CFO Signals™

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

High-Level Report

This report is a subset of a full report containing analysis and trends specific to industries and geographies.
Please contact nacfosurvey@deloitte.com for access to the full report.

2nd Quarter 2015

CFO Signals™

About the CFO Signals survey

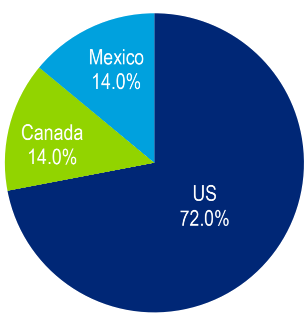
Each quarter, *CFO Signals*™ tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies. This is the second quarter report for 2015.

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

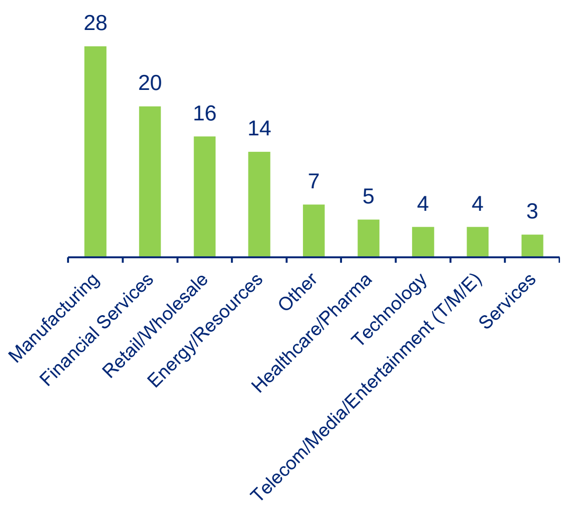
Who participated this quarter?

One hundred one CFOs responded during the two-week period ending May 22. Seventy-one percent of respondents are from public companies, and 84% are from companies with more than $1B in annual revenue. For more information, please see the "About the survey" section of this report.

Participation by country



Participation by industry



IMPORTANT NOTES ABOUT THIS SURVEY REPORT:

All participating CFOs have agreed to have their responses aggregated and presented.

Please note that this is a "pulse survey" intended to provide CFOs with quarterly information regarding their CFO peers' thinking across a variety of topics. It is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed population but does not necessarily indicate economy- or industry-wide perceptions or trends. Except where noted, we do not comment on findings for segments with fewer than 5 respondents. Please see the Appendix for more information about survey methodology.

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

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

Findings at a glance

Perceptions

How do you regard the current and future status of the North American, Chinese, and European economies? Fifty-nine percent of CFOs describe North American conditions as good (even with last quarter), and 54% expect better conditions in a year (64% last quarter). Twenty-three percent regard China's economy as good (up from 18% last quarter), and 16% expect improvement (up from 13%). Five percent describe Europe as good, and 30% see it improving in a year (up from 10%). **Page 8**.

What is your perception of the capital markets? Sixty-five percent of CFOs say US markets are overvalued (up from 46% last quarter and a new survey high). Ninety-one percent say debt is currently an attractive financing option, and 42% of public company CFOs view equity financing favorably (up markedly from 33% last quarter). **Page 9.**

Priorities

What is your company's business focus for the next year? CFOs again indicate a bias toward revenue growth over cost reduction, but by the smallest margin since 2013. Their bias toward current offerings over new ones is the highest since 2013. **Page 11.**

Expectations

Compared to the past 12 months, how do you expect your key operating metrics to change over the next 12 months?* Revenue growth expectations fell to 3.1% from 5.4% last quarter and now sit at the lowest level in the five-year history of this survey. Earnings expectations fell sharply to 6.5% from 10.6% last quarter and also reached their survey low. Capital spending expectations rose slightly to 5.4% from last quarter's 5.2%. Domestic hiring expectations fell to 1.2% (down from last quarter's 2.4%) and are now at their lowest level since 1Q14. **Pages 11-13**.

Sentiment

Compared to three months ago, how do you feel now about the financial prospects for your company? Continuing a string of nine straight prior quarters of positive sentiment, net optimism came in at +18.8, down from a very strong +34.4 last quarter. Thirty-eight percent of CFOs express rising optimism (well below last quarter's 48% and the lowest in more than two years), and the proportion expressing declining optimism rose from 14% to about 19%. **Page 14**.

Overall, what external and internal risks worry you the most? Economic worries escalated, with growing concerns around the possibility of a pullback in the US. Concerns about the strength of the US dollar receded, but concerns about oil prices, interest rates, and equity market corrections rose. Internal concerns about execution and availability of talent are again substantial. **Page 15.**

Special topic: Crisis preparedness

How prepared is your company for potential crises? Concerns about cyber attacks and other malicious attacks (terrorism, tampering, etc.) are broad-based with about 25% of CFOs claiming they are insufficiently prepared for each. **Page 16**.

Special topic: Compensation and wages

Which approach best describes your board's views about adjusting executive compensation in light of a strong US dollar? More than 75% of CFOs say they do not adjust executive compensation and that shareholders' and executives' situations should be similar whether exchange rates are favorable or not. **Page 17**.

How do you expect domestic wages and salaries to change over the next 12 months? Compensation is expected to rise 2.9% over the next year, with Financial Services the highest at 3.6%. **Page 18**.

How is your company's compensation trending at different levels? Nearly two-thirds of CFOs indicate a trend toward higher compensation for highly-skilled staff, and just under half expect the same for managerial-level employees. Forty-four percent say they expect higher wages for lower-skilled workers. **Page 18**.

