



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.

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (DTTL), its network of member firms, and their related entities. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2017 Deloitte Development LLC. All rights reserved. Member of Deloitte Touche Tohmatsu Limited.