

CFO Signals™

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

3rd quarter 2017

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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The **CFO** Program

About the survey

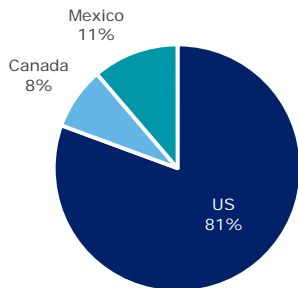
Contents and background

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.

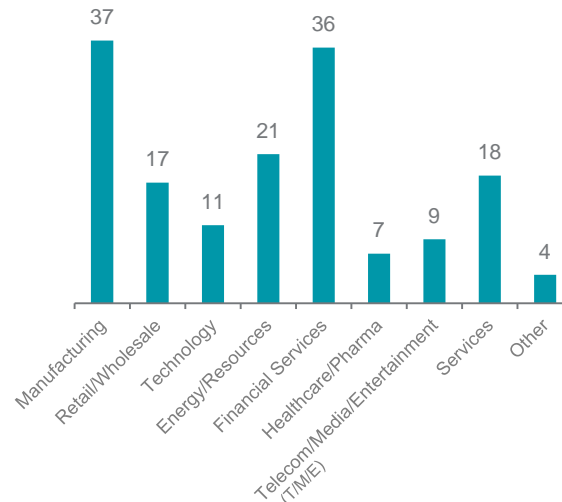
All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than \$1 billion in annual revenue. For a summary of this quarter's response demographics, please see the sidebars and charts on this page. For other information about participation and methodology,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

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)

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

Survey responses

Survey period:	8/7-8/18
Total responses:	160
• CFO proportion:	100%
• Revenue >\$1B:	82%
• Public/private:	73%/27%

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Findings at a glance

Perceptions

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 high), and 45% expecting better conditions in a year (down from 58% last quarter). Perceptions of Europe rose to 29% and 32%; China was flat at 32% and 30%. [Page 6.](#)

What is your perception of the capital markets? Eighty-three percent of CFOs say debt financing is attractive (down slightly 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. [Page 7.](#)

Sentiment

Overall, what risks worry you the most? CFOs voice growing concerns about US political turmoil and geopolitical conflict; talent challenges again top CFOs' internal worries, and technological change is a rising concern. [Page 8.](#)

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%). [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 (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%). [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 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 trailed in almost all metrics. [Page 11.](#)

Special topic: Finance's use of emerging technologies

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. [Page 12.](#)

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

3Q17 Survey Highlights*

- Perceptions of Europe's and China's economies show growing optimism; perceptions of North America show growing concern.
- Own-company optimism slid, largely on pessimism in the US.
- Expectations for growth in earnings and capital spending fell, 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.

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 says solutions are mature enough to provide major benefits, but some cite aggressive use and notable improvements. [Page 13.](#)

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 implementations; analytics enhancements are also relatively common. [Page 14.](#)

Special topic: Finance governance and succession

What type of offer would make you most likely to change your role or company? About 75% of CFOs say an expanded CFO role or CEO role would be among the opportunities most likely to make them consider a change. [Page 15.](#)

How many people report directly to you? And how many are CFO-ready? The average number of CFOs' direct reports is seven (six men and one woman), and half of CFOs say at least one direct report will be CFO-ready within a year. [Page 16.](#)

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. [Page 17.](#)

Summary and context

Geopolitical threats and political turmoil dampen sentiment

CFO sentiment got off to a very strong start in the first quarter of 2017. In the aftermath of the US presidential election, CFOs appeared very optimistic—with that quarter’s survey registering the sharpest uptick in sentiment in its seven-year history.

This sentiment largely continued in the second quarter. Despite voicing growing concerns about geopolitical conflict, US political turmoil, and Washington’s ability to deliver clarity and change in key policy areas, CFOs’ optimism regarding their companies’ prospects remained largely intact.

For both quarters, CFOs’ confidence appeared significantly underpinned by positive assessments of the global economy, with continuing positive perceptions of North America and increasingly positive assessments of both Europe and China. Much of this sentiment carries over to this quarter, but something does appear to have changed—especially around CFOs’ confidence in the North American economy.

While this quarter’s assessments of North America’s *current* economic health remain strong (and near their survey highs), CFOs’ assessments of the economy’s *trajectory* faltered. Accordingly, CFOs’ perceptions of their own companies’ prospects declined, and year-over-year expectations for earnings and capital investment both declined.

It is difficult to say what is behind these declining expectations, but CFOs’ list of most worrisome external risks seems to indicate that US political turmoil and geopolitical risks are weighing even more than they did last quarter. This may help explain why US CFOs trailed their Canadian and Mexican peers regarding their perceptions of their own companies’ prospects, and also why they provided the lowest growth expectations for sales, earnings, capital spending, and domestic hiring.

As they have for many quarters, talent-related concerns topped CFOs’ most worrisome internal risks. Recently, however, CFOs have also voiced concerns about rising pressure to leverage new technologies. Accordingly, this quarter we asked about their use of technologies such as cloud computing, robotic process automation (RPA), and analytics tools to improve the performance of their finance organizations.

On the whole, application of new technologies appears to be in its early stages. When asked about their use of new technologies to improve finance efficiency, controls, and analytical and decision support, less than 20% of CFOs said they have aggressively pursued improvements in any one area. Few said they were beyond the piloting stage, with insufficient technology maturity, lack of technology familiarity, and costs named as common barriers.

Still, some organizations appear to have made considerable progress. Among this group, process automation (via robotics and cloud-based services) appears relatively popular, with analytics enhancements also relatively common.

To provide a sense of how CFOs are thinking about their own careers, this quarter we also asked about opportunities that might cause them to change their role or company. The vast majority cited interest in raising their impact, with just over 75% saying either a CEO role or an expanded CFO role might make them consider a change. About 60% said they would like to either be their CEO’s successor or would consider a CEO role at another company.

Finally, to better understand the state of CFO succession planning, we asked about the readiness of CFOs’ direct reports. The average number of direct reports is seven (six men and one woman), and half of CFOs say at least one will be CFO-ready within a year. Thirty percent say at least one has already been identified as CFO-ready by their board.

Developments since the 2Q17 survey

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

- US growth was strong; the US Fed raised rates.
- US equity markets again hit historic highs.
- A second attempt to repeal the Affordable Care Act failed.
- President Trump proposed halving legal immigration.
- President Trump affirmed the US commitment to NATO.
- Mexico’s unemployment fell (lowest since 2006); inflation rose (highest since 2008); the central bank raised rates.
- Canada’s unemployment fell (lowest since 2008); the central bank raised rates for the first time in seven years.
- President Trump imposed tariffs on Canadian lumber.
- Renegotiation of NAFTA commenced.
- North Korea continued to conduct missile tests and threatened to launch missiles near Guam.
- The US/China “Comprehensive Economic Dialogue” began.
- European growth was strong; ECB policy did not change.
- The British government began to publish proposals for how UK/EU trade might occur following Brexit.