Special topic: Health care costs

Which strategies are you using (or do you plan to use) to manage health care costs? Shifting of financial responsibility to employees is the dominant strategy for managing health care costs. Nearly 80% of CFOs say they are shifting financial responsibility to employees, with the US even higher at nearly 95%. **Page 19.**

Special topic: CFO role and focus

How frequently do you have substantive interactions with your company's executives? The vast majority of CFOs report interactions with almost all of their company's key executives on a daily or weekly basis. Board chair and audit committee chair were the only officers with whom CFOs interacted less frequently. **Page 20.**

What is your division of time between CFO roles (steward, operator, catalyst, and strategist)? Where previous surveys indicated a progressive shift toward the strategist role, this quarter's findings indicate a resurgence in time allocated to the operator role. This leaves the average CFO with a 27% allocation toward each of these roles. **Page 21.**

Special topic: Finance talent

What challenges is your finance team facing in meeting the needs of the business? More than 70% say insufficient consultative, partnering, analytical, and technical skills have been an issue. About 66% say outdated roles, value propositions, and recruiting mechanisms have gotten in the way. **Page 22.**

What are the best steps you have taken to ensure your finance team has the right talent it needs? CFOs cite a variety of strategic, structural, and tactical approaches. Common themes include raising the importance of effective talent management, cultural shifts around continuous learning and leader/staff relationships, and raising the value proposition for current and potential employees. **Page 23.**

If you could bolster your finance team with one particular skillset/expertise, what would it be? CFOs voice strong demand for people who can effectively use data to influence business decisions, with frequent mentions of business acumen, leadership skills, and expertise in gathering, analyzing, and presenting analysis. **Page 24.**

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

Summary

Declining expectations for company growth

Last quarter's survey findings suggested that, despite growing concerns about global economic health, continued geopolitical volatility, and a strong US dollar, CFOs' sentiment and expectations were holding up fairly well—across all industries.

In many ways, conditions have improved since then. Europe's economy has grown modestly (notwithstanding the situation in Greece), and China's appears to have held steady. Oil prices have rebounded, the US dollar's value has moderated, and the S&P 500 has hit yet another high.

Still, something changed this quarter. Perhaps most notably, public debate escalated around whether or not the US economy is as healthy as many had thought. Accordingly, CFOs' sentiment this quarter appears to reflect rising concern, and some of their growth expectations are now at their lowest levels in the five-year history of this survey.

Summary of sentiment and expectations

(Optimism is measured relative to prior quarter, and growth numbers are expectations for next 12 months)

Own-company optimism (Net optimism)
Economy optimism – North America[3]
Economy optimism – Europe[3]
Economy optimism – China[3]
Revenue growth
Earnings growth
Capital investment growth
Domestic employment growth

Developments since 1Q15 survey[2]

- Rising debate about whether US is strong or weak.
- Value of US dollar fell significantly; value of euro rose.
- S&P 500 reached another new high, up 1.2% since last quarter.
- Deflation scare in euro subsided, partly due to rebound in oil prices.
- UK elections concluded with Conservative Party winning decisive victory.
- Greece and EU continued negotiations over terms for further loans.
- China's economy continued to slow; quantitative easing escalated.
- Canada's economy slowed on declining performance in energy sector.
- Mexico's economy showed little year-over-year improvement.

Well below five-year average — Well above five-year average

Well below last quarter — Well above last quarter

Own-company confidence losing momentum

This quarter's net optimism[1] index extends a nine-quarter positive streak, now sitting at +18.8. But this is down from last quarter's strong +34.4 and is the lowest level since 3Q13. And while 38% of CFOs express rising optimism about their companies' prospects, this is down sharply from last quarter's 48% and is the lowest level in more than two years.

This decline in sentiment appears amplified by CFOs' own-company performance expectations that are some of the least optimistic in the history of this survey. Revenue growth expectations fell to 3.1%* from 5.4%* last quarter and now sit at their historic survey low. Similarly, earnings growth expectations fell sharply to a survey-low 6.5%* from last quarter's 10.6%*.

Domestic hiring expectations also fell, unwinding a three-quarter streak above 2.0% by falling to 1.2%*, the lowest level since 1Q14. Capital spending expectations rose slightly to 5.4%* from last quarter's 5.2%*, but are still among the lowest levels on record.

Moreover, companies' business focus seems to indicate deceleration. While CFOs still indicate their companies' collective bias toward growing revenue over cutting costs, this bias is the weakest since 4Q13. And there is a focus on current offerings over new ones that we have not seen in the past two years.

Economic confidence holding up

While it is tempting to assume CFOs' wavering expectations for their companies' performance is underpinned by declining confidence in global economic growth, that would appear to be an oversimplification.

In fact, and apparently contradicting their declining growth expectations, CFOs' outlook for the broader North American economy is quite good—only slightly below where it was last quarter. Moreover, their assessments of Europe rebounded substantially from last quarter's dismal showing (expectations for China remain lukewarm).

But there does appear to be growing concern about the longer-term health of the US economy. Among their most worrisome risks this quarter, CFOs frequently mentioned the possibility of a pullback in the US economy resulting from spillover effects from other economies and also from possible interest rate increases and equity market corrections. Perhaps most telling is that fact that, on the heels of the S&P 500 index's 1.2% rise between surveys, nearly two-thirds of CFOs said US equity markets are overvalued—up significantly from last quarter's 46%.

[1] Net optimism is calculated as the difference between the proportions of those expressing rising and falling optimism. Accordingly, this metric does not explicitly account for the level of "no change" responses.
[2] Compiled from news stories in major business media between survey periods.
[3] Metrics assessed relative to two-year averages.
* Arithmetic mean adjusted to eliminate the effects of stark outliers.

Summary (cont.)

Staffing levels and costs

Some of the most closely monitored metrics during the global economic recovery have been related to employment levels and wages. And, at least in the US, there has been growing (albeit debated) acceptance of the idea that labor markets are tightening. This quarter's survey findings give some, although not particularly strong, support to these perceptions.

Across industries, CFOs say they expect their wage and salary costs to rise about 2.9%—a level that does not seem particularly indicative of a systemic tightening of labor markets. On the other hand, nearly two-thirds of CFOs indicate a trend toward higher compensation for highly-skilled staff, and just under half expect the same for managerial-level employees. Moreover, nearly 45% said they expect higher wages for lower-skilled workers.

At the same time, most companies have no intention of adjusting executive compensation in response to a strong US dollar. While some CFOs said their company does adjust executive pay to compensate (at least partially) for currency/FX movements that reduce executive pay, the vast majority said their company does not make such adjustments—preferring instead to have the fates of shareholders and executives closely aligned.

Where companies do intend to significantly decrease their employee costs is health care benefits. Nearly 80% of all surveyed CFOs say they are shifting financial responsibility for coverage to employees, and the rate is nearly 95% for US companies.

Growing demands on finance

Approximately every two years we ask CFOs about their allocation of time among four core CFO roles: operator, steward, strategist, and catalyst (definitions are included in the body of the report).

Where previous surveys indicated a progressive shift toward the strategist role (driven by a focus on strategy rework coming out of the financial crisis), this quarter's findings indicate a resurgence in time allocated to the operator role. This leaves the average CFO with a 27% allocation toward each of these roles, a result that appears driven by growing CFO efforts to build finance organizations that take a broader, stronger, and more cost-effective role in helping the business deliver on those reworked strategies.

