

## 3Q17 Highlights: Geopolitical threats and political turmoil dampen sentiment

- Perceptions of Europe's and China's economies show growing optimism; perceptions of North America show growing concern.
- Own-company optimism slid, largely on growing pessimism among US CFOs.
- Expectations for growth in earnings and capital spending declined, but revenue growth held steady and domestic hiring surged.
- A survey-high 83% of CFOs say US equities are overvalued.
- Use of emerging technologies to improve finance efficiency, analytical support, and controls appears to be in its early stages.
- Robotic process automation (RPA) and analytics solutions are popular among those citing significant use of new technologies.
- A majority of CFOs indicate interest in a CEO role, but there is variability in the perceived likelihood and preferred pathways.
- CFOs' mean number of direct reports is seven (six men and one woman); half say at least one will be CFO-ready within a year.

*Note: All survey responses were collected before Hurricane Harvey made landfall in the US.*

### How do you regard the current/future status of the [North American, Chinese, and European economies](#)?

Perceptions of North America declined, with 64% of CFOs rating current conditions as good (still comparatively high), but just 45% expecting better conditions in a year (down from 58% last quarter). Perceptions of Europe rose to 29% for current health and 32% for future health; China was flat at 32% and 30%.

**What is your perception of the [capital markets](#)?** Eighty-three percent of CFOs say debt financing is attractive (down from 85%). Attractiveness of equity financing rose for public company CFOs (from 42% to 48%) and decreased for private company CFOs (from 46% to 35%). Eighty-three percent of CFOs now say US equities are overvalued—a new survey high.

**Overall, what [risks](#) worry you the most?** CFOs voice growing concerns about US political turmoil and geopolitical conflict; talent challenges again top CFOs' list of internal worries, and technological change appears to be a rising concern.

**Compared to three months ago, how do you feel about the [financial prospects](#) for your company?** The net optimism index declined from last quarter's +44 to +29 this quarter. About 45% of CFOs express rising optimism (down from 55%), and 16% express declining optimism (up from 11%).

**What is your company's [business focus](#) for the next year?** CFOs indicate a strong bias toward revenue growth over cost reduction (60% vs. 20%) and investing cash over returning it (56% vs. 14%). They shifted back to a bias toward new offerings over existing ones (42% vs. 34%), and indicated a bias toward current geographies over new ones (62% vs. 19%).

**Compared to the past 12 months, how do you expect your [key operating metrics](#) to change over the next 12 months?** Revenue growth expectations remain above the two-year average at 5.7% (up from 5.6% last quarter). Earnings growth slid from 8.7% to 7.9% but remains above the two-year average. Capital spending growth fell from 9.0% to 7.3%, while domestic hiring growth rose from 2.1% to 2.6%. US CFOs indicated the lowest expectations for almost all metrics.

**How would you characterize your company's progress in [applying emerging technologies](#) to your finance function?** Relatively few CFOs say they are beyond the piloting stage for emerging technologies (e.g., cloud computing, robotic process automation, visualization, cognitive/AI, in-memory, and blockchain) or that they have already achieved the possible benefits, but some appear considerably further down the road than others.

**How have you used emerging technologies to improve [finance's efficiency, analytical support, and controls](#)?** Use of new technologies appears to be in its early stages. A minority of CFOs say solutions are mature enough to provide major benefits, but some cite aggressive use and notable improvement gains.

**Is there anything you have done with emerging technologies that has been particularly [successful](#)?** Process automation via RPA and cloud-based services is relatively popular among those who cite substantial implementation of new technologies; analytics enhancements are also relatively common.

**What type of offer would make you most likely to [change your role or company](#)?** Just over three-quarters of CFOs say either an expanded CFO role or a CEO role would be among the opportunities most likely to make them change their role and/or company. Among those not citing either role, just over half cite retirement.

**How many people [report directly to you](#)? And how many are [CFO-ready](#)?** The mean number of direct reports is 6.75 (with the means for men and women at 4.9 and 1.9, respectively); there are notable industry differences. Ninety percent of CFOs say they have at least one direct report who will be CFO-ready within the next three years, and half report at least one who will be ready within one year.

**What are your aspirations regarding a [CEO role](#)?** About 60% of CFOs express interest in becoming a CEO, but there is high variability in their perceptions of how likely it is to happen and about which path they would choose. Just over 40% say they would like to be their CEO's successor, and about 45% of these believe they will be. Forty-seven percent say they would consider an offer for a CEO role outside their company.

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

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