Summary of CFO sentiment and expectations

		This quarter	Last quarter	2 yr. avg.
Economy optimism—North America (Index)		68.8	77.3	62.2
Economy optimism—Europe (Index)		42.1	36.4	22.7
Economy optimism—China (Index)		41.4	43.5	26.0
Own-company optimism (Net)		+29.4	+43.9	+26.1
Revenue growth (YOY)		5.7%	5.6%	4.6%
Earnings growth (YOY)		7.9%	8.7%	7.3%
Capital investment growth (YOY)		7.3%	9.0%	6.0%
Domestic personnel growth (YOY)		2.6%	2.1%	1.7%
Percent of CFOs saying US equity markets overvalued		83%	78%	66%

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

CFOs' assessments of Europe's and China's economies continued to show improvement, but their assessments of North America's future economic health indicate growing concern.

After hitting multi-year highs in the first quarter of this year, assessments of the North American economy's current and future health remained very strong in the second quarter. This quarter, assessments of the economy's current health held again, but perceptions of its future health declined significantly. Sixty-four percent of CFOs say current conditions are good (versus 65% last quarter), while only 45% expect better conditions in a year (down from 58%). The North American optimism index¹ declined from +77 to +69.

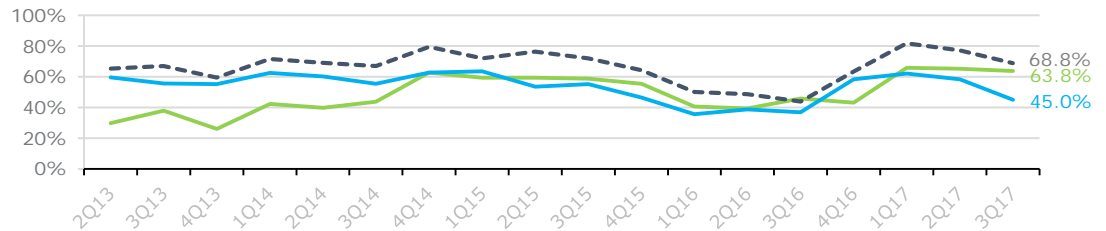
Perceptions of Europe's current state and trajectory both continued to improve. Twenty-nine percent of CFOs say current conditions are good (up from 17%, and by far the highest level in four years), and 32% expect better conditions in a year. The European optimism index¹ hit another four-year high at +42.

Perceptions of China's economy have improved lately and held relatively steady this quarter. Thirty-two percent of CFOs say current conditions are good (up from 28%), and 30% expect better conditions in a year (down from 32%). The Chinese optimism index¹ remained near its three-year high at +41.

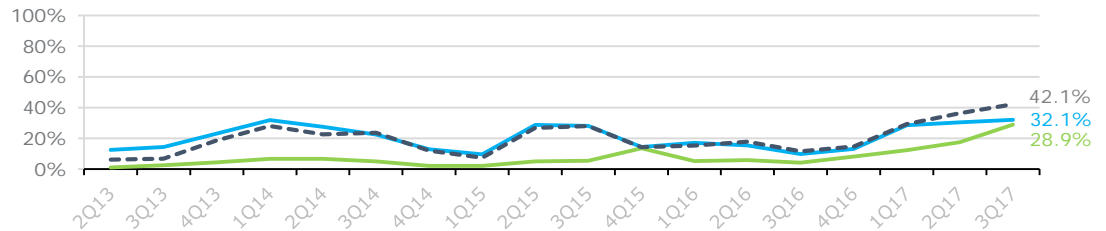
Economic optimism

How do you regard the North American, European, and Chinese economies? Percent of CFOs saying current conditions are good or very good ("very bad" to "very good" scale) and that conditions next year will be better or much better ("much worse" to "much better" scale)

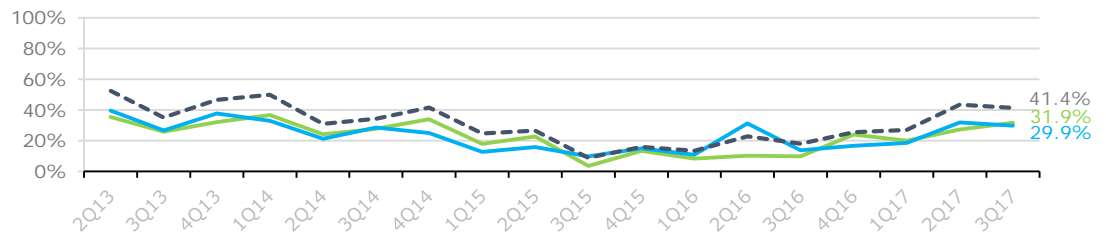
North America



Europe



China



Good now — Better in a year — Economic optimism index¹ - - -

¹ Index represents percent of CFOs who expect good or very good economic conditions in a year (based on their combined assessment of current and future economic health). Please see the appendix for more information.

Perceptions

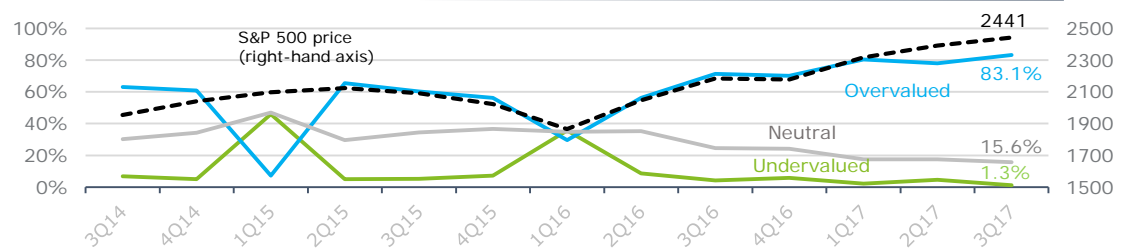
Assessments of markets and risk

Equities overvalued

With the S&P 500 up 2.1% since last quarter's survey and equity markets again near their historic highs, 83% of surveyed CFOs say US equity markets are overvalued—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)

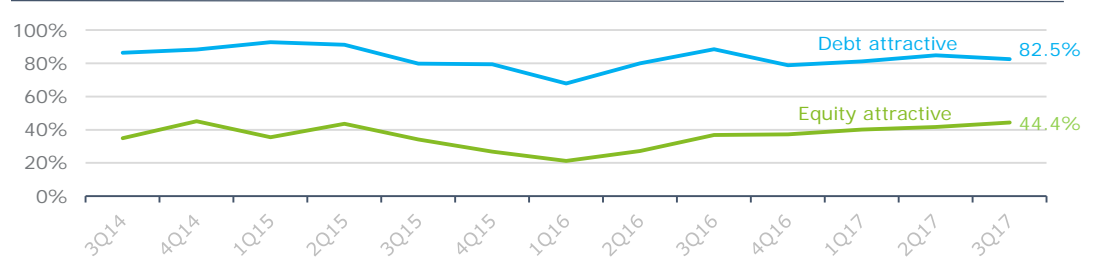


Debt still attractive; equity attractiveness rising for public companies

Eighty-three percent of CFOs say debt financing is attractive, down slightly from 85% last quarter. Attractiveness of equity financing rose for public company CFOs (from 42% to 48%) and decreased for private company CFOs (from 46% to 35%).