In fact, most CFOs in this quarter's survey report daily or weekly interactions with almost all of their company's key executives—furthering the notion that finance's role is continuing to expand. As this happens, many are voicing significant challenges in acquiring staff with the skills required for finance to play broader roles in more areas of the business. More than 70% say insufficient consultative, partnering, analytical, and technical skills have been an issue, and about two-thirds say outdated roles, value propositions, and recruiting mechanisms have gotten in the way. See the body of this report for CFOs' insights into the best steps they are taking to ensure they have the talent they need.

What's next?

Collectively, this quarter's survey findings seem to suggest CFO optimism that, if not receding, is improving at a slower rate than it has over the past several years.

While some of this declining sentiment may be driven by increasing public debate about the true health of the US economy (likely driven to some extent by a ramp-up in 2016 presidential election rhetoric in the US), CFOs' declining expectations for their own companies' revenue, earnings, and domestic hiring seem to suggest deeper concerns.

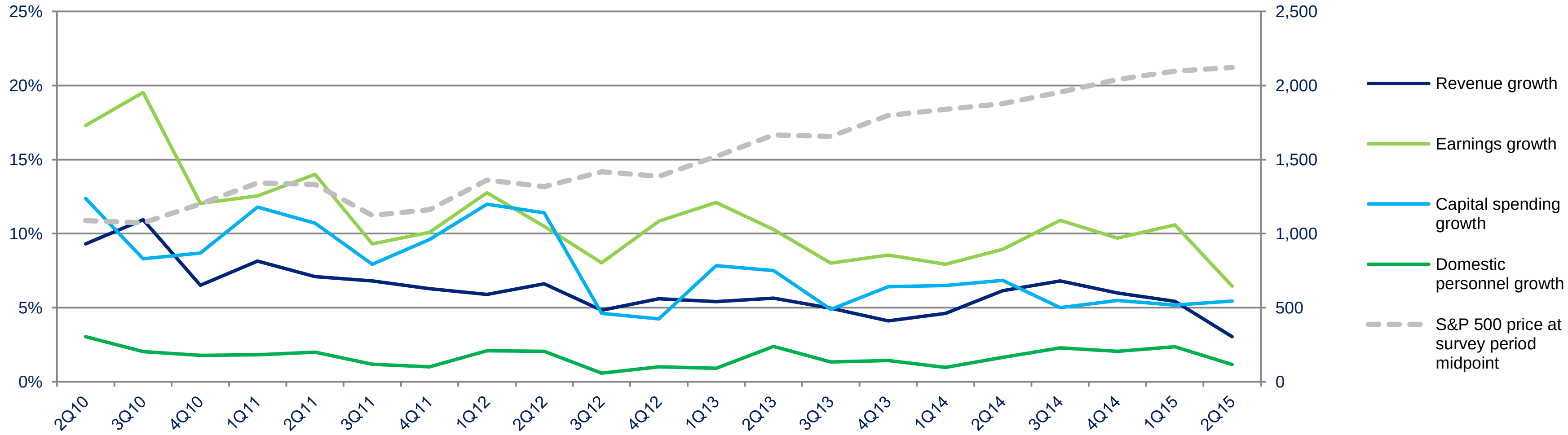
Over the next few quarters, it will be very interesting to see what is more predictive of broader economic performance—CFOs' assessment of economic conditions or their expectations for their own companies' performance.

Key Charts: Expectations

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

Consolidated expectations

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



Breakdown by country and industry[1]

	Total (n=99*)	U.S. (n=71)	Canada (n=14)	Mexico (n=14)	Manufacturing (n=27)	Retail / Wholesale (n=16)	Technology (n=4)	Energy / Resources (n=14)	Financial Services (n=20)	Healthcare / Pharma (n=5)	T/M/E (n=4)	Services (n=3)
Revenue growth	**3.1%**	3.0%	-2.1%	7.9%	2.9%	2.5%	4.5%	-2.5%	6.4%	7.6%	1.5%	2.0%
Earnings growth	**6.5%**	6.9%	-3.6%	13.2%	8.1%	7.3%	8.8%	-5.8%	9.2%	12.4%	12.8%	7.3%
Capital spending growth	**5.4%**	4.5%	-1.6%	15.2%	5.9%	6.9%	3.8%	-1.9%	9.7%	6.2%	2.5%	-1.7%
Domestic personnel growth	**1.2%**	1.0%	-1.0%	4.2%	0.7%	1.1%	2.5%	-0.9%	3.9%	0.7%	-1.3%	0.7%

*Sample sizes may not sum to total due to responses from "other" categories.
[1]All averages have been adjusted to eliminate the effects of stark outliers.

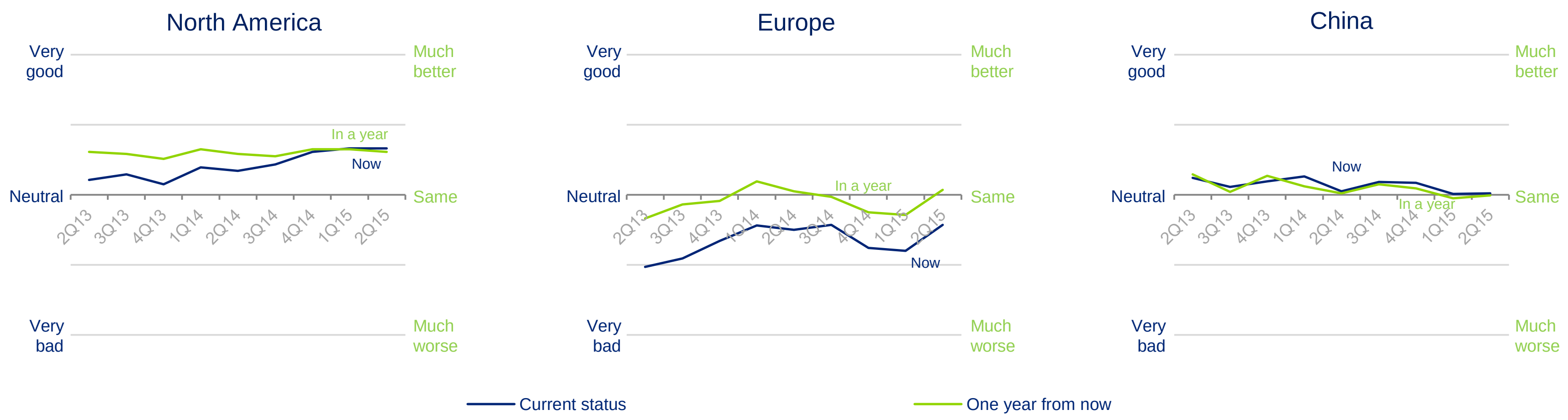
Highest two industry expectations
Lowest two industry expectations

