CFO Signals™

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

Full Report

3rd Quarter 2011

CFO Signals

About the CFO Signals survey

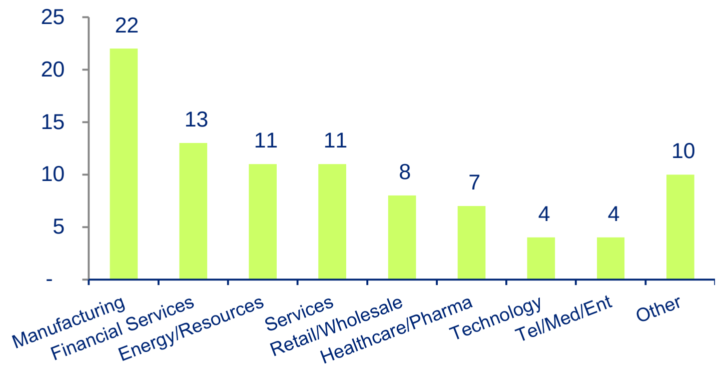
Each quarter, *CFO Signals* tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies. This report summarizes CFOs' opinions in five areas: economy, industry, company, finance organization, and career.

This is the third quarter report for 2011. For more information, please see the methodology section at the end of this document or contact nacfosurvey@deloitte.com.

Who participated this quarter?

Ninety-one CFOs responded during the two weeks ended August 26. Three-fourths are from public companies, and three-fourths are from companies with more than $1B in annual revenue.

Participation by Industry



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 10 respondents. Please see the Appendix for more information about survey methodology.

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.

Results at a glance

Economy

What one potentially high-impact risk are you worried about the most? Continued economic turmoil is seen as the biggest risk, trumping both the impact of government policy and the possibility of internal execution missteps. **Page 7.**

What are your company's top three economy challenges? Social policy/spending/investment (56%, up from 51%), unemployment (42%, up from 40%), environmental policy (39%, down from 44%) are the top three. **Page 8.**

How are recent economic events affecting your company's outlook? One third of CFOs believe their economies are on the verge of recession, and 52% say economic turmoil will impact (or has impacted) their financial projections. **Page 9.**

What are your views on fiscal policy? An overwhelming 90% of CFOs believe significant reductions in national deficits are important to business success. More than 60% expect major tax reform in the next few years, and 52% indicate a willingness to see their personal income tax rate rise as part of a deficit reduction solution. **Page 9.**

How has recent market turmoil impacted your treasury operations? Despite recent economic turmoil, CFOs are fairly confident in their treasury operations. But sovereign debt concerns may cause many to hold more high quality assets (51%) or change their financial counterparty credit strategies (47%). **Page 10.**

Industry

What are your company's top three industry challenges? Industry regulation/legislation (46%) and pricing trends (40%) are top concerns. Market contraction concerns rose markedly from 23% last quarter to 32%. **Page 11.**

Company

What are your top company-specific challenges? Revenue growth from existing markets (55%, up from 53%), framing and/or adapting strategy (34%), and pursuing or responding to M&A opportunities (29%) round out the top three. Revenue from new markets fell to 20% from 28% last quarter. **Page 12.**

What is your company's business focus for the next 12 months? The focus on revenues continues with 50% of companies' strategic focus on revenue growth/ preservation (33% on existing markets,17% on new markets). **Page 12.**

Compared to the past 12 months, how do you expect your performance, spending, and hiring to change over the next 12 months? CFO expectations are still positive, but trending downward with projected gains of 6.8%* for sales (7% last quarter), 9.3%* for earnings (14% last quarter) and 7.9%* for capital spending (10.7% last quarter). Domestic hiring projections fell to 1.2%*, **Page 13.**

How does your optimism regarding your company compare to last quarter? Optimism plunged this quarter with only 29% of CFOs saying they have a more positive outlook, down from 40% last quarter. Fifty-three percent say they are less optimistic, and the spread between those indicating rising optimism and those indicating falling optimism ("net optimism"), fell to -24%, the lowest level recorded in the six quarters of this survey. **Page 14.**

Which strategic risks are you most concerned about? Global economic volatility was the top concern. But CFOs are also at least somewhat concerned that their strategies are not well enough defined (68%) or able to adapt to changing business environments (60%), and many are substantially concerned that they can't execute on their chosen strategies (37%). **Page 15.**

How do you characterize your company's growth plans? To fuel their growth plans, CFOs favor domestic growth with 56% of CFOs citing a dominant focus there. But when they do go overseas, two-thirds prefer emerging markets to mature markets; and 75% favor organic growth over M&A. **Page 16.**

Finance Organization

What are your finance organization's top three challenges? Leading the list is providing metrics/info/tools for business decisions (41%), followed by last quarter's dominant choice, influencing business strategies and operational priorities (35%, down from 53%). Close behind were supporting a major infrastructure initiative (32%) and forecasting/reporting business results (31%). **Page 17.**

How focused is your finance organization on managing particular risks? Risks on multiple fronts are competing for CFO attention. CFOs report a substantial focus on managing risks associated with capital access/costs (54%), competitive conditions (47%), regulatory compliance (46%), M&A activity (43%), and customer demand changes (39%).**Page 18.**

Career

What are your top three job stresses? Major change initiatives continue to dominate with 47% of CFOs citing this stress. Ranking close behind are strategic ambiguity (42%) and changing regulatory requirements (40%). Pressures from poor company performance resonated with 35% of CFOs this quarter. **Page 19**.

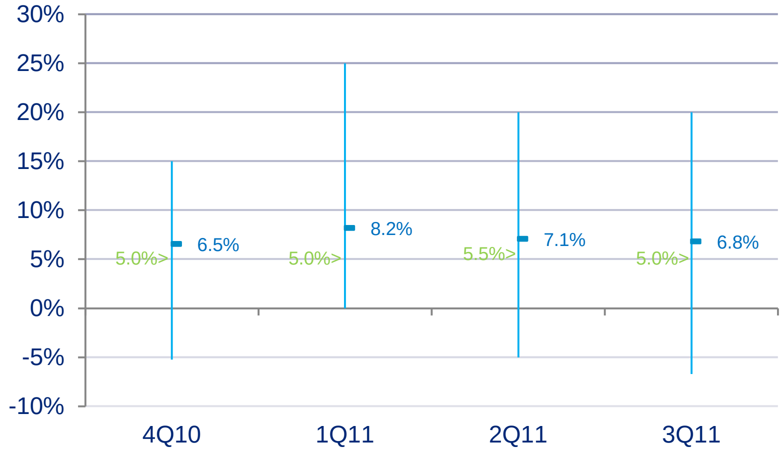
In which areas is your CEO asking you to focus? CEOs clearly want their CFOs to focus long-term both on supporting the development of strategy (41%) and driving the execution of strategy (41%). But CFOs also point to executing capital strategies (35%) and driving performance management (31%) as major focus areas, too. **Page 20.**

***All numbers with an asterisk are averages that have been adjusted to eliminate the effects of stark outliers.**

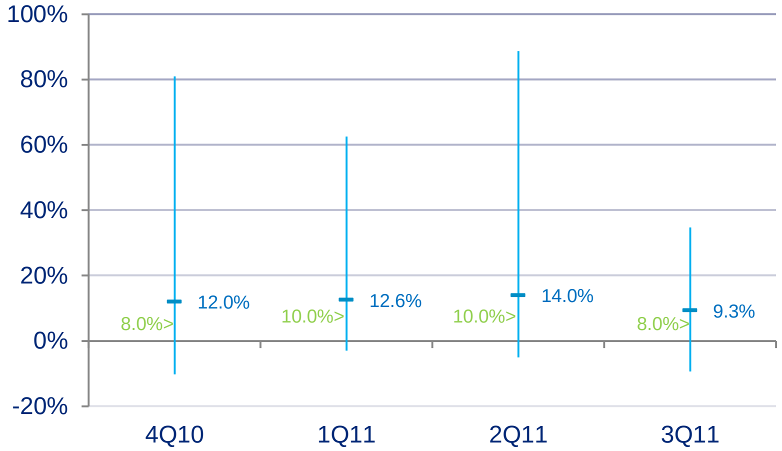
Growth metrics

Expected year-over-year increases in each growth metric

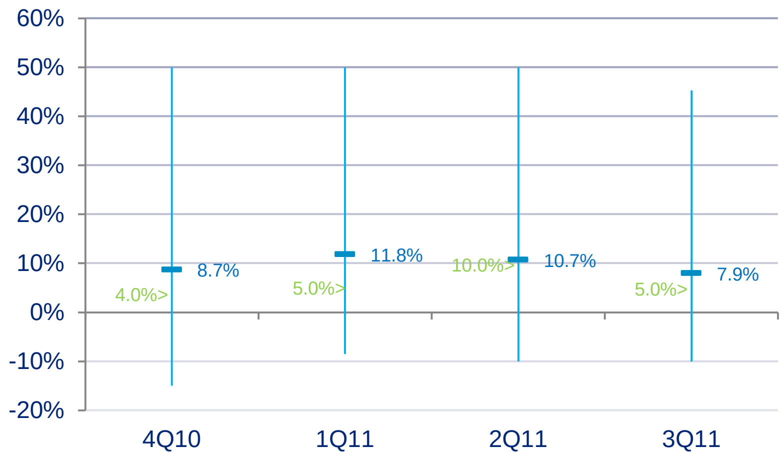
Revenue Growth



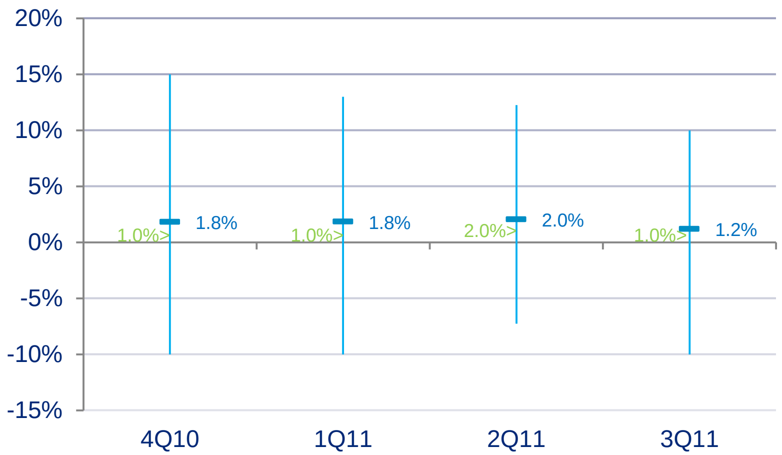
Earnings Growth



Capital Spending Growth



Domestic Employment Growth



Vertical lines indicate range for responses between 5th and 95th percentile.
Horizontal marks (–) indicate outlier-adjusted means.
Arrows (>) indicate unadjusted medians for all responses .

Summary

Continued economic turmoil finally turns CFOs pessimistic, but pragmatism still rules

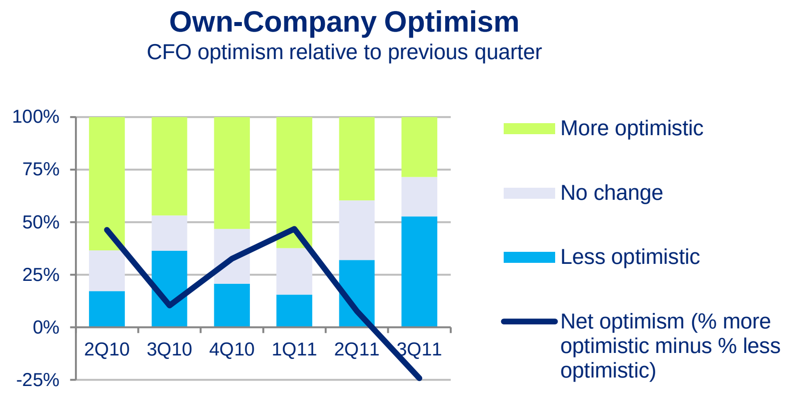
The last six quarters of this survey have shown that it takes a lot to dampen the optimism of CFOs from North America's largest companies. But this quarter it happened—and in a dramatic fashion. The combined impacts of the U.S. debt deal, the downgrading of U.S. treasuries by Standard &Poor's, rising sovereign debt troubles in the Eurozone, global economic malaise, and governments' struggles to find solutions clearly rattled CFOs this quarter, turning sentiment solidly in the direction of pessimism for the first time.

That negative outlook took a toll in a number of other areas. While there was a sense of foreboding last quarter as the number of pessimists grew to nearly match the number of optimists, CFOs still forecasted fairly positive financial projections. In addition, a substantial portion of their pessimism appeared attributable to rising concerns about internal missteps as their organizations carried out growth strategies. But the pendulum swung back this quarter with external factors, especially broader economic conditions, strongly dominating the list of CFOs' most pressing worries. Moreover, projections for revenues, earnings, capital spending and hiring all dropped substantially this quarter.

Interestingly, headline topics like the debt deal and S&P's downgrade may not have been the direct or definitive drivers of rising pessimism. More worrisome appear to be the persistent and deepening impacts of the Eurozone debt crises, unemployment, and weak real estate markets—all of which threaten longer-term customer demand.

Despite their rising concerns, CFOs appear pragmatic and focused on both near- and longer-term solutions. This quarter's turmoil appears to have turned significant CFO attention back toward immediate topics like capital and operational performance management. But most are still being asked by their CEOs to focus primarily on strategic efforts—from the definition of strategy to its execution across the company.

That strategic focus has CFOs increasingly monitoring the macro business environment. Sovereign debt took center stage this quarter, and CFOs overwhelmingly said control of national deficits is essential to business success. They also appear willing to literally contribute to that success. While our previous research has suggested CFOs strongly prefer spending cuts over tax increases, more than half (55% of those in the U.S.) echoed Warren Buffett's view that it would be acceptable for their personal tax rate to rise as part of a comprehensive deficit reduction solution.



Expectations finally succumb to persistent economic woes

The rise in pessimism evident last quarter was even harder to miss this quarter. More than 60% of CFOs reported increased optimism in the first quarter of this year, but the number fell to 40% last quarter (its lowest level in the previous 15 months) and to just 29% this quarter. Moreover, pessimism rose from 16% in the first quarter to 32% last quarter, and it now registers a startling 53%. This means net optimism (the gap between those more optimistic and those less so), which fell to just 7 percentage points last quarter, fell to -24 points this quarter.

Last quarter, there was a rise in internally-driven pessimism as CFOs worked to define and implement growth strategies. But this quarter the pessimism is more attributable to deteriorating assessments of the macro-business environment. Less than 9% of CFOs are more optimistic this quarter for externally-driven reasons (a new low), and more than 45% are now more pessimistic (a new high).

Rising pessimism began to take a toll on business projections last quarter, and the trend continued this quarter. CFOs still expect improvements in year-over-year revenue growth (6.8%* this quarter versus 7.1%* last quarter) and earnings growth (9.3%* versus 14.0%* last quarter), but high variability suggests significant weakening. Median expected sales growth is 5% (5.5% last quarter) and median expected earnings growth fell to 8% (10% last quarter). U.S. estimates were below the broader average for revenues (6.3%) and above for earnings (10.5%).

***All numbers with an asterisk are averages that have been adjusted to eliminate the effects of stark outliers.**

Summary

The focus is still growth–albeit with tempered expectations

For the last few quarters, a rising portion of CFOs have said their companies' strategic focus was more on growth than cost reduction. CFOs still say about half of their strategic focus is on revenue growth, but recent turmoil may be tempering their investment plans. While expected year-over-year capital investment growth is still positive at almost 8%*, this represents a significant decline from the 10.7% and 11.8% estimates we saw over the last two quarters. Moreover, domestic hiring projections fell from a dreary 2% last quarter to a dismal 1.2% this quarter.

When it comes to their growth plans, CFOs indicate a slight bias toward domestic growth, and when they do go abroad, they tend toward emerging (vs. mature) markets. Consistent with their declining investment projections, they indicate biases toward existing sales forces, production facilities, distribution channels and service infrastructure. They generally favor organic growth over M&A and are focused slightly more on current products and services than on new ones. When they do focus on new offerings, they lean more toward related businesses than new ones. (Note that all of these trends vary markedly by industry.)

A slower path to growth: more blurry and more bumpy

A multitude of factors are complicating the transition to growth. Not surprisingly, economic volatility is CFOs' primary concern this quarter. Nearly 45% say economic woes are their most worrisome risk, and one-third say their company now sees recession as the most likely scenario over the next few years. More than half say recent global economic turmoil has caused their financial expectations to decline.

As CFOs maintain their growth focus, they are keeping an eye toward governments' impact on global economies and industries. Social policy is a top economic concern for well over half, with environmental policy and unemployment just behind at around 40%. Unfortunately, the U.S. Federal Reserve's pledge to keep interest rates low through 2013 did little to help CFO expectations. Only 16% of American CFOs say this step will boost their capital investment or hiring, and their feedback suggests reformed corporate tax policies might have a stronger positive impact.

Not all impediments and risks are external

While external factors give CFOs reason for concern, they are also substantially worried about their ability to set and execute their strategies. Two-thirds of CFOs say they are at least somewhat concerned that their strategies are not well enough defined and clarified—with 28% indicating strong concerns. And more than half of CFOs say they are at least somewhat worried about reaching agreement around their strategy—both within their management teams and with their investors.

CFOs also indicate concerns around their organization's ability to execute the strategies they choose. Three-quarters are at least somewhat worried about their broader organizations' understanding of go-forward strategies, with 20% expressing strong concerns. Nearly 80% express concerns about the strategic alignment of their internal practices, investments, and incentives. Perhaps most important, nearly 90% are concerned that implementing their strategy will substantially stress current resources, approaches and capabilities—with 38% expressing strong concerns.

Protect the base, but build for the future

Extraordinary recent volatility is clearly causing companies to cope with change and uncertainty on multiple fronts. And as these pressures create the need for broader and deeper assistance from CFOs and their finance organizations, the result is often competing demands for limited finance expertise.

CFOs clearly have to focus on areas where they can add the most value, and for most this appears to be in the areas of strategy development and execution. They say their CEOs are asking them to focus primarily on their "catalyst" role (bringing insights to strategy development efforts and aligning organization activity with strategy) but also to expand their "strategist" role by more directly helping shape the strategy details.

All of this is testament to not only the heavy strategy rework going on within companies, but also to the more value-added role CFOs are frequently playing in strategy definition. And it means CFOs need to build finance organizations that can hold down the "operator" and "steward" aspects of the finance function while they focus on their catalyst and strategist roles.

*****All numbers with an asterisk are averages that have been adjusted to eliminate the effects of stark outliers.

High-impact risks

It's the economy…again…

High-impact risks

External risk is back

Concerns over further economic turmoil topped CFOs' worries back in 3Q10—and they are back in force. This quarter, economic concerns rebounded strongly and are again the dominant concern for many CFOs. In fact, economic risk is the top issue within all industries except Healthcare/Pharma and for nearly half of CFOs overall.

Worries over global economic recession also trumped last quarter's top risk: the impact of government policy. Still, concerns over policies—specifically unexpected and detrimental regulatory changes—and their effects on growth plans remain prevalent this quarter as well, especially within Financial Services.

In addition, CFOs continue to be concerned about their own execution. Internal worries (captured under the "Internal execution missteps" category in chart on right) focus mostly on operational risks and malfunctions, major initiatives (especially ERP implementations), and getting value from growth efforts. Roughly one-third of CFOs in Manufacturing and in Energy/Resources indicate strong concerns around execution missteps.

Other notable findings: Sovereign debt issues and equities market volatility appear to have brought concerns about capital availability and cost back to the forefront—especially within Financial Services and Energy/Resources. Energy/Resources also has substantial concerns about commodity price volatility.

Potentially High-Impact Risks

(**Mentions in 3Q11** / Mentions in 2Q11 / Mentions in 1Q11 / Mentions in 4Q10)

Economic turmoil / demand issues (**41**/18/13/24)

Internal execution missteps (**23**/19/11/0)

Detrimental government policy/regulation (**14**/20/21/15)

Worsening capital availability/cost (**9**/4/5/5)

Increasing competition / pricing pressures (**4**/9/5/7)

Inflation and input prices (**4**/4/10/3)

Risks from past surveys with little/no mention this quarter:

- M&A (4/0/0)
- Tax policy changes (5/0/0)
- Currency risk (4/2/0)
- Talent development/loss (3/0/0)

Please see Appendix for deeper insights around industry-specific findings.

Economy

Steady and opportunistic approaches to economic volatility

Top challenges

Social policy and jobs

Similar to last quarter, slow economic growth and rising federal and state budget deficits are generating intensified debate around government spending, monetary policy, social programs, and a broad range of regulation. Moreover, the fallout from escalating sovereign debt issues in Europe is bringing capital, currency, and equity market issues back to the forefront of economic concerns.

The effects of government policy on economic growth are clearly on the minds of most CFOs. Social policy repeats as the top concern this quarter, with more than half of CFOs naming it a top three concern, and six of eight industries naming it one of their top two (Manufacturing and T/M/E are the exceptions). Environmental policy concerns declined somewhat this quarter, but are still top of mind for 39% of CFOs and for five of eight industries (it repeats as the top concern for Energy/Resources).

Unemployment remains a top concern with 42% of all CFOs, and five of eight industries cite it as one of their top three concerns. For the third quarter in a row, unemployment is the top concern for T/M/E and Financial Services.

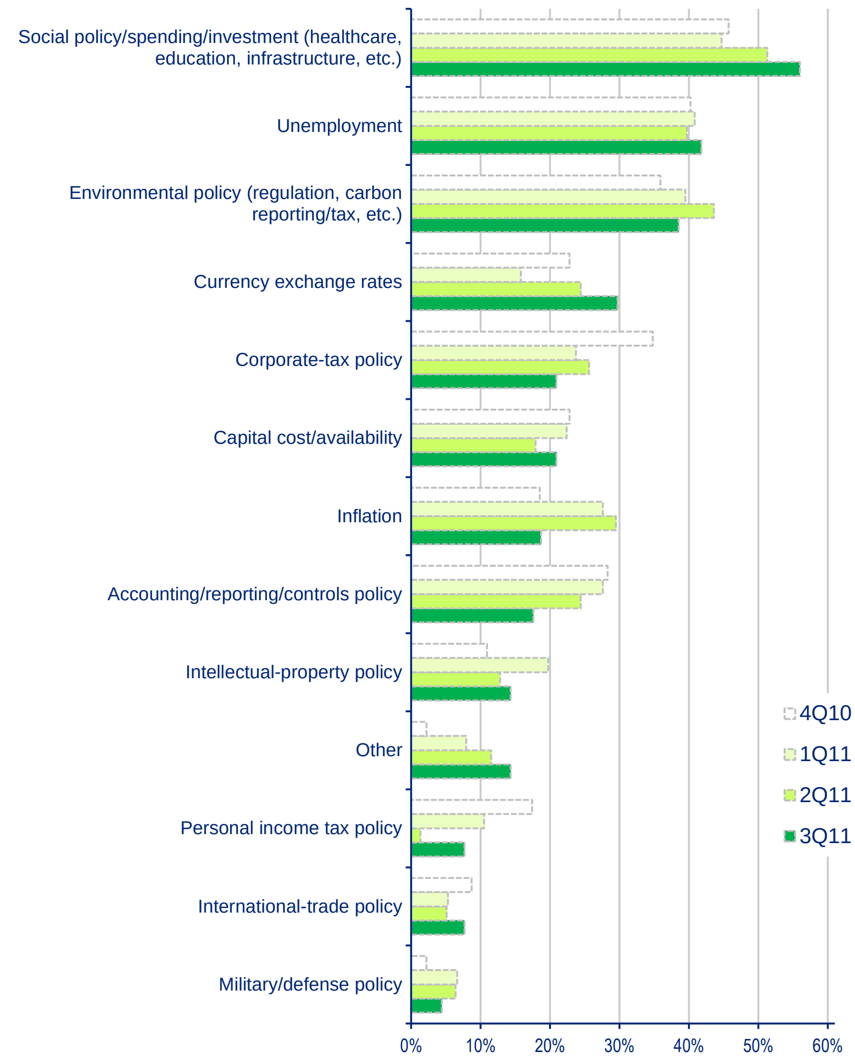
Having risen markedly over the previous two quarters, inflation concerns declined this quarter with 20% of CFOs naming it in their top three (down from 30% last quarter), Meanwhile, currency exchange rate concerns rose notably, with 30% of CFOs naming it a top concern, mostly driven by high importance in Manufacturing, Technology, and Healthcare/Pharma.

The top three U.S. responses match the overall ranking, but Canada and Mexico diverge. Unemployment is not a top three concern in either country. Environmental policy is second in both countries at about 50%. Currency exchange concerns are stronger in Canada at nearly 40% and are the top Mexican concern at 64%.

Other notable findings: The most common write-in concerns are slowing global economic growth and low interest rates.

Economy Challenges

Percent of respondents who place each option in their top three



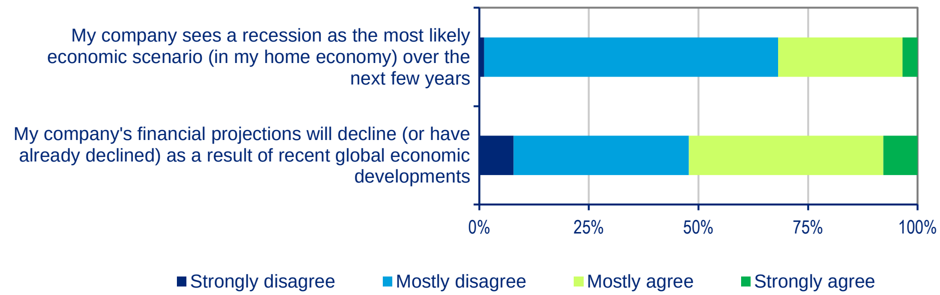
Please see Appendix for deeper insights around industry-specific findings.

Economy

Effects of global economic turmoil
Gloomier with a chance of recession

Recession fears have resurged in the wake of this quarter's string of notable global economic events. About one-third of all CFOs now say their companies see recession as the most likely scenario over the next few years—34% for the U.S.,18% for Canada, and 40% for Mexico. Recession or not, more than half of all CFOs say their financial projections have declined (or will decline) as a result of the turmoil. Sixty percent of U.S. CFOs indicate a decline, as do about 36% of Canadian and Mexican CFOs.

Impact of Economic Conditions on Expectations
Degree to which CFOs agree with each statement



Please see Appendix for deeper insights around industry-specific findings.

Fiscal policy views
Pragmatism and preparedness

The confluence of slowing growth, rising national budget deficits, persistent high unemployment, and floundering real estate markets has intensified the debate around the role of governments in reducing economic pains and promoting near- and longer-term growth. Common wisdom says that business typically prefers as little government involvement as possible, but feedback from this quarter's survey suggests CFOs may be more pragmatic than idealistic.

An overwhelming 92% of CFOs believe fiscal soundness of their governments is important to the success of their businesses, and nearly half indicate strong sentiments to this effect. While our previous surveys have indicated that CFOs believe major spending cuts should be the dominant path toward deficit reduction, more than half of CFOs indicate a willingness to see their personal income tax rate rise as part of a broader deficit reduction solution. Nearly 55% of U.S. CFOs indicate this willingness, as do 53% of Canadian CFOs and 30% of Mexican CFOs. Just over one-third of CFOs say government spending cuts would negatively impact their company's performance, led by Technology, Healthcare/Pharma, and Services.

Nearly 70% of CFOs say corporate tax policies significantly impact their investment decisions. In addition, more than 60% expect corporate tax reform over the next few years, but there is high variance by region. About 65% of U.S. CFOs expect reforms, and just over half expect their tax rates to be higher. More than one-third of Canadian CFOs expect reforms, but only 18% expect higher rates. All Mexican CFOs expect reforms, but only half expect higher rates.

CFO Views on Fiscal Policy
Degree to which CFOs agree with each statement

Please see Appendix for deeper insights around industry-specific findings.

Economy

Impact of debt and equity market turmoil on treasury management
Muted impacts in the U.S.; stronger impacts in Canada and Mexico

The fallout of the U.S. debt ceiling wrangling and S&P downgrade, combined with compounding sovereign debt issues in the Eurozone, has brought cash and currency issues to the forefront of international capital concerns. While rapid and large shifts have made for dramatic news reports, large company CFOs mostly indicate satisfaction with their current treasury management approaches and general ability to navigate current volatility.

While S&P's downgrade of U.S. government debt may have been historical for its political and broader economic significance, it did not substantially affect companies' investment in U.S. treasuries. Less than 13% of CFOs overall say they will decrease exposure to these investment instruments. Canadian and Mexican CFOs indicate higher likelihood of decreasing exposure at 19% and 27%, respectively.

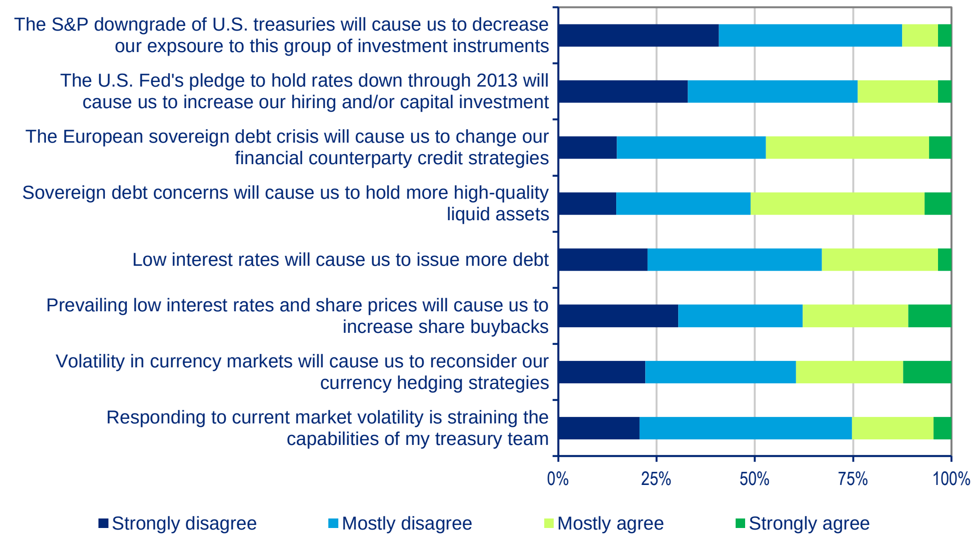
The U.S. Federal Reserve's pledge to hold interest rates down through 2013 had a fairly muted effect as well. Less than one-quarter of all CFOs (and just 16% of U.S. CFOs) say the pledge will cause their companies to increase hiring and/or capital investment, but roughly 40% of Canadian and Mexican CFOs say it will affect a positive change. About one-third say that low interest rates would cause them to issue more debt (with Canada and Mexico closer to one-quarter). Low interest rates combined with generally depressed share prices are expected to drive share buybacks for about 38% of all companies—42% in the U.S and 44% in Mexico, but just 19% in Canada.

Sovereign debt issues appear to be having a stronger impact on treasury strategies. More than half of CFOs say concerns in this area will cause them to hold more high-quality liquid assets, with Mexico significantly higher at nearly two-thirds. Just under half of CFOs say they will change their financial counterparty credit strategies. Forty percent say currency market volatility will cause them to reconsider their currency hedging strategies, but there is high regional variability with the U.S. at 30%, Canada at 44%, and Mexico at more than 80%.

Overall, CFOs are generally confident in their treasury management capabilities with only about one-quarter saying their treasury organizations are being strained, but sentiment varies considerably by region. Less than 20% of U.S. CFOs and about one-quarter of Canadian CFOs say their organizations are being strained, but nearly three-fourths of Mexican CFOs indicate strains.

CFO Views on the Current Debt and Equity Markets

Degree to which the turmoil is affecting treasury management strategies



Please see Appendix for deeper insights around industry-specific findings.

Industry

More companies see shrinking markets and increased competition

Top challenges

Regulation, stagnation, and competition

Last quarter, CFOs' dominant industry challenges related primarily to market growth. While growth is certainly still a top challenge, recent macroeconomic turmoil appears to be increasing CFO concerns about preserving the health of their core business.

Nearly 30% of CFOs named market growth a top challenge last quarter, but that number fell to 18% this quarter. Meanwhile, the proportion of CFOs citing pressures from market contraction rose from 25% to nearly one-third.

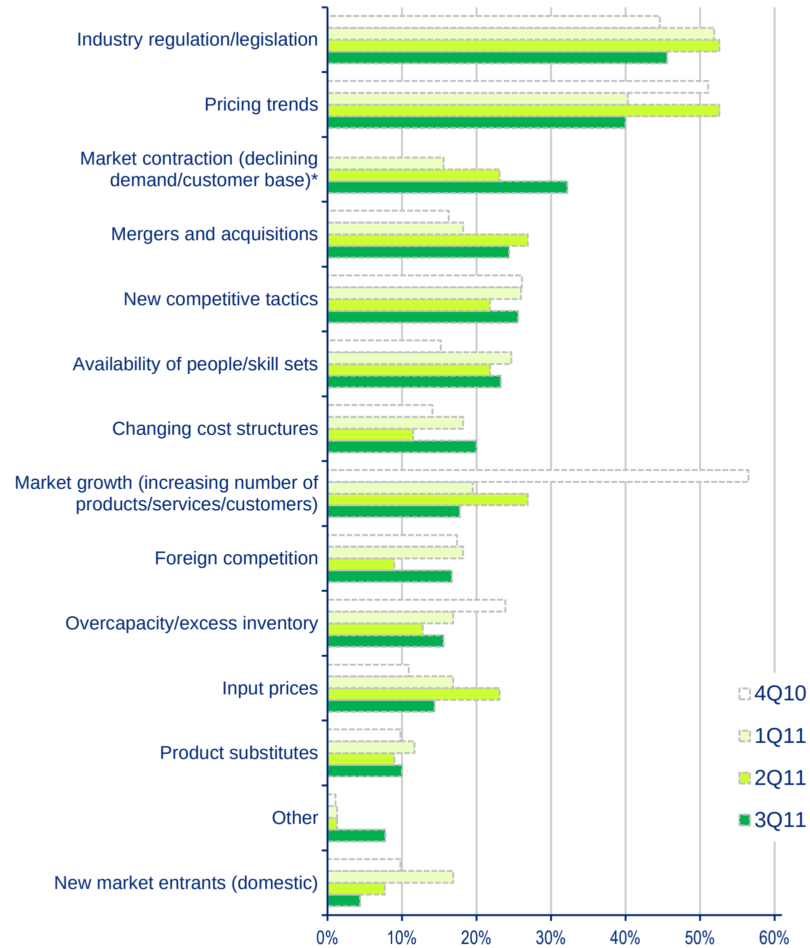
Rising uncertainty around market demand is leading to increased competition and pricing pressures. Pricing trends are again a top concern for 40% of companies (53% last quarter) and for five of the eight industries, strongest within Technology, Financial Services, and T/M/E. Although input prices are still the dominant industry challenge for Manufacturing, their effect on pricing seems to have declined with just 14% of CFOs overall naming it a top challenge (down from 25% last quarter). Rising competition for stagnating markets appears to be the bigger contributor with more than a quarter of CFOs citing new competitive tactics as a top challenge (these tactics are the top concern in Retail/Wholesale and second in T/M/E).

As it has been for the past five quarters, industry regulation/legislation is a top challenge for roughly half of CFOs and for six of eight sectors (Technology and T/M/E are the exceptions). It is again the top concern for Energy/Resources, Financial Services, and Healthcare/Pharma.

Challenges related to M&A persisted this quarter with about one-quarter of CFOs again naming it a top concern.

Industry Challenges

Percent of respondents who placed each option in their top three



** "Market contraction (declining demand/customer base)"*
is an option that was introduced in 1Q11 and was not offered in past surveys.

Please see Appendix for deeper insights around industry-specific findings.

Company

Rising external and internal challenges hurt optimism and stall growth plans

Top challenges

Growth, but with a renewed focus on existing operations

Consistent with findings from the last few quarters, CFOs are focused more on growth than on costs. But it does appear that recent turmoil has refocused attention on existing markets and current operations.

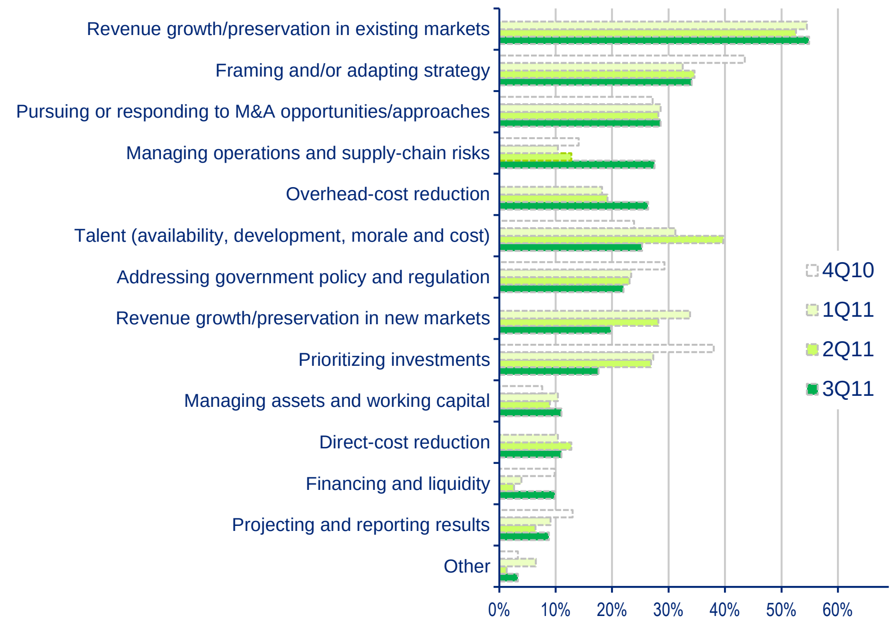
Revenue from existing markets tops this quarter's list with 55% of all CFOs and seven of eight sectors naming it the top challenge (Energy/Resources is the exception). Revenue from new markets is a top concern for only 20% of CFOs, down from 30% last quarter—but it is still a substantial concern for T/M/E and Manufacturing. Consistent with a potential slowing of growth plans, the percentage of CFOs citing prioritizing investments as a top challenge fell from 28% to just 18%. Similarly, CFOs' focus on talent challenges declined this quarter from 40% to 25%, but it remains a top factor for Retail/Wholesale and Technology.

As CFOs' focus on growth appeared to slow somewhat this quarter, their focus on existing operations appeared to rise. Overhead cost reduction is a top concern for 26% of CFOs (up from 20% last quarter) and direct cost reduction is a top concern for 11%. CFOs also appear more focused on core operations, with 28% of CFOs citing operations and supply chain risks as a top challenge—up from 13% last quarter.

As it has been for the past few quarters, framing and/or adapting strategy is a top challenge for more than one-third of companies and a top-two challenge for five of the eight sectors. M&A-related challenges are in the top three for nearly 30% of companies and are particularly strong in T/M/E and Services. Addressing government policy is a top challenge for just under one-fourth of all companies and is the top challenge for Energy/Resources.

Company Challenges

Percent of respondents who place each option in their top three



Business focus

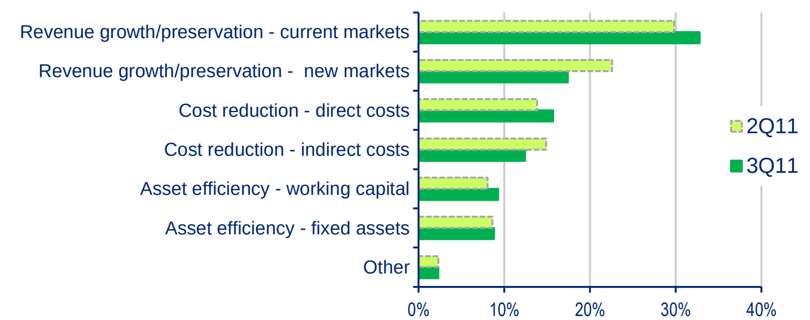
Revenue growth/preservation in existing markets

Despite recent volatility in capital markets, and consistent with findings from the "top company challenges" question above, revenue growth/preservation continues to be the primary business focus. This quarter, half of companies' strategic focus is on revenue growth/preservation (essentially the same as last quarter), and only Energy/Resources has a predominantly cost focus. The 50% revenue focus comes from a roughly 33% focus on revenue growth/preservation in existing markets and a 17% focus on growth in new markets.

All industries except Energy/Resources indicate at least a 25% focus on revenues from current markets, and only Technology has a larger focus on growth in new markets. The highest focus on asset efficiency is within Energy/Resources (fixed assets) and Retail/Wholesale (working capital).

Company Business Focus

Distribution of company focus among respondents

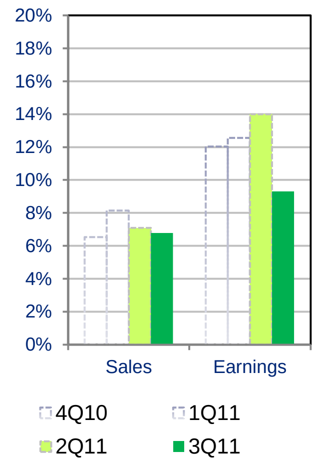


Please see Appendix for deeper insights around industry-specific findings.

Company

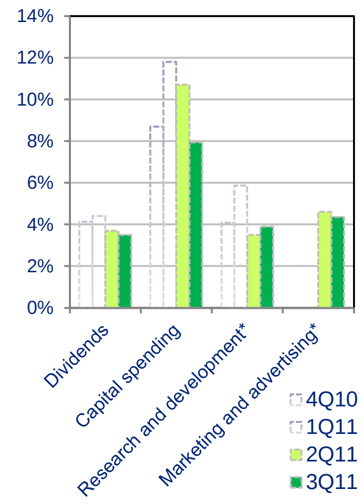
Operating Results*

Expected change year-over-year



Investments*

Expected change year-over-year



Expected sales and earnings

Successive quarters of turmoil have finally shaken CFO expectations

Last quarter's findings supported the notion that revenue and earnings were becoming harder to achieve as economic recovery began to slow. The tumultuous events of this quarter appear to have amplified this dynamic. Several important projections declined this quarter and, as indicated earlier in this report, many CFOs expect their financial projections to decline even further as a result of global economic developments.

CFOs currently project average year-over-year sales gains of about 6.8%* (slightly below last quarter's 7%), and 83% of CFOs overall project gains (about the same as last quarter). U.S. estimates lag at just 6.3% projected growth, while Canada projects 7% and Mexico projects nearly 10%. Retail/Wholesale and T/M/E lead the pack with projected gains over 10%, and Healthcare/Pharma trails at just 3%. Variability of expectations is high with median sales growth at 5%, down from 5.5% last quarter.

Earnings growth expectations declined markedly to 9.3%* (versus 14% last quarter), but 82% of CFOs still expect gains. Median earnings growth fell from 10% last quarter to 8% this quarter. Earnings growth projections for U.S. firms are above average at 10.5%, with Canada and Mexico lower at 8% and 5%, respectively. Retail/Wholesale and Technology are again the top sectors, projecting gains of 15% and 29%, respectively (note the small sample size for Technology). Energy/Resources plummeted to just 5.8%, and Manufacturing declined markedly to just 7.7%.

Built into these earnings projections are expected commodity cost increases of 4.2%, down from 5% last quarter. Wage/salary projections on the whole are consistent with previous quarters at around 3% (U.S.=2.7, Canada=3.1%, Mexico=4.6%), and expected employee benefits cost increases of 4.3% are roughly the same as last quarter (U.S.=4.6%, Canada=3.9, Mexico=2.9).

Expected dividends, capital spending, and employment

New wariness of capital investment, deeper wariness of hiring

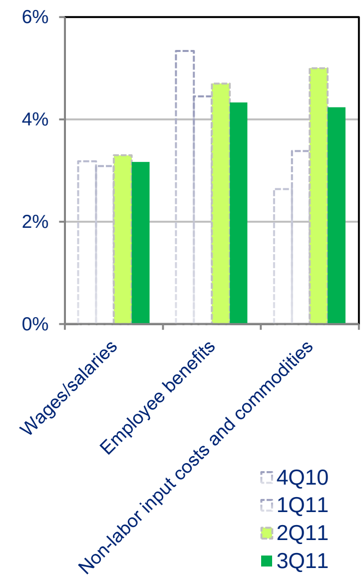
CFOs expect dividend increases of 3.5%, essentially unchanged from last quarter. The median expectation is again 0%, and 40% of CFOs project dividend increases (up from 35% last quarter). Mexico is the outlier, projecting just 2.1% dividend growth (U.S.=4.1%, Canada=4.3%). Retail/Wholesale is the outlier at 8% dividend growth.

Capital investment growth expectations slowed markedly, falling to 7.9%* from 10.7% last quarter. The median expectation fell to 5% from 10%, with 40% of CFOs projecting flat or decreased spending (up from 30% last quarter). U.S. projections trail at just 6.5%, with Canada and Mexico considerably higher at 12% and 10%, respectively. Technology rose to more than 18%, but the sample size is small. Financial Services rose markedly to 11%. Manufacturing declined by nearly one third but is still above 10%.

R&D spending is expected to rise roughly 4%* with nearly half of CFOs expecting gains, but the median expectation is still 0% growth. Mexico and Canada are above average at 8.6%

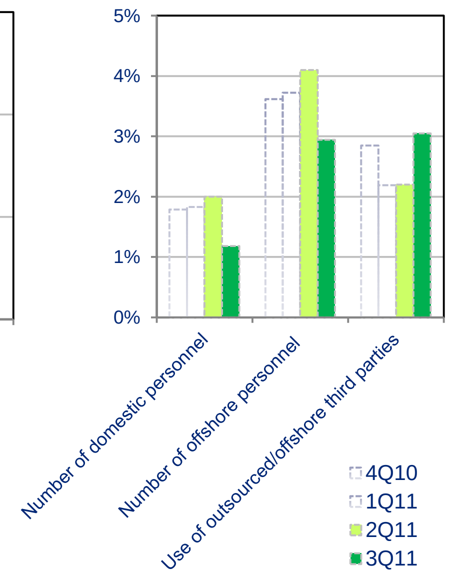
Costs*

Expected change year-over-year



Employment*

Expected change year-over-year



**Averages have been adjusted to eliminate the effects of stark outliers.*
**Research and development was not offered in 2Q10 and 3Q10 surveys.*
**Marketing and advertising is an option that was not offered in past surveys.*

Please see Appendix for deeper insights around industry-specific findings.

Company

and 7.5%, respectively. Marketing spend is expected to rise 4.4% with more than half of CFOs expecting gains.

Domestic hiring gains of 1.2%* (down from 2%* last quarter) are the lowest on record, and only half of CFOs project gains at all. U.S. CFOs' projections are particularly dismal at just .33% (Mexico=5.6%, Canada=1.9%). Retail/Wholesale, Technology, and T/M/E were above the average at 5%. Healthcare/Pharma indicated a sharp drop of nearly -9%, and Services was also negative at -1%.

Meanwhile, the outlook for offshore and outsourced employment is better with an expected 2.9%* increase in offshore personnel (4% last quarter) and a 3.1%* increase in outsourced staffing (2.2%* last quarter). As is typical for this survey, Canadian and Mexican firms report considerably lower-than-average growth in offshore hiring.

** Numbers with asterisks have been adjusted to eliminate the effects of stark outliers.*

Own-company optimism

Optimism's dominance is over—except in Canada

Until a quarter ago, improving assessments of the macro-business environment had been a strong driver of rising optimism. But last quarter, externally-generated optimism dropped markedly. And this quarter the trend continues with only 9% of CFOs saying they are more optimistic for external reasons—by far the lowest percentage on record. Forty-five percent of CFOs now say they are less optimistic than last quarter, primarily due to external factors.

The negative sentiment is even more pronounced when you look at "net optimism"—the spread between those indicating rising optimism and those indicating falling optimism. Last quarter, after four straight quarters of optimistic sentiment, net optimism fell to just 7.7 percentage points—well below peaks of more than 40 point spreads in 2Q10 and 1Q11.

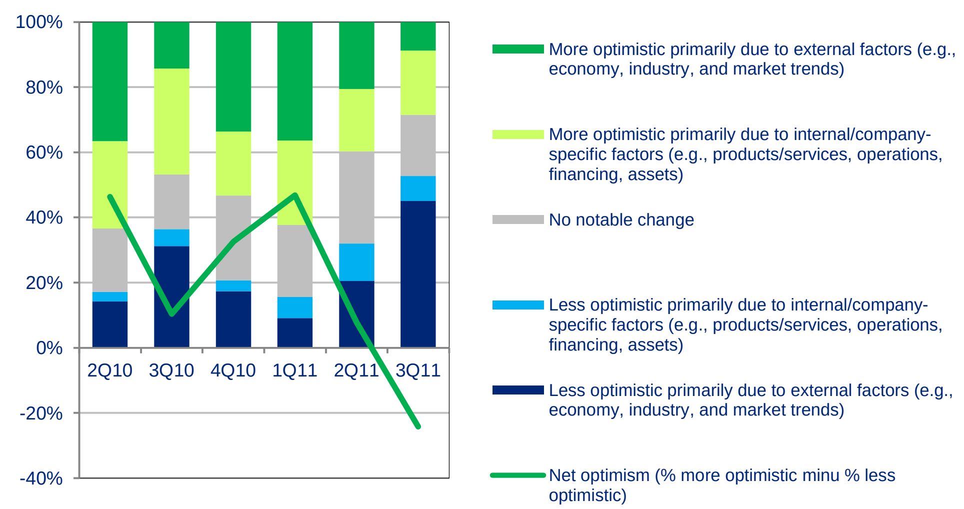
But this quarter, optimism rose at its slowest pace in the six-quarter history of this survey, and net optimism turned negative for the first time—to the tune of a stunning -24 percentage points.

All of this said, it is important to note that there are substantial differences among regions. Canadian CFOs have historically reported higher-than-average optimism, the majority of which is typically driven by more favorable assessments of internal/company-specific factors. This quarter is no exception. Net optimism for Canada is still positive at +22, and the one-third who are more pessimistic exclusively cite external reasons. Net optimism is -34 for the U.S. (overwhelmingly for external reasons) and -36 for Mexico (for mostly external reasons).

CFO optimism also varies considerably by industry. The most substantial deviations from the mean are Retail/Wholesale (more optimistic on balance), Technology (much more pessimistic, but the sample size is small), Energy/Resources, and Financial Services (both much less optimistic, entirely for external reasons).

Company Optimism

Company optimism compared to previous quarters



Please see Appendix for deeper insights around industry-specific findings

Company

Strategic risk worries

Difficulty both aiming and firing

Since the inception of this survey six quarters ago, strategy-related challenges have consistently been near the top of both CFOs' career- and company-level concerns. "Strategic ambiguity" has been a top three career concern every quarter, and "framing and/or adapting strategy" has been a top company challenge over the same period.

To better clarify the strategic issues CFOs face, we asked a variety of questions this quarter about the root causes of these concerns. While much of the concern is driven by external volatility, the findings appear to indicate that a substantial amount is also driven by CFOs' perceptions of their own companies' ability to formulate and execute their business strategies.

Not surprisingly, volatility in the current global business environment makes the definition and reformulation of strategy especially difficult. Nearly 95% of CFOs say they were at least somewhat concerned about this risk, and nearly 54% indicate very strong concerns.

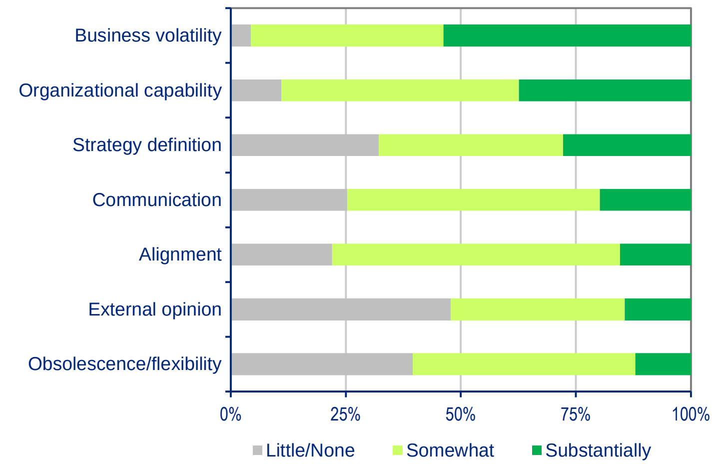
Perhaps more surprising is that CFOs are also substantially worried about their own ability to aim and fire. On the aiming front, two-thirds of CFOs say they are at least somewhat concerned that their strategies are not well enough defined and clarified – and 28% indicate strong concerns in this area. Sixty percent say they are concerned that their strategies may not adapt well to changing business environments, although just 12% indicate strong concerns.

Getting agreement around strategy is also a concern. More than half of CFOs say there is significant internal difference of opinion around what the strategy should be (only 10% indicate strong concerns), and another half say their boards and/or investors are indicating concerns about their strategy (14% indicate strong concerns).

On the firing front, CFOs are substantially concerned about their organization's ability to execute their chosen strategies. Three-quarters express concerns about their broader organization's understanding of go-forward strategies, with 20% expressing strong concerns. Nearly 80% express concerns about the strategic alignment of their internal practices, investments, and incentives (15% express strong concerns). Perhaps most important, nearly 90% of CFOs are concerned that implementing their strategy will stress current resources, approaches, and capabilities, and 38% express strong concerns—a result that seems to indicate worries about both current skill sets and potential difficulties finding additional talent.

Strategic Risk

Degree to which CFOs say they are concerned about each risk area



Please see Appendix for deeper insights around industry-specific findings.

Company

Growth plans

Foreign markets, emerging economies, organic growth, current offerings, and current infrastructure

Over the past few quarters, CFOs have indicated a fairly strong strategic shift from capital and cost management to top line growth. To provide a deeper understanding of where CFOs expect growth to come from, we asked respondents to characterize their growth strategies.

Domestic vs. Foreign: Growth is slanted somewhat toward domestic growth, with 56% of CFOs citing a dominant focus in this area. Roughly 40% indicate a strong domestic focus, and only 17% indicate a strong foreign focus. The only two industries with a foreign focus are T/M/E and Technology, and the U.S. has the strongest foreign focus at 48%.

Foreign Emerging vs. Mature Markets: Emerging markets dominate, with two-thirds of CFOs citing this focus and only the Energy/Resources sector favoring (slightly) mature markets. Nearly 30% indicate a strong emerging markets focus, and less than 10% indicate a strong mature markets focus. Canada has a comparatively high focus on foreign mature markets at 44%.

Organic vs. M&A: Organic growth dominates, with nearly 75% of CFOs citing this focus. Nearly one-third indicate a strong organic growth focus, and just 7% cite a strong M&A focus. Canada is divergent with a 53% focus on M&A. Technology and Healthcare/Pharm have the highest propensity for M&A, but still favor organic growth.

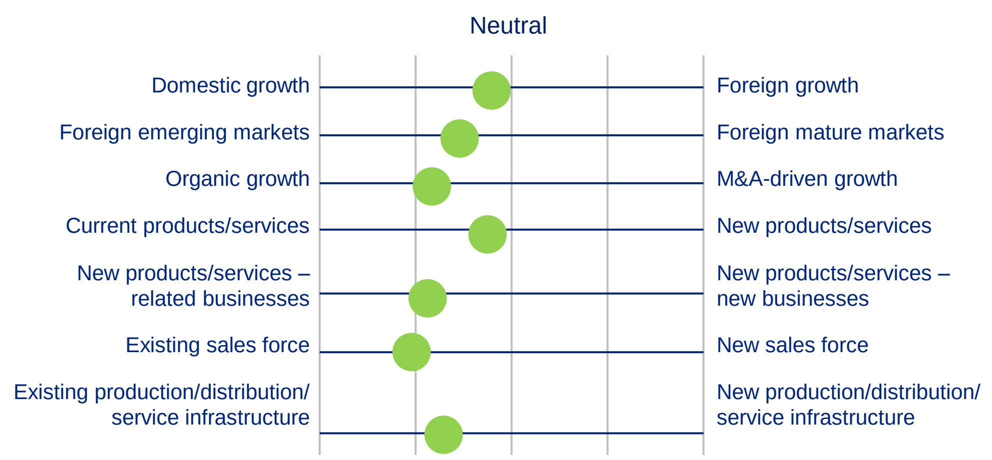
Current Offerings vs. New Offerings: Growth is slanted toward current offerings with 60% of CFOs citing this focus. About one-fourth of CFOs cite a strong focus on current offerings, and just 7% indicate a strong focus on new offerings. Technology and T/M/E substantially favor new offerings. When companies do pursue new offerings, they are overwhelmingly focusing on related/adjacent businesses. Only 20% of CFOs indicate a focus on new offerings in new businesses, and almost all of them are from Technology.

Existing Sales Force vs. New Sales Force: More than 80% of CFOs cite a heavy focus on use of existing sales forces—even as they indicate a heavy growth focus on emerging markets. Nearly 45% indicate a strong focus on existing sales forces, and only 1% indicates a strong focus on new sales forces. Overall, this finding may indicate that many companies already have sales forces in place within emerging markets or that they believe they can successfully refocus domestic sales resources on emerging markets.

Existing Production/Distribution/Service Infrastructure vs. New: Nearly three-quarters of CFOs indicate a focus on existing infrastructure, with nearly 40% indicating a strong focus in this area. Just 7% of CFOs indicate a strong focus on new infrastructure, and most of them are from T/M/E. Similar to the case for sales forces, this finding may indicate that many companies already have substantial infrastructure in emerging markets.

Nature of Companies' Growth Plans

Patterns in geographies, offerings and resources



Please see Appendix for deeper insights around industry-specific findings.

Finance organization

Turmoil reallocates attention across a broader range of challenges

Top challenges

Some of finance's focus has shifted away from growth

Last quarter, finance organizations' top challenges were heavily centered on managerial decision-making and growth. While there is still a strong focus in this area, this quarter's economic turmoil appears to have redistributed organizations' focus across a much broader range of concerns.

The most dominant challenge this quarter is providing information, analysis, and metrics, cited by more than 40% of CFOs (especially in Financial Services and Healthcare/Pharma). Influencing decisions related to strategy and operational priorities, which was the top challenge last quarter, dropped to second at 35%. It is a top concern in all sectors except Financial Services and Healthcare/Pharma.

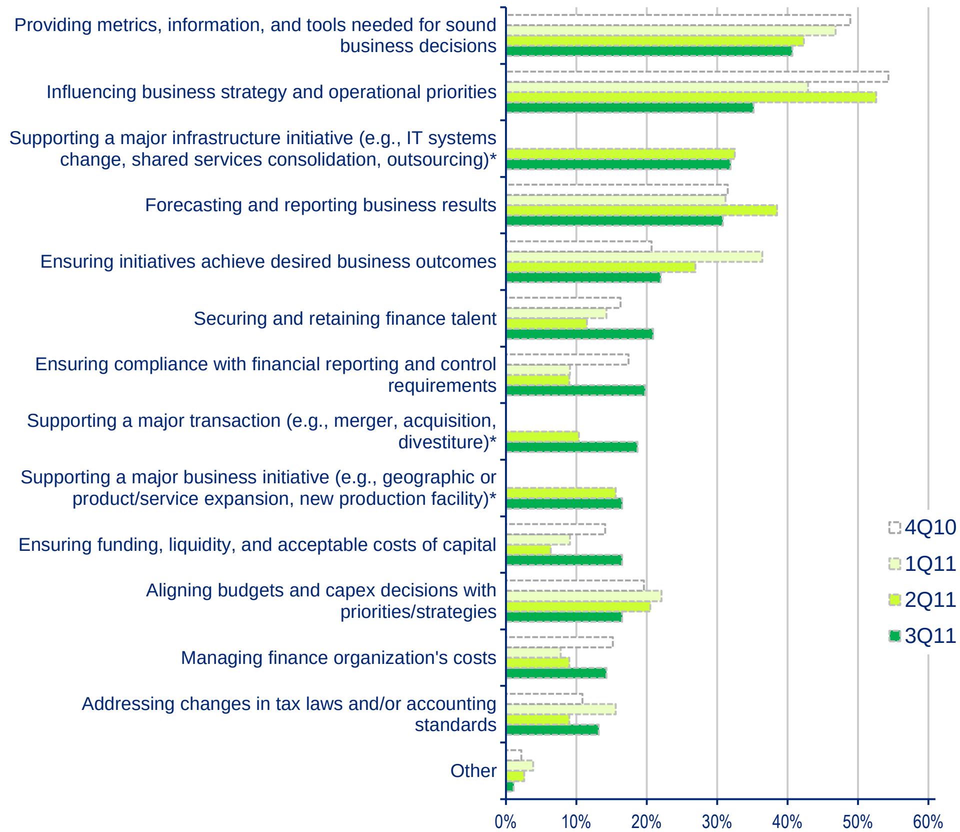
Similar to last quarter, challenges around forecasting and reporting business results were cited by roughly one-third of CFOs, likely in response to continued strategic ambiguity, evolving government policy, and renewed concerns about global economies (see the Economy and Company sections of this report). It is a top-two concern for Healthcare/Pharma and Financial Services.

CFOs and their organizations continue to focus on major change initiatives, with nearly one-third citing infrastructural/back-office initiatives (driven heavily by Retail/Wholesale, Technology, and T/M/E). Based on findings from other questions in this survey, the dominant driver appears to be major ERP implementations.

Other notable findings: Roughly 20% of CFOs cite support for a major transaction, securing and retaining finance talent, ensuring initiatives achieve desired business outcomes, and ensuring compliance with financial reporting and control requirements; CFOs' focus on ensuring funding, liquidity, and acceptable cost of capital tripled to 17% this quarter; 17% report challenges in supporting major business expansion initiatives (up from 13% last quarter).

Finance Organization Challenges

Percent of respondents who place each option in their top three



- Starting with the 1Q11 survey, "Supporting a major change initiative (e.g., M&A, IT systems change, IPO)" has been broken out into three options: "Supporting a major infrastructure initiative", "Supporting a major transaction," and "Supporting a major business initiative."

Please see Appendix for deeper insights around industry-specific findings.

Finance organization

Risk focus of finance organizations

More micro (capital, competition, and regulation) than macro (geopolitical trends and foreign policy/trade)

Our previous surveys have indicated that finance is taking on expanded risk management roles across their organizations. This quarter's widespread volatility seems to have accelerated this trend.

Turmoil in debt and equity markets appears to have refocused attention on capital risk. Well over half of CFOs say their organizations are substantially focused on capital access and cost, and less than 15% indicate only a minor focus in this area. This focus appears highest in Technology, Financial Services, and Energy/Resources.

Market contraction appears to be shifting finance's attention toward competitive conditions. More than 47% of CFOs indicate a substantial focus in this area with only 11% indicating a minor focus. This focus appears strong in all sectors except Energy/Resources and Technology.

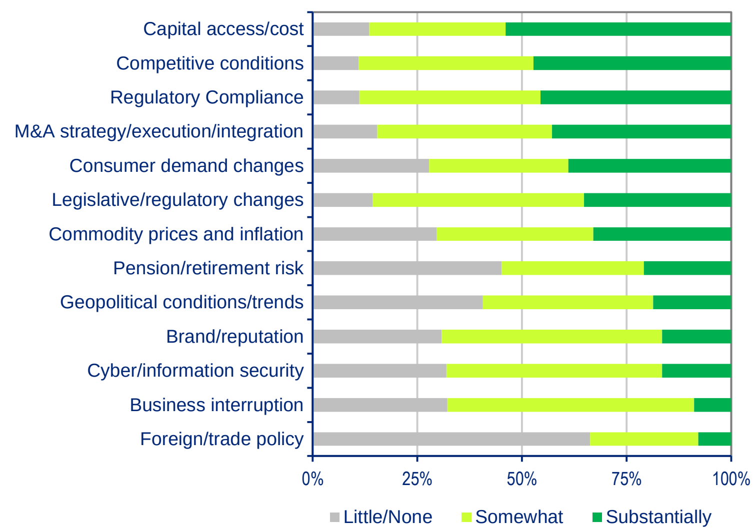
Complying with current regulations is a substantial focus for 46% of CFOs, with only 11% indicating a minor focus. This focus appears particularly high for Financial Services and Healthcare/Pharma. The prospect of new legislation is a major focus for 35% of CFOs, and less than 15% indicate little/no focus. Nearly all Energy/Resources CFOs indicate a strong focus in this area.

Consistent with rising M&A activity evident in other parts of this report, risks related to M&A strategy, execution, and integration are a substantial focus for 43% of CFOs. The widespread focus on M&A is underscored by the fact that just 15% of CFOs indicate little or no focus in this area.

Likely driven by slow economic growth and persistent high unemployment, customer demand changes are a substantial focus for nearly 40% of finance organizations, although roughly 30% of CFOs say they have little focus in this area. Retail/Wholesale indicates a very high focus in this area.

Monitoring and Management of Risk

Degree to which each area is being monitored



Please see Appendix for deeper insights around industry-specific findings.

CFO career

More focus on strategic issues, but renewed operational challenges

Top job stresses

Change initiatives, ambiguity, regulation, and poor company performance

Change has been at the heart of CFOs' top job stresses over the past five quarters, with the same three change-related stresses (strategic ambiguity, major change initiatives, and changing regulatory requirements) consistently topping the list.

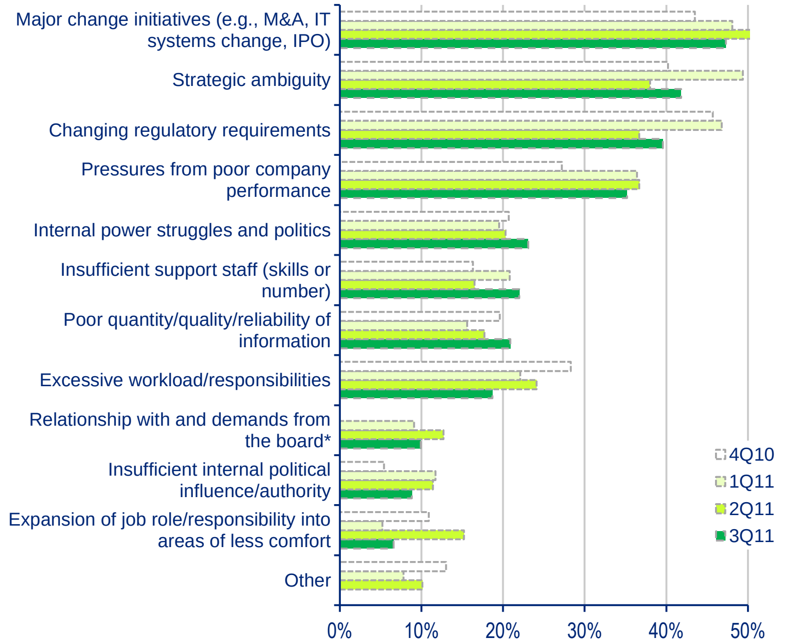
Major change initiatives again dominate this quarter. Nearly half of all CFOs cite this stress, and only Healthcare/Pharma is significantly below this average. Based on other survey results, the contributing factors appear to be a rise in M&A activity, shifts in organization strategies and structures, and a host of new investments—especially ERP-related.

Similar to previous quarters, 42% of CFOs cite strategic ambiguity (see page 15 for deeper information about strategic risks), highest in Services and Technology. Nearly 40% of all CFOs (and half or more of those in Financial Services, Healthcare/Pharma, and T/M/E) cite changing regulatory requirements. Pressures from poor company performance have been rising and are now a top stress for more than 35% of all CFOs, with the strongest effects in Technology, Healthcare/Pharma, and Services.

Other notable findings: Internal power struggles are a top concern for nearly one-quarter of CFOs; 22% cite insufficient support staff; 21% cite information quantity/quality/reliability.

Job Stresses

Percent of respondents who place each option in their top three



Please see Appendix for deeper insights around industry-specific findings

CFO career

CFO focus

Their bosses demand a deeper focus on strategy, but capital management is a persistent priority

As other survey questions have shown, remarkable volatility in capital markets, equities markets, and broader economic conditions is causing companies to cope with uncertainty on multiple fronts.

This wide range of pressures is clearly creating increased demand for assistance from CFOs and their finance organizations—and the result is competing demands for what is often limited finance expertise.

To help CFOs understand how their time commitments and demands compare to their peers, this quarter we asked CFOs where their bosses are asking them focus their attention.

The two dominant areas are classic strategic finance roles—supporting the development of strategy (bringing data and insights) and driving the execution of strategy (aligning organization activity and decisions with the strategy). Both of these are a top current role for more than 40% of CFOs.

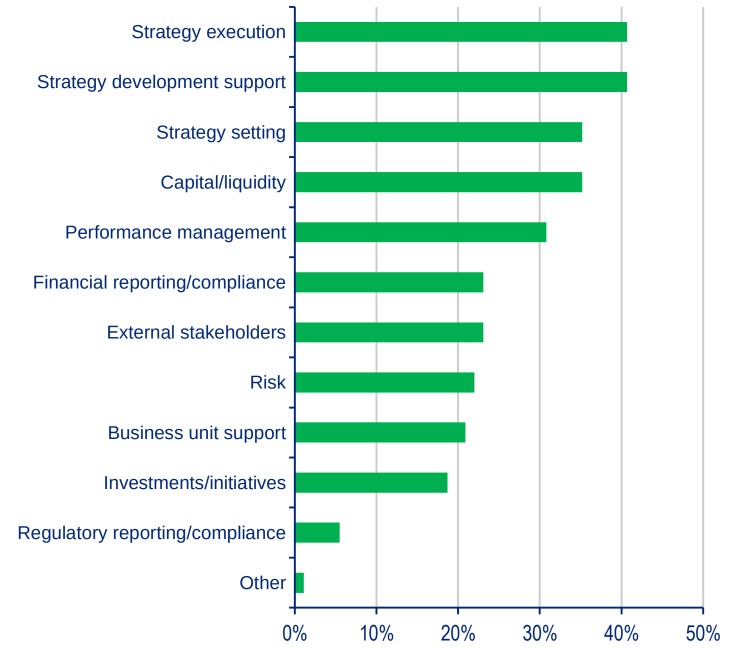
But just behind these two is a more active role in shaping the details of the company's strategy—a testament not only to the amount of strategy rework currently going on within companies, but also to the value-added role CFOs are now playing in strategy definition. More than 35% of CFOs say this is a top three focus—on a par with establishing and executing capital strategies and just ahead of driving performance management (which came in at 31%).

Beyond these five core roles, CFO focus is distributed relatively equally at around 20%. Less focus in these areas may reflect lower relative current importance or it may also reflect responsibilities that have been delegated to others within finance.

Other notable findings: Participation in strategy-setting efforts appears lowest in Manufacturing and Energy/Resources; capital and liquidity are a minor focus for Technology and Healthcare/Pharma; Manufacturing and Healthcare/Pharma report a very high focus on strategy execution.

Focus of Efforts

Percent of respondents who place each option in their top three



Please see Appendix for deeper insights around industry-specific findings

Appendix

Detailed findings

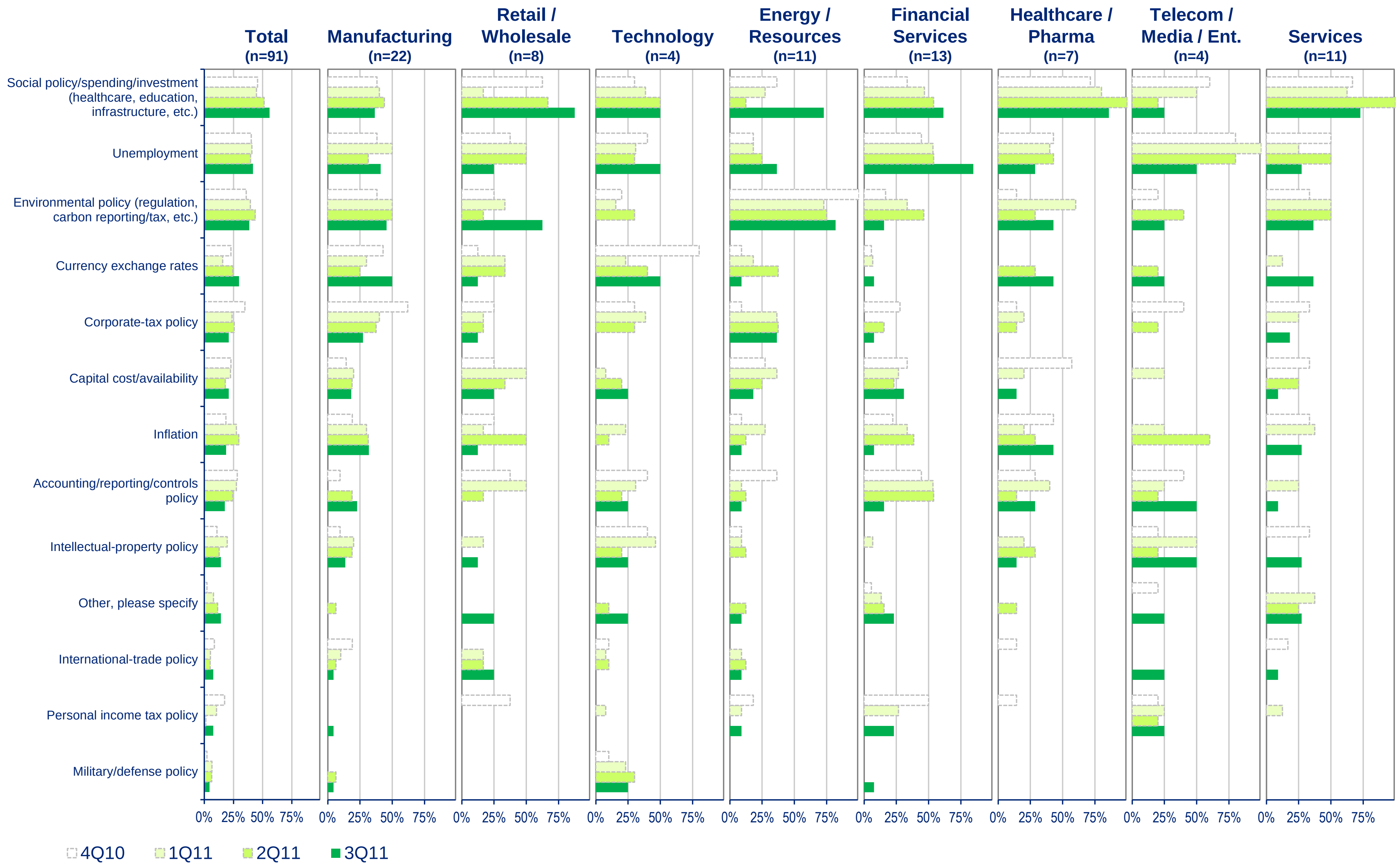
Finance Organization – High-Impact Risks

What one potentially high-impact risk are you worried about the most?

Manufacturing	Retail / Wholesale	Technology	Energy / Resources	Financial Services	Healthcare / Pharma	Talent / Media/ Entertainment	Services
THIS QUARTER Concerns heavily focused on economy and successful execution of major initiatives (ERP, acquisitions, and international expansion)	THIS QUARTER Concerns mostly focused on economy. Some focus on debt markets.	THIS QUARTER Sample size too small to draw conclusions.	THIS QUARTER Concerns focused on economy, commodity pricing, capital market and regulatory issues.	THIS QUARTER Equal concerns around the economy, capital markets (liquidity and interest rates) and regulatory changes.	THIS QUARTER No consistent themes detected; regulatory change, capital markets, competition and major initiatives all cited. Only sector not mentioning economy.	THIS QUARTER Sample size too small to draw conclusions.	THIS QUARTER Concerns heavily focused on economy and slowing growth.
LAST QUARTER Concerns centered primarily on economy and government policy (especially around taxes). Some focus on competition and input prices.	LAST QUARTER Concerns focused mostly on internal alignment and prioritization. Some focus on market shifts.	LAST QUARTER Concerns distributed across internal execution missteps, regulation, and market conditions. Some focus on competitive pressures and M&A.	LAST QUARTER Concerns broadly distributed across climate change, inflation, regulation, and government deficits.	LAST QUARTER Concerns heavily focused on regulatory change and reform. Some focus on internal issues with litigation and foreign exchange.	LAST QUARTER Concerns heavily focused on government regulation/policy. Some focus on litigation and new product success.	LAST QUARTER No consistent themes detected; economic, currency, capital, competitive, and M&A all cited.	LAST QUARTER No consistent themes detected; regulatory, economic, and M&A concerns all cited.

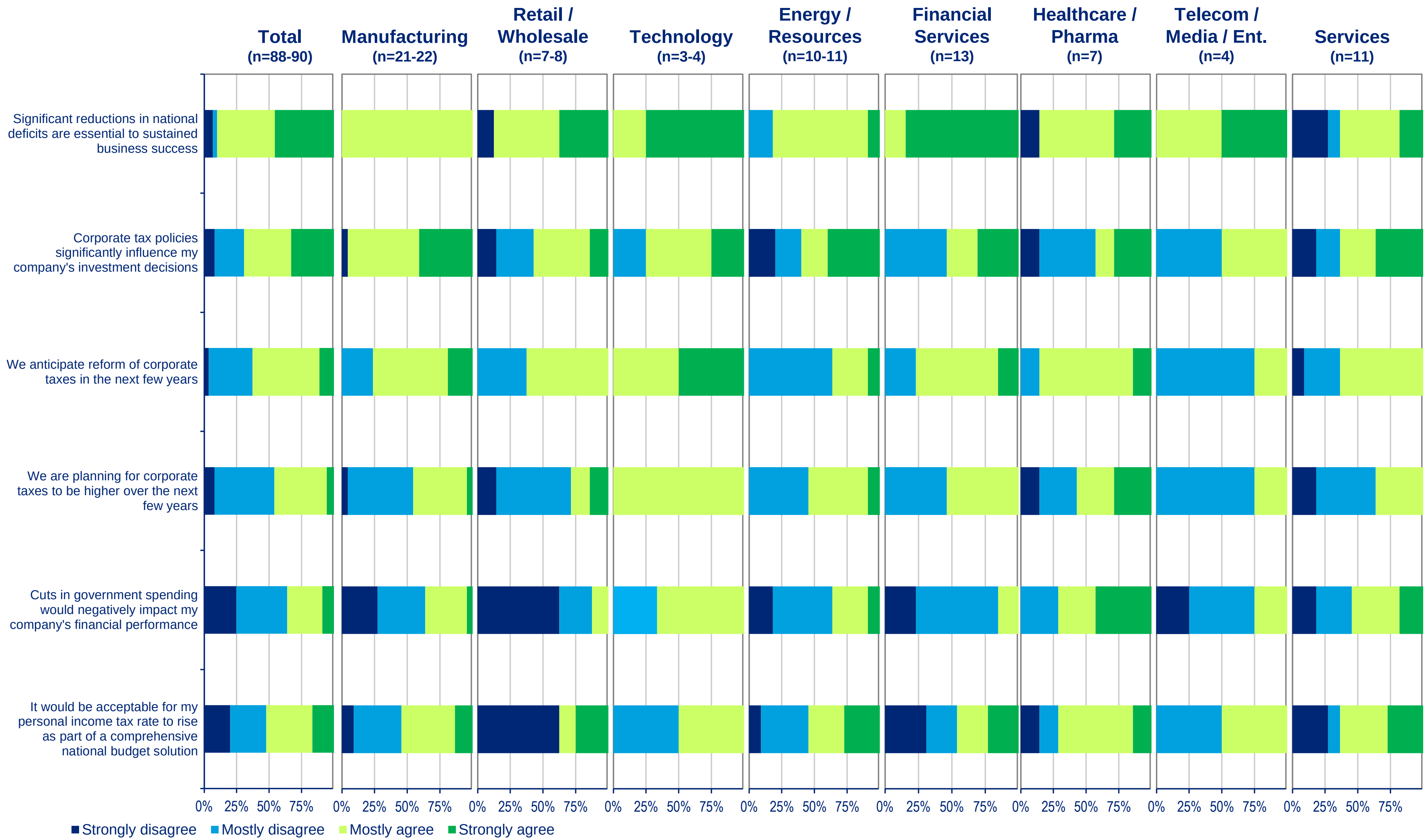
Economy – Top Challenges

What are your company's top three economy challenges?



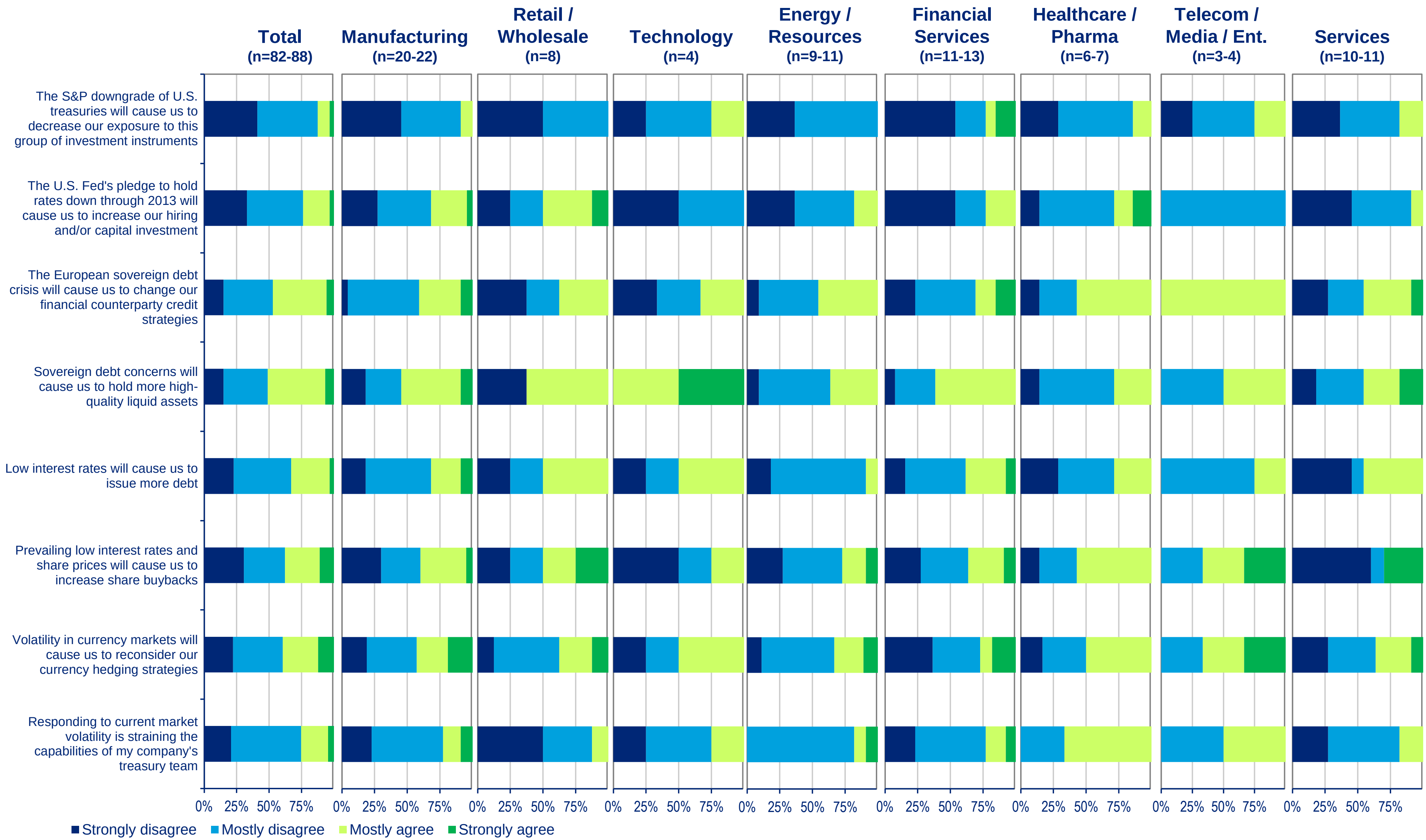
Economy – Views of Fiscal Policy

To what extent do you agree with the following statements about fiscal policy?



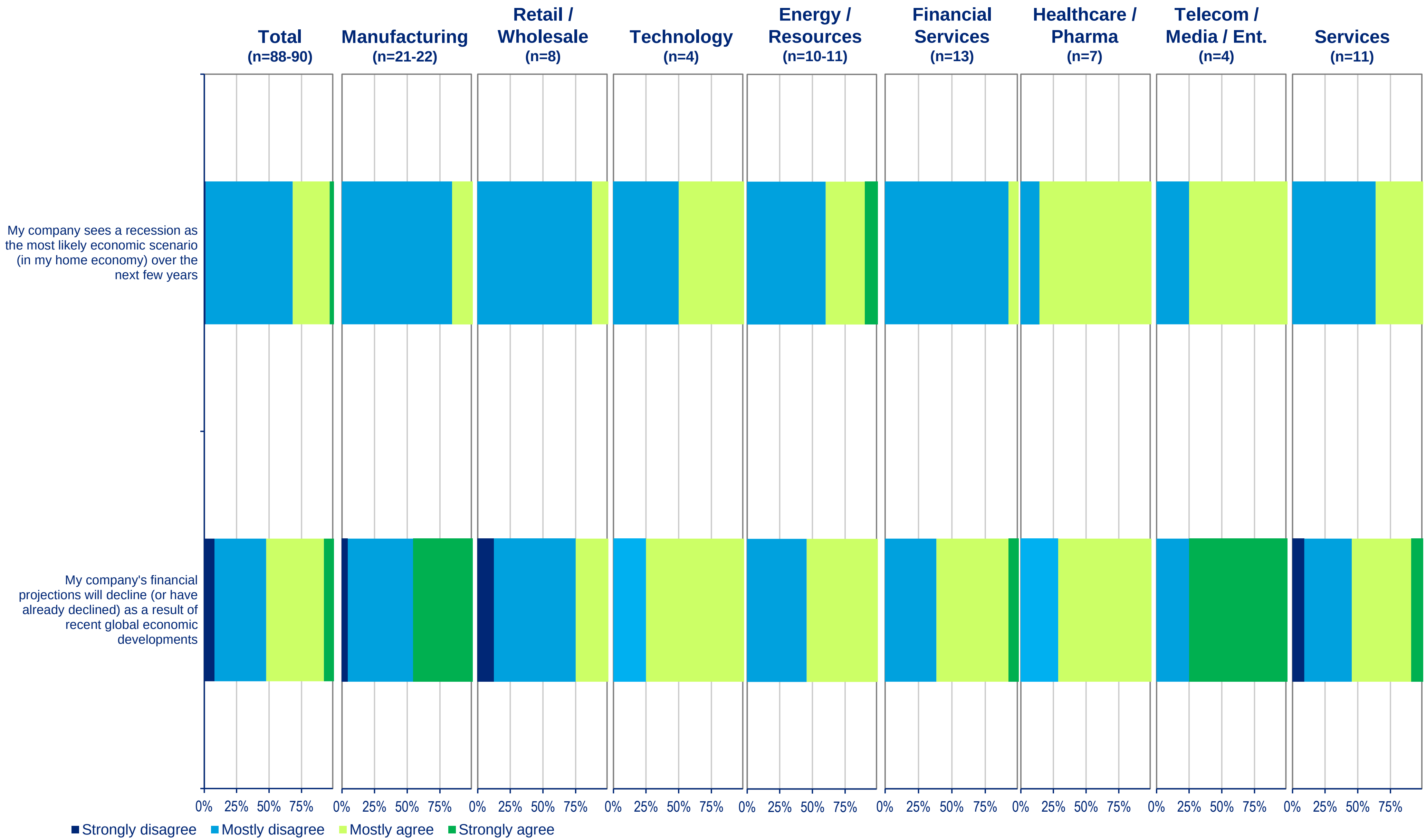
Economy – Debt and Equity Market Impact on Treasury

In response to the most recent turmoil in debt and equities markets, how will your treasury management strategies change?



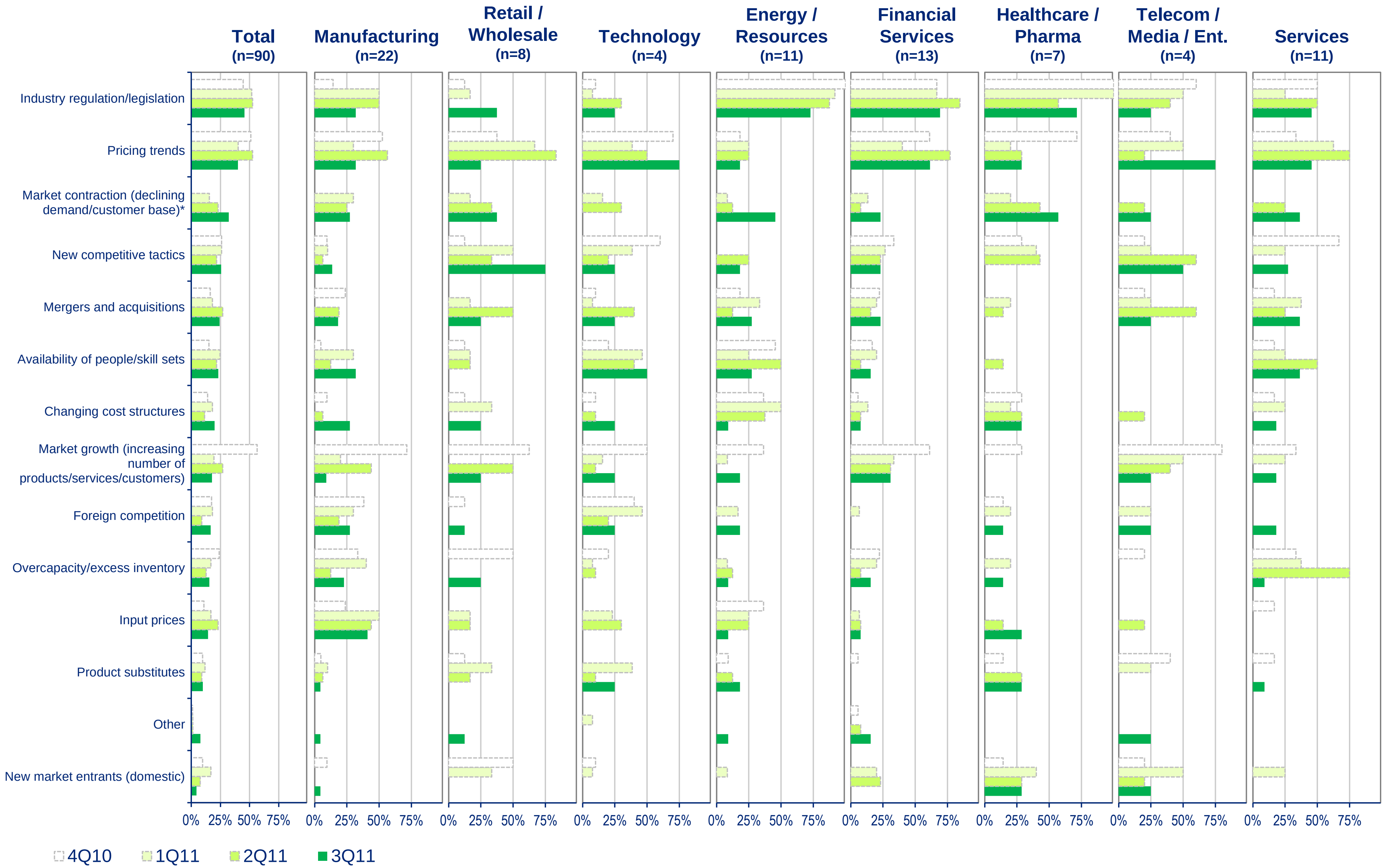
Economy – Impact of Economy on Company's Outlook

How are recent economic developments affecting your company's outlook?



Industry – Top Challenges

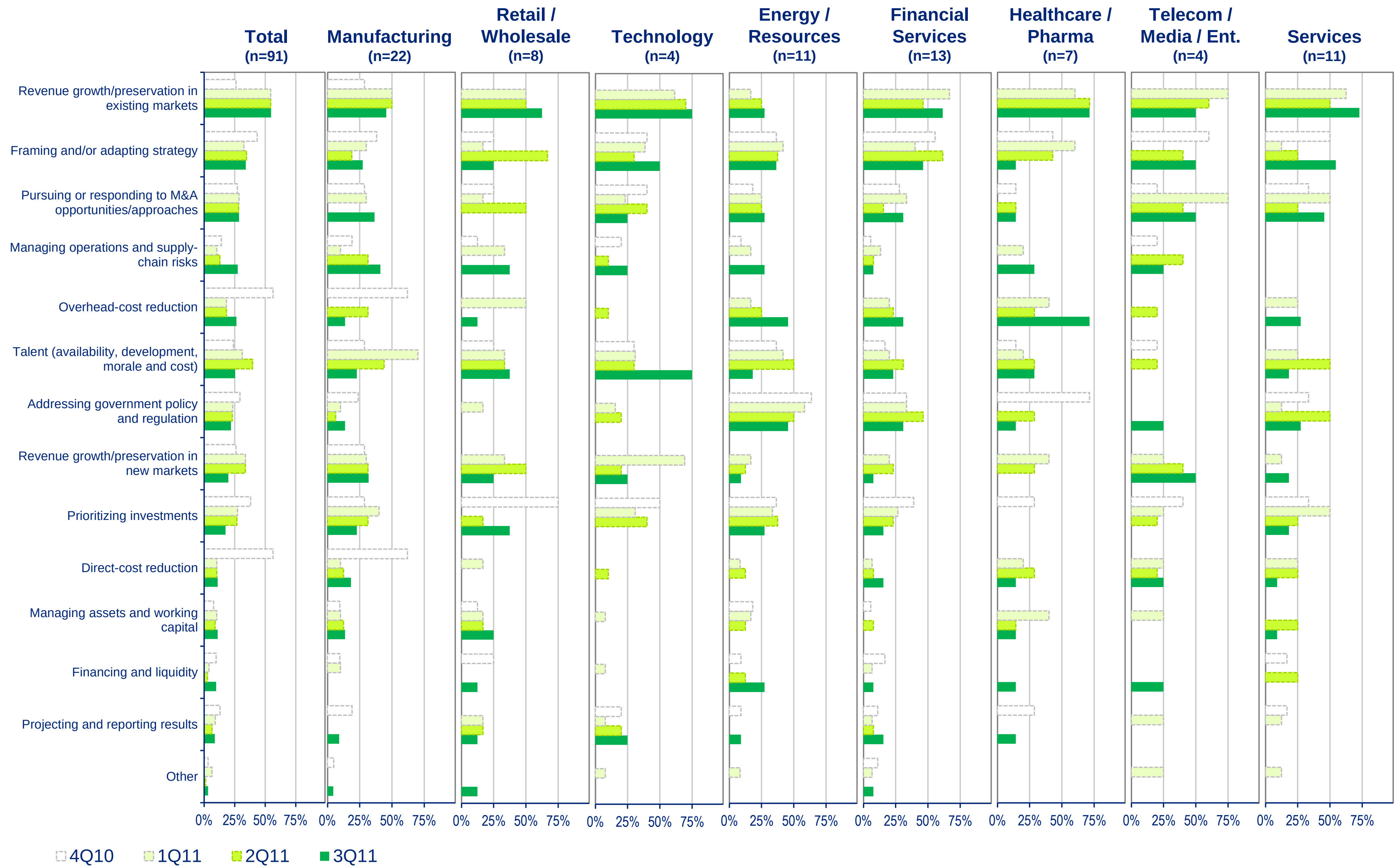
What are your company's top three industry challenges?



** "Market contraction (declining demand/customer base)"* is an option that was introduced in 1Q11 and was not offered in past surveys

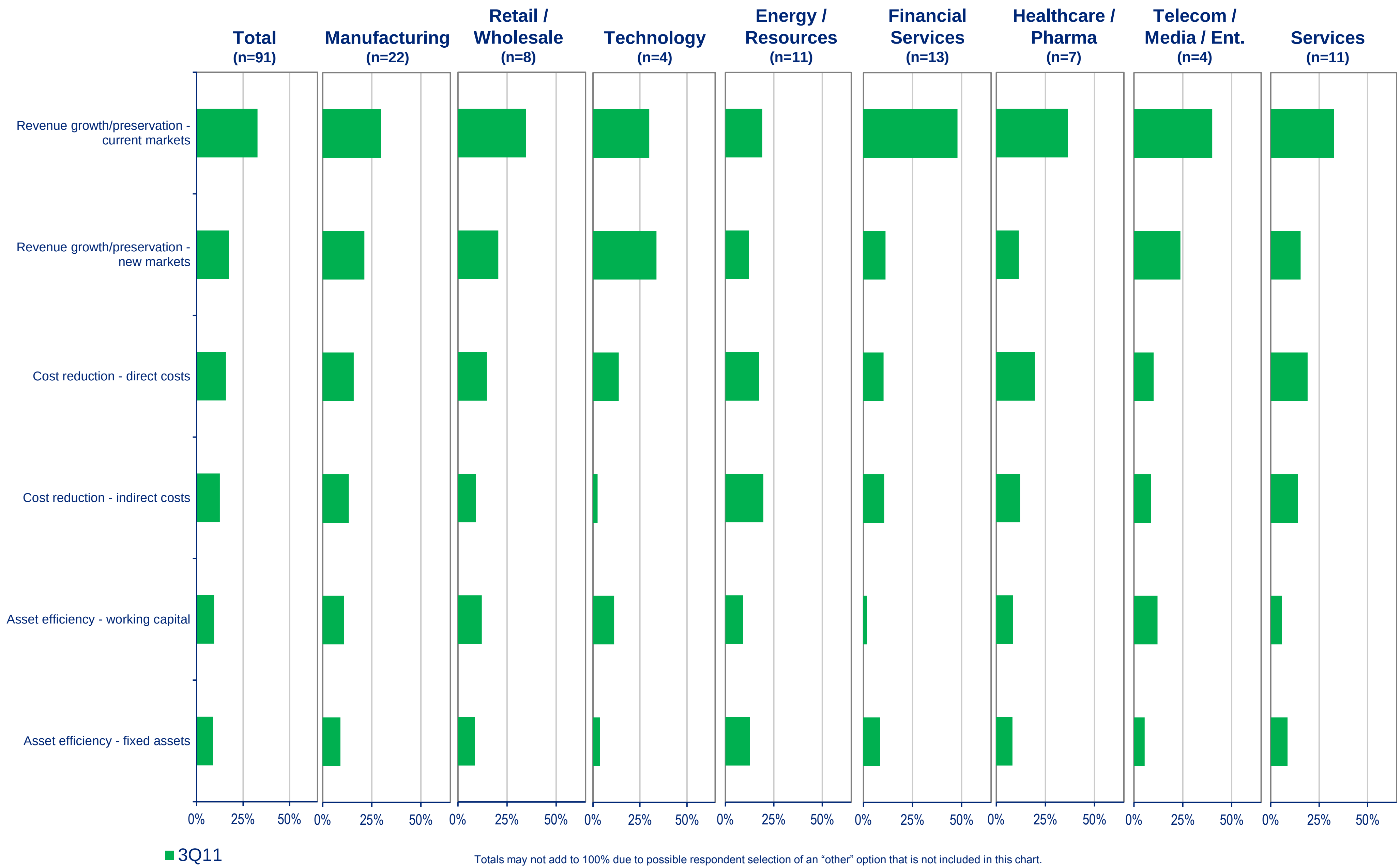
Company – Top Challenges

What are your company's top three company-specific challenges?



Company – Strategic Focus

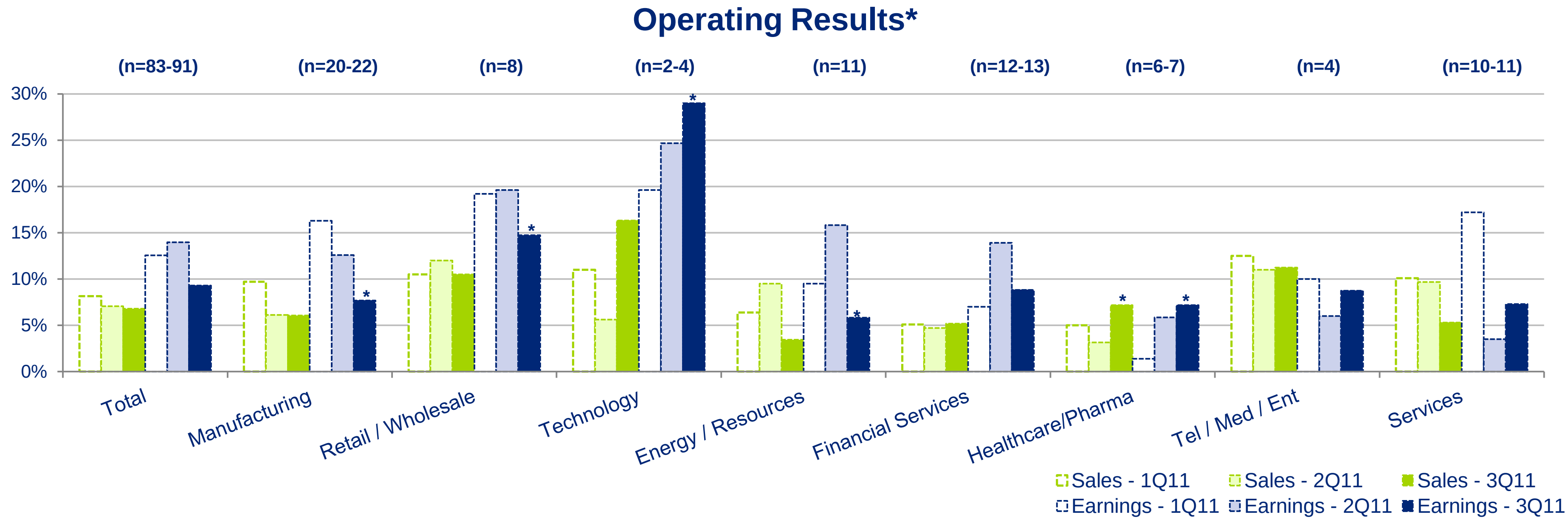
What is your company's business focus for the next 12 months?

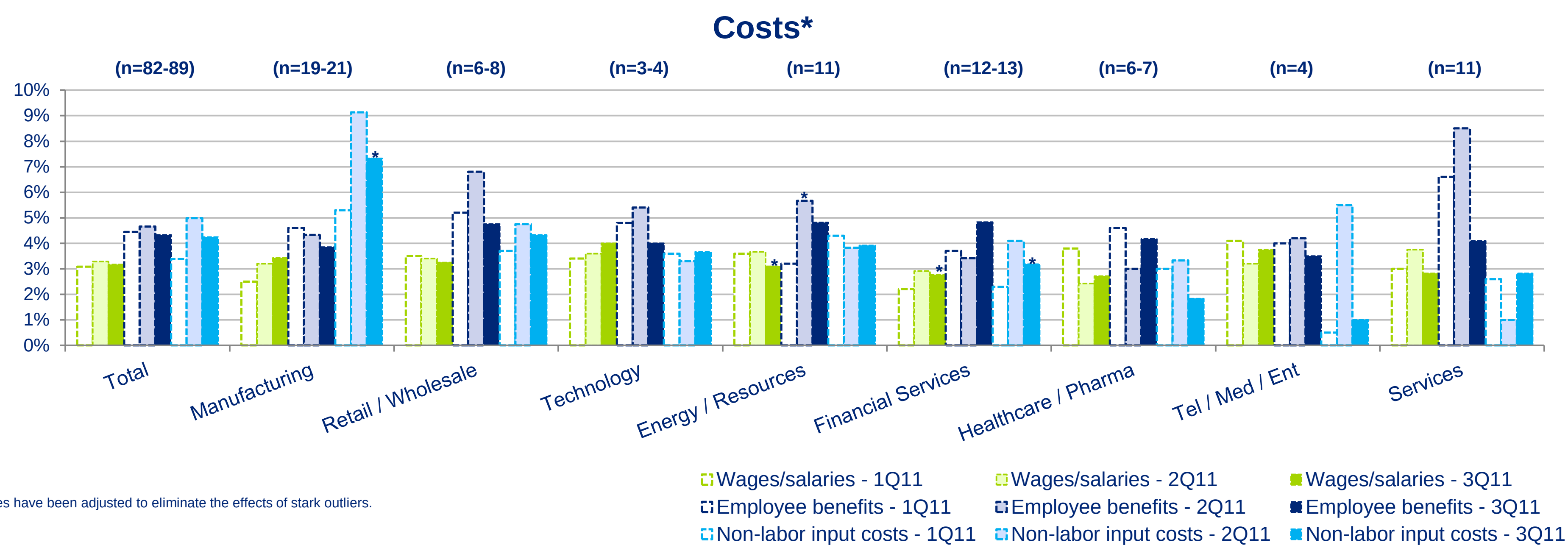


Totals may not add to 100% due to possible respondent selection of an "other" option that is not included in this chart.

Company – Operational Results Expectations

Compared to the past 12 months, how do you expect the following factors to change over the next 12 months?

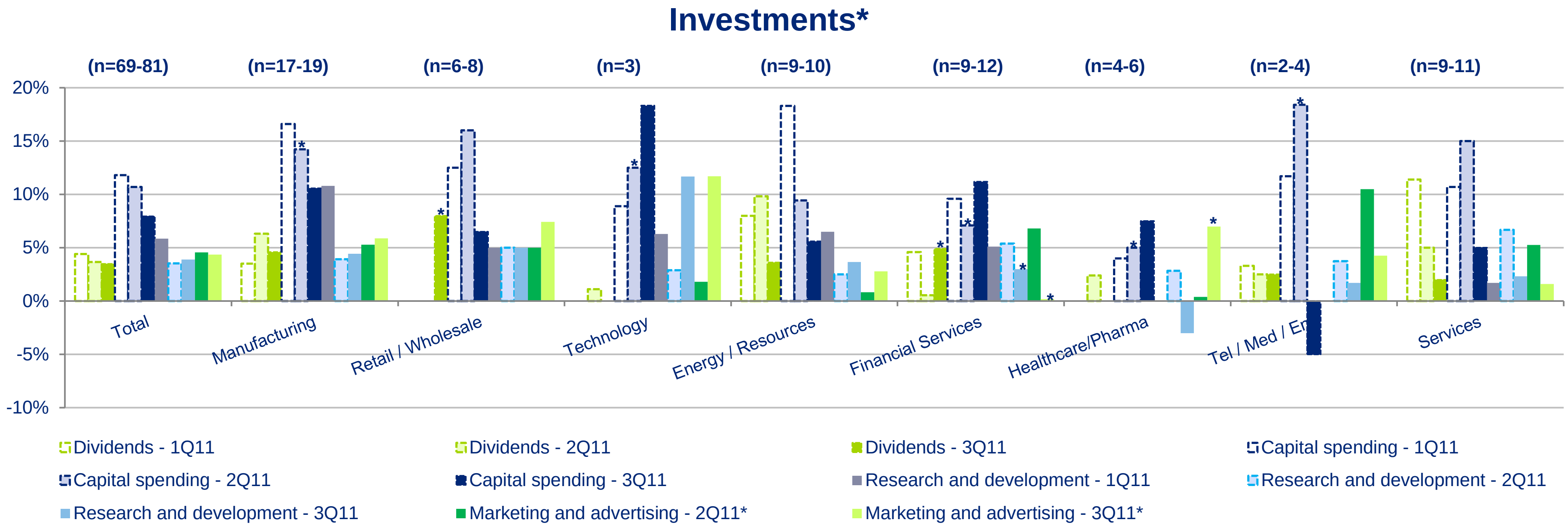


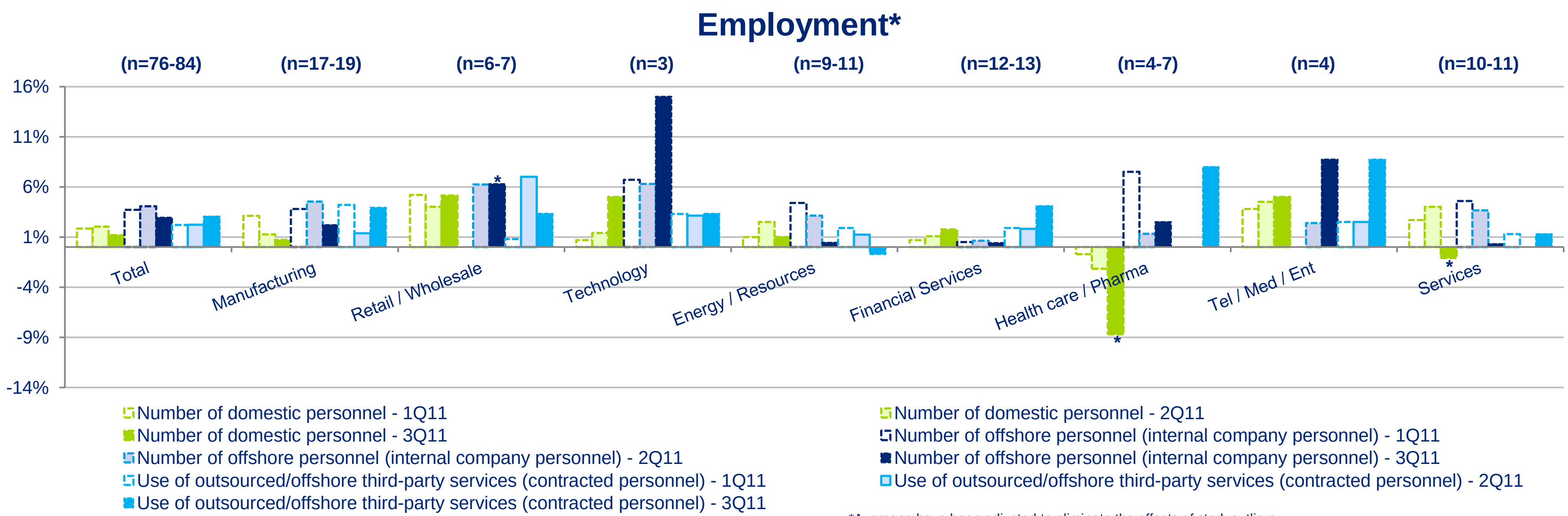


* Averages have been adjusted to eliminate the effects of stark outliers.

Company – Spending and Employment Expectations

Compared to the past 12 months, how do you expect the following factors to change over the next 12 months?

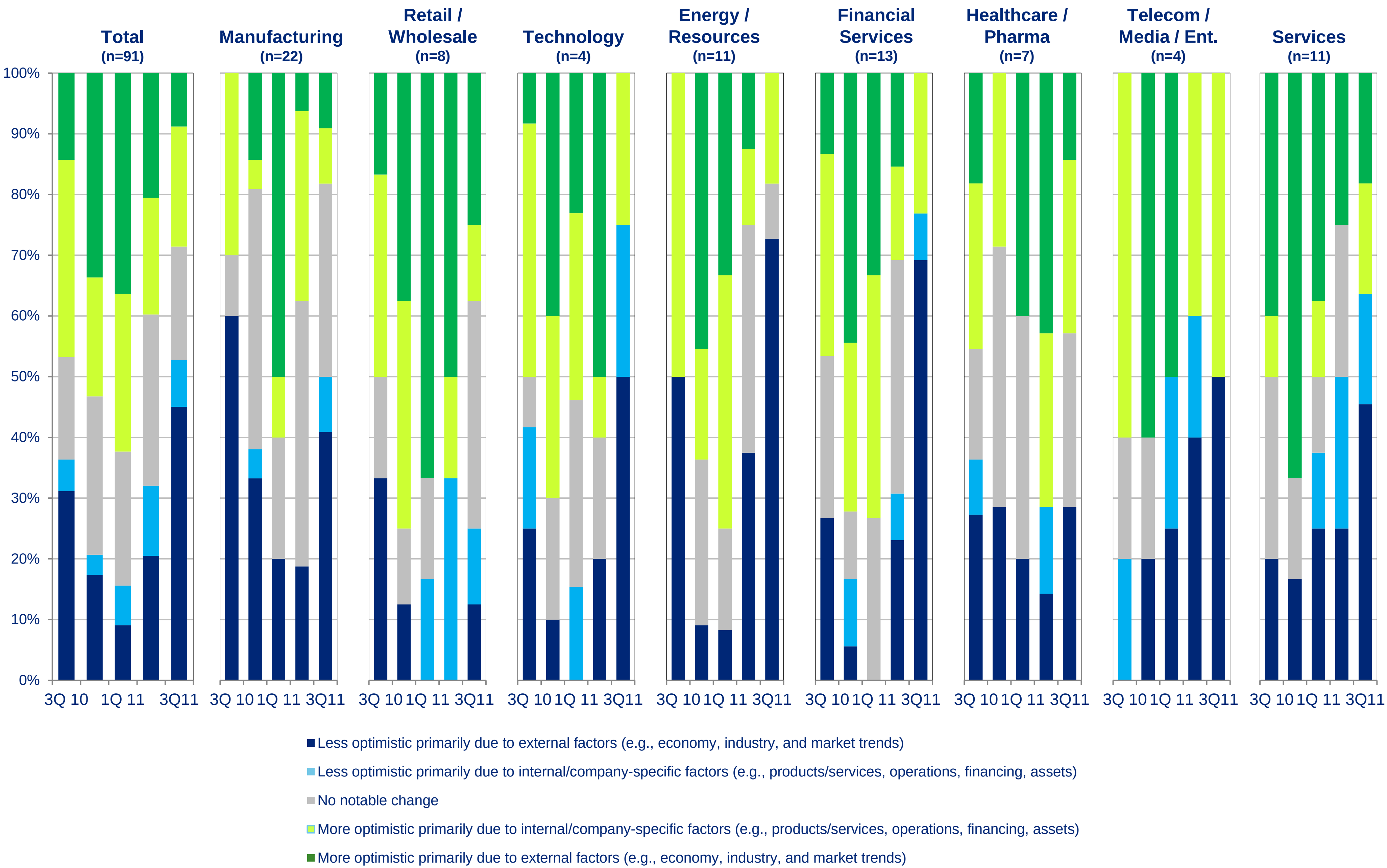




*Averages have been adjusted to eliminate the effects of stark outliers.
•Marketing and advertising is an option that was not offered in the past surveys.

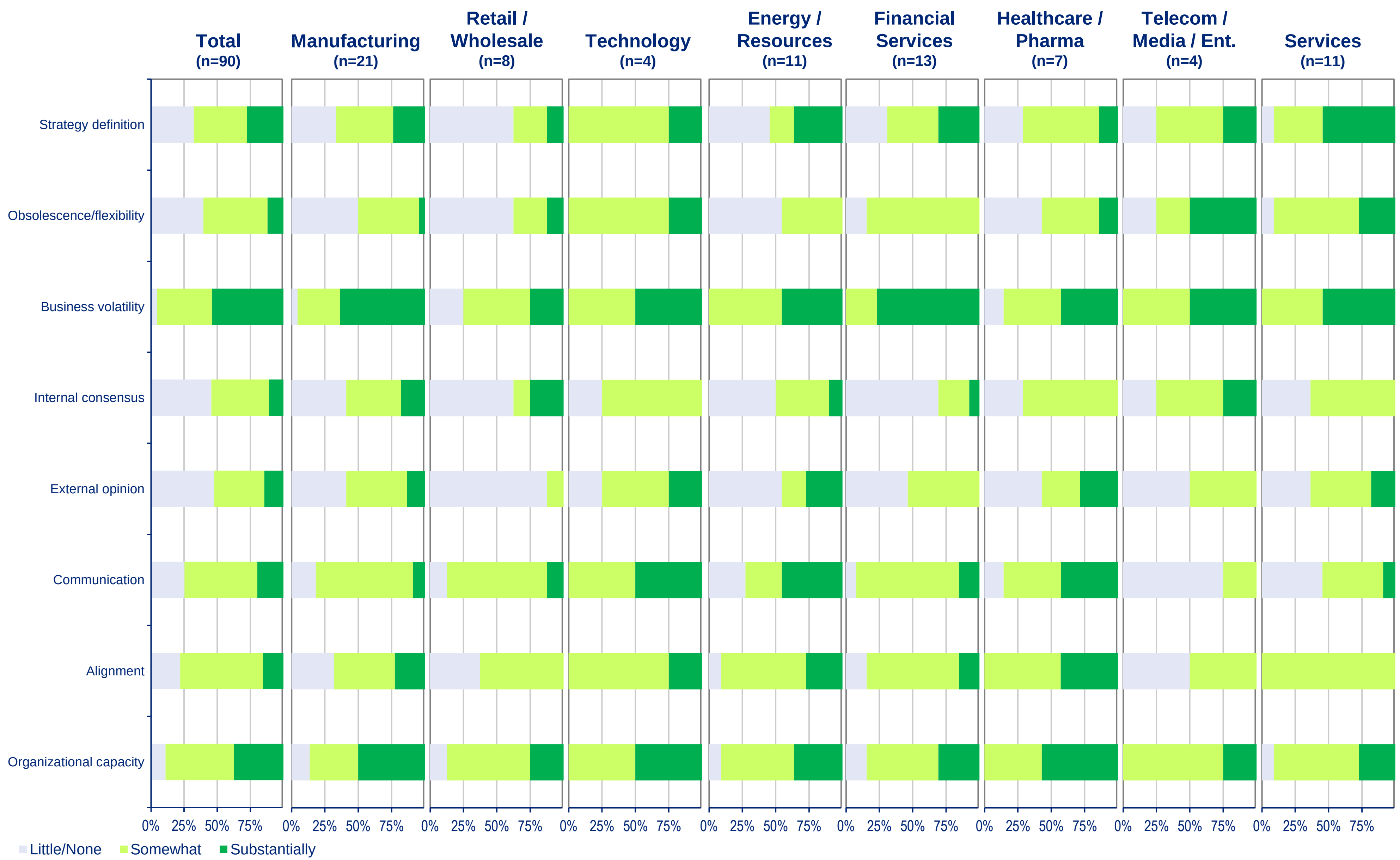
Company – Own-Company Optimism

How does your optimism regarding your company compare to last quarter?



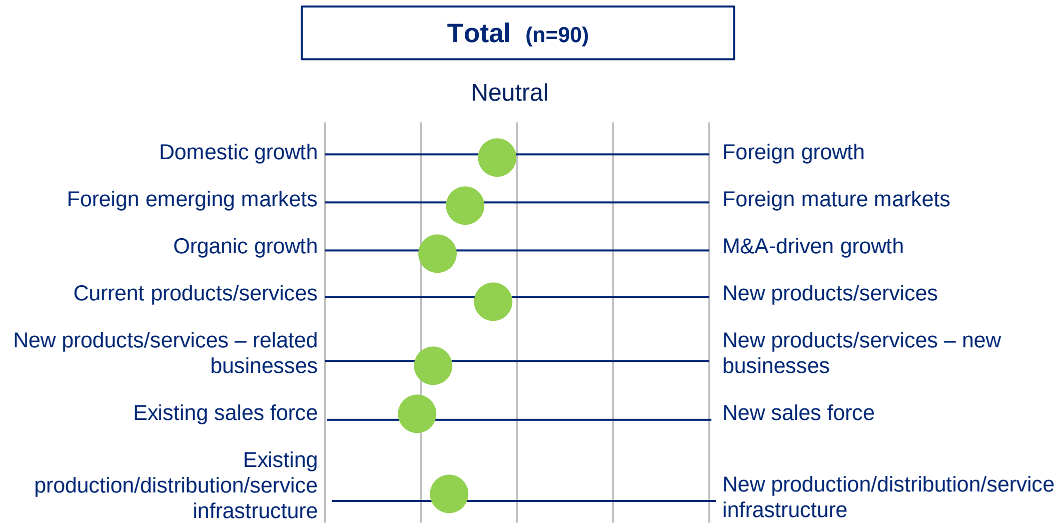
Company – Strategic Risk

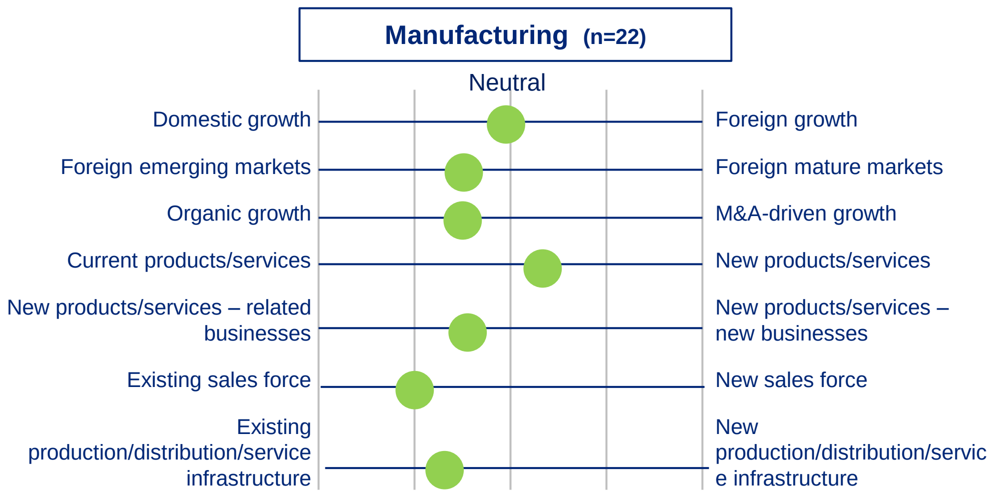
To what extent are you personally concerned about the following strategic risks?

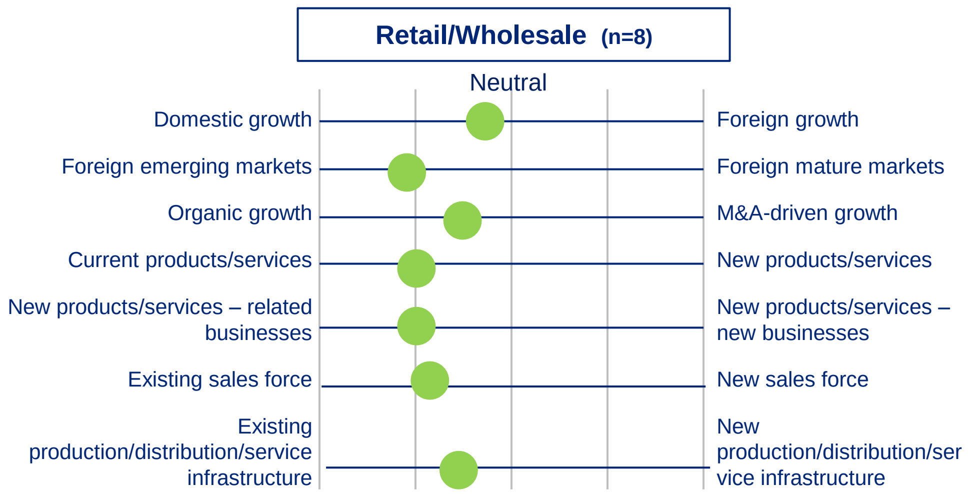


Company – Growth Plans

Please characterize your company's growth plans (page 1 of 3)

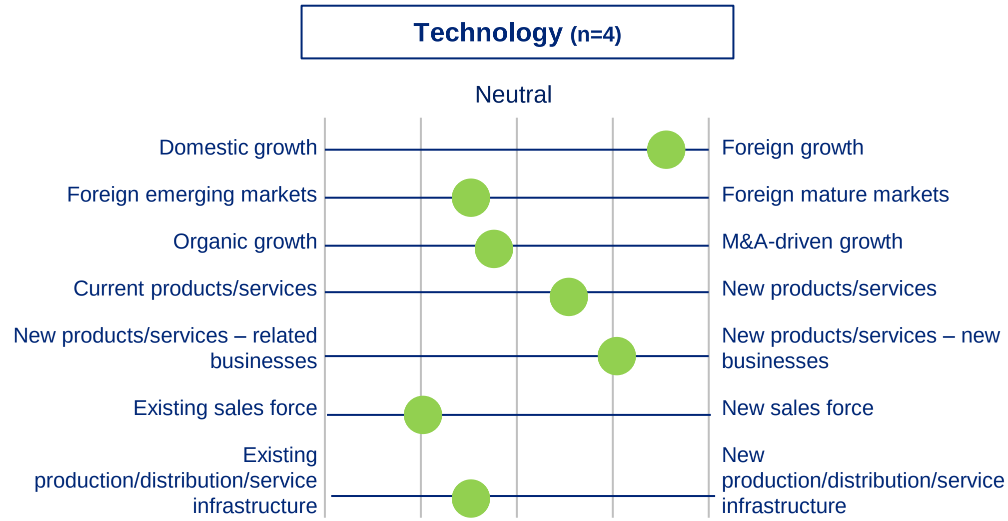


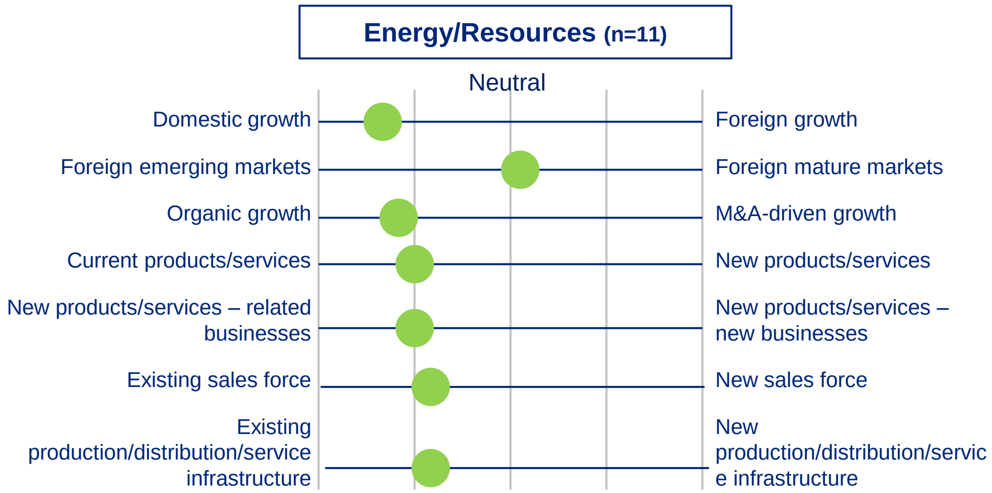


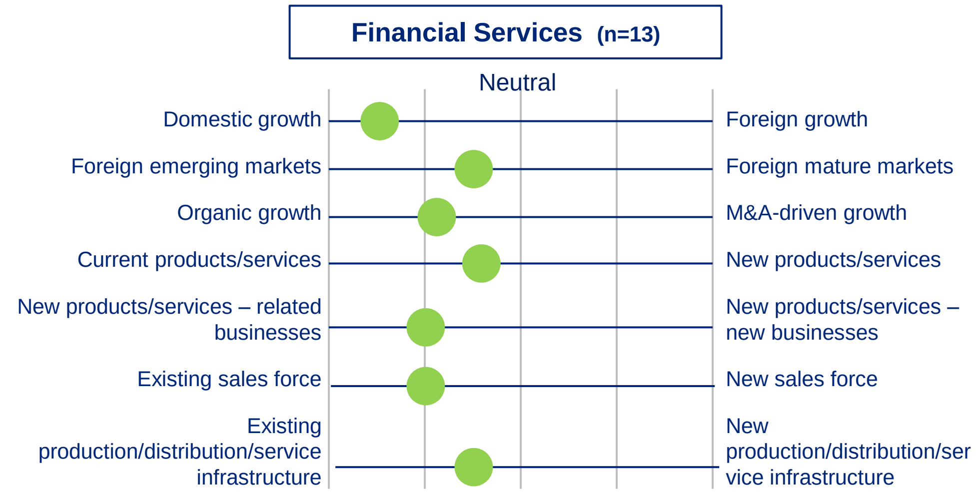


Company – Growth Plans

Please characterize your company's growth plans (page 2 of 3)







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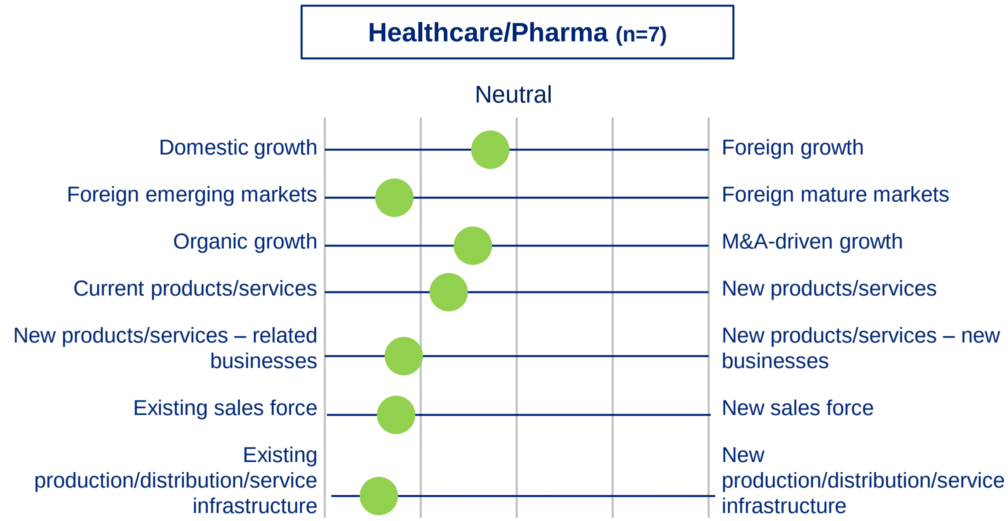
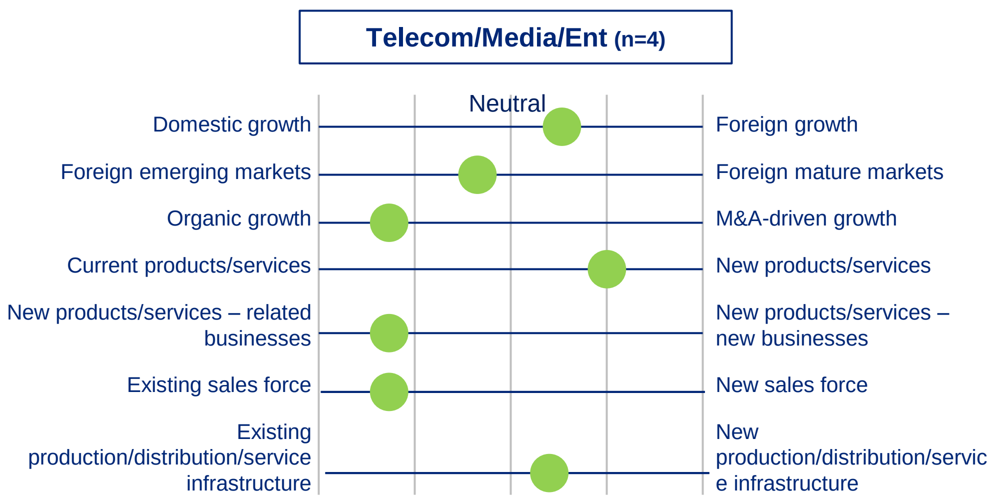
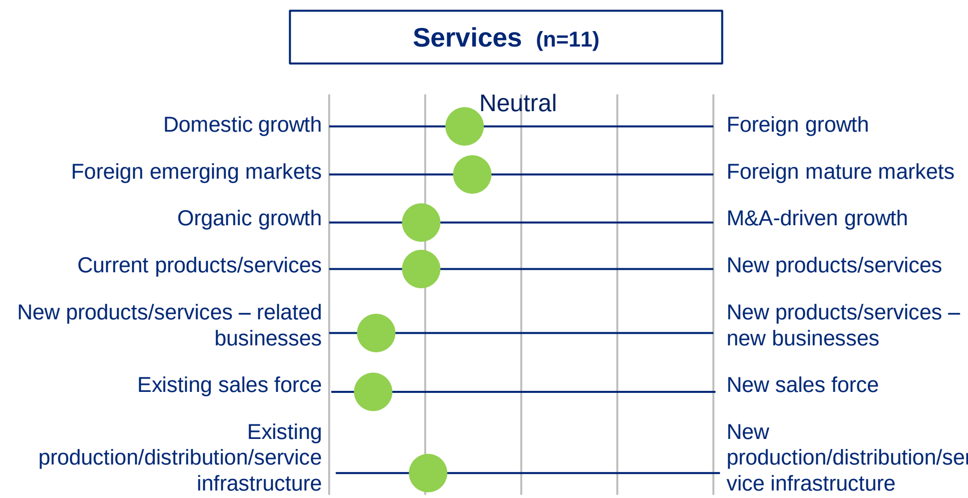
Company – Growth Plans

Please characterize your company's growth plans (page 3 of 3)







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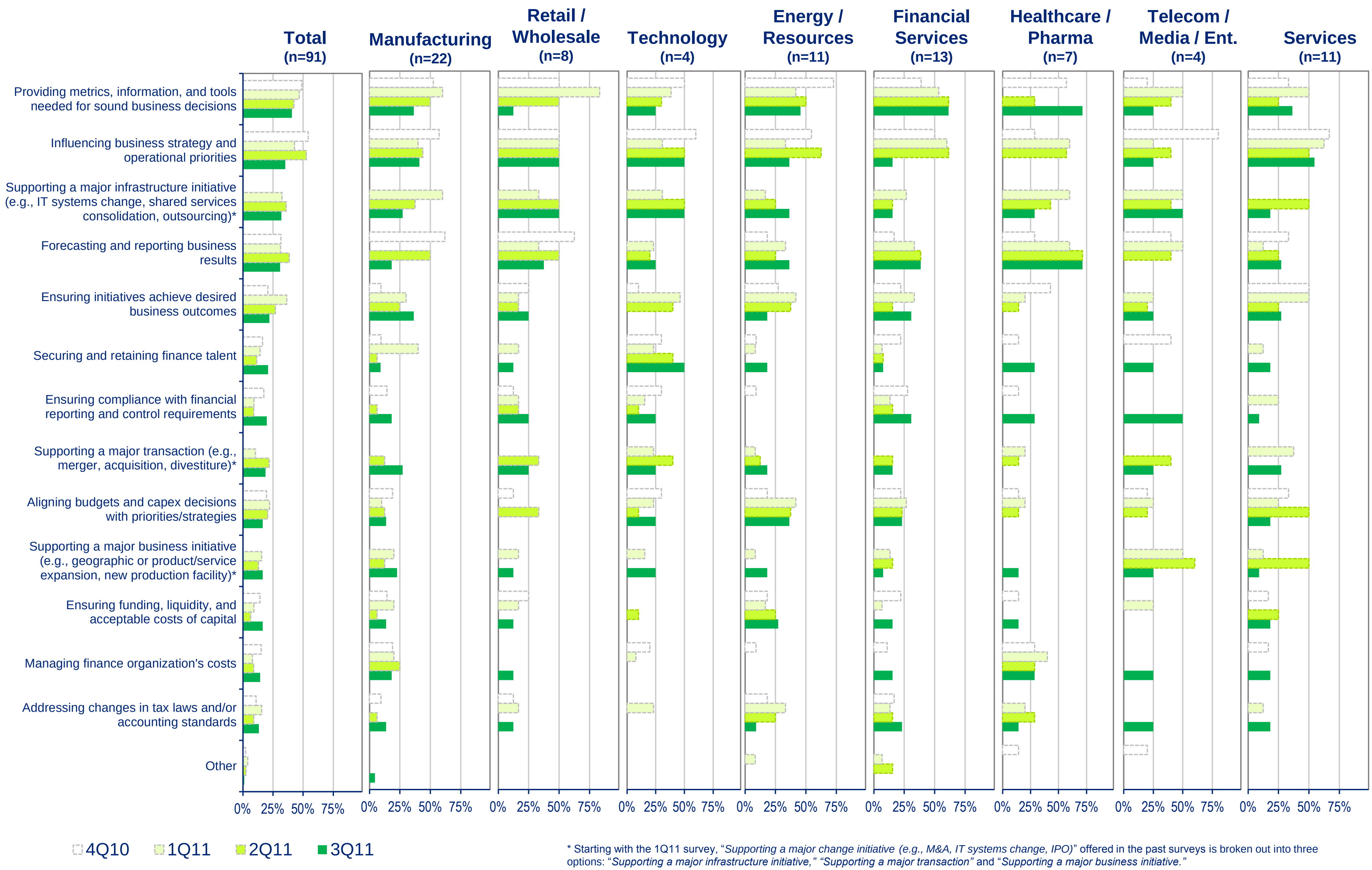
Finance Organization – Top Challenges

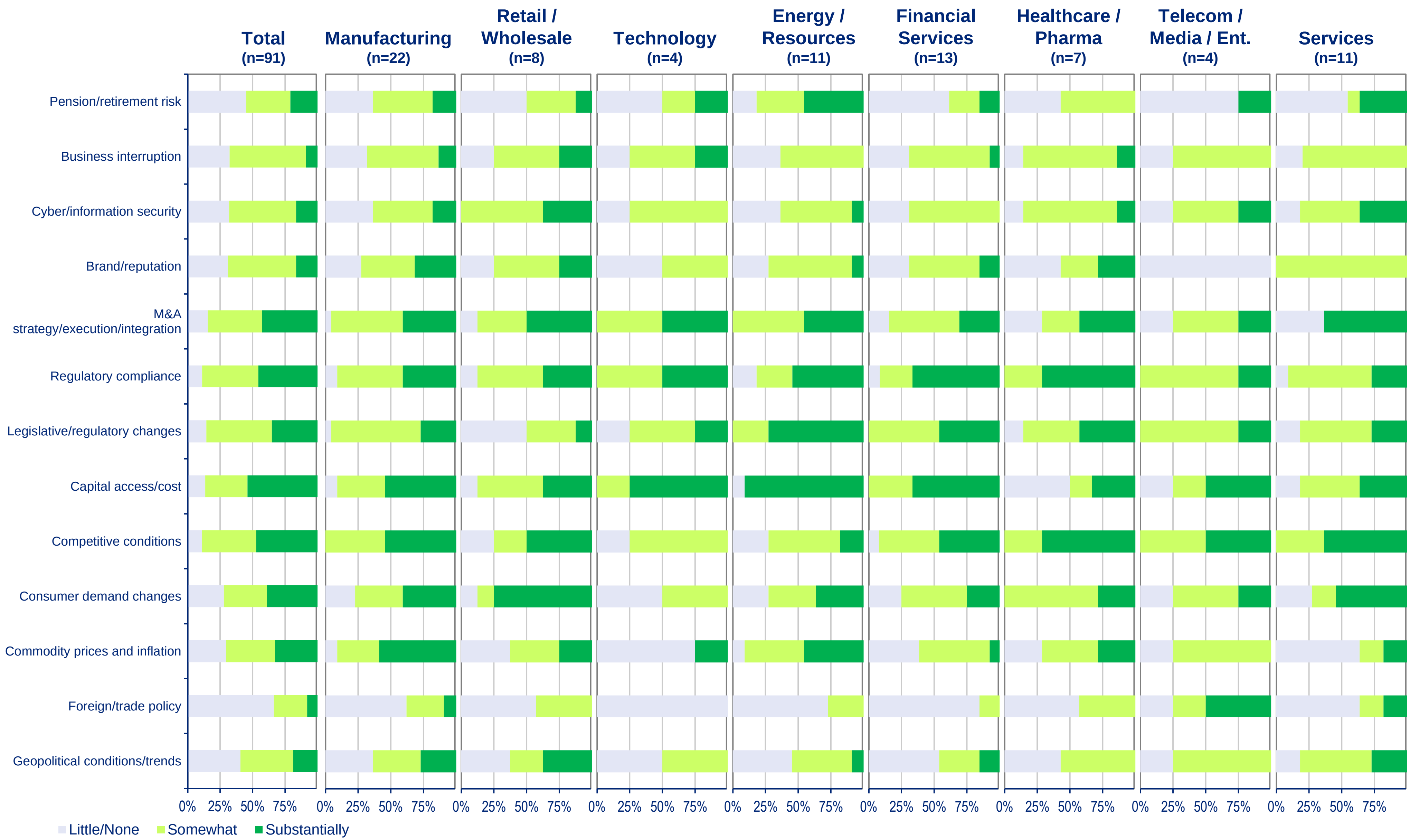
What are your finance organization's top three current challenges?



* Starting with the 1Q11 survey, "*Supporting a major change initiative (e.g., M&A, IT systems change, IPO)*" offered in the past surveys is broken out into three options: "*Supporting a major infrastructure initiative,*" "*Supporting a major transaction*" and "*Supporting a major business initiative.*"

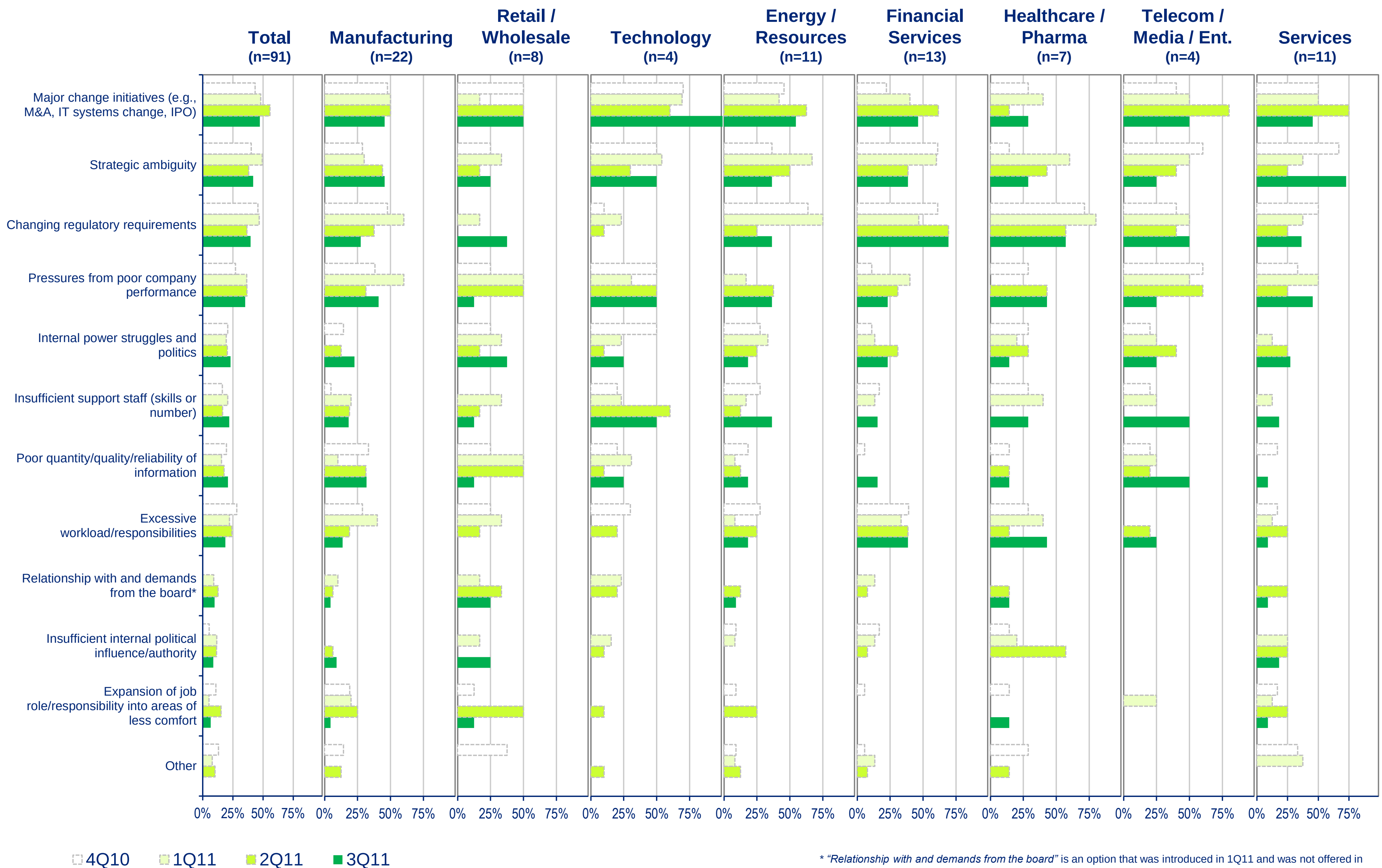
Finance Organization – Risk

How focused is your FINANCE ORGANIZATION on monitoring/managing risks in the following areas?



CFO Career – Top Job Stresses

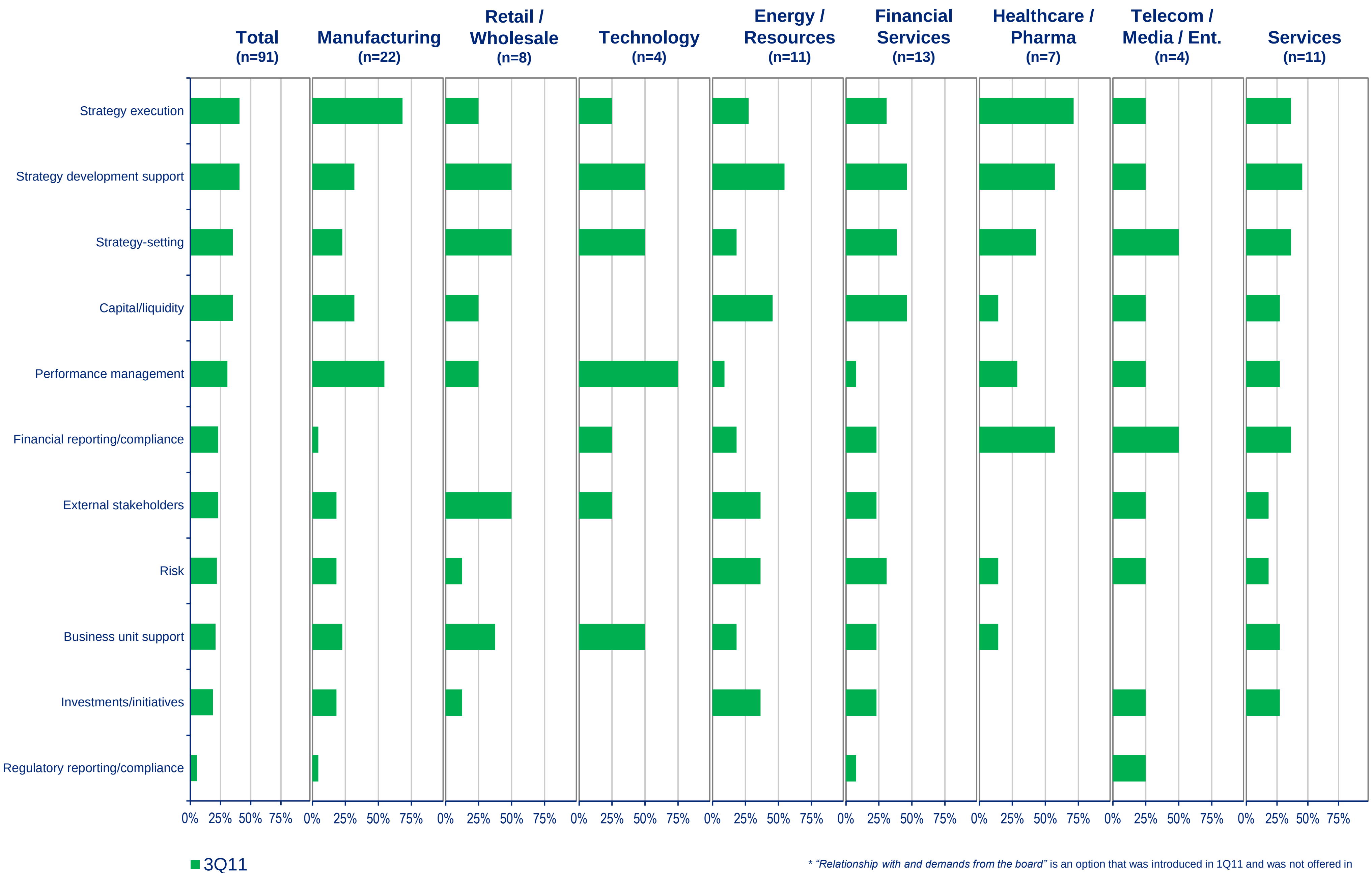
What are your top three job stresses?



* *"Relationship with and demands from the board"* is an option that was introduced in 1Q11 and was not offered in past surveys.

CFO Career – Focus of Effort

Which areas in your CEO currently asking you to focus your efforts?



* *"Relationship with and demands from the board"* is an option that was introduced in 1Q11 and was not offered in past surveys.

Industry highlights

Manufacturing

Sample size: 22

Economy

Economy challenges:

- Highest for currency exchange rates (50%)
- Among highest for environmental policy (45%)
- Among highest for corporate-tax policy (30%)
- Among highest for inflation (30%)
- Above average for accounting/reporting/controls policy (20%)
- About average for unemployment (40%)
- Below average for social policy/spending/investment (40%)
- Below average for capital cost/availability (20%)

Views on fiscal policy:

- Majority (100%) agree significant reductions in national deficits are essential to sustained business success; 95% agree corporate tax policies significantly influence company's investment decisions; 80% anticipate reform of corporate taxes in the next few years; 55% believe it would be acceptable for personal income tax to rise as part of comprehensive national budget deficit solution
- Majority (60%) disagree cuts in government spending would negatively impact company's financial performance; 55% are not planning for corporate taxes to be higher over the next few years

Impact of economy on company's outlook:

- Majority (80%) do not see recession as most likely economic scenario (in home economy) over the next few years
- Majority (55%) do not see company's financial projections declining (or already declined) as result of global economic developments

Industry

Industry challenges:

- Highest for input prices (40%)
- Highest for foreign competition (30%)
- Among highest for changing cost structure (30%)
- Above average for availability of people/skill sets (30%)
- Below average for industry regulation/legislation (30%)
- Below average for pricing trends (30%)
- Among lowest in new competitive tactics (10%)
- Among lowest in mergers and acquisitions (20%)

Company

Company challenges:

- Highest for managing operations and supply-chain risks (40%)
- Among highest for revenue growth/preservation in new markets (30%)
- Among highest for direct-cost reduction (20%)
- Among highest for managing assets and working capital (15%)
- Above average for prioritizing investments (20%)
- Above average for pursuing or responding to M&A opportunities/approaches (40%)
- Below average for framing and/or adapting strategy (30%)
- Among lowest for addressing government policy and regulation (10%)

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	6.1	5.0
Earnings	7.7	7.0
Wages and salaries	3.4	3.0
Employee benefits	3.9	3.0
Non-labor input costs and commodities	7.3	5.0
Dividends	4.6	0.0
Capital spending	10.6	10.0
Research and development	4.4	3.5
Marketing and advertising	5.9	5.0
Number of domestic personnel	0.7	0.5
Number of offshore personnel	2.2	0.0
Use of outsourced/ offshore third-party services	3.9	0.0

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

Manufacturing

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): business volatility (4/32/64/); organization capability (14/36/50)
- Lowest concerns (little/somewhat/substantial): obsolescence/flexibility (49/46/5)

Company business focus*:

- 30% on revenue growth/preservation in current markets
- 21% on revenue growth/preservation in new markets
- 16% on cost reduction within direct costs
- 13% on cost reduction within indirect costs
- 11% on asset efficiency within working capital
- 9% on asset efficiency within fixed assets

Company optimism:

- 18% are more optimistic (50% due to internal factors; 50% due to external factors)
- 50% are less optimistic (80% due to external factors ; 20% due to internal factors)

Company growth plans:

- Slightly tended towards domestic growth
- Tended towards foreign emerging markets
- Tended towards organic growth
- Tended towards new products/services
- Tended towards new products/services in related businesses
- Tended towards existing sales force
- Tended towards existing production/distribution/service infrastructure

Finance Organization

Finance-organization challenges:

- Highest for supporting a major transaction (30%)
- Highest for ensuring initiatives achieve desired business outcomes (40%)
- Among highest for supporting a major business initiative (20%)
- Above average for influencing business strategy and operational priorities (40%)
- About average for ensuring compliance with financial reporting and control requirements (20%)
- Below average for providing metrics, information, and tools needed for sound business decisions (40%)
- Among lowest for forecasting and reporting business results (20%)

Focus on monitoring/managing risk:

- Majority (60%) substantially focus on commodity prices and inflation; 55% substantially focus on competitive conditions and capital access/cost;
- Majority (70%) somewhat focus on legislative/regulatory changes; 55% somewhat focus on M&A strategy/execution/integration and business interruption; 50% somewhat focus on regulatory compliance
- Majority (60%) have little to no focus on foreign/trade policy

Potentially high-impact risk:

- Concerns heavily focused on economy and successful execution of major initiatives (ERP, acquisitions, and international expansion)

Career

Career concerns:

- Among highest for poor quantity/quality/reliability of information (30%)
- Above average for pressures from poor company performance (40%)
- Above average for strategic ambiguity (45%)
- About average for insufficient internal political influence/authority (10%)
- About average for internal power struggles and politics (20%)
- Below average for major change initiatives (45%)
- Below average for insufficient support staff (20%)
- Below average for excessive workload/responsibilities (10%)
- Among lowest for changing regulatory requirements (20%)

Focus of CFO efforts, as request by CEO:

- Among highest for strategy execution (70%)
- Among highest for performance management (55%)
- About average for capital/liquidity (30%)
- About average for risk (20%)
- About average for business unit support (20%)
- Below average for external stakeholders (20%)
- Below average for investments/initiatives (20%)
- Among lowest for strategy development support (30%)
- Among lowest in strategy-setting (20%)

* Total may not add to 100% due to rounding of individual averages.

Retail and wholesale

Sample size: **8**

Economy

Economy challenges:

- Highest for social policy/spending/investment (90%)
- Among highest for environmental policy (60%)
- Among highest for capital/cost availability (25%)
- Among highest for international-trade policy (25%)
- Below average for inflation (10%)
- Below average for corporate-tax policy (10%)
- Among lowest for currency exchange rates (10%)
- Among lowest for intellectual-property policy (10%)
- Lowest for accounting/reporting/controls policy (0%)

Views on fiscal policy:

- Majority (90%) agree significant reductions in national deficits are essential to sustained business success; 60% anticipate reform of corporate taxes in the next few years; 60% agree corporate tax policies significantly influence company's investment decisions
- Majority (90%) disagree that cuts in government spending would negatively impact company's financial performance; 70% are not planning for corporate taxes to be higher over the next few years; 60% do not believe it would be acceptable for personal income tax to rise as part of comprehensive national budget deficit solution

Impact of economy on company's outlook

- Majority (90%) do not see recession as most likely economic scenario (in home economy) over the next few years
- Majority (75%) do not see company's financial projections declining (or already declined) as result of global economic developments

Industry

Industry challenges:

- Highest for new competitive tactics (75%)
- Highest for overcapacity/excess inventory (25%)
- Among highest for market growth (25%)
- Above average for market contraction (40%)
- Above average for changing cost structure (25%)
- About average for mergers and acquisitions (25%)
- Below average for industry regulation/legislation (40%)
- Among lowest for pricing trends (25%)
- Among lowest for availability of people/skill sets (0%)
- Among lowest for foreign competition (10%)

Company

Company challenges:

- Highest for managing operations and supply-chain risks (40%)
- Among highest for managing assets and working capital (25%)
- Among highest for talent (40%)
- Among highest for revenue growth/preservation in new markets (25%)
- Above average for revenue growth/preservation in existing markets (60%)
- Among lowest for framing and/or adapting strategy (25%)
- Among lowest for addressing government policy and regulation (0%)
- Lowest for pursuing or responding to M&A opportunities/approaches (0%)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	10.5	10.0
Earnings	14.8	15.0
Wages and salaries	3.3	3.0
Employee benefits	4.8	4.5
Non-labor input costs and commodities	4.3	4.0
Dividends	8.0	4.0
Capital spending	6.5	6.0
Research and development	5.0	2.5
Marketing and advertising	7.43	10.0
Number of domestic personnel	5.1	2.0
Number of offshore personnel	6.3	2.0
Use of outsourced/ offshore third-party services	3.3	0.0

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

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Retail and wholesale

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): organization capability (12/63/25); communication (12/75/13); business volatility (25/50/25)
- Lowest concerns (little/somewhat/substantial): external opinion (87/13/0); strategy definition and obsolescence/flexibility (both 62/25/13)

Company business focus*:

- 35% on revenue growth/preservation in current markets
- 21% on revenue growth/preservation in new markets
- 15% on cost reduction within direct costs
- 9% on cost reduction within indirect costs
- 12% on asset efficiency within working capital
- 9% on asset efficiency within fixed assets

Company optimism:

- 38% are more optimistic (70% due to external factors; 30% due to internal factors)
- 25% are less optimistic (50% due to external factors; 50% due to internal factors)

Company growth plans:

- Tended towards domestic growth
- Tended towards foreign emerging markets
- Tended towards organic growth
- Tended towards current products/services
- Tended towards new products/services in related businesses
- Tended towards existing sales force
- Tended towards existing production/distribution/infrastructure

Finance Organization

Finance-organization challenges:

- Among highest for influencing business strategy and operational priorities (50%)
- Among highest for supporting a major infrastructure initiative (50%)
- Among highest for forecasting and reporting business results (40%)
- About average for ensuring initiatives achieve desired business outcomes (25%)
- Below average for securing and retaining finance talent (10%)
- Among lowest for supporting a major business initiative (10%)
- Lowest for providing metrics, information, and tools needed for sound business decisions (10%)

Focus on monitoring/managing risk:

- Majority (75%) substantially focus on consumer demand changes; 50% substantially focus on competitive conditions and M&A strategy/execution/integration
- Majority (60%) somewhat focus on cyber/information security; 50% somewhat focus on capital access/cost, regulatory compliance, brand/reputation, and business interruption
- Majority (60%) have little to no focus on foreign trade policy; 50% have little to no focus on legislative/regulatory changes and pension/retirement risk

Potentially high-impact risk:

- Concerns mostly focused on economy. Some focus on debt markets.

Career

Career concerns:

- Highest for internal power struggles and politics (40%)
- Highest for relationship with and demands from the board (25%)
- Highest for insufficient internal political influence/authority (25%)
- Among highest for expansion of job role/responsibility into areas of less comfort (10%)
- About average for changing regulatory requirements (40%)
- About average for major change initiatives (50%)
- Among lowest for strategic ambiguity (25%)
- Among lowest for poor quantity/quality/reliability of information (10%)
- Lowest for insufficient support staff (skills or number (10%)

Focus of CFO efforts, as request by CEO:

- Highest for external stakeholders (50%)
- Among highest for business unit support (40%)
- Among highest for strategy development support (50%)
- Below average for capital/liquidity (25%)
- Below average for investments/initiatives (10%)
- Among lowest for strategy execution (25%)
- Among lowest for performance management (25%)
- Among lowest for risk (10%)
- Lowest for financial reporting/compliance (0%)

* Total may not add to 100% due to rounding of individual averages.

Technology

Sample size: 4

Economy

Economy challenges:

- Highest for currency exchange rates (50%)
- Highest for military/defense policy (25%)
- Among highest for unemployment (50%)
- Among highest for capital cost/availability (25%)
- Above average for accounting/reporting/controls policy (25%)
- Below average for social policy/spending/investment (50%)
- Among lowest for corporate-tax policy (0%)
- Among lowest for inflation (0%)
- Lowest for environmental policy (0%)

Views on fiscal policy:

- Majority (100%) agree significant reductions in national deficits are essential to sustained business success; 100% anticipate reform of corporate taxes in the next few years and are planning for corporate taxes to be higher over the next few years; 75% agree corporate tax policies significantly influence company's investment decisions; 70% agree cuts in government spending would negatively impact company's financial performance
- Half agree that it would be acceptable for personal income taxes to rise as part of comprehensive national budget deficit solution

Impact of economy on company's outlook

- Half see recession as most likely economic scenario (in home economy) over the next few years
- Majority (75%) see company's financial projections declining (or already declined) as result of global developments

Industry

Industry challenges:

- Highest for availability of people/skill sets (50%)
- Among highest for pricing trends (75%)
- Among highest for market growth (25%)
- Among highest for foreign competition (25%)
- Among highest for product substitutes (25%)
- Above average for changing cost structures (25%)
- About average for mergers and acquisitions (25%)
- About average for new competitive tactics (25%)
- Among lowest for industry regulation/legislation (25%)
- Lowest for market contraction (0%)

Company

Company challenges:

- Highest for revenue growth/preservation in existing markets (75%)
- Highest for projecting and reporting results (25%)
- Highest for talent (75%)
- Among highest for framing and/or adapting strategy (50%)
- Above average for revenue growth/preservation in new markets (25%)
- Below average for pursuing or responding to M&A opportunities/approaches
- Below average for managing operations and supply chain risks (25%)
- Among lowest in overhead-cost reduction (0%)
- Among lowest for addressing government policy and regulation (0%)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	16.3	20.0
Earnings	29.0	29.0
Wages and salaries	4.0	4.0
Employee benefits	4.0	4.0
Non-labor input costs and commodities	3.6	4.0
Dividends	0.0	0.0
Capital spending	18.3	10.0
Research and development	11.7	10.0
Marketing and advertising	11.7	10.0
Number of domestic personnel	5.0	5.0
Number of offshore personnel	15	20.0
Use of outsourced/ offshore third-party services	3.3	0.0

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

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Technology

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): business volatility, communication, and organization capability (all 0/50/50); strategy definition and obsolescence/flexibility (both at 0/75/25)
- Lowest concerns (little/somewhat/substantial): internal consensus (25/75/0)

Company business focus*:

- 30% on revenue growth/preservation in current markets
- 34% on revenue growth/preservation in new markets
- 14% on cost reduction within direct costs
- 3% on cost reduction within indirect costs
- 11% on asset efficiency within working capital
- 4% on asset efficiency within fixed assets
- 5% on "other"

Company optimism:

- 25% are more optimistic (100% due to internal factors)
- 75% are less optimistic (70% due to external factors; 30% due to internal factors)

Company growth plans:

- Tended towards foreign growth
- Tended towards foreign emerging markets
- Tended towards organic growth
- Tended towards new products/services
- Tended toward new products/serves in new businesses
- Tended towards existing sales force
- Tended towards existing production/distribution/service infrastructure

Finance Organization

Finance-organization challenges:

- Highest for securing and retaining finance talent (50%)
- Among highest for supporting a major infrastructure initiative (50%)
- Among highest for aligning budgets and capex decisions with priorities/strategies (25%)
- Above average for supporting a major transaction (25%)
- About average for ensuring compliance with financial reporting and control compliance (25%)
- Below average for forecasting and reporting business results (25%)
- Among lowest for providing metrics, information, and tools needed for sound business decisions (25%)
- Among lowest for ensuring initiatives achieve desired business outcomes (0%)

Focus on monitoring/managing risk:

- Majority (75%) substantially focus on capital access/cost; 50% substantially focus on regulatory compliance and M&A strategy/execution/integration
- Majority (75%) somewhat focus on competitive conditions and cyber/information security; 50% somewhat focus on legislative/regulatory changes, business interruption, consumer demand changes, brand reputation, and geopolitical conditions/trends
- Majority (100%) have little to no focus on foreign policy; 75% have little to no focus on commodity prices and inflation

Potentially high-impact risk:

- Sample size too small to draw conclusions.

Career

Career concerns:

- Highest for major change initiatives (100%)
- Highest for pressures from poor company performance (50%)
- Among highest for strategic ambiguity (50%)
- Among highest for insufficient support staff (50%)
- Among highest for poor quantity/quality/reliability of information (25%)
- Above average for internal power struggles and politics (25%)
- Among lowest for excessive workload/responsibilities (0%)
- Among lowest for expansion of job role/responsibility into areas of less comfort (0%)
- Lowest for changing regulatory requirements (0%)

Focus of CFO efforts, as request by CEO:

- Highest for performance management (75%)
- Highest for business unit support (50%)
- Among highest for strategy development support (50%)
- Among highest for strategy-setting (50%)
- Among highest for external stakeholders (25%)
- About average for financial reporting/compliance (25%)
- Among lowest for strategy execution (25%)
- Lowest for capital/liquidity (0%)
- Lowest for risk (0%)

* Total may not add to 100% due to rounding of individual averages.

Energy and resources

Sample size: 11

Economy

Economy challenges:

- Highest for environmental policy (80%)
- Highest for corporate-tax policy (40%)
- Among highest for social policy/spending/investment (70%)
- Above average for international-trade policy (10%)
- Above average for personal income tax policy (10%)
- Among lowest for accounting/reporting/controls policy (10%)
- Among lowest for intellectual-property policy (0%)
- Below average for capital cost/availability (20%)
- Below average for inflation (10%)

Views on fiscal policy:

- Majority (80%) agree significant reductions in national deficits are essential to sustained business success; 60% agree corporate tax policies significantly influence company's investment decisions; 55% are planning for corporate taxes to be higher over the next few years; 55% agree it would be acceptable for personal income taxes to rise as part of comprehensive national budget deficit solution
- Majority (60%) do not anticipate reform of corporate taxes in the next few years and do not agree that cuts in government spending would negatively impact company's financial performance

Impact of economy on company's outlook

- Majority (60%) do not see recession as most likely economic scenario (in home economy) over the next few years
- Majority (55%) see company's financial projections declining (or already declined) as result of global developments

Industry

Industry challenges:

- Highest for industry regulation/legislation (70%)
- Among highest for market contraction (50%)
- Among highest for mergers and acquisitions (30%)
- Above average for availability of people/skill sets (30%)
- Above average for foreign competition (20%)
- Above average for product substitutes (20%)
- Below average for new competitive tactics (20%)
- Below average for changing cost structures (10%)
- Below average for overcapacity/excess inventory (20%)
- Lowest for pricing trends (20%)

Company

Company challenges:

- Highest for addressing governmental policy and regulation (45%)
- Highest for financing and liquidity (30%)
- Among highest for overhead-cost reduction (45%)
- Among highest for prioritizing investments (30%)
- Above average for framing and/or adapting strategy (40%)
- About average for pursuing or responding to M&A opportunities/approaches (30%)
- About average for managing operations and supply chain risks (30%)
- Among lowest for revenue growth/preservation in new markets (10%)
- Lowest for revenue growth/preservation in existing markets (30%)

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	3.5	5.0
Earnings	5.8	10.0
Wages and salaries	3.0	3.0
Employee benefits	4.8	5.0
Non-labor input costs and commodities	3.9	4.0
Dividends	3.6	3,0
Capital spending	5.6	5.0
Research and development	3.7	0.0
Marketing and advertising	2.8	0.0
Number of domestic personnel	1.0	0.0
Number of offshore personnel	0.4	0.0
Use of outsourced/ offshore third-party services	-0.7	0.0

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

Energy and resources

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): business volatility (0/55/45); organization capability (9/55/36); communication (27/27/46)
- Lowest concerns (little/somewhat/substantial): obsolescence/flexibility (55/45/0); external opinion (55/18/27)

Company business focus*:

- 19% on revenue growth/preservation in current markets
- 12% on revenue growth/preservation in new markets
- 18% on cost reduction within direct costs
- 20% on cost reduction within indirect costs
- 9% on asset efficiency within working capital
- 13% on asset efficiency within fixed assets
- 10% on “other”

Company optimism:

- 18.2% are more optimistic (100% due to internal factors)
- 73% are less optimistic (100% due to external factors)

Company growth plans:

- Tended towards domestic growth
- Slightly tended towards foreign mature markets
- Tended towards organic growth
- Tended towards current products/services
- Tended towards new products/services in related businesses
- Tended towards existing sales force
- Tended towards existing production/distribution/service infrastructure

Finance Organization

Finance-organization challenges:

- Highest for aligning budgets and capex decisions with priorities/strategies (40%)
- Highest for ensuring funding, liquidity, and acceptable cost of capital (30%)
- Above average for providing metrics, information, and tools needed for sound business decisions (50%)
- Above average for forecasting and reporting business results (40%)
- About average for supporting a major infrastructure initiative (40%)
- Below average for ensuring initiatives achieve desired business outcomes (20%)
- Below average for supporting a major transaction (20%)
- Lowest for ensuring compliance with financial reporting and control requirements (0%)

Focus on monitoring/managing risk:

- Majority (90%) substantially focus on capital access/cost; 70% substantially focus on legislative/regulatory changes; 55% substantially focus on regulatory compliance
- Majority (60%) somewhat focus on brand reputation and business interruption; 55% somewhat focus on M&A strategy/execution/integration, competitive conditions, and cyber/information security
- Majority (70%) have little to no focus on foreign/trade policy

Potentially high-impact risk:

- Concerns focused on economy, commodity pricing, capital market and regulatory issues.

Career

Career concerns:

- Among highest for major change initiative (50%)
- Above average for insufficient support staff (40%)
- Above average for relationship with and demands from the board (10%)
- About average for pressures from poor company performance (40%)
- About average for poor quantity/quality/reliability of information (20%)
- About average for excessive workload/responsibilities (20%)
- Below average for strategic ambiguity (40%)
- Below average for changing regulatory requirements (40%)
- Among lowest for internal power struggles and politics (20%)

Focus of CFO efforts, as request by CEO:

- Highest for risk (40%)
- Highest for investments/initiatives (40%)
- Among highest for strategy development support (50%)
- Among highest for capital/liquidity (45%)
- Among highest for external stakeholders (40%)
- Below average for business unit support (20%)
- Among lowest for strategy execution (30%)
- Among lowest for financial reporting/compliance (20%)
- Lowest for strategy-setting (20%)

* Total may not add to 100% due to rounding of individual averages.

Financial services

Sample size: 13

Economy

Economy challenges:

- Highest for unemployment (85%)
- Highest for capital cost/availability (30%)
- Highest for personal income tax policy (20%)
- Among highest in military/defense policy (10%)
- Above average for social policy/spending/investment (60%)
- Below average for inflation (10%)
- Below average for accounting/reporting/controls policy (15%)
- Among lowest for environmental policy (15%)
- Lowest for currency exchange rates (0%)

Views on fiscal policy:

- Majority (100%) agree significant reductions in national deficits are essential to sustained business success; 80% anticipate reform of corporate taxes in the next few years; 50% agree corporate tax policies significantly influence company's investment decisions and are planning for corporate taxes to be higher over the next few years;
- Majority (80%) do not agree that cuts in government spending would negatively impact company's financial performance; 50% do not agree it would be acceptable for personal income tax rate to rise as part of a comprehensive national budget deficit solution

Impact of economy on company's outlook

- Majority (90%) do not see recession as most likely economic scenario (in home economy) over the next few years
- Majority (60%) see company's financial projections declining (or already declined) as result of global developments

Industry

Industry challenges:

- Highest for market growth (30%)
- Above average for industry regulation/legislation (70%)
- Above average for pricing trends (60%)
- Average for overcapacity/excess inventory (15%)
- Average for new competitive tactics (20%)
- Below average for mergers and acquisitions (20%)
- Below average for availability of people/skill sets (15%)
- Below average for input prices (10%)
- Among lowest for market contraction (20%)
- Lowest for foreign competition (0%)

Company

Company challenges:

- Among highest for overhead-cost reduction (30%)
- Among highest for addressing government policy and regulation (30%)
- Above average for revenue growth/preservation in existing markets (60%)
- Above average for framing and/or adapting strategy (50%)
- Above average for pursuing or responding to M&A opportunities/approaches (30%)
- Above average for direct-cost reduction (15%)
- Below average for prioritizing investments (15%)
- Among lowest for managing operations and supply chain risks (10%)
- Among lowest for revenue growth/preservation in new markets (10%)

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	5.2	5.0
Earnings	8.8	6.5
Wages and salaries	2.8	3.0
Employee benefits	4.8	5.0
Non-labor input costs and commodities	3.2	3.0
Dividends	4.9	4.0
Capital spending	11.2	5.0
Research and development	3.0	1.0
Marketing and advertising	0.2	0.0
Number of domestic personnel	1.7	1.0
Number of offshore personnel	0.4	0.0
Use of outsourced/ offshore third-party services	4.1	0.0

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

Financial services

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): business volatility (0/23/77); organization capability (15/54/31)
- Lowest concerns (little/somewhat/substantial): internal consensus (69/23/8)

Company business focus*:

- 48% on revenue growth/preservation in current markets
- 11% on revenue growth/preservation in new markets
- 10% on cost reduction within direct costs
- 11% on cost reduction within indirect costs
- 2% on asset efficiency within working capital
- 9% on asset efficiency within fixed assets
- 10% on "other"

Company optimism:

- 23% are more optimistic (100% due to internal factors)
- 77% are less optimistic (90% due to external factors; 10% due to internal factors)

Company growth plans:

- Tended towards domestic growth
- Tended towards foreign emerging markets
- Tended towards organic growth
- Tended towards current products/services
- Tended towards new products/services in related businesses
- Tended towards existing sales force
- Tended towards existing production/distribution/service infrastructure

Finance Organization

Finance-organization challenges:

- Among highest for providing metrics, information, and tools needed for sound business decisions (60%)
- Among highest for ensuring compliance with financial reporting and control requirements (30%)
- Among highest for aligning budgets and capex decisions with priorities/strategies (30%)
- Above average for ensuring funding, liquidity, and acceptable costs of capital (15%)
- Among lowest for influencing business strategy and operational priorities (15%)
- Among lowest for supporting a major transaction (15%)
- Lowest for supporting a major infrastructure initiative (15%)
- Lowest for securing and retaining finance talent (10%)

Focus on monitoring/managing risk:

- Majority (70%) substantially focus on capital access/cost; 70% substantially focus on regulatory compliance
- Majority (70%) somewhat focus on cyber/information security; 60% somewhat focus on business interruption; 50% somewhat focus on M&A strategy/execution/integration, legislative/regulatory changes, consumer demand changes, brand/reputation, and commodity prices and inflation
- Majority (85%) have little to no focus on foreign/trade policy

Potentially high-impact risk:

- Equal concerns around the economy, capital markets (liquidity and interest rates) and regulatory changes.

Career

Career concerns:

- Highest for changing regulatory requirements (70%)
- Among highest for excessive workload/responsibilities (40%)
- About average for internal power struggles and politics (20%)
- Below average for major change initiatives (50%)
- Below average for strategic ambiguity (40%)
- Below average for pressures from poor company performances (20%)
- Below average for poor quantity/quality/reliability of information (15%)
- Among lowest for insufficient support staff (15%)

Focus of CFO efforts, as request by CEO:

- Highest for capital/liquidity (50%)
- Among highest for risk (30%)
- Among highest for regulatory reporting/compliance (10%)
- About average for strategy development support (50%)
- About average for strategy-setting (40%)
- About average for investments/initiatives (20%)
- Below average for strategy execution (30%)
- Below average for financial reporting/compliance (20%)
- Lowest for performance management (10%)

* Total may not add to 100% due to rounding of individual averages.

Healthcare and pharmaceuticals

Sample size: 7

Economy

Economy challenges:

- Highest for inflation (40%)
- Among highest for social policy/spending/investment (85%)
- Among highest for accounting/reporting/controls policy (30%)
- Among highest for currency exchange rates (40%)
- Above average for intellectual-property policy (15%)
- Above average for environmental policy (40%)
- Below average for unemployment (30%)
- Among lowest for corporate-tax policy (0%)
- Among lowest for capital cost/availability (15%)

Views on fiscal policy:

- Majority (85%) agree significant reductions in national deficits are essential to sustained business success; 85% anticipate reform of corporate taxes in the next few years; 70% agree that cuts in government spending would negatively impact company's financial performance; 70% agree it would be acceptable for personal income tax rate to rise as part of a comprehensive national budget deficit solution; 60% are planning for corporate taxes to be higher over the next few years;
- Majority (60%) do not agree that corporate tax policies significantly influence company's financial performance

Impact of economy on company's outlook

- Majority (85%) see recession as most likely economic scenario (in home economy) over the next few years
- Majority (70%) see company's financial projections declining (or already declined) as result of global developments

Industry

Industry challenges:

- Highest for new market entrants (domestic) (30%)
- Highest for changing cost structure (30%)
- Highest for product substitutes (30%)
- Highest for market contraction (60%)
- Among highest for input prices (30%)
- Among highest for industry regulation/legislation (70%)
- Below average for overcapacity/excess inventory (15%)
- Below average for foreign competition (15%)
- Among lowest for pricing trends (30%)
- Among lowest for availability of people/skill sets (0%)

Company

Company challenges:

- Highest for overhead-cost reduction (70%)
- Among highest for revenue growth/preservation in existing markets (70%)
- Among highest for managing assets working capital (15%)
- Above average for managing operations and supply chain risks (30%)
- Below average for addressing government policy (15%)
- Among lowest for pursuing or responding to M&A opportunities/approaches (15%)
- Lowest for framing and/or adapting strategy (15%)
- Lowest for revenue growth/preservation in new markets (0%)

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	7.2	4.0
Earnings	7.2	2.5
Wages and salaries	2.7	3.0
Employee benefits	4.2	4.5
Non-labor input costs and commodities	1.8	1.5
Dividends	0.0	0.0
Capital spending	7.5	0.0
Research and development	-3.0	0.0
Marketing and advertising	1.0	10.0
Number of domestic personnel	-8.7	-5.0
Number of offshore personnel	2.50	0.0
Use of outsourced/ offshore third-party services	8.0	5.0

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

Healthcare and pharmaceuticals

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): organization capability (0/43/57); alignment (0/57/43); business volatility (14/43/43); communication (14/43/43))
- Lowest concerns (little/somewhat/substantial): obsolescence/flexibility (43/43/14); internal consensus (28/72/0)

Company business focus*:

- 37% on revenue growth/preservation in current markets
- 11% on revenue growth/preservation in new markets
- 20% on cost reduction within direct costs
- 12% on cost reduction within indirect costs
- 9% on asset efficiency within working capital
- 8% on asset efficiency within fixed assets
- 4% on “other”

Company optimism:

- 43% are more optimistic (30% due to external factors; 70% due to internal factors)
- 29% are less optimistic (100% due to external factors)

Company growth plans:

- Tended towards domestic growth
- Tended towards foreign emerging markets
- Tended towards organic growth
- Tended towards current products/services
- Tended towards new products/services in related businesses
- Tended towards existing sales force
- Tended towards existing production/distribution/service infrastructure

Finance Organization

Finance-organization challenges:

- Highest for managing finance organization’s costs (30%)
- Highest for forecasting and reporting business results (70%)
- Highest for providing metrics, information, and tools needed for sound business decisions (70%)
- Among highest for securing and retaining finance talent (30%)
- Above average for ensuring compliance with financial reporting and control requirements (30%)
- Below average for supporting a major business initiative (15%)
- Below average for supporting a major infrastructure initiative (30%)
- Lowest for ensuring initiatives achieve desired business outcomes (0%)

Focus on monitoring/managing risk:

- Majority (70%) substantially focus on competitive conditions and regulatory compliance
- Majority (70%) somewhat focus on cyber/information security, business interruption, and consumer demand changes; 60% somewhat focus on geopolitical conditions/trends and pension/retirement risk
- Majority (60%) have little to no focus on foreign/trade policy; 50% have little to no focus on capital access/cost; 40% have little to no focus on brand/reputation

Potentially high-impact risk:

- No consistent themes detected; regulatory change, capital markets, competition and major initiatives all cited. Only sector not mentioning economy.

Career

Career concerns:

- Highest for expansion of job role/responsibility into areas of less comfort (15%)
- Highest for excessive workload/responsibilities (40%)
- Among highest for relationship with and demands from the board (15%)
- Among highest for changing regulatory requirements (60%)
- Above average for pressures from poor company performance (40%)
- About average for insufficient support staff (30%)
- Below average for strategic ambiguity (30%)
- Lowest for major change initiatives (30%)
- Lowest for internal power struggles and politics (15%)

Focus of CFO efforts, as request by CEO:

- Highest for strategy execution (70%)
- Highest for strategy development support (60%)
- Highest for financial reporting/compliance (60%)
- Above average for strategy-setting (40%)
- About average for performance management (30%)
- Among lowest for capital/liquidity (15%)
- Among lowest for risk (15%)
- Among lowest for business unit support (15%)
- Lowest for external stakeholders (0%)

* Total may not add to 100% due to rounding of individual averages.

Telecommunications, media, and entertainment

Sample size: 4

Economy

Economy challenges:

- Highest for intellectual-property policy (50%)
- Highest for personal income tax policy (25%)
- Highest for accounting/reporting/controls policy (50%)
- Among highest for international-trade policy (25%)
- Among highest for unemployment (50%)
- Below average for currency exchange rates (25%)
- Among lowest for environmental policy (25%)
- Among lowest for corporate-tax policy (0%)
- Lowest for social policy/spending/investment (25%)
- Lowest for capital cost/availability (0%)

Views on fiscal policy:

- Majority (100%) agree significant reductions in national deficits are essential to sustained business success; 50% agree it would be acceptable for personal income tax rate to rise as part of a comprehensive national budget deficit solution; 50% agree that corporate tax policies significantly influence company's financial performance
- Majority (75%) do not anticipate reform of corporate taxes in the next few years and are not planning for corporate taxes to be higher over the next few years; 75% do not agree that cuts in government spending would negatively impact company's financial performance

Impact of economy on company's outlook

- Majority (75%) see recession as most likely economic scenario (in home economy) over the next few years
- Majority (75%) see company's financial projections declining (or already declined) as result of global developments

Industry

Industry challenges:

- Among highest for foreign competition (25%)
- Among highest for market growth (25%)
- Among highest for new competitive tactics (50%)
- Among highest for pricing trends (75%)
- Among highest for new market entrants (domestic) (25%)
- About average for mergers and acquisitions (25%)
- Below average for market contraction (25%)
- Among lowest for industry regulation/legislation (25%)
- Among lowest for availability of people/skill sets (0%)
- Lowest for changing cost structure (0%)

Company

Company challenges:

- Highest for direct-cost reduction (25%)
- Highest for revenue growth/preservation in new markets (50%)
- Highest for pursuing or responding to M&A opportunities/approaches (50%)
- Among highest for financing and liquidity (25%)
- Above average for addressing government policy and regulation (25%)
- Below average for revenue growth/preservation in existing markets (50%)
- Below average for managing operations and supply chain risks (25%)
- Among lowest for overhead-cost reduction (0%)
- Lowest for talent (0%)

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	11.3	10.0
Earnings	8.8	6.0
Wages and salaries	3.8	3.5
Employee benefits	3.5	3.5
Non-labor input costs and commodities	1.0	2.0
Dividends	2.5	2.5
Capital spending	-5.0	-5.0
Research and development	1.7	0.0
Marketing and advertising	4.3	3.5
Number of domestic personnel	5.0	2.5
Number of offshore personnel	8.8	10.0
Use of outsourced/ offshore third-party services	8.8	7.5

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

Telecommunications, media, and entertainment

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): business volatility (0/50/50); obsolescence/flexibility (25/25/50); organization capability (0/75/25); strategy definition (25/50/25); internal consensus (25/50/25)
- Lowest concerns (little/somewhat/substantial): communication (75/25/0)

Company business focus*:

- 40% on revenue growth/preservation in current markets
- 24% on revenue growth/preservation in new markets
- 10% on cost reduction within direct costs
- 9% on cost reduction within indirect costs
- 12% on asset efficiency within working capital
- 6% on asset efficiency within fixed assets

Company optimism:

- 50% are more optimistic (100% due to internal factors)
- 50% are less optimistic (100% due to external factors)

Company growth plans:

- Tended towards foreign growth
- Tended towards emerging markets
- Tended towards organic growth
- Tended towards new products/services
- Tended towards new products/services in related businesses
- Tended towards existing sales force
- Tended towards new production/distribution/service infrastructure

Finance Organization

Finance-organization challenges:

- Highest for addressing changes in tax laws and/or accounting standards (25%)
- Highest for ensuring compliance with financial reporting and control requirements (50%)
- Among highest for managing finance organization’s costs (25%)
- Among highest for supporting a major business initiative (25%)
- Among highest for supporting a major infrastructure initiative (50%)
- Above average for supporting a major transaction (25%)
- Below average for influencing business strategy and operational priorities (25%)
- Among lowest for aligning budgets and capex decisions with priorities/strategies (0%)
- Lowest for forecasting and reporting business results (0%)

Focus on monitoring/managing risk:

- Majority (50%) substantially focus on competitive conditions, capital access/cost, and foreign trade policy
- Majority (75%) somewhat focus on business interruption, geopolitical conditions/trends, commodity prices and inflation, legislative/regulatory changes, and regulatory compliance; 50% somewhat focus on consumer demand changes, M&A strategy/execution/integration, and cyber/information security
- Majority (100)% have little to no focus on brand/reputation; 75% have little to no focus on pension/retirement risk

Potentially high-impact risk:

- Sample size too small to draw conclusions.

Career

Career concerns:

- Highest for poor quantity/quality/reliability of information (50%)
- Among highest for insufficient support staff (50%)
- Above average for excessive workload/responsibilities (25%)
- Above average for internal power struggles and politics (25%)
- Above average for changing regulatory requirements (50%)
- About average for major change initiatives (50%)
- Below average for pressures from poor company performance (25%)
- Among lowest for strategic ambiguity (25%)
- Lowest for relationship with and demands from the board (0%)

Focus of CFO efforts, as request by CEO:

- Highest for regulatory reporting/compliance (25%)
- Among highest for external stakeholders (25%)
- Among highest for financial reporting/compliance (50%)
- Among highest for strategy-setting (50%)
- Above average for investments/initiatives (25%)
- Above average for risk (25%)
- Below average for capital/liquidity (25%)
- Among lowest for strategy execution (25%)
- Among lowest for performance management (25%)
- Lowest for business unit support (0%)

* Total may not add to 100% due to rounding of individual averages.

Services

Sample size: 11

Economy

Economy challenges:

- Among highest for intellectual-property policy (30%)
- Among highest for social policy/spending/investment (70%)
- Above average for international-trade policy (10%)
- Above average for inflation (30%)
- Above average for currency exchange rates (40%)
- Below average for environmental policy (40%)
- Among lowest for unemployment (30%)
- Among lowest for capital cost/availability (10%)
- Among lowest for accounting/reporting/controls policy (10%)

Views on fiscal policy:

- Majority (60%) agree significant reductions in national deficits are essential to sustained business success; 60% agree it would be acceptable for personal income tax rate to rise as part of a comprehensive national budget deficit solution and agree that corporate tax policies significantly influence company's financial performance; 60% anticipate reform of corporate taxes in the next few years; 55% agree cuts in government spending would negatively impact company's financial performance
- Majority (60%) are not planning for corporate taxes to be higher over the next few years

Impact of economy on company's outlook

- Majority (60%) do not see recession as most likely economic scenario (in home economy) over the next few years
- Majority (55%) see company's financial projections declining (or already declined) as result of global developments

Industry

Industry challenges:

- Highest for mergers and acquisitions (40%)
- Among highest for availability of people/skill sets (40%)
- Above average for foreign competition (20%)
- Above average for new competitive tactics (30%)
- Above average for market contraction (40%)
- About average for industry regulation/legislation (45%)
- About average for pricing trends (45%)
- About average for changing cost structures (20%)
- Below average for overcapacity/excess inventory (10%)
- Below average for product substitutes (10%)

Company

Company challenges:

- Highest for framing and/or adapting strategy (55%)
- Highest for revenue growth/preservation in existing markets (70%)
- Among highest for addressing government policy and regulation (30%)
- Among highest for pursuing or responding to M&A opportunities/approaches (45%)
- Above average for overhead-cost reduction (30%)
- Below average for revenue growth/preservation in new markets (20%)
- Below average for direct-cost reduction (10%)
- Lowest for managing operations and supply chain risks (0%)

Operational Metrics*

(CFOs' expected changes)

Category	Mean % Change YoY	Median % Change YoY
Sales	5.3	5.0
Earnings	7.3	8.0
Wages and salaries	2.8	3.0
Employee benefits	4.1	5.0
Non-labor input costs and commodities	2.8	2.0
Dividends	2.0	0.0
Capital spending	5.0	0.0
Research and development	2.3	0.0
Marketing and advertising	1.6	0.0
Number of domestic personnel	-1.1	0.5
Number of offshore personnel	0.3	0.0
Use of outsourced/ offshore third-party services	1.3	0.0

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

***Explanatory note**: Relative terms like "highest," "lowest," and "above average" denote comparisons to other industries, not comparisons to other challenges.*

Services

Concerns about strategic risks:

- Highest concerns (little/somewhat/substantial): business volatility (0/45/55); strategy definition (9/36/55); organization capability (9/64/27); obsolescence/flexibility (9/64/27);
- Lowest concerns (little/somewhat/substantial: communication (45/46/9)

Company business focus*:

- 33% on revenue growth/preservation in current markets
- 16% on revenue growth/preservation in new markets
- 19% on cost reduction within direct costs
- 14% on cost reduction within indirect costs
- 6% on asset efficiency within working capital
- 9% on asset efficiency within working capital
- 4% on “other”

Company optimism:

- 36% are more optimistic (50% due to external factors; 50% due to internal factors)
- 64% are less optimistic (70% due to external factors; 30% due to internal factors)

Company growth plans:

- Tended towards domestic growth
- Tended towards emerging markets
- Tended towards organic growth
- Tended towards current products/services
- Tended towards new products/services in related businesses
- Tended towards existing sales force
- Tended towards existing production/distribution/service infrastructure

Finance Organization

Finance organization challenges:

- Highest for influencing business strategy and operational priorities (55%)
- Among highest for managing finance organization’s costs (20%)
- Among highest for ensuring funding, liquidity, and acceptable cost of capital (20%)
- Above average for addressing changes in tax laws and/or accounting standards (20%)
- Above average for aligning budgets and capex decisions with priorities/strategies (20%)
- Among lowest for supporting a major infrastructure initiative (20%)
- Among lowest for ensuring compliance with financial reporting and control requirements (10%)
- Lowest for supporting a major business initiative (10%)

Focus on monitoring/managing risk:

- Majority (60%) substantially focus on competitive conditions and M&A strategy/execution/integration; 55% substantially focus on consumer demand changes
- Majority (100%) somewhat focus on brand/reputation; 80% somewhat focus on business interruption; 60% somewhat focus on regulatory compliance; 55% somewhat focus on geopolitical conditions/trends and legislative/regulatory changes
- Majority (60%) have little to no focus on commodity prices and inflation and foreign/trade policy; 55% have little to no focus on pension/retirement risk

Potentially high impact risk:

- Concerns heavily focused on economy and slowing growth.

Career

Career concerns:

- Highest for strategic ambiguity (70%)
- Among highest for insufficient internal political influence/authority (20%)
- Among highest for internal power struggles and politics (30%)
- Among highest for pressures from poor company performance (45%)
- Above average for relationship with and demands from the board (10%)
- About average for expansion of job role/responsibilities into areas of less comfort (10%)
- Below average for major change initiatives (45%)
- Below average for changing regulatory requirements (40%)
- Lowest for poor quantity/quality/reliability of information (10%)

Focus of CFO efforts, as request by CEO:

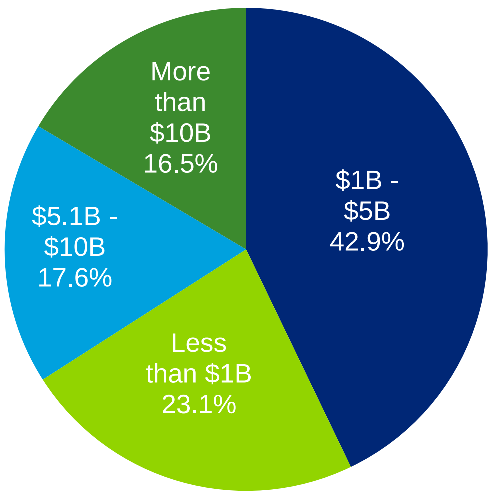
- Among highest for investments/initiatives (30%)
- Above average for business unit support (30%)
- Above average for financial reporting/compliance (40%)
- Above average for strategy execution (40%)
- About average for risk (20%)
- Below average for strategy development support (45%)
- Below average for strategy-setting (40%)
- Below average for capital/liquidity (30%)
- Below average for performance management (30%)

* Total may not add to 100% due to rounding of individual averages.

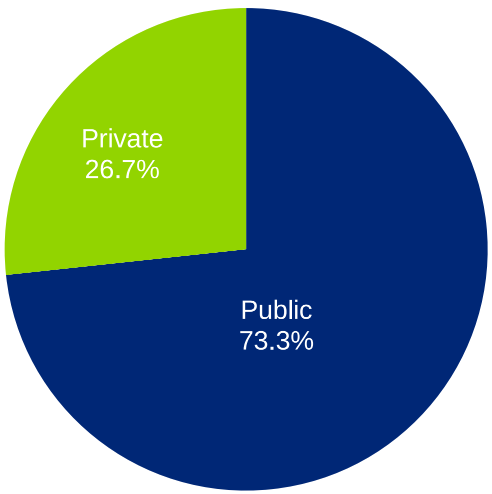
About this survey

Demographics

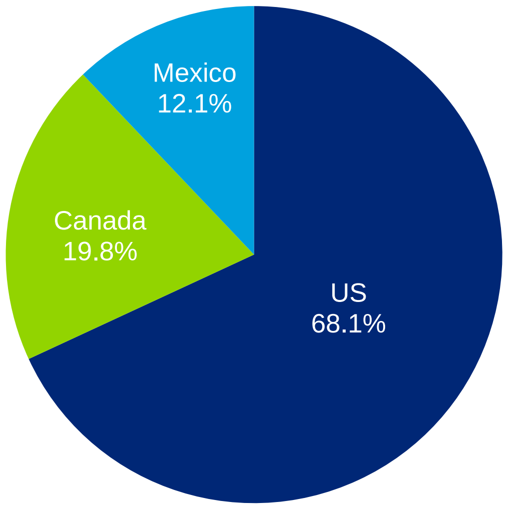
Annual Revenue ($US)
(n=91)



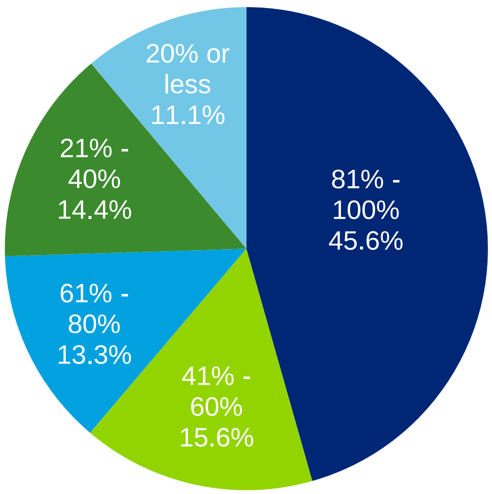
Ownership
(n=90)



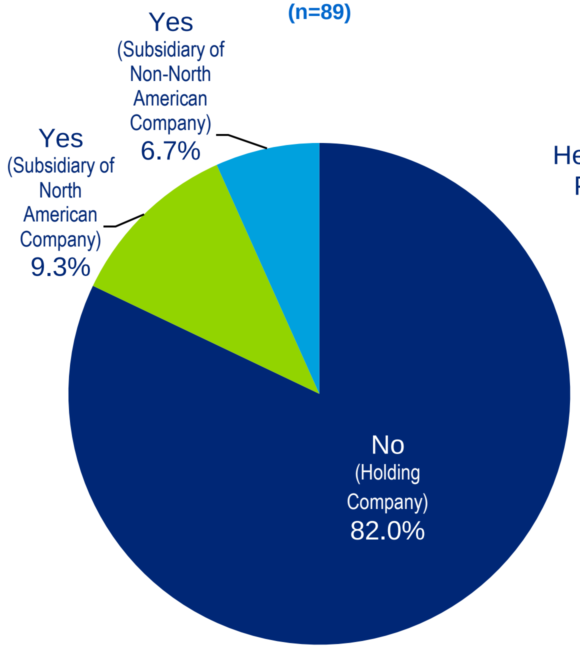
Country
(n=91)



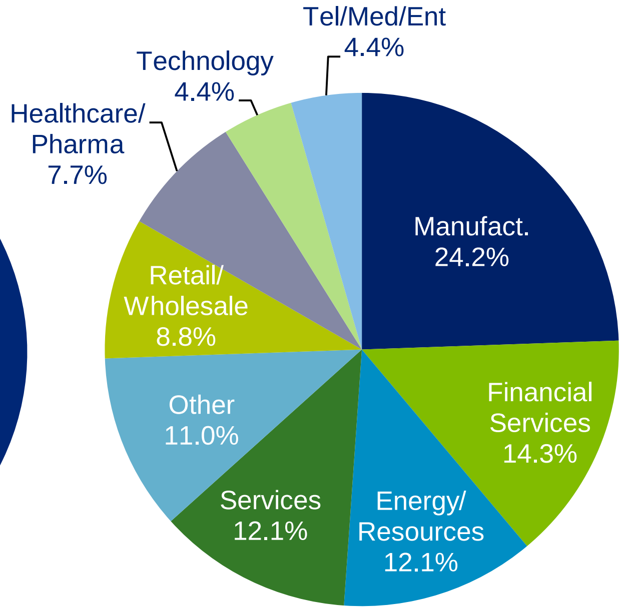
Revenue from N.A.
(n=90)



Subsidiary Company
(n=89)



Industry
(n=91)



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 five areas: CFO career, finance organization, company, industry, and economy.

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 sectors 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 30 days 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.

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