Debt/equity attractiveness

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

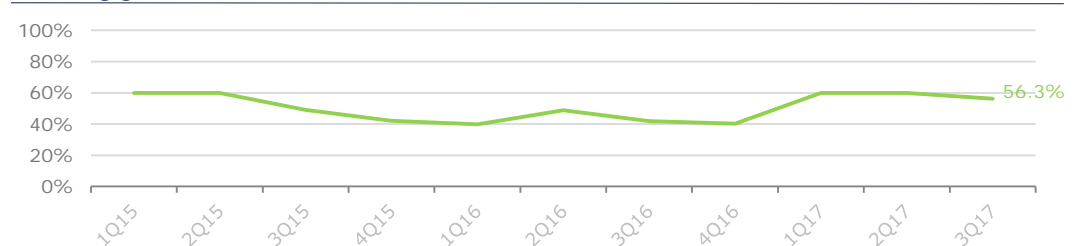


Still a good time to be taking risks

Fifty-six percent of CFOs say now is a good time to be taking greater risk—slightly down from the previous two quarters' survey-high 60%.

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

CFOs voice growing concerns about political turmoil and geopolitical conflict; technological change and tightening labor markets are growing internal worries.

Similar to previous quarters, global economic growth and government regulation are high on CFOs' list of most worrisome external risks. Since last quarter, however, these two have been joined by rapidly escalating concerns about turmoil in Washington and geopolitical risks.

In particular, CFOs voiced growing concerns about the US government's ability to provide policy clarity and/or reforms—especially around trade and taxes. They also voiced escalating concerns about the potential effects of geopolitical conflicts (and even the *possibility* of geopolitical conflicts) on trade, economic growth, and capital markets.

Talent concerns have been near the top of CFOs' most worrisome internal risks for several years, and they easily top the list again this quarter. While past talent concerns have been around employee morale and engagement, more recent concerns have been more focused on difficulties in securing and keeping key talent—especially as labor markets have tightened for both skilled and unskilled labor.

Also evident this quarter were escalating concerns about technology disruption and managing technological change.

Please see the appendix for specific comments by industry.

Most worrisome risks

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

External risks



Internal risks



Sentiment

Optimism regarding own-companies' prospects

Coming off a survey high two quarters ago, optimism continued to decline—largely on growing pessimism in the US; Healthcare/Pharma and Technology improved, but Manufacturing and Energy/Resources declined sharply.

(Please note that all responses were collected prior to Hurricane Harvey.)

This quarter's net optimism declined significantly from last quarter's +44 to a still-strong +29. About 45% of CFOs expressed rising optimism (down from 55%), and 16% cited declining optimism (up from 11%).

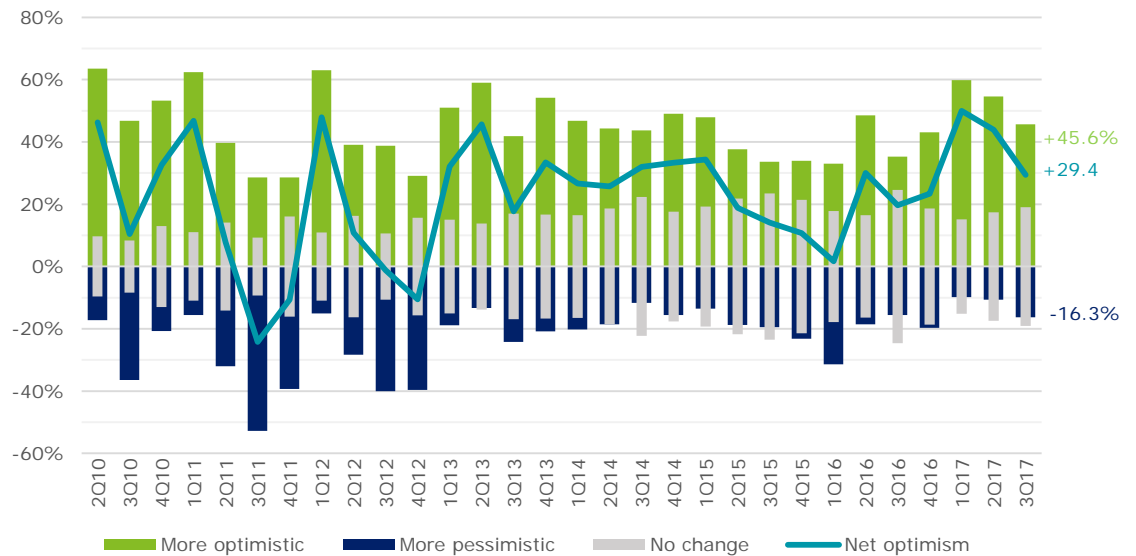
Net optimism for the US declined sharply from last quarter's +47 to +28 this quarter. Canada rose from +20 to +31, while optimism in Mexico declined from +50 to +39.

Healthcare/Pharma optimism rose sharply from +33 to +57, and Technology rose from +27 to +46. On the other hand, Manufacturing optimism fell sharply from +52 to +22, and Energy/Resources fell from +47 to just +19.

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

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 (3Q17)

Country/Industry	Net Optimism
Total	+29.4
US	+27.9
Mexico	+38.9
Canada	+30.8
Manufacturing	+21.6
Retail/Wholesale	+17.7
Technology	+45.5
Energy/Resources	+19.1
Financial Services	+36.1
Healthcare/Pharma	+57.1
T/M/E*	0.0
Services	+44.4

* Please note very small sample size.

Red = relative lows
Green = relative highs

Expectations

Business focus for next year

The focus on offense over defense remains high; there is a shift in bias toward new offerings over current ones.

Approximately 60% of CFOs say they are biased toward revenue growth (among the highest levels in survey history), and only 20% claim a bias toward cost reduction (one of the lowest levels) for a net value of +40%. The bias toward investing cash over returning it to shareholders (56% versus 14%) remains near survey-high levels at +42%.

The focus shifted back toward new offerings this quarter, and the bias toward new geographies increased. Forty-two percent of CFOs say their companies are biased toward new offerings versus 34% for existing ones, for a net of +8%. CFOs favor current geographies over new ones by a large margin (62% versus 19%, for a net -43), but the bias toward new geographies increased for the first time since 3Q16.

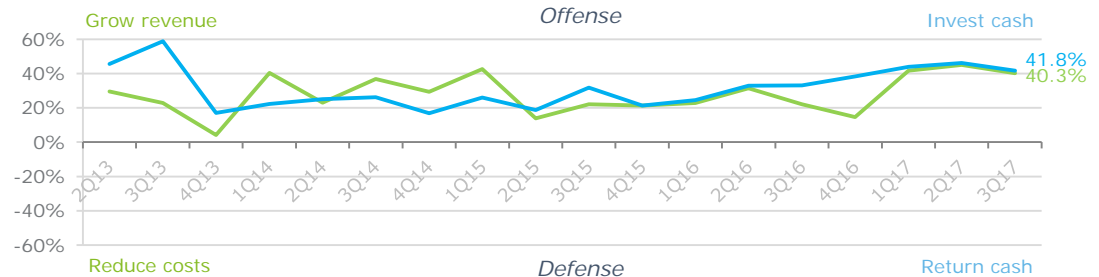
Continuing last quarter's trend, the bias toward organic growth (61%) over inorganic growth (15%) is at its highest level in survey history.

Please see the appendix for charts specific to individual industries.

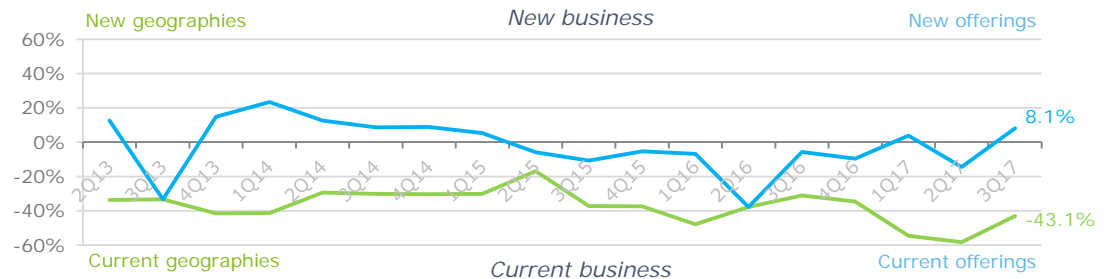
Business focus

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)

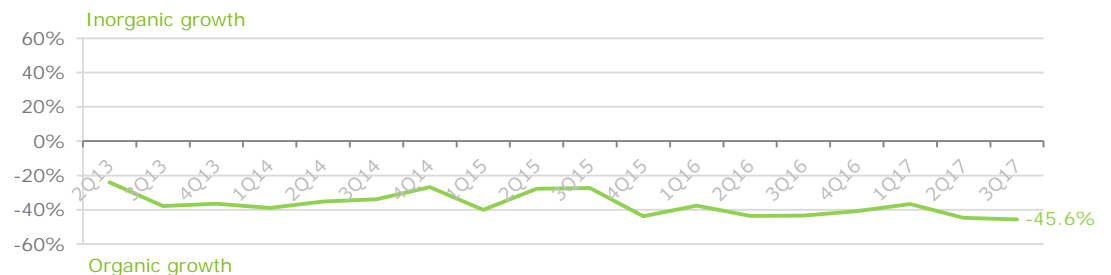
Offense vs. defense



New business vs. current business



Inorganic growth vs. organic growth



Expectations

Growth in key metrics, year-over-year

Bolstered by Canada and Mexico, domestic hiring surged and other metrics remain strong.

(Please note that all responses were collected prior to Hurricane Harvey.)

Revenue growth rose from 5.6% to 5.7% and remains above its two-year average. The US rose to its second-highest level in two years; Canada and Mexico declined but are relatively strong. Energy/Resources and Technology lead; Manufacturing and Services trail.

Earnings growth declined to 7.9% from last quarter's 8.7%. The US declined but remained above its two-year average. Canada declined but remains strong. Mexico sits at its highest level in a year. Energy/Resources and Technology lead; Healthcare/Pharma and T/M/E trail.

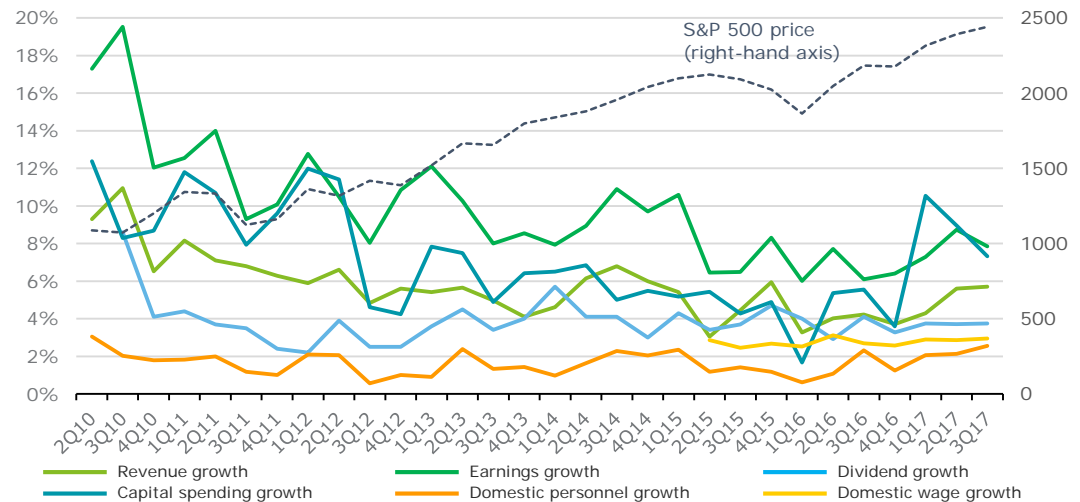
Capital investment growth fell to 7.3% from 9.0%, still among its five-year highs. The US declined but remains above its two-year average. Canada declined but remains strong. Mexico fell below its two-year average. Energy/Resources, Healthcare/Pharma, and Financial Services are highest; Services, Technology, and Manufacturing are lowest.

Domestic hiring growth spiked to 2.6% from 2.1%. Canada hit its second-highest level in three years. Mexico rose to its highest level in a year. The US trails but hit its highest level in two years. Technology and Retail/Wholesale lead, while Healthcare/Pharma and Manufacturing trail. Wage pressures are evident in Mexico.

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

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 (3Q17)

	Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	5.7%	5.2%	6.9%	9.0%	4.1%	5.8%	8.0%	8.4%	5.4%	6.1%	5.3%	4.2%
Earnings	7.9%	7.7%	7.9%	9.0%	8.0%	7.8%	10.3%	10.3%	6.5%	6.0%	5.4%	6.9%
Capital spending	7.3%	5.9%	10.3%	17.7%	3.4%	4.9%	3.0%	12.7%	11.1%	12.0%	6.8%	2.8%
Domestic personnel	2.6%	2.2%	4.9%	3.5%	1.2%	3.3%	4.9%	2.6%	2.9%	1.4%	2.2%	2.8%
Dividends	3.8%	3.7%	5.1%	2.3%	3.5%	6.8%	0.3%	2.1%	5.5%	1.6%	2.4%	2.7%
Domestic wages	3.0%	2.7%	4.5%	2.9%	3.1%	3.1%	3.4%	3.2%	2.8%	1.9%	3.1%	2.7%

* Please note very small sample size.

Red = relative lows
Green = relative highs

Special topic: Finance's use of emerging technologies

Progress and barriers

Relatively few CFOs say they are beyond the piloting stage for emerging technologies or that they have already achieved the possible benefits—but some appear considerably further down the road than others.

More than half of CFOs say they are not yet moving beyond the piloting phase for emerging technologies, and two-thirds say they have not achieved the most important benefits afforded by them (only 11% say they have).

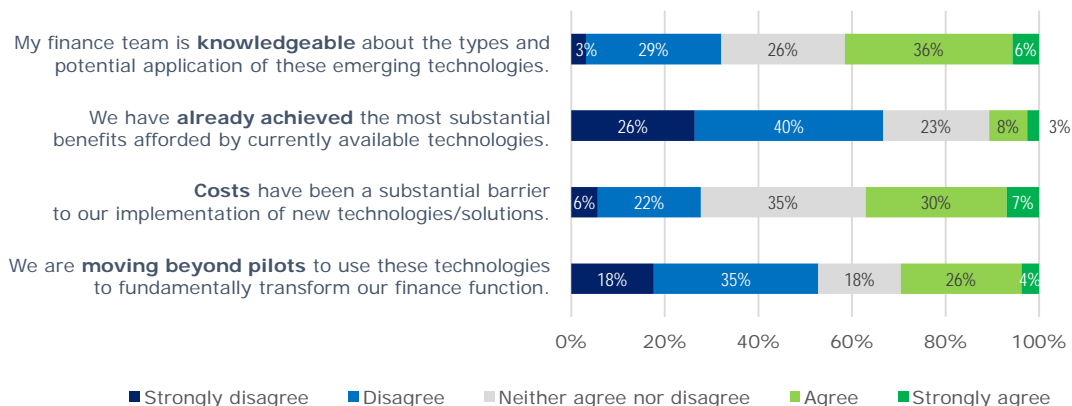
On the other hand, about 30% of CFOs say they *are* moving beyond the pilot phase to transform their finance function (Healthcare/Pharma is the highest; Energy/Resources is the lowest). Please see page 14 for CFOs' descriptions of what they are doing.

For those who have not progressed as far, technology familiarity and costs appear to be significant barriers. Only 42% of CFOs say their team is familiar with the types and potential applications of emerging technologies (Financial Services and Healthcare/Pharma are the highest; Manufacturing is the lowest), and 37% say costs have been a barrier.

Please see the appendix for charts specific to individual industries.

Familiarity, progress, and barriers

How would you characterize your company's progress in applying emerging technologies to your finance function? * Percent of CFOs selecting each level of agreement with each statement



*Emerging technologies were defined to include: cloud computing, robotic process automation (RPA), visualization, cognitive/AI, in-memory, and blockchain.

Special topic: Finance's use of emerging technologies

Assessment and application

Use of new technologies to improve finance efficiency, analytical/decision support, and controls appears to be in its early stages.

Few CFOs say currently available technologies are mature enough to provide major improvements: The relative bright spot is in the area of analytical/decision support, where just under half of CFOs say current technologies are mature enough to provide major improvements.

Few CFOs cite aggressive use of new technologies to drive finance improvement: For all three improvement areas, the proportion of CFOs citing aggressive application is less than 20%. Accordingly, the proportion citing significant improvements is under 25% in all three areas.

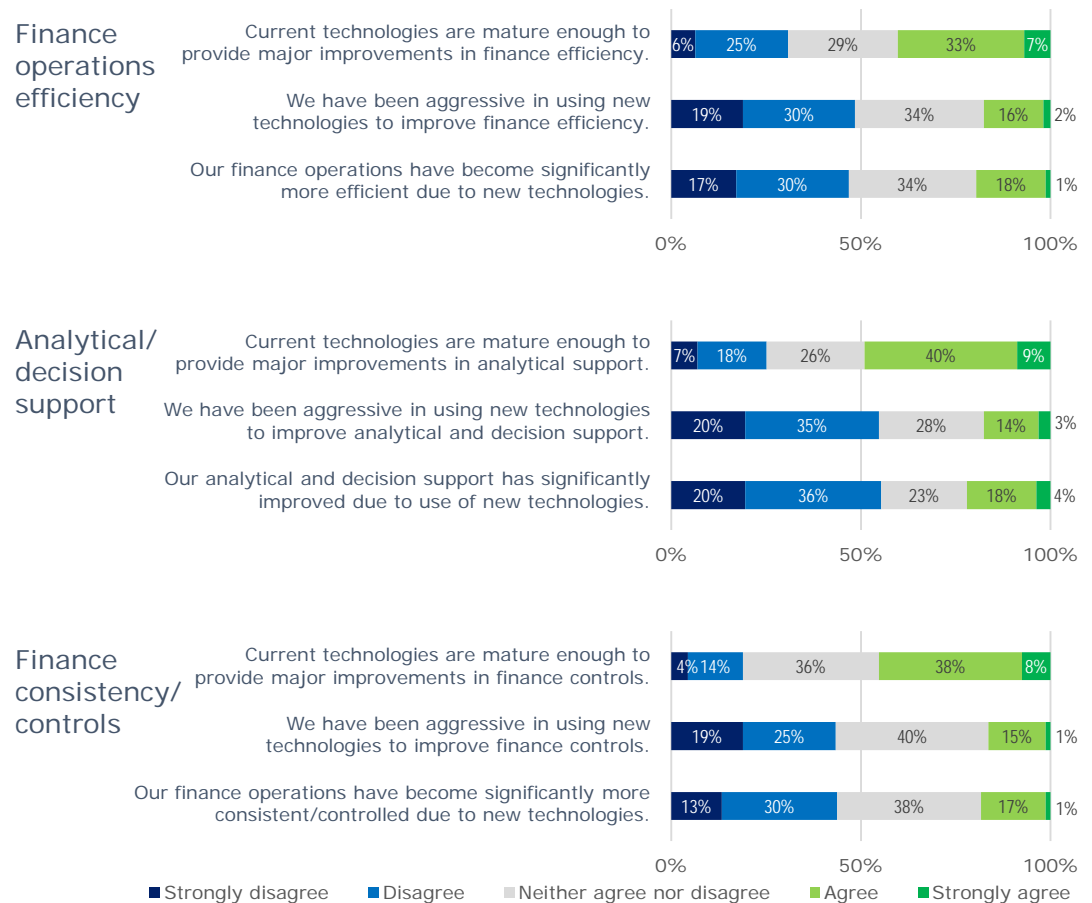
Those who cite aggressive use of new technologies report mixed results: Improving consistency and controls was the top improvement area, where 77% of CFOs citing aggressive use also cite significant improvement. Analytical/decision support was next at 75%, with operational efficiency trailing at just 57%.

There are notable industry differences: Healthcare/Pharma was generally the most positive when it comes to aggressive use and improvement in all three areas; Manufacturing and Energy/Resources were generally the least positive.

Please see the appendix for charts specific to individual industries.

Assessment, application, and results

*How have you used emerging technologies to improve finance's efficiency, analytical/decision support, and controls?** Percent of CFOs agreeing or strongly agreeing with each statement



*Emerging technologies were defined to include: cloud computing, robotic process automation (RPA), visualization, cognitive/AI, in-memory, and blockchain.

Special topic: Finance's use of emerging technologies

Successful and unsuccessful applications

Process automation via robotics and cloud-based services is relatively popular among those who cite substantial implementation of emerging technologies; analytics enhancements are also relatively common.

CFOs mention the application of robotic process automation (RPA) in the areas of reconciliation, close management, accounts payable/receivable management, expense management, forecasting, and budgeting. Several specifically mention deployment via cloud-based solutions.

Application of data warehousing and analytical tools was also mentioned, with CFOs citing implementation of real-time dashboards, business intelligence (BI) tools, and data visualization tools. Several specifically mention the implementation of these capabilities on top of current/legacy ERP systems.

Please see the appendix for industry breakdowns.

Successful/unsuccessful applications

Is there anything you have done with emerging finance technologies/solutions that has been particularly successful (or unsuccessful)? Paraphrasing and normalization of CFOs' free-form comments

CLOUD AND ROBOTIC PROCESS AUTOMATION (RPA)

Just getting started with cloud, RPA, and AI.

Piloting RPA for routine tasks.

Implemented RPA for reconciliation.

Implemented RPA for accounting processes.

Implemented cloud-based close management.

Automated expense management and control.

Currently identifying RPA opportunities.

Automated A/P and A/R administrative functions.

Cloud enabled simplified deployment and maintenance of RPA. Other advanced technologies, such as AI and blockchain, are further into the future.

Beginning to implement robotics; we see big opportunities for efficiency. Key will be ensuring we have good controls surrounding implementations.

Recently implemented cloud-based financial and strategic corporate performance management tool, which has streamlined forecasting and budgeting.

By leveraging increased automation, we have reduced the accounting close cycle from five days to two.

Implemented electronic payments and deposits, shop floor billing and invoicing.

DATA WAREHOUSING AND ANALYTICS

Created a common data warehouse that enhances access to information and drastically improves consistency.

Implemented better operational dashboards; more real-time data.

Working on implementing a BI tool and are excited about the analytical possibilities.

Implemented BI software for data blending and advanced analytics.

We have been using visualization technologies for data analytics reporting that has been beneficial in providing information to our business partners.

ERP ENHANCEMENTS

New tools, such as cloud-based accounting software, have been useful on top of our aging ERP system.

Implemented bolt-on ERP tools for consolidation and planning, and also for reporting.

Consolidating legacy systems; implementing budgeting, forecasting, and reporting tools.

OTHER TECHNOLOGIES

Leveraged new training technologies and surveys to benefit compliance/controls.

Utilized optical reader technology advancements.

Our move to optical recognition for transaction processes (A/P) has been successful.

Special topic: Finance governance and succession

Career-changing opportunities

The vast majority of CFOs indicate an interest in raising their influence—either through an expanded CFO role or a CEO role.

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. Slightly more than half named a CEO role in their top three, and nearly 45% named an expanded CFO role.

Among those not naming either a CEO role or expanded CFO role in their top three, about one-quarter selected a position with either a better work/life balance, lower stress/pressure, or both. Slightly more than half of this same group cited retirement as a top option, and half of those cited *only* retirement.

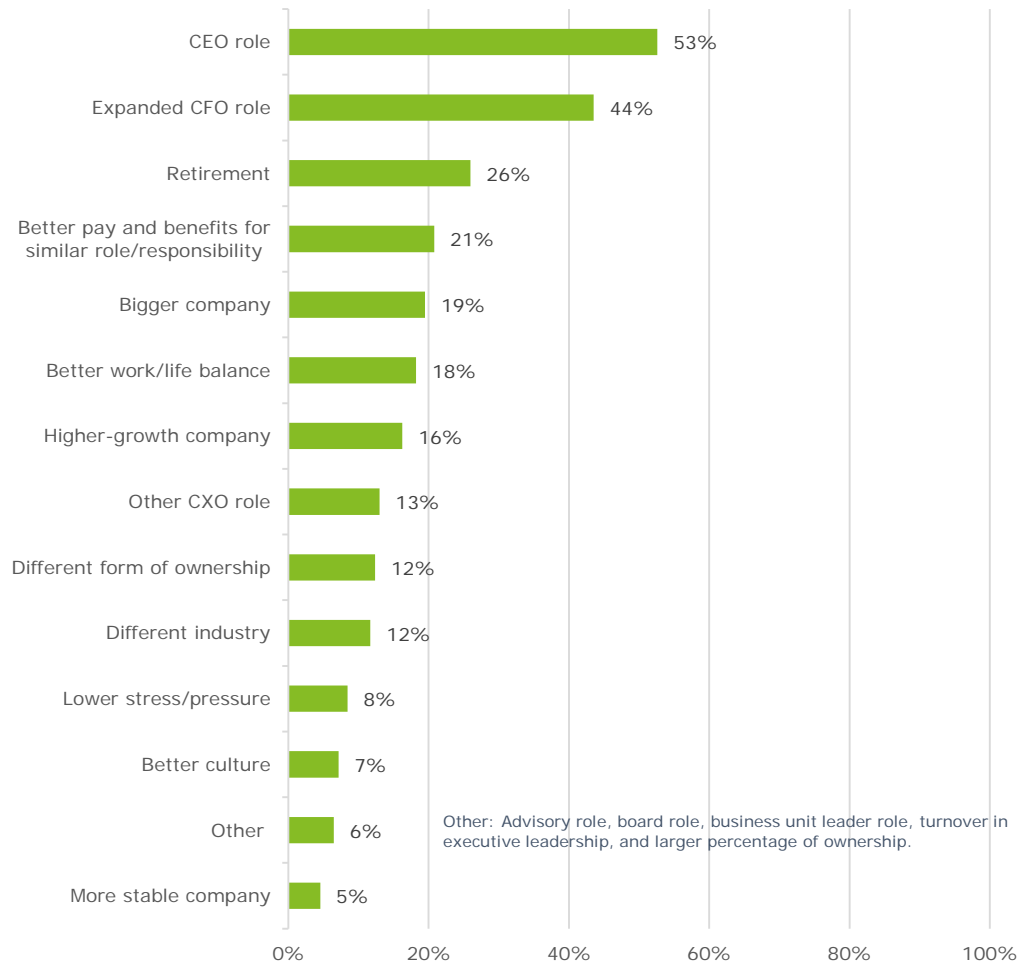
Twenty-one percent of all CFOs cited better pay and benefits (led by T/M/E and Services at 33%), and just under 20% cited a larger company. Thirteen percent cited a different CXO role (with Technology and Healthcare/Pharma both above 25%). Only 12% cited a different form of ownership (with private company CFOs higher at 20%), and another 12% cited a different industry (with Technology highest at 18%).

Please see the appendix for charts specific to individual industries.

Role/company-changing opportunities

What type of offer would make you most likely to change your role/company?

Percent of CFOs selecting each opportunity in their top three



Special topic: Finance governance and succession

Direct reports and their CFO-readiness

The average number of CFOs' direct reports is seven (six men and one woman), and half of CFOs say at least one direct report will be CFO-ready within a year.

NUMBER AND COMPOSITION

The mean number of direct reports is 6.75 (with the means for men and women at 4.9 and 1.9, respectively). The median is seven (five for men, and two for women). The most common combination is six men and one woman. The most common combination is six men and one woman.

There are notable industry differences when it comes to the number of direct reports, with Energy/Resources reporting the lowest mean number of direct reports (5.4), and Healthcare/Pharma and T/M/E reporting the highest (about 7.4).

There are also industry differences when it comes to gender representation, with Retail/Wholesale reporting the lowest mean number of women at 1.4 (nearly 30% report no women) and Healthcare/Pharma reporting the highest at 3.0 (all report at least two women).

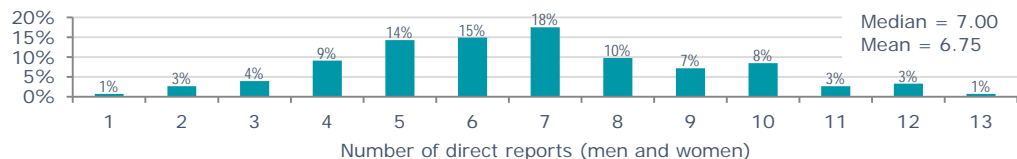
CFO-READINESS

When it comes to the CFO readiness of their direct reports, 90% say they have at least one report who will be ready within the next three years, and half report at least one who will be ready within one year (just 13% report more than one). About 30% say they have at least one direct report who has already been identified as CFO-ready by their board.

Please see the appendix for findings specific to individual industries.

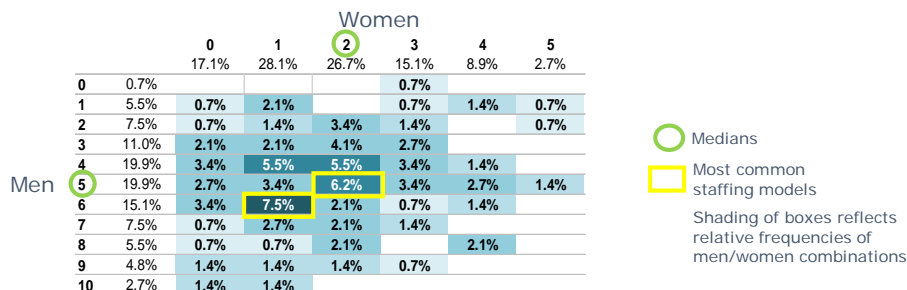
Number of direct reports

Percent of CFOs reporting each number of direct reports*



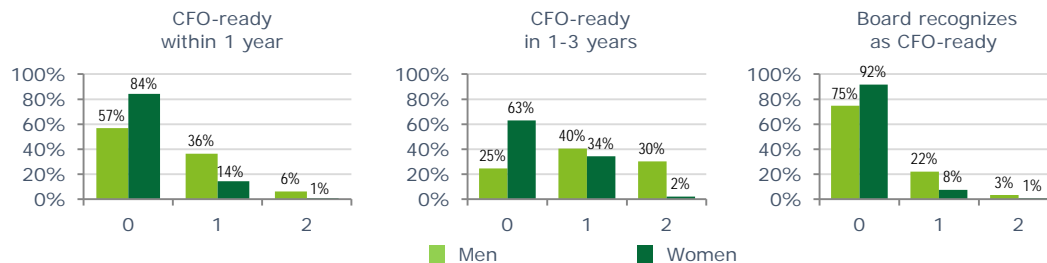
Composition of direct reports

Percent of CFOs reporting each combination of male/female direct reports*



CFO-readiness of direct reports

Percent of CFOs naming each number of CFO-ready direct reports*



* Stark outliers to the high side have not been included in these charts; each chart accounts for about 95% of responses.

Special topic: Finance governance and succession

CEO career

Most 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.

Overall, most CFOs say they are interested in becoming a CEO. About 60% either say they would like to be their CEO's successor, would consider a CEO position at another company, or both.

CFOs are mixed in their aspirations and expectations when it comes to succeeding their company's CEO. Just over 40% say they would like to be their CEO's successor, and about 45% of these believe they will be. About 37% specifically say they do not want to be the successor. (These percentages are very close to those we saw when we last asked these questions in 2014.) In any event, 40% of CFOs believe their board would consider them a top contender for the position if their CEO left.

When it comes to a CEO role outside their company, 47% of CFOs say they would consider an offer. And about 55% of these CFOs say their current company's CEO would endorse them for the role.

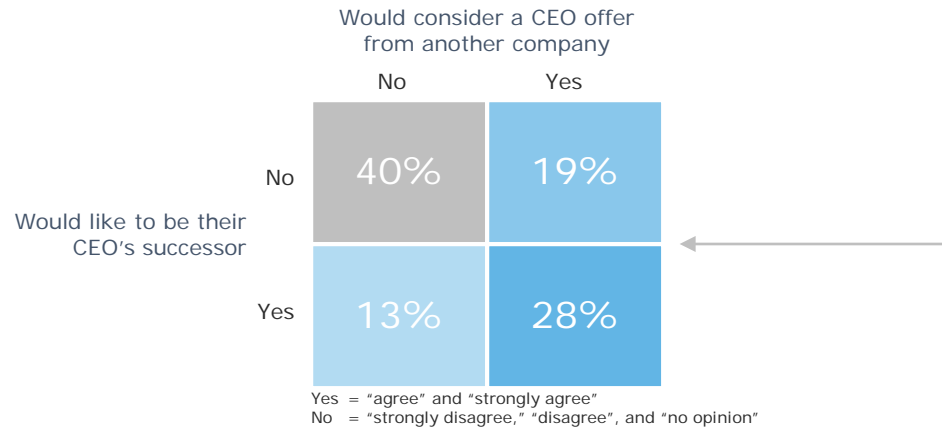
There are some interesting industry differences. For example, Technology and T/M/E CFOs were relatively unlikely to say they would be leading contenders if their CEO left, but both were among the highest to say they would consider an external offer.

Please see the appendix for charts specific to individual industries.

CEO aspirations

What are your aspirations regarding a CEO role?

Percent of CFOs selecting each level of agreement



Appendix

Longitudinal data and survey
background

Longitudinal trends

Cross-industry expectations and sentiment (last 24 quarters)

CFOs' year-over-year expectations¹

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses²)

		4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	Survey mean	2-year mean	
		mean	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%	4.2%	3.7%	4.3%	5.6%	5.7%	5.7%	4.6%
Operating Results	Revenue	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%	4.0%	5.0%	5.0%	5.0%	4.3%	
		%>0	87%	79%	85%	82%	83%	81%	84%	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	82%	85%	89%	92%	84%	83%
		standard deviation	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%	4.8%	3.9%	3.7%	4.4%	3.9%	5.7%	4.9%
	Earnings	mean	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%	6.1%	6.4%	7.3%	8.7%	7.9%	9.8%	7.3%
	%>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%	5.0%	6.0%	8.0%	8.0%	7.5%	7.8%	6.7%	
	standard deviation	8.4%	7.9%	8.1%	8.4%	7.6%	8.4%	8.3%	8.2%	8.2%	8.4%	8.3%	9.0%	8.6%	7.9%	7.9%	8.2%	7.9%	8.2%	7.9%	7.6%	8.1%	8.1%	8.9%	8.8%	9.0%	8.3%	
	%>0	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%	7.0%	7.1%	5.6%	8.6%	5.7%	12%	8%	
Investment	Dividends	mean	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%	4.1%	3.3%	3.8%	3.7%	3.8%	3.8%	
		%>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%	
		standard deviation	2.7%	3.1%	3.3%	3.0%	2.9%	3.8%	4.0%	3.9%	3.7%	4.7%	4.5%	4.5%	4.4%	4.7%	4.3%	4.5%	4.5%	4.6%	4.2%	4.3%	4.3%	4.3%	4.6%	4.3%	4.0%	4.4%
	Capital spending	mean	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%	7.6%	3.9%	4.7%	5.5%	6.0%	6%	6%
	%>0	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%	5.6%	3.6%	10.5%	9.0%	7.3%	7.2%	6.0%	
	standard deviation	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%	2.0%	3.0%	5.0%	5.0%	4.5%	4.2%	3.6%	
	%>0	61%	68%	70%	53%	43%	57%	57%	54%	59%	57%	64%	60%	62%	63%	59%	53%	59%	50%	61%	58%	57%	66%	66%	61%	59%	60%	
	standard deviation	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%	10.7%	11.4%	20.9%	17.8%	14.2%	14%	14%	
Employment	Number of domestic personnel	mean	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%	2.3%	1.3%	2.1%	2.1%	2.6%	1.7%	
		%>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%	1.0%	0.0%	1.0%	2.0%	2.0%	0.9%	
		standard deviation	5.1%	5.1%	5.2%	4.0%	4.0%	4.3%	4.6%	4.7%	4.8%	4.2%	5.8%	5.8%	6.0%	5.8%	4.9%	5.7%	5.0%	4.7%	5.5%	5.3%	4.8%	5.7%	6.2%	5.9%	5.4%	
	Number of offshore personnel	mean	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%	3.1%	2.3%	1.9%	2.7%	3.8%	3%	
	%>0	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%	1.9%	1.9%	1.6%	1.7%	2.2%	2.6%	2.0%	
	standard deviation	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%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	
	%>0	40%	43%	41%	30%	32%	39%	36%	33%	42%	34%	42%	45%	44%	48%	39%	46%	49%	45%	39%	43%	46%	37%	44%	45%	42%	44%	
	standard deviation	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%	3.0%	1.8%	1.8%	2.1%	4.4%	4%	3%	

CFOs' own-company optimism³ and equity market performance

		4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	Survey Mean	2-Year Mean
		Optimism (% more optimistic)		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%	35.2%	43.1%	59.9%	54.6%	45.6%
Neutrality (% no change)		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%	49.2%	37.2%	30.3%	34.8%	38.1%	32.5%	37.6%
Pessimism (% less optimistic)		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%	15.6%	19.7%	9.9%	10.6%	16.3%	22.6%	18.1%
Net optimism (% more minus % less optimistic)		-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%	19.7%	23.4%	50.0%	43.9%	29.4%	22.6%	26.1%
Equities	S&P 500 price at survey period midpoint	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	2,184	2,177	2,316	2,391	2,441	1,730	2,181
	S&P gain/loss QoQ	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%	6.7%	-0.3%	6.4%	3.2%	2.1%	3.0%	2.1%
	US equity valuations (% who say overvalued)																										
	mean	65.4%	60.2%	56.3%	29.7%	56.1%	71.3%	70.1%	80.3%	78.0%	83.1%	65.0%	65.6%														

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.

Please contact 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.

Economic optimism index calculation

The economic optimism indices for North America, Europe, and China represent the percent of CFOs who expect good or very good economic conditions in a year (based on their combined assessment of current and future economic health). The two underlying questions are: (1) How do you regard the current state of the economy, and (2) how do you regard the health of the economy a year from now? The optimism index is calculated as the percent of CFOs whose combined answers fall in the green boxes in the table on this page.

		Expected health in a year				
		Much worse	Worse	No change	Better	Much better
Current health	Very bad					
	Bad					
	Neutral					
	Good					
	Very good					

Optimists



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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