Key Charts: Sentiment

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

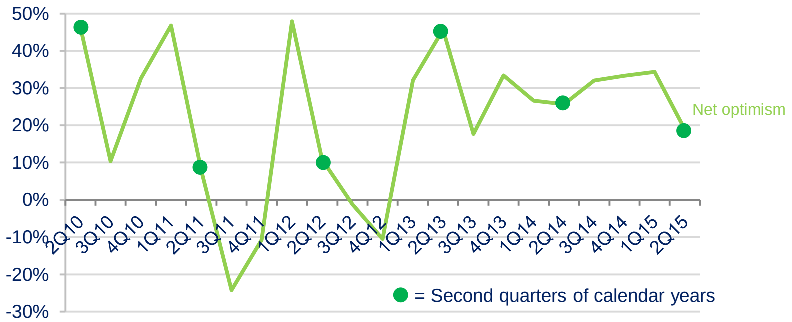
Economic optimism

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



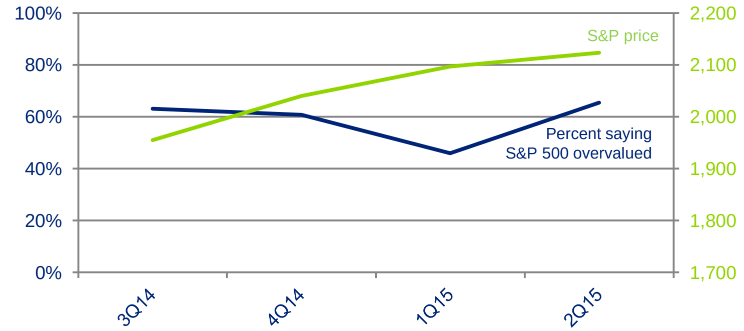
Own-company optimism

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



Equity market sentiment

Percent of CFOs saying US equity markets are "overvalued" or "very overvalued"; S&P500 price at survey midpoint



Perceptions

Assessment of economies

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

North America strong; Europe rebounding; China languishing:

<u>**North America**</u>

Current assessments still strong, but leveling off.

- Fifty-nine percent of CFOs describe the North American economy as good or very good (even with last quarter). None describe it as bad—the lowest level since we began measuring economic sentiment in 2Q13.
- Fifty-four percent believe conditions will be better a year from now (down from 64% last quarter), and 45% expect conditions to be the same. Just 2% expect conditions to be worse in a year (down from 5% last quarter).

<u>**Europe**</u>

- ***Perceptions of Europe's condition and trajectory improved significantly.***
- Just 5% of CFOs describe Europe's economy as good or very good (up from 2% last quarter). On the positive side, the proportion of CFOs describing it as bad fell from more than 70% over the past two quarters to a comparatively optimistic 46% this quarter.
- On another relatively positive note, nearly 30% expect Europe's economy to be better a year from now (well above last quarter's 10% and also above the levels we saw in early 2014). Just under one quarter expect it to be worse, an improvement from last quarter's 37%.

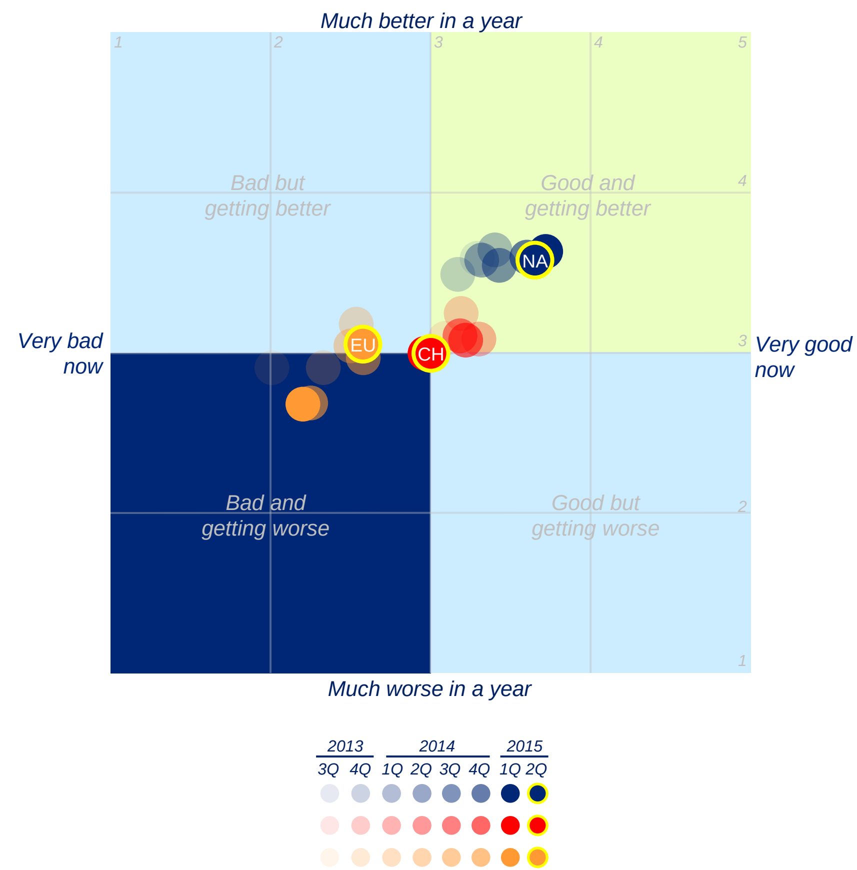
<u>**China**</u>

Perceptions of China's economy reached survey lows last quarter and did not improve much this quarter.

- Twenty-three percent of CFOs say China's economy is good, up from 18% last quarter. Twenty percent say the economy as bad, up from 16% last quarter.
- Just 16% of CFOs believe the economy will be better in a year (up from 13%), while 18% believe it will be worse (about the same as last quarter).

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

CFOs' assessment based on five-point Likert scales: "very bad" to "very good" and "much worse" to "much better" (n=101)



Perceptions

Assessment of markets

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

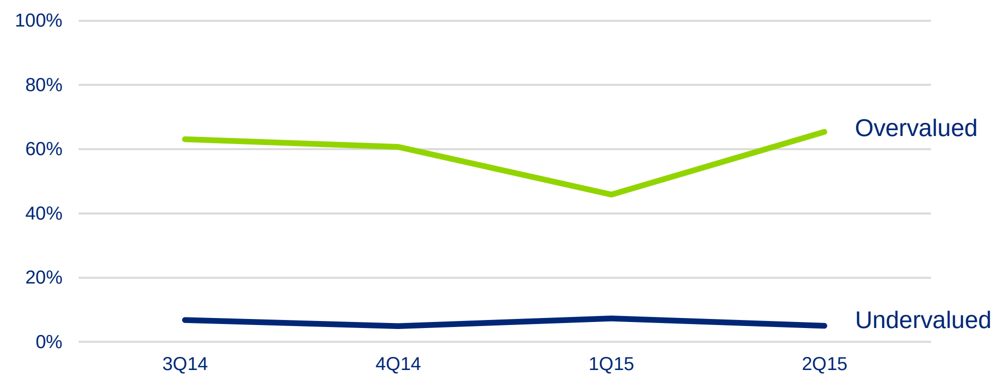
Equity markets very expensive; debt still very attractive:

- **US markets overvalued:** Sixty-five percent of CFOs say US equity markets are overvalued, up sharply from 46% last quarter and also the highest level in the last year. Only 5% say they are undervalued, down from 7% last quarter. US CFOs are the most pessimistic, with 71% citing overvaluation and just 3% citing undervaluation. On an industry level, Technology*, Retail/Wholesale, T/M/E (Telecom/Media/Entertainment)*, and Services* CFOs are most likely to say markets are overvalued.
- **Debt financing still *very* attractive:** An overwhelming 91% of CFOs say debt is currently an attractive financing option (consistent with an already-high 93% last quarter), and more than 60% say it is a *very* attractive option (down only slightly from last quarter). All industries are 75% or higher; Mexico is lowest on a country basis at 79%.
- **Equity financing is increasingly attractive for both private and public companies:** Forty-two percent of public company CFOs say equity is attractive (up significantly from about 33% last quarter), and 20% say it isn't (23% last quarter). Forty-eight percent of private company CFOs say it is attractive (up from 40% last quarter), and just 21% say it isn't (27% last quarter). Technology*, Financial Services, and T/M/E* CFOs are most likely to say equity is attractive (all at or above 65%). Canada and the US are both above 42%, and Mexico trails at 36%.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

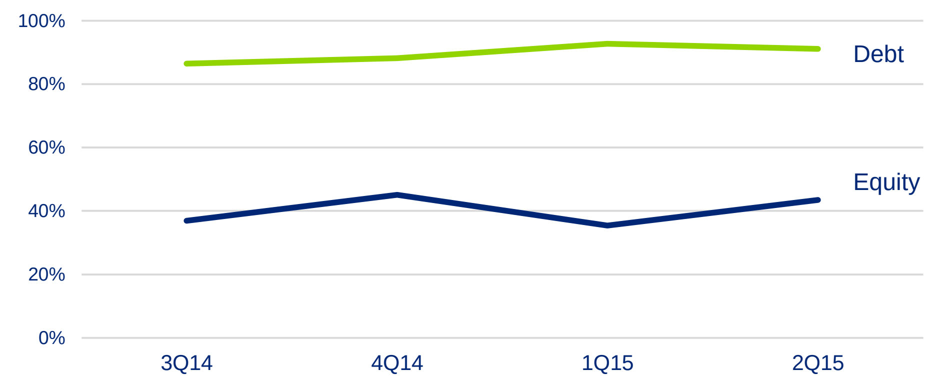
How do you regard US equity market valuations?

Percent of CFOs saying markets are overvalued and undervalued based on five-point semantic differential scale (n=101)



How do you regard debt and equity financing attractiveness?

Percent of CFOs saying debt and equity markets provide attractive financing options based on five-point semantic differential scale (n=101)



Please see full report for industry-specific findings.

Priorities

Business focus

Where do CFOs say their companies are focusing their efforts?

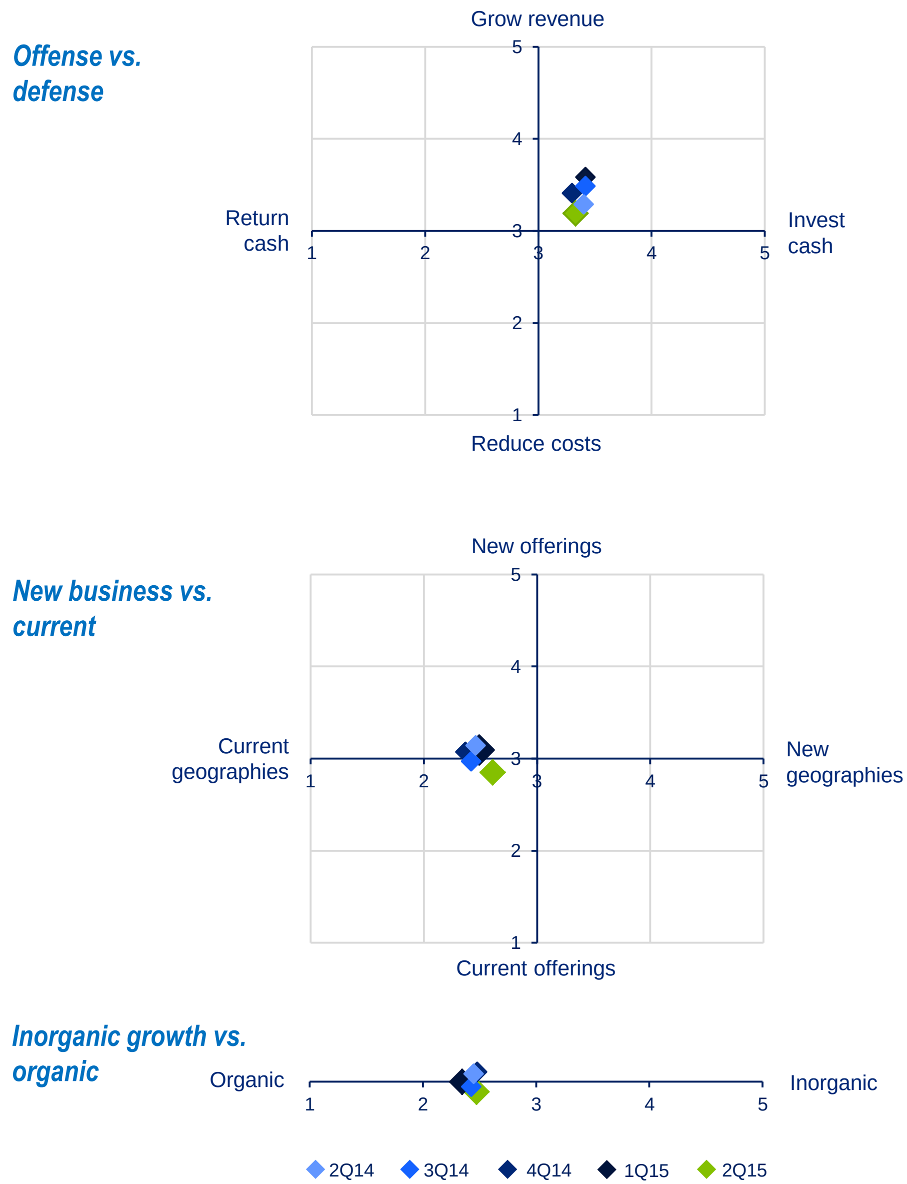
Growth still the focus, but less so than in previous quarters:

- **Revenue growth over cost reduction, but by the narrowest margin since 2013:** About 47% of CFOs say they are biased toward revenue growth, while 33% claim a focus on cost reduction. Financial Services and Healthcare/Pharma are the most growth-oriented (both at or above 60%), while Energy/Resources is the most cost-reduction oriented at 71%. Canada is the most focused on reducing costs at 64%, with the US and Mexico trailing at 29% and 21%, respectively.
- **Investing cash over returning it:** There is again a bias toward investing cash over returning it to shareholders (43% versus 24%). Retail/Wholesale and Financial Services are the most biased toward investing cash (both at or above 55%), while half of Technology* CFOs say they are biased toward giving cash back. There is little difference among countries.
- **Highest focus since 2013 on current offerings:** Overall, 38% of CFOs say their companies are focused on new offerings over old ones, and 44% claim the reverse. Energy/Resources and Healthcare/Pharma CFOs are focused predominantly on current offerings, while Technology*, Financial Services, and T/M/E* CFOs are focused on new offerings. Mexico's CFOs are the most biased toward new offerings at 50%, with Canada and the US trailing at 43% and 33%, respectively.
- **Current geographies over new ones—but by a narrower margin:** Overall, 51% of CFOs say their companies are predominantly focused on current geographies compared with 34% who cite a focus on new geographies. Technology* CFOs claim the highest focus on new geographies at 75%. From a country standpoint, the US, Canada, and Mexico are all biased toward current geographies.
- **Organic growth over inorganic growth:** The bias is again firmly toward organic growth over inorganic (54% versus 27%), with Technology* CFOs most biased toward organic growth at 75%, and Services* CFOs most biased toward inorganic growth at 67%. US CFOs are most biased toward organic growth at 60%, with Canada and Mexico at 36% and 43% respectively.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

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

CFOs' assessments based on five-point semantic differential scale with opposing choices as noted (n=101)



Please see full report for industry-specific findings.

Expectations

Revenue and earnings

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

Revenue[1]

Expectations declined sharply—due to lower expectations across all industries and particular weakness in Energy/Resources:

- Revenue growth expectations fell to 3.1% from 5.4% last quarter and now sit at the lowest level in the five-year history of the survey. The median remains at 5.0%, but just 78% of CFOs expect year-over-year gains (also a survey low). Variability of responses is lower than last quarter, but still high relative to the survey average.
- Country-specific expectations are 3.0% for the US (down from 6.1%), -2.1% for Canada (down from +2.1%), and 7.9% for Mexico (up from 3.1%). Canada's decline is mostly the result of lower expectations from Energy/Resources (especially oil and gas companies).
- Expectations for all industries declined this quarter. Financial Services and Healthcare/Pharma* CFOs have the highest expectations at 6.4% and 7.6%, respectively. Energy/Resources is the driver of lower aggregate expectations, falling sharply to -2.5% this quarter from -0.2% last quarter.

Earnings[1]

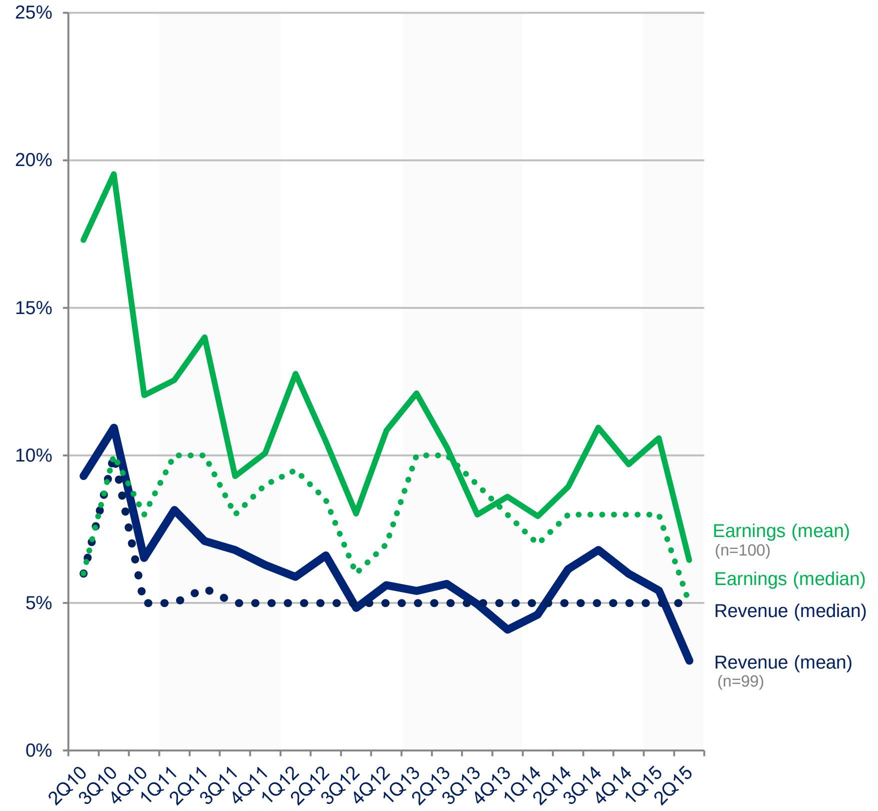
Expectations declined sharply—with declines in all industries except Financial Services and another large decrease in Energy/Resources:

- Earnings expectations fell sharply to 6.5% from 10.6% last quarter and reached their survey low. The median fell sharply to 5% (another survey low), and 79% of CFOs expect year-over-year gains (matching the lowest level in two years). Variability of responses is not as high as it was last quarter, but it is still among the highest levels in the last three years.
- Country-specific expectations are 6.9% for the US (down from 12.3% last quarter), -3.6% for Canada (down from 3.1% last quarter), and 13.2% for Mexico (up from 2.8% last quarter).
- All industries are down this quarter except for Financial Services. All are above the 6.5% cross-industry average except for Energy/Resources, which comes in at -5.8% (down from -1.1% last quarter). Healthcare/Pharma* and T/M/E* are the highest at about 12.5%.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

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

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



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

Please see full report for industry-specific findings.

Expectations

Dividends and investment

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

Dividends[1]

Dividend growth expectations declined—driven by weakness in all industries except Financial Services:

- Dividend growth expectations declined to 3.4%, down from last quarter's 4.3% and among the lowest levels in the past few years. The median is again 0.0%, and just 43% expect year-over-year gains (the lowest level since 2013).
- Country-specific expectations are 3.5% for the US (down slightly from 4.1 % last quarter), 2.3% for Canada (down from 4.3% last quarter), and 4.5% for Mexico (down from 6.6% last quarter).
- Financial Services reported the highest expectations at 4.9%, while Energy/Resources reported the lowest expectations at 1.4%.

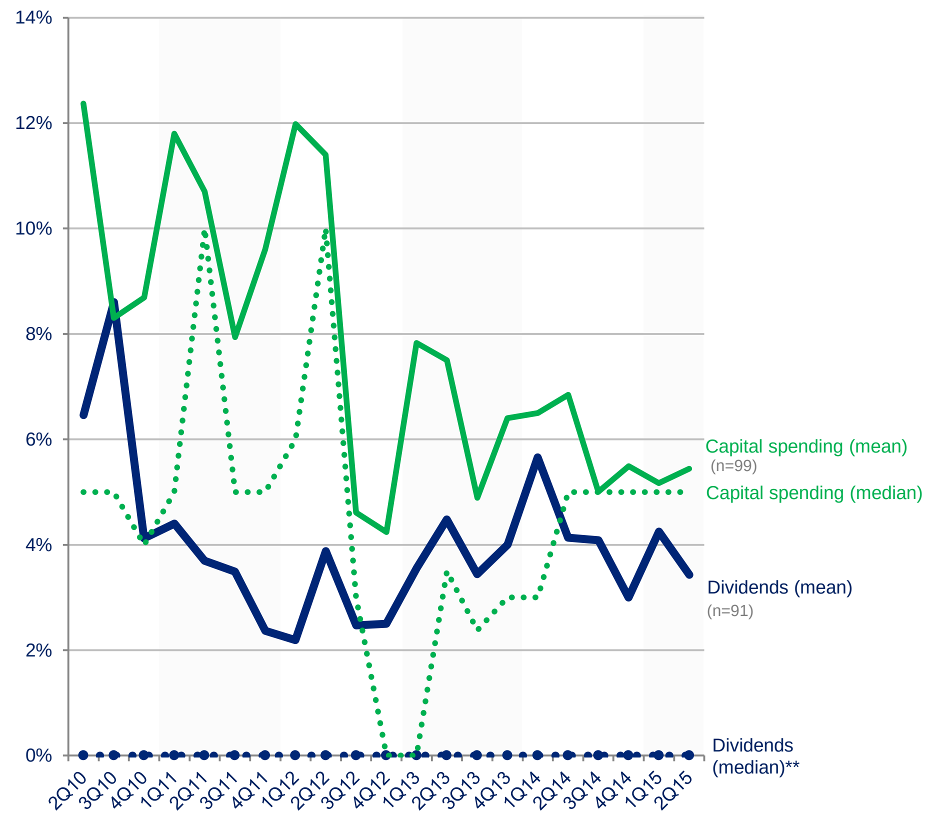
Capital investment[1]

Capital spending expectations rose slightly despite continued weakness in Energy/Resources:

- Capital spending expectations rose slightly to 5.4% from last quarter's 5.2%. The median remained the same at 5.0%, and about 60% of CFOs expect year-over-year gains (about the survey average for this metric). Variability of expectations is the highest it has been in more than two years.
- Country-specific expectations are 4.5% for the US (down from last quarter's 5.6%), -1.6% for Canada (up from last quarter's -3.3%), and 15.2% for Mexico (up from last quarter's 14.7%).
- Financial Services and Retail/Wholesale reported the highest expectations at 9.7% and 6.9%, respectively. Energy/Resources again reported the lowest expectations, falling from 0.4% last quarter to -1.9% this quarter.

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

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



[1]All averages have been adjusted to eliminate the effects of stark outliers.
***The median for dividends has been zero for all quarters.*

Please see full report for industry-specific findings.

Expectations

Employment

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

Domestic hiring[1]

Hiring expectations fell sharply from recent highs:

- Domestic hiring expectations fell to 1.2% (down from last quarter's 2.4%) and are now at their lowest level since 1Q14. The median fell to 0.0%, and 49% of CFOs expect year-over-year gains, well under last quarter's 58% and the lowest level since 1Q14. Variability of responses rose significantly this quarter, but is about same as the long-term survey average.
- Country-specific expectations are 1.0% for the US (down from 2.3% last quarter), -1.0% for Canada (down from 1.4 % last quarter), and 4.2% for Mexico (down from 4.7% last quarter).
- Energy/Resources and T/M/E* have the lowest average expectations at -0.9% and -1.3%, respectively, while Financial Services and Technology* have the highest at 3.9% and 2.5%, respectively.

Offshore hiring[1]

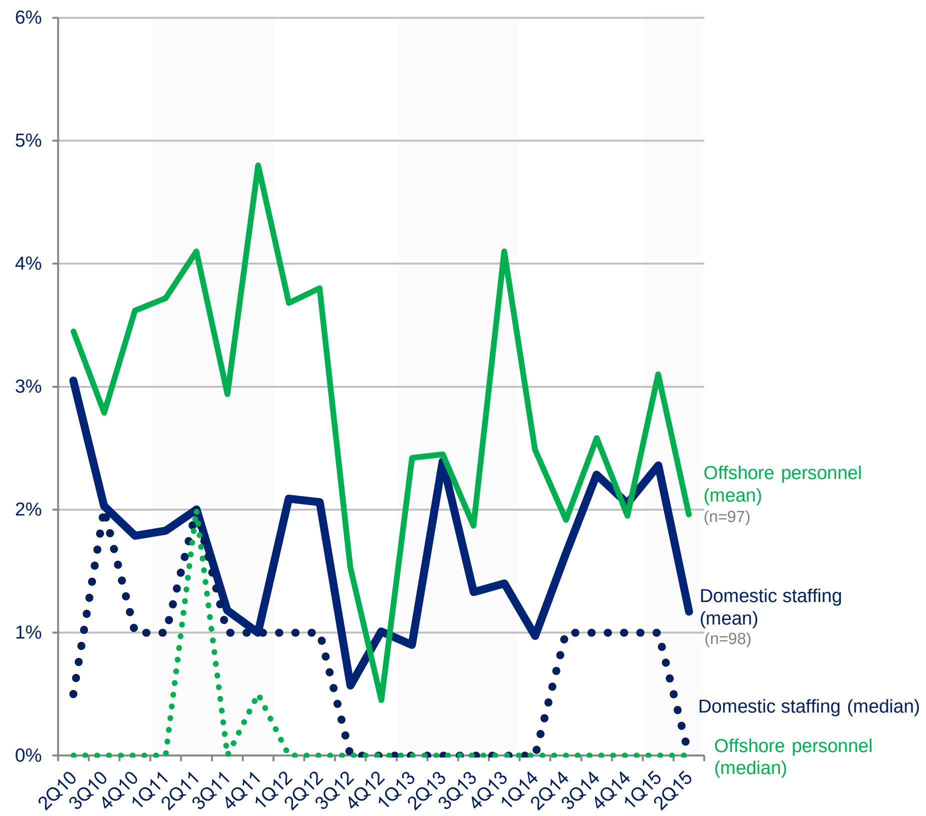
Offshore hiring expectations declined:

- Offshore hiring declined to 2.0%, below last quarter's 3.1% but still in line with levels over the past few years. The median remained at 0.0%, and just 39% of CFOs expect year-over-year gains—the lowest level since 1Q14.
- Country-specific expectations are 2.2% for the US (down from 3.2% last quarter), 1.8% for Canada (down from 2.5% last quarter), and 1.1% for Mexico (down from 3.0% last quarter).
- Technology* and T/M/E* have the highest expectations at 4.5% and 8.1%, respectively. Manufacturing and Energy/Resources have the lowest expectations, with both below 1.0%.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

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

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



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

Please see full report for industry-specific findings.

Sentiment

Own-company optimism

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

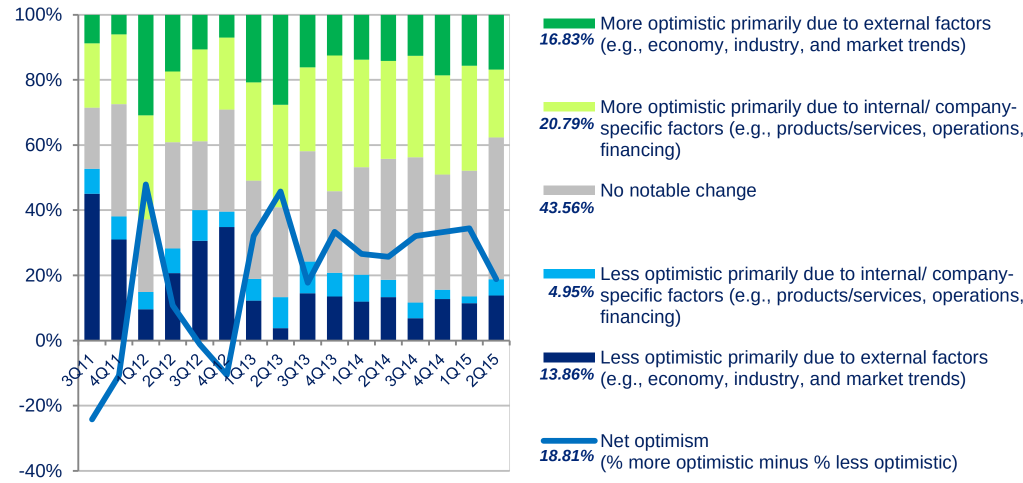
Sentiment still positive on the whole, but the proportion of optimists fell markedly:

- **Tenth straight quarter of net optimism, but less positive momentum:** Continuing a string of nine straight prior quarters of positive sentiment, net optimism came in at a fairly strong +18.8. But this is down from last quarter's strong +34.4 and is the lowest level since 3Q13. Thirty-eight percent of CFOs express rising optimism, down sharply from last quarter's 48% and the lowest we have seen in more than two years. The silver lining is that most optimists from prior quarters have moved into the "no change" group rather than the pessimist group; 18.8% report declining optimism, which is about even with the levels we saw a year ago.
- **Canada and Mexico rebounded; US declined sharply:** Net optimism for the US is lowest at +15, down markedly from last quarter's +41. Canada's net optimism rose sharply to +29, well up from last quarter's +15 and likely aided by rebounds in oil prices. Mexico's net optimism rose from zero to +29.
- **Services* and Energy/Resources remain significantly pessimistic; Retail/Wholesale join their ranks:** Two-thirds of Services* CFOs report declining optimism, and more than one-third report the same for both Energy/Resources and Retail/Wholesale.
- **Manufacturing and Financial Services anchor the optimists:** Financial Services and Manufacturing CFOs indicate net optimism of +40 and +25, respectively.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

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

Percent of CFOs selecting each sentiment/reason combination (n=101)



Please see full report for industry-specific findings.

Sentiment

Most worrisome risks

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

Global economic worries continued, with growing concerns about the US economy:

- **Global economic worries:** Worries about global economic growth and volatility continued this quarter, with lingering concerns about Europe and China, and rising concerns about the trade and FX impacts of central banks' monetary policy decisions.
- **Rising concