mexico (down from 5.0% last quarter).
- Among the industries, Manufacturing and Technology reported the highest expectations at 3.9%, while Healthcare/Pharma and T/M/E were lowest at 0.0%.

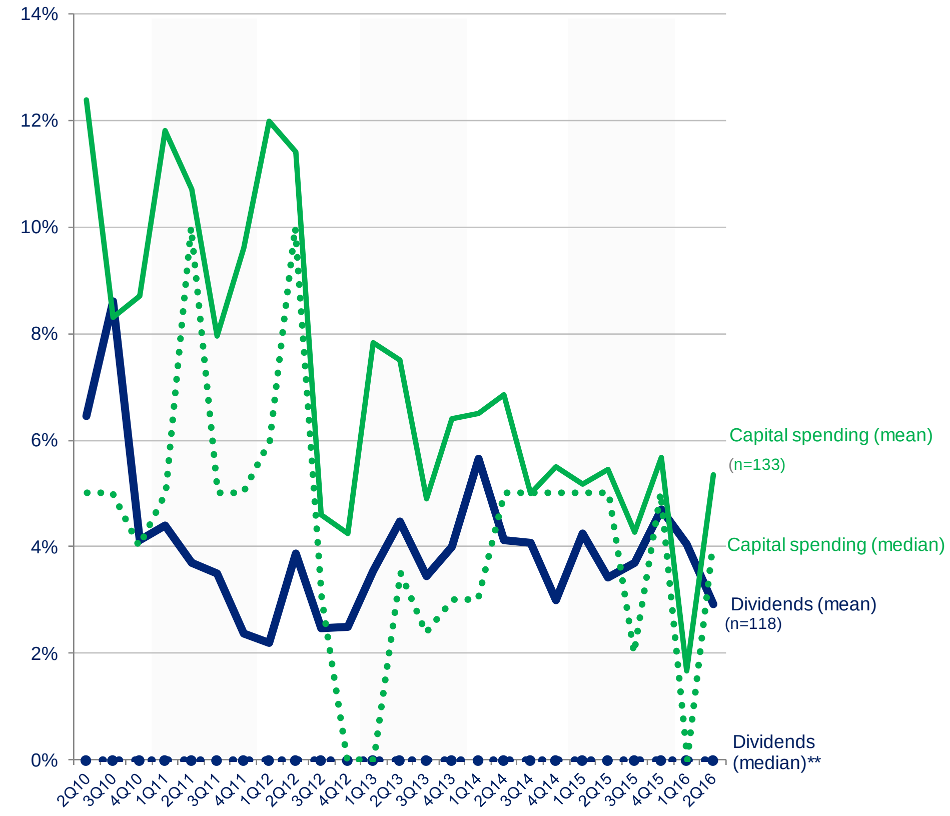
Capital investment[1]

Led by a resurgence in Manufacturing, expectations rebounded from last quarter's survey low; Oil & Gas (within Energy/Resources) is still the most pessimistic:

- Last quarter, capital spending growth expectations fell drastically to just 1.7%, the lowest level in the history of this survey. This quarter they rebounded strongly to 5.4%, a level consistent with findings from this time last year. The median rose from 0.0% to 4.0%, and the proportion of CFOs expecting year-over-year gains rose from 50% to 61%. The distribution[2] of responses this quarter is among the widest in the last two years.
- Country-specific expectations are 5.1% for the US (well above last quarter's 1.4%), 2.4% for Canada (up from -0.4%), and 12.4% for Mexico (up from 10.5%).
- Manufacturing (with its large sample size) dragged down the cross-industry average last quarter with an average expectation of just -1.5%. This quarter Manufacturing rebounded strongly and bolstered the average with its 7.6% expectation. Healthcare/Pharma was highest at 9.9%, and Energy/Resources was again lowest at -2.4%. The Oil & Gas sector within Energy/Resources was again the lowest at about -7.0%, with 90% of those companies at or below 0.0%.

Compared to the past 12 months, how do you expect your dividends and capital spending to change over the next 12 months?

CFOs' expected change year-over-year[1]



[1] *All averages have been adjusted to eliminate the effects of stark outliers.*
[2] *"Distribution" refers to the spread of the middle 90% of responses.*
***The median for dividends has been zero for all quarters.*

Please see full report for industry-specific findings.

Expectations

Employment

What are CFOs' expectations for their companies' year-over-year hiring?

Domestic hiring[1]

Expectations rebounded to levels consistent with a year ago:

- Domestic hiring expectations rose to 1.1%, up from last quarter's survey-low 0.6% and consistent with 2015 levels. The median rose from 0.0% to 1.0%, a bit above the survey average of 0.7%. The proportion of CFOs expecting gains rose from 47% to 55% and is back near the survey average. The distribution[2] of responses is about average compared to recent quarters.
- Country-specific expectations are 0.9% for the US (above last quarter's 0.7%, but still at the second-lowest level in three years), 0.9% for Canada (up from -0.9% last quarter), and 3.9% for Mexico (up from 2.7% last quarter).
- Technology, T/M/E, and Retail/Wholesale are highest at 3.2%, 2.7%, and 2.0%, respectively. Energy/Resources again indicated a contraction (-0.5%, which is about even with last quarter). Manufacturing and Services were also low, both with estimates below 0.5%.

Offshore hiring[1]

Expectations declined and are again well below their long-term average:

- Offshore hiring growth fell to 1.8%, down slightly from last quarter's 1.9% and the lowest level in three years. The median remains at 0.0%, and just 39% of CFOs expect year-over-year gains (down from last quarter's 45%).
- Country-specific expectations are 1.9% for the US (up slightly from 1.8%), 0.0% for Canada (down from 2.8%), and 1.6% for Mexico (up from 0.4%).
- Technology again indicates the highest expectation at 4.0% (up from 3.4%), with Energy/Resources and Healthcare/Pharma the lowest at 0.0% and 0.5%, respectively.

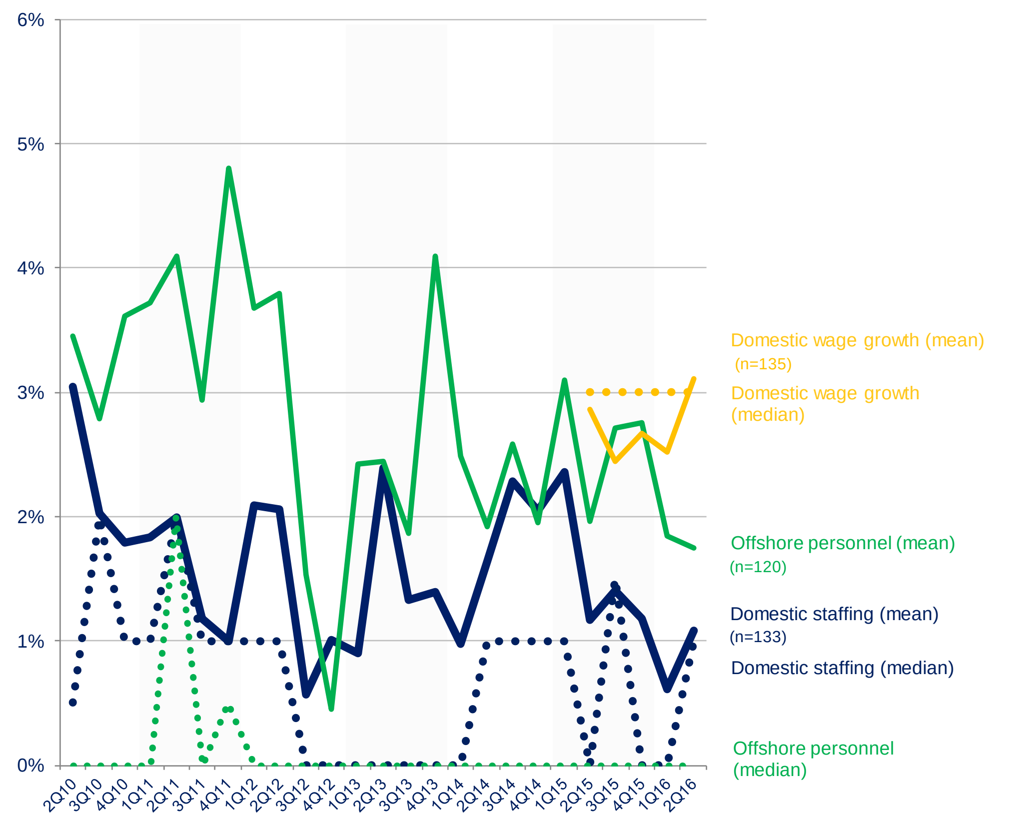
Domestic wage growth[1]

Expectations up significantly, possibly indicative of upward wage pressures:

- Domestic wage growth rose to 3.1%, up from last quarter's 2.5%. The median held at 3.0%, and 96% of CFOs expect year-over-year gains.
- Country-specific expectations are 3.1% for the US (up from 2.5%), 2.2% for Canada (up from 2.1%), and 4.6% for Mexico (up from 4.1%).
- All industry-specific expectations are between 2.6% and 3.9% (versus 2.2% and 3.1% last quarter), with Energy/Resources and Healthcare/Pharma on the low end and Technology highest.

Compared to the past 12 months, how do you expect your domestic and offshore hiring to change over the next 12 months?

CFOs' expected change year-over-year[1]



[1] *All averages have been adjusted to eliminate the effects of stark outliers.*
[2] *"Distribution" refers to the spread of the middle 90% of responses.*

Please see full report for industry-specific findings.

Sentiment

Own-company optimism

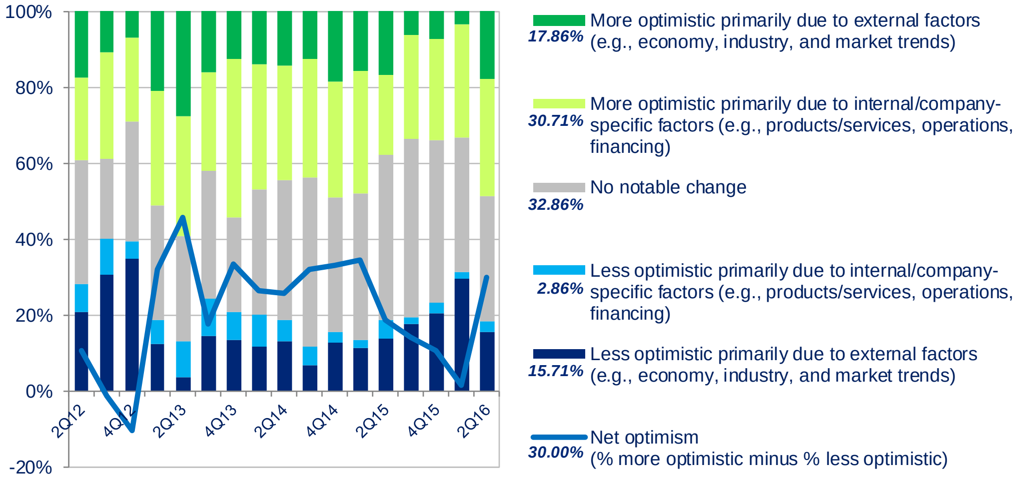
How do CFOs feel about their company's prospects compared to last quarter?

Net optimism bounced back exceptionally strong this quarter—a sign of just how pessimistic sentiment was last quarter:

- **Net optimism bounced back strongly:** Last quarter continued a string of 12 straight quarters of positive sentiment—but just barely (net optimism came in at just +1.7). This quarter, though, net optimism rose sharply to +30.0, apparently indicating that CFOs' sentiment has improved markedly since the first quarter (when 2016 economic news and stock markets got off to a very rocky start). Forty-nine percent of CFOs express rising optimism (well up from last quarter's 33%), and the proportion citing declining optimism fell from 31% to just 19%.
- **US sentiment much better; Canada and Mexico dramatically better:** Net optimism for the US rose from last quarter's +3 to +23. Canada's net optimism rose very sharply from +8 last quarter to +64 this quarter. Mexico's net optimism, which plummeted to -33 last quarter, skyrocketed to +64 this quarter.
- **Energy/Resources and Manufacturing becoming much more optimistic:** Energy/Resources rose sharply from +8 last quarter to +69 this quarter, with no CFOs reporting declining optimism. Manufacturing rose strongly from -4 to +30.
- **Retail/Wholesale, Financial Services, and Services positive, but restrained:** Retail/Wholesale held at +5. Financial Services and Services came in at +7 and +9, respectively.

How does your optimism regarding your company's prospects compare to last quarter?

Percent of CFOs selecting each sentiment/reason combination (n=140)



Please see full report for industry-specific findings.

Sentiment

Most worrisome risks

Which external and internal risks do CFOs regard as most worrisome?

External concerns: Rising concerns about oil prices, the US economy, and politics:

- **Still-rising commodity price worries:** After climbing significantly last quarter, worries about oil and other commodity prices continued to rise this quarter.
- **Continuing concerns about broader global economic volatility:** For the last two quarters, CFOs' concerns appeared to shift from a specific focus on Europe and China to a more generalized focus on global economic stagnation and volatility. This trend largely continue this quarter, but was offset somewhat by rising concerns about the US economy.
- **Sharply rising concerns about the US economy:** Where last quarter's rising concern was driven mostly by worries about the effects of struggling equity markets on consumer demand, this quarter's rise appears driven by worries about US political and policy uncertainty as the 2016 elections approach.
- **Sharply rising election and policy concerns:** Regulatory concerns are again strong and industry dependent. US presidential election worries skyrocketed this quarter, with CFOs citing growing uncertainty around international trade, government spending, and tax policy.
- **Declining concerns about financial markets:** With equity markets having mostly recovered since last quarter's survey, concerns about financial markets declined this quarter. Concerns about interest rates and a strong dollar continued, however, and worries about global debt levels (for both China and elsewhere) emerged as a growing concern.

Internal concerns: Rising concerns about growth

- **Consistent talent challenges:** Concerns around retention, an aging workforce, and leadership turnover continued this quarter.
- **Escalating growth and execution concerns:** CFOs voiced growing concerns about finding growth opportunities, executing their growth initiatives, innovating, and executing against their strategies and plans.

What external and internal risk worries you the most?

Consolidation and paraphrasing of CFOs' free-form comments* (n=119-121)

External

⬆⬆ Economy

- ↑↑ **Oil/commodity prices (27)**
- ↑↑ **US economy pullback (22)**
- ↓ **Global growth/recession/volatility (16)**
- **China economy/pullback/instability (11)**
- ↓↓ Consumer confidence/spending/fear (4)
- ↑ Industrial recession (3)
- European economy
- "Brexit"
- Gold prices
- Natural gas prices
- Emerging market slowdown
- Indian economy
- Mexican economy

⬇ Capital/Currency

- ↓ **Capital markets liquidity/stability (16)**
- **Interest rate increases/decreases (8)**
- **Impact of strong US dollar (6)**
- ↑ Global government debt levels (4)
- ↑ Equity devaluation
- ↓↓ Government manipulation of currency markets
- FX rates / currency markets (9)
- ↓ Impact of equity market struggles (4)
- Emerging market currency devaluation (3)

⬆ Geopolitics/Policy/Regulation

- ↑ **Regulation—new/burdensome (21)**
- ↑↑ **Election/political uncertainty in US (18)**
- **Geopolitical risk / instability (6)**
- Terrorism (4)
- Growing protectionism (2)
- Tax policy/reform (2)
- Government spending/fiscal policy (2)
- Environmental policy (2)

Industry

- **Competitive practices/pricing (5)**
- Fierce foreign competition
- More competitors
- Larger/better-funded competitors
- Unforeseen technology changes that drive business
- Industry decline

Please see full report for industry-specific findings.

Internal

Growth

- ↑ **Ability to execute growth efforts (8)**
- **Product development/innovation/R&D (7)**
- Declining industry/demand (2)
- Sales execution
- Lack of investment/growth opportunities

Margins

- **Productivity/cost improvement (7)**
- ↓ Managing pricing/margins in tough times (3)
- Cost / expense structure (3)
- Exchange rate effects (2)
- PPE / working capital efficiency (2)
- Salary pressures
- Costs of meeting regulatory requirements

Execution

- ↑ **Execution against strategies/plans (12)**
- **Complacency / forcing change (5)**
- ↓ Perform/adapt in tough conditions (4)
- ↓ Manage M&A integrations/restructuring (4)
- Technology project execution (3)
- Selecting right investments (2)
- Manufacturing effectiveness (2)
- Cyber security (2)
- Lack of right focus/prioritization
- Speed to market
- Managing compliance

Talent

- **Retaining key employees (14)**
- **Securing qualified talent (14)**
- **Leadership turnover/succession (5)**
- Replacing retiring talent/knowledge (4)
- Morale (3)
- Management changes (2)

** Arrows indicate notable movements since last quarter's survey. Category movements are indicated by block arrows. Strong movements are indicated by multiple arrows. Large and bolded text indicates most prevalent risks, while gray text indicates topics that have fallen off the list this quarter.*

This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes. The number of responses does not match the number of respondents because some CFOs provided more than one response. For a more detailed summary of comments by industry, please see the appendix of the full report.

Special topic: Finance operating models

Structure of the finance function

How are CFOs' finance functions organized to support the business?

More centralization than decentralization:

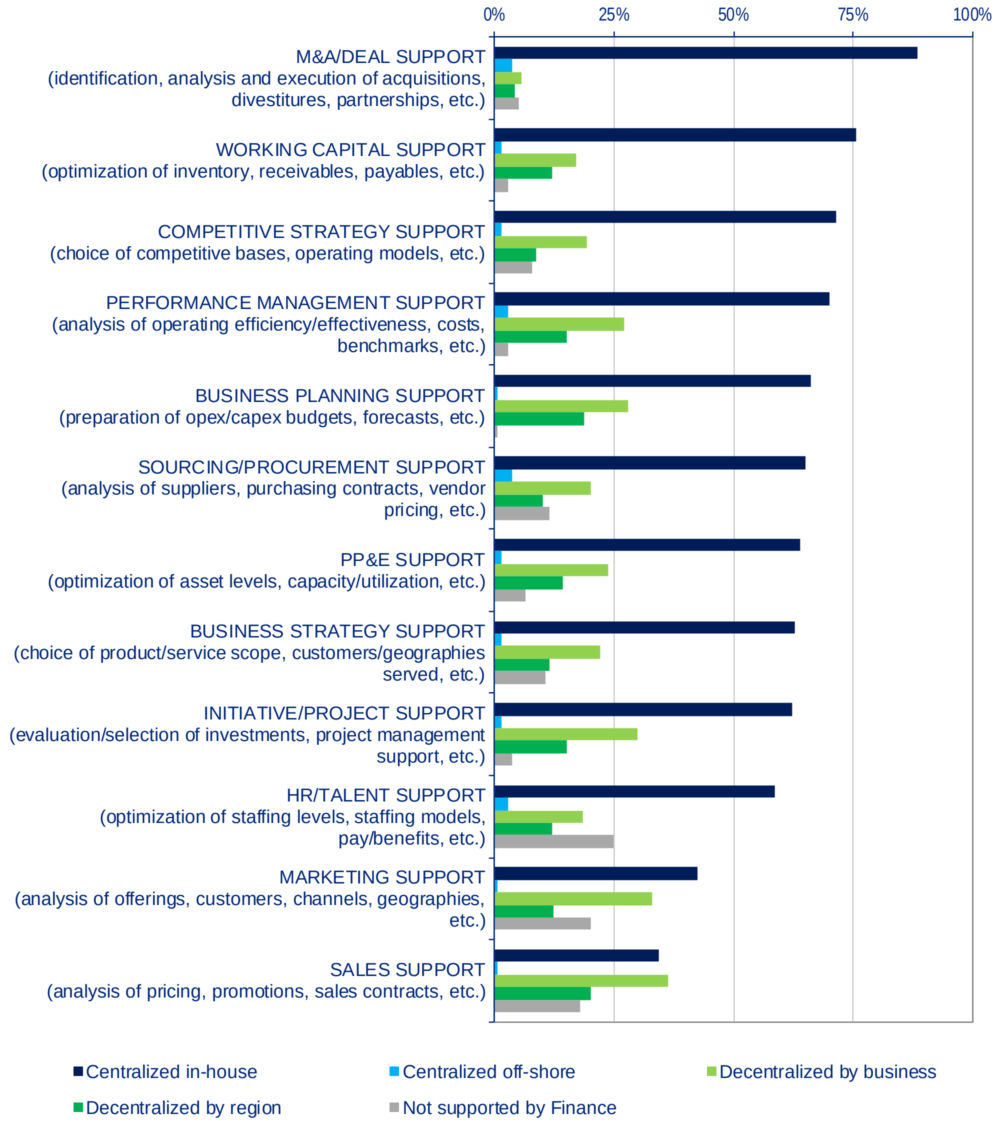
- Sixty-nine percent of CFOs reported more centralized support functions than decentralized.
- Ten of the 12 support functions are mostly centralized, most of them overwhelmingly so.
- The average number of centralized support functions is 7.8 (out of 12), and none of the industries reported a collective majority of decentralized functions. Technology and T/M/E reported the most centralized functions at 9.3 and 8.7, respectively. Healthcare/Pharma and Services are lowest, both at 7.1 (making them the comparatively decentralized industries).
- On average, CFOs reported 1.54 "decentralized by region" support functions and 2.8 "decentralized by business" support functions.

Still, there is substantial decentralization:

- Only 31% of CFOs reported no decentralization of any of the 12 support functions.
- Marketing support and sales support are the two areas where CFOs indicated more decentralization than centralization.
- There is more decentralization by business than by region. Fifty-three percent say they have decentralized at least one support function by business (most likely sales or marketing support), while 33% say the same for decentralizing by region (most likely sales support or business planning support).
- Healthcare/Pharma is relatively decentralized, with CFOs in this industry indicating mostly decentralized approaches for marketing and sales support, business planning support, HR/talent support, and initiative/project support.

Which approaches best describe your model for supporting the business?

Percent of CFOs citing each approach for each type of support (n=139-140)



Please see full report for industry-specific findings.

Special topic: Finance operating models

Outcomes of finance operating models

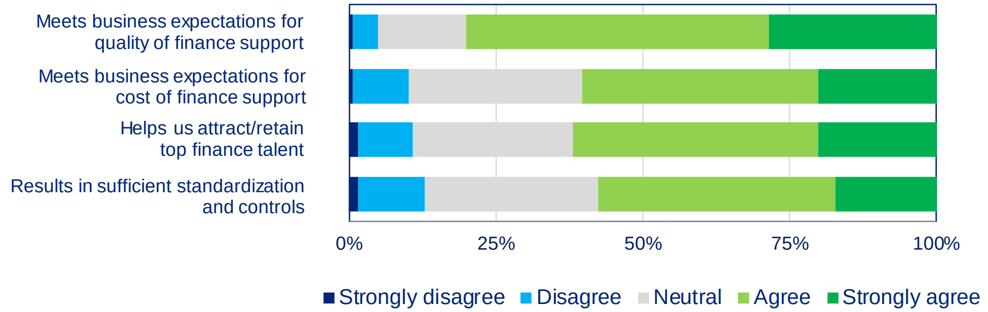
How well are operating models delivering service quality and cost efficiency, finance talent retention, and process standardization?

Perhaps not surprisingly, CFOs report mostly positive outcomes for their finance organization models in terms of service quality and cost, finance talent retention, and process standardization. Results are more positive in some areas than in others, however, and there are significant differences by industry and between centralized and decentralized operating models.

- **Vast majority of finance operating models meet business expectations for *quality* of finance support.** Eighty percent of CFOs agree, and 29% strongly agree. Technology CFOs have the highest level of agreement at 100% and Retail/Wholesale CFOs have the lowest at 68%. CFOs reporting mostly centralized models were more likely to say their approach meets business expectations for support quality (82%, versus only 75% for CFOs reporting mostly decentralized approaches).
- **More than half of operating models meet business expectations for *cost* of finance support.** Sixty percent of CFOs agree, and 20% strongly agree (10% disagree). Technology CFOs indicate the highest level of agreement (89%); T/M/E CFOs indicate the lowest agreement (43%), and Healthcare/Pharma indicates the highest disagreement (30%). There was not a significant difference between CFOs reporting mostly centralized and decentralized models.
- **More than half of operating models aid in attracting and retaining top finance talent.** Sixty-two percent of CFOs agree, and 20% strongly agree (11% disagree). Energy/Resources CFOs indicate the most agreement (75%), while Retail/Wholesale CFOs indicate the least (47%). There was not a significant difference between CFOs reporting mostly centralized and decentralized models.
- **Just over half of operating models result in sufficient standardization and controls.** Fifty-six percent of CFOs agree, and 17% strongly agree (13% disagree). Technology CFOs indicate the most agreement (78%), while T/M/E CFOs indicate the least (43%). CFOs reporting mostly centralized models were more likely to say their approach results in sufficient standardization and controls (63%, versus only 45% for CFOs reporting mostly decentralized approaches).

Which best describes the outcome of your finance organization's model?

Percent of CFOs selecting each level of agreement/disagreement for each statement (n=139-140)



Please see full report for industry-specific findings.

Comparison of outcomes for finance organization models (mostly centralized vs. mostly decentralized models)*

Percent of CFOs selecting "agree" or "strongly agree" for each statement (n=139-140)

	Mostly Centralized	Mostly Decentralized
Meets business expectations for QUALITY of finance support	82%	75%
Meets business expectations for COST of finance support	60%	59%
Helps us attract/retain top finance talent	61%	61%
Results in sufficient standardization and controls	63%	45%

** "Mostly centralized" refers to CFOs who cited more centralized than decentralized functions among the twelve functions in the chart on the previous page. "Mostly decentralized" refers to CFOs who cited more decentralized functions.*

Special topic: Finance operating models

Scope of CFO responsibility

What is the scope of CFOs' direct and indirect functional responsibility?

On average, CFOs say nine functions report to them on a solid-line basis:

- The mean number of direct reporting relationships (where the function reports directly to the CFO) is six. The most common level is seven, but six, eight, and nine are also common (the six through nine range accounts for nearly half of CFOs' responses).
- The mean number of secondary reporting relationships (where the function reports indirectly to the CFO through someone who reports directly to the CFO) is three, with 29% reporting zero secondary reporting relationships and 27% reporting just one or two.
- The mean number of total solid-line reporting relationships (direct and secondary reporting relationships) is nine. Seven and eight are also common.
- The most likely functions to report to CFOs on a dotted-line bases are strategic planning, corporate development, and risk/compliance.

Five functions make up the core of solid-line reporting relationships for 90% of CFOs:

- **Accounting/reporting:** Ninety-seven percent report solid-line; 62% report direct.
- **FP&A**: Ninety-two percent report solid-line; 57% report direct.
- **Treasury**: Ninety-one percent report solid-line; 66% report direct.
- **Tax**: Ninety-one percent report solid-line; 55% report direct.
- **Corporate finance**: Ninety percent report solid-line; 70% report direct.

The second tier includes five functions that report to CFOs roughly half the time:

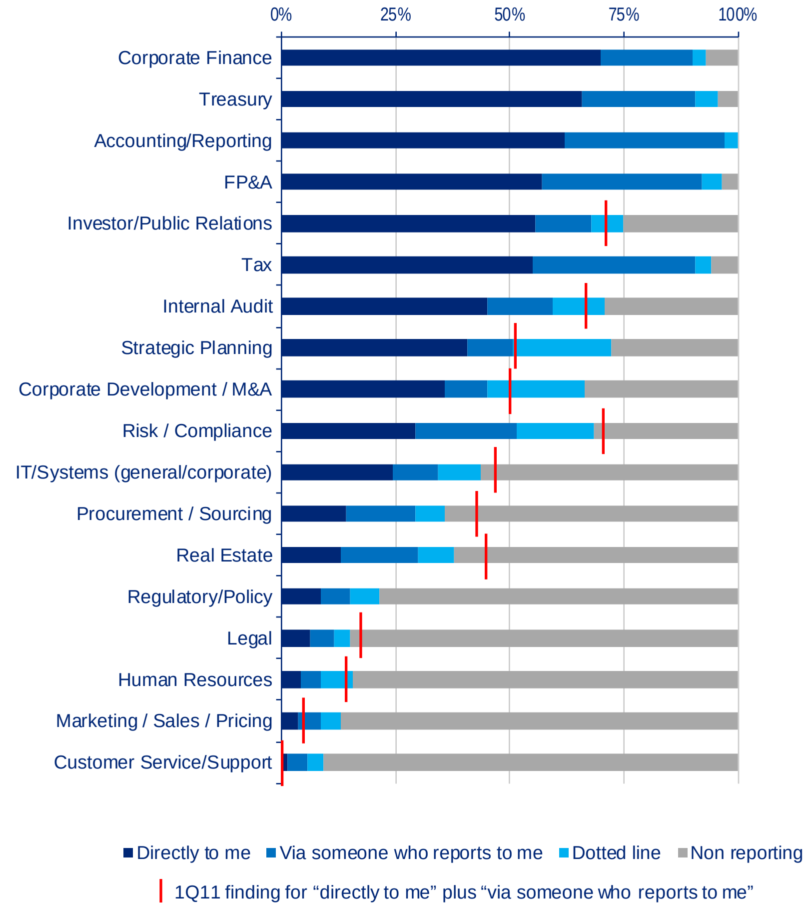
- **Investor/Public relations**: Sixty-eight percent report solid-line; 56% report direct (if this function reports the CFO, it overwhelmingly reports directly).
- **Internal audit**: Fifty-nine percent report solid-line; 45% report direct.
- **Strategic planning**: Fifty-one percent report solid-line; 41% report direct.
- **Risk/compliance**: Fifty-one percent report solid-line; 29% report direct.
- **Corporate development/M&A**: Forty-five percent report solid-line; 36% report direct.

Some functions' reporting relationships seem less prominent and/or more industry dependent than might be expected:

- **IT/systems**: Thirty-four percent report solid-line; 24% report direct (a significant decline from our 1Q11 survey when 45% of CFOs claimed solid-line).
- **Procurement/sourcing and real estate**: Only 29% of CFOs cite solid-line responsibility, but more than half did so within Technology, T/M/E, and Services. CFOs in these industries were also the most likely to cite responsibility for real estate.

What responsibility do you have for the following functions?

Percent of CFOs citing each type of responsibility for each function (n=140)*



* "Other" responses included responsibilities around analytics, shared services, special projects, and process improvement.

Please see full report for industry-specific findings.

Special topic: Finance operating models

Top CFO roles

What roles are CFOs playing in the current business environment?

CFOs' top roles show very high variability:

- The top three-role combinations (*fact provider/challenger/stakeholder manager; and fact provider/challenger/capital manager*) accounted for only 15% of CFOs' reported roles.
- The top two-role combinations (*fact provider/challenger; and challenger/ stakeholder manager*) each accounted for only 31% and 20%, respectively of CFOs reported roles.

"Fact provider" and "challenger" are the most commonly mentioned roles:

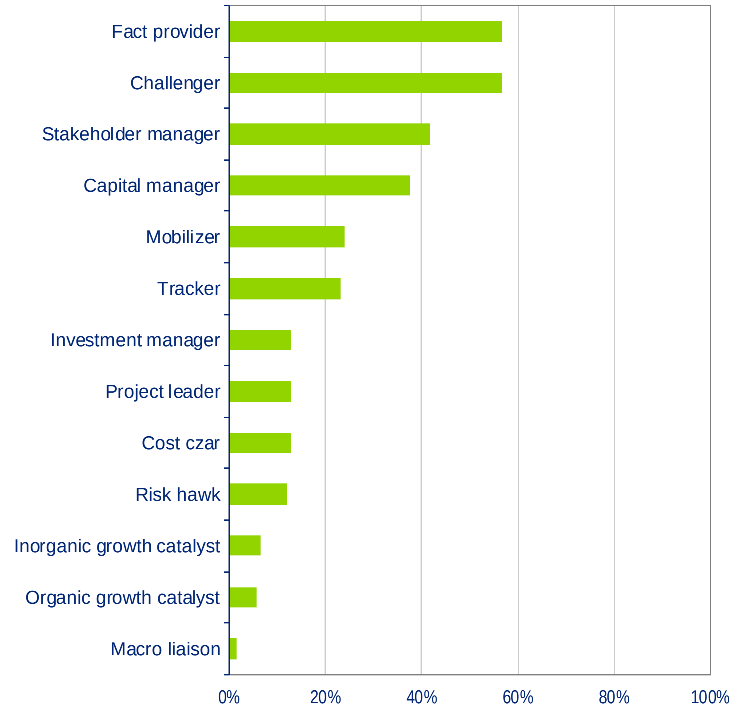
- Fifty-seven percent of CFOs cite each among their top three roles, and 31% cited both.
- Among those choosing both *fact provider* and *challenger*, CFOs were most likely to also choose either *stakeholder manager* or *capital manager* with roughly equal likelihood.
- When a CFO did not select *fact provider*, he/she had a 59% probability of selecting *challenger*; the reverse was also true.
- Among the 18% of CFOs not selecting either of these roles, 77% chose *stakeholder manager*, and 50% chose *capital manager.*

There are substantial industry differences in the roles CFOs play:

- *Fact provider* is a very common role for Retail/Wholesale, Technology, and T/M/E (79%, 67%, and 67%, respectively). This role is considerably less common for Services, Energy/Resources, and Healthcare/Pharma (36%, 40%, and 50%, respectively).
- *Challenger* is a very common role for Energy/Resources, Manufacturing, and Financial Services (73%, 66%, and 64%, respectively). This role is much less common for T/M/E, Retail/Wholesale, and Healthcare/Pharma (33%, 36%, and 40%, respectively).
- *Stakeholder manager* is a very common role for Technology, Energy/Resources, and Healthcare/Pharma (67%, 60%, and 50%, respectively). It is much less common for T/M/E, Manufacturing, and Financial Services (0%, 35%, and 36%, respectively).

In the current business environment, for which of the following roles does your CEO most look to you?

Percent of CFOs selecting each role in their top three (n=125)



Please see full report for industry-specific findings.

Special topic: CFO working styles and CEO-CFO relationship

Working styles of CFOs and their CEOs

What do CFOs believe is the dominant working style for both themselves and their CFOs?

Compared to the last time we asked in 4Q10, more CFO "drivers" and "integrators," more CEO "integrators," and a sharp decline in "guardians" for both roles:

- About 60% of CFOs consider themselves *drivers*, well above the level reported in 4Q10 when this question was last asked. The proportion considering themselves *integrators* also increased, from 11% to 19%. *Guardians*, which were the second-most prevalent in 4Q10, fell by nearly half.
- About 35% of CFOs consider their CEOs to be *pioneers*, up slightly from 33% in 4Q10. *Drivers* declined to second, falling slightly from 34% to about 33%. *Integrators* rose from the least prevalent in 4Q10 (at 11%) to third-most prevalent this quarter (at 19%), displacing *guardians*.

Some CEO/CFO pairings are more common than random pairing would predict:

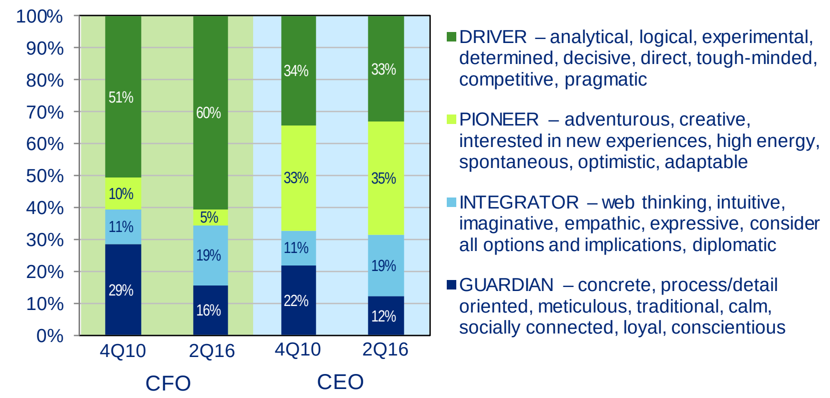
- CFOs' distribution of CEO/CFO working styles would lead us to expect *pioneer/driver* and *driver/driver* pairings to be the most common, followed by *integrator/driver*. As expected, *pioneer/driver* pairings are the most common (accounting for 22% of all pairings). *Driver/driver* pairings, however, are less common than expected (14% vs. 20%), while *integrator/driver* pairings are more common than expected (16% vs. 12%) and twice as common as they were in 4Q10.
- There are other substantial deviations that suggest some pairings may more complementary and/or durable than others. In particular, *driver/guardian* pairings are nearly 80% more common than expected (although less common than they were in 4Q10). *Pioneer/integrator* is about 30% more common than expected and more than three times as prevalent as in 4Q10.

Notes:

- *Expected CEO/CFO pairing frequencies are based on what would be expected if pairing were random (i.e., based simply on the prevalence of each type).*
- *As was the case when we originally asked this question in 2010, the validity of these findings is limited by the fact that they are based solely on CFOs' perceptions and also on the choice of a single working style (which does not account for CEOs' and CFOs' use of multiple working styles). Despite these limitations, we believe these findings provide coarse insight into how CFOs view themselves, their CEOs, and their working relationships—and also into how these factors might have changed since late 2010.*
- *This quarter's survey question is based upon elements of **Deloitte's Business Chemistry** methodology. For more information about how this methodology can be applied by CFOs, please see: www2.deloitte.com/us/en/pages/finance/articles/cfo-insights-business-chemistry-strategy-stakeholders-personalities-competitive-advantage.html.*

Dominant working styles

Percent of CFOs selecting each working style for CFOs and CEOs (n=139)



Please see appendix for industry-specific findings

CEO/CFO working style pairings

Number and percent of CFOs citing each CEO/CFO pairing

CEOs \ CFOs	Guardian	Integrator	Pioneer	Driver	Total
Guardian	0 0% (3%)	5 4% (1%)	1 1% (7%)	11 8% (11%)	**17** **12% (22%)**
Integrator	4 3% (3%)	0 0% (0%)	1 1% (0%)	22 16% (8%)	**27** **19% (11%)**
Pioneer	5 4% (10%)	12 9% (2%)	1 1% (1%)	31 22% (20%)	**49** **35% (33%)**
Driver	13 9% (12%)	9 6% (8%)	4 3% (2%)	20 14% (12%)	**46** **33% (34%)**
Total	**22** **16% (29%)**	**26** **19% (11%)**	**7** **5% (10%)**	**84** **60% (51%)**	**139** **100%**

- *Whole numbers represent the number of pairings CFOs reported for each possible CEO/CFO combination (since 139 CFOs responded to this question, there are a total of 139 reported pairings). Percentages represent each combination's proportion of the 139 total pairings, and percentages in parentheses indicate the proportions when we last asked this question in 4Q10. Row and column totals may not agree with sums of individual rows/columns due to rounding in each cell.*
- *Yellow shading indicates areas where the number of reported pairings notably exceeds (by at least 30%) what would be expected based on random pairing.*

Special topic: CFO working styles and CEO-CFO relationship

Working styles of CFOs and their CEOs

How do CFOs adapt to the style of their CEO, and with which types of CEOs do they believe they work most effectively

Below is a snapshot of each CFO working style's prevalence, pairing patterns, adaptation, and pairing preference; please see charts on this page and the previous page for more information:

- **Driver CFOs**: At 60%, drivers are by far the most common style (even more so now than in 4Q10), and are likely to be paired with any type of CEO (but mostly with pioneers). They are likely to say they adapt to their CEO's type, most often by adopting integrator traits when not paired with another driver (when paired with another driver, they tend to adopt more guardian traits). They are most likely to say they work best with pioneer and driver CEOs (they are less likely than they would like to be paired with a driver). Drivers are the most common style in all industries, accounting for more than 75% of CFOs in Technology, T/M/E, and Services. They are least common in Manufacturing (50%) and Financial Services (45%).
- **Pioneer CFOs**: At just 5%, pioneers are the least common style—less common now than in 4Q10. They were most likely to be paired with a guardian CEO in 4Q10, but are now paired mostly with a driver (due to a sharp decline in guardian CEOs). When paired with a driver, they say they adopt more guardian and driver traits. They are most likely to say they work best with driver and pioneer CEOs (although relatively few are actually paired with another pioneer). This style was only reported by CFOs within three industries: Energy/Resources (12.5%), Financial Services (6.9%), and Manufacturing (6.3%).
- **Integrator CFOs**: At 19%, integrators climbed to the second most common style, nearly doubling in prevalence since 4Q10. They are mostly paired with pioneer and driver CEOs and indicated no pairings with another integrator. When paired with a pioneer, they say they adopt pioneer and guardian traits; they take on driver traits when working with drivers. They are most likely to say they work best with drivers, and they work more with pioneers than they would prefer (and less with other integrators than they would prefer). This style appears most common in Manufacturing and Financial Services (both at about 25%), and it was not reported at all within Technology.
- **Guardian CFOs**: At 16%, guardians appear considerably less common now than in 4Q10. They are most often paired with a driver and are very unlikely to be paired with a guardian CEO. They are likely to say they adapt to their CEO's working style, either by ratcheting up their guardian traits or by adopting more driver traits. They are likely to say they work best with drivers and pioneers. They appear most common within Financial Services (24%), and are also relatively common in Technology and Retail/Wholesale as well (about 22%).

CFO Adaptation to CEO Working Styles

Types of adaptation most cited for each CEO/CFO pairings

CEOs \ CFOs	Guardian	Integrator	Pioneer	Driver
Guardian	N/A	+Driver 40% +Pioneer 40%	N/A	+Integrator 64%
Integrator	+Driver 50% +Pioneer 50% -Guardian 50%	N/A	N/A	+Pioneer 37% +Integrator 50%
Pioneer	+Guardian 60%	+Pioneer 58% -Guardian 33%	N/A	+Driver 32% +Pioneer 42% +Integrator 48% +Guardian 35%
Driver	+Driver 54%	+Driver 78%	+Driver 50% +Guardian 75%	+Guardian 35%

- *Table text indicates the nature of CFOs' most cited adaptations to a particular CEO working style. Only the most notable and consistent findings are included in this table.*
- *A plus sign (+) or minus sign (-) indicates cases where CFOs cited adoption of more/less of a particular type's traits, and the percentage indicates the proportion of CFOs who cited this adaptation. For example, in the pairing of a CFO Guardian with a CEO Pioneer, the notation "+Guardian 60%" indicates that 60% of these Guardian CFOs cited adoption of even more Guardian traits in response to their CEO's Pioneer type.*

Quality of CEO/CFO match

Percentage of CFOs saying they work best with each CEO style compared to the percentage actually paired with that CEO style

CEOs preferred (actual) \ CFOs	Guardian	Integrator	Pioneer	Driver
Guardian	5% (0%)	15% (19%)	0% (14%)	7% (13%)
Integrator	9% (18%)	19% (0%)	0% (14%)	19% (26%)
Pioneer	27% (23%)	23% (46%)	43% (14%)	37% (37%)
Driver	59% (59%)	35% (35%)	57% (57%)	35% (24%)

- *Table percentages indicate the proportion of CFOs who say they work best with a particular CEO working style*
- *Percentages in parentheses indicate the proportion of CFOs who actually are paired with a particular CEO working style.*

Longitudinal trends

Expectations and sentiment

CFOs’ Year-Over-Year Expectations[1]

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses[2])

			2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	Survey Mean	2-Year Mean
Operating Results	Revenue	*mean*	9.3%	10.9%	6.5%	8.2%	7.1%	6.8%	6.3%	5.9%	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%	6.0%	5.1%
		median	6.0%	10.0%	5.0%	5.0%	5.5%	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%	5.0%	5.0%	4.5%	5.0%	3.0%	4.0%	5.2%	4.7%
		%>0	84%	93%	81%	89%	80%	83%	87%	79%	85%	82%	83%	81%	84%	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	84%	84%
		standard deviation	8.2%	10.5%	7.4%	7.3%	6.4%	6.5%	4.9%	6.3%	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%	6.0%	5.6%
	Earnings		17.3%	19.5%	12.0%	12.6%	14.0%	9.3%	10.1%	12.8%	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%	10.5%	8.4%
			6.0%	10.0%	8.0%	10.0%	10.0%	8.0%	9.0%	9.5%	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%	5.0%	7.0%	8.0%	7.1%
			89%	93%	80%	83%	83%	82%	84%	79%	81%	84%	76%	84%	83%	82%	82%	84%	83%	90%	86%	79%	79%	79%	82%	79%	76%	83%	82%
			16.3%	24.3%	21.4%	16.6%	22.1%	10.4%	10.7%	19.8%	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%	13%	11%
Investment	Dividends		6.5%	8.6%	4.1%	4.4%	3.7%	3.5%	2.4%	2.2%	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%	4.0%	3.9%
			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%	0.0%
			38%	39%	28%	36%	35%	41%	27%	31%	33%	30%	29%	38%	40%	39%	37%	47%	45%	45%	44%	47%	43%	45%	45%	46%	42%	39%	45%
						8.6%	4.4%	5.7%	4.7%	4.1%	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%	6%	5%
	Capital spending		12.4%	8.3%	8.7%	11.8%	10.7%	7.9%	9.6%	12.0%	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%	7.2%	4.8%
			5.0%	5.0%	4.0%	5.0%	10.0%	5.0%	5.0%	6.0%	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%	4.2%	4.0%
			62%	58%	57%	61%	69%	59%	61%	68%	70%	53%	43%	57%	57%	54%	59%	57%	64%	60%	62%	63%	59%	53%	59%	50%	61%	59%	59%
			14.6%	10.3%	16.8%	17.5%	14.9%	13.7%	16.0%	24.5%	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%	11.2%	16.0%	17%	12%
Employment	Number of domestic personnel		3.1%	2.0%	1.8%	1.8%	2.0%	1.2%	1.0%	2.1%	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%	1.6%	1.6%
			0.5%	2.0%	1.0%	1.0%	2.0%	1.0%	1.0%	1.0%	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%	0.7%	0.7%
			50%	60%	48%	61%	64%	52%	51%	51%	52%	40%	40%	43%	46%	47%	48%	42%	58%	58%	60%	58%	49%	57%	50%	47%	55%	51%	55%
			6.8%	5.2%	5.9%	5.8%	4.7%	5.2%	5.2%	7.1%	10.3%	4.1%	3.9%	4.9%	9.6%	5.6%	4.4%	4.9%	3.9%	4.5%	3.6%	3.1%	4.5%	4.8%	3.6%	3.0%	3.8%	5%	4%
	Number of offshore personnel		3.5%	2.8%	3.6%	3.7%	4.1%	2.9%	4.8%	3.7%	3.8%	1.5%	0.5%	2.4%	2.5%	1.9%	4.1%	2.5%	1.9%	2.6%	1.9%	3.1%	2.0%	2.7%	2.8%	1.9%	1.8%	2.8%	2.4%
			0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.5%	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%	0.1%	0.0%
			41%	49%	47%	41%	57%	37%	50%	43%	41%	30%	32%	39%	36%	33%	42%	34%	42%	45%	44%	48%	39%	46%	49%	45%	39%	42%	45%
					5.6%	5.9%	4.7%	5.8%	8.7%	6.1%	6.3%	3.3%	2.7%	4.9%	4.3%	3.3%	9.0%	4.4%	3.7%	2.7%	2.8%	4.4%	3.0%	3.4%	3.7%	2.3%	2.2%	5%	3%

CFOs’ Own-Company Optimism[3] and Equity Market Performance

		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	Survey Mean	2-Year Mean
Optimism	Optimism (% more optimistic)	63.5%	46.8%	53.3%	62.4%	39.7%	28.6%	28.6%	63.0%	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%	44.5%	40.4%
	Neutrality (% no change)	19.3%	16.8%	26.0%	22.0%	28.3%	18.6%	32.1%	21.9%	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%	31.4%	40.6%
	Pessimism (% less optimistic)	17.2%	36.4%	20.7%	15.6%	32.0%	52.8%	39.3%	15.1%	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%	24.4%	19.0%
	Net optimism (% more minus % less optimistic)	46.3%	10.4%	32.6%	46.8%	7.7%	-24.2%	-10.7%	47.9%	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%	20.1%	21.3%
S&P	S&P 500 price at survey period midpoint	1,088	1,072	1,200	1,343	1,333	1,123	1,161	1,361	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	1,598	2,009
	S&P gain/loss QoQ		-1.5%	11.9%	11.9%	-0.7%	-15.8%	3.4%	17.2%	-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%	2.6%	0.3%

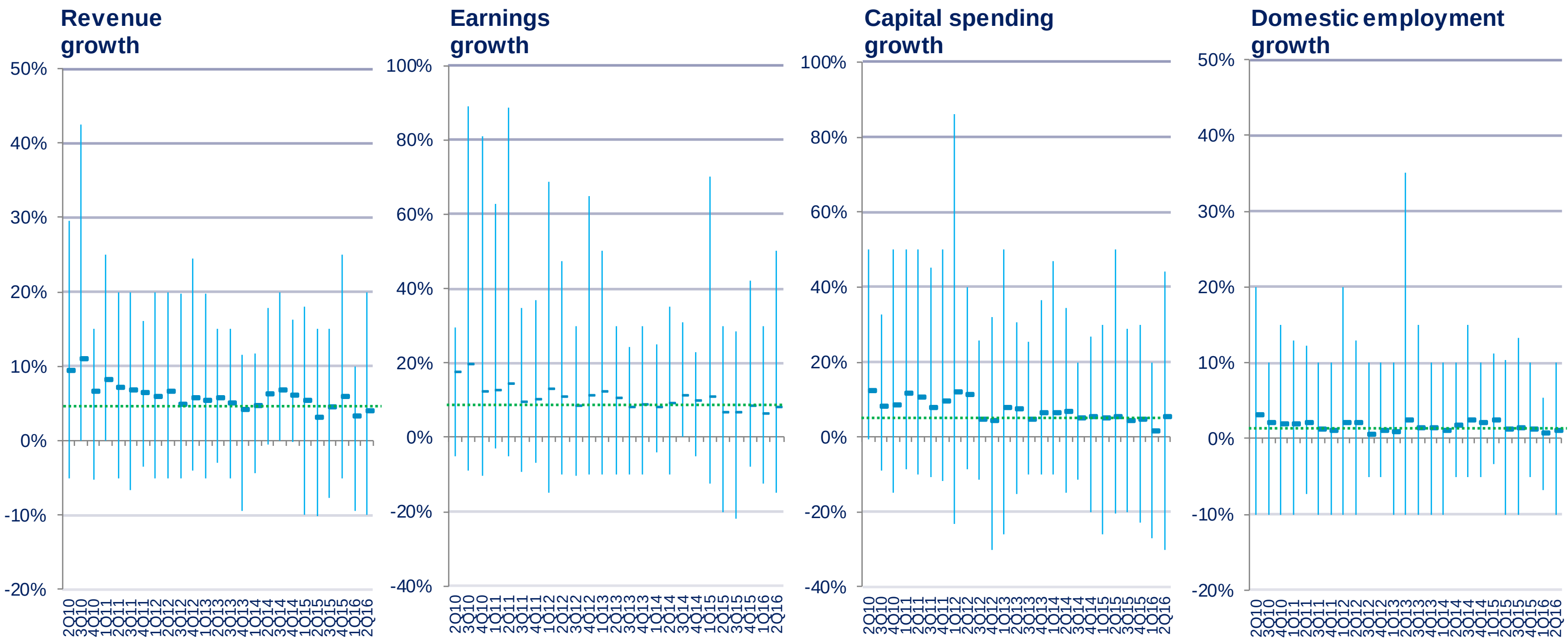
1 All means have been adjusted to eliminate the effects of stark outliers. The “Survey Mean” column contains arithmetic means since 2Q10.

2 Standard deviation of data Winsorized to 5th/95th percentiles.

3 Averages for optimism numbers may not add to 100% due to rounding.

Longitudinal trends

Means and distributions for key metrics



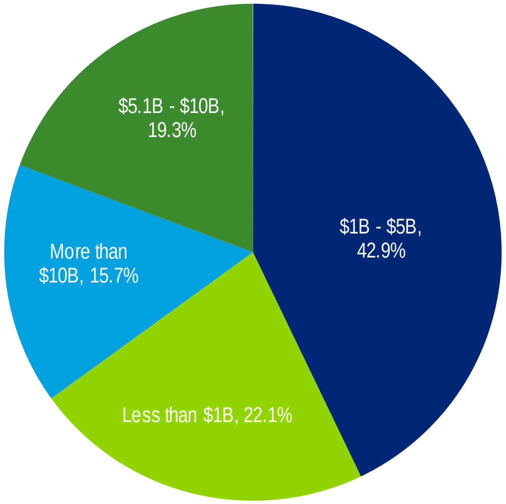
Vertical lines indicate range for responses between 5th and 95th percentiles.

Horizontal marks indicate outlier-adjusted means.

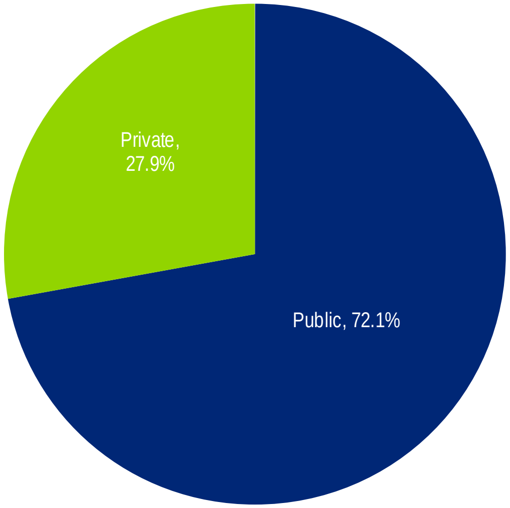
Dotted lines indicate 3-year average (mean).

Demographics*

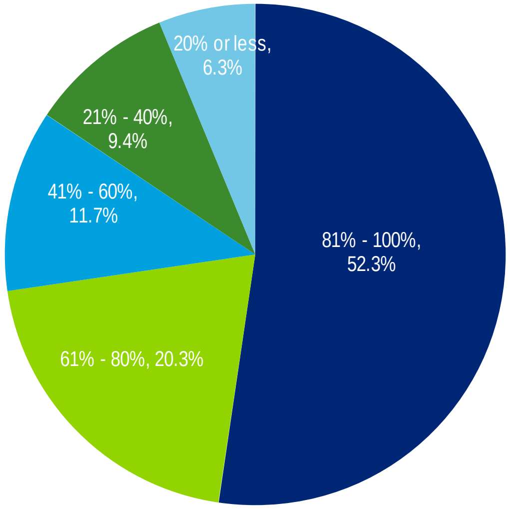
Annual Revenue ($US)
(n=140)



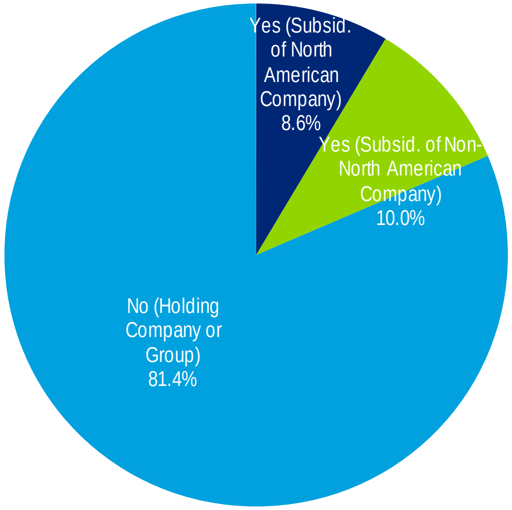
Ownership
(n=140)



Revenue from North America
(n=128)



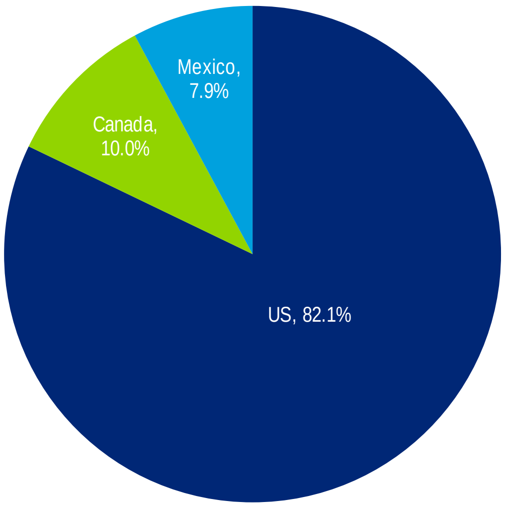
Subsidiary Company
(n=140)



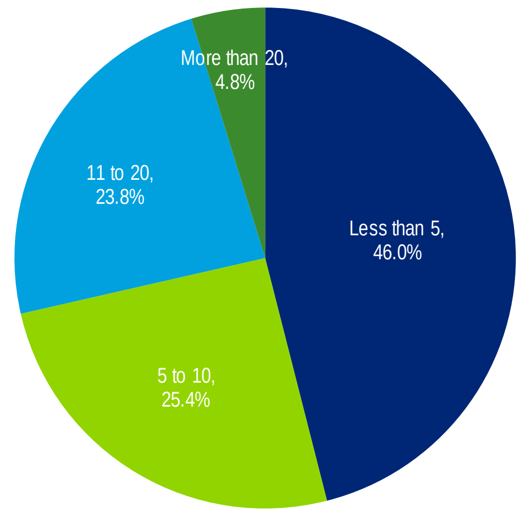
* Sample sizes for some charts do not sum to the total because some respondents did not answer all demographic questions.

Demographics* (cont.)

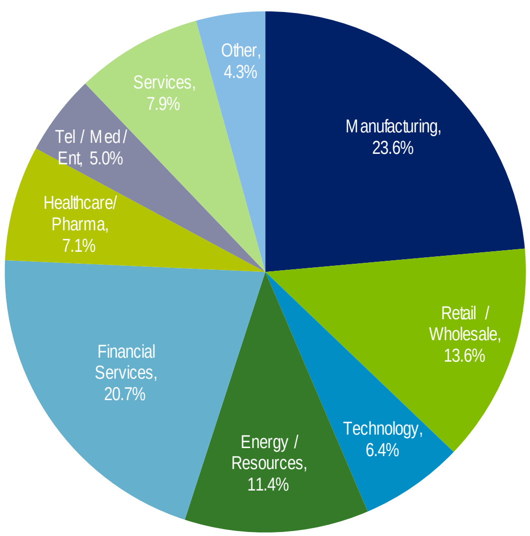
Country
(n=140)



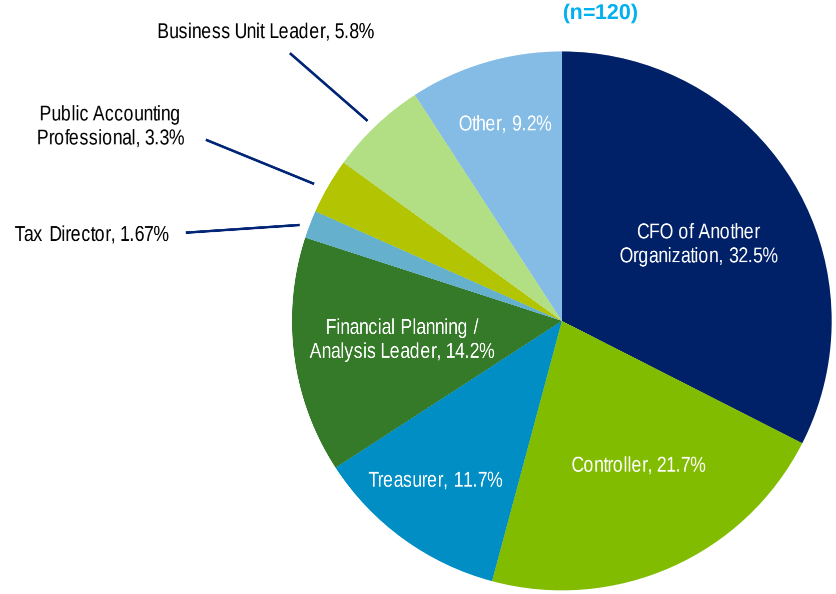
CFO Experience (Years)
(n=126)



Industry
(n=140)



Previous CFO Role
(n=120)



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

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 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 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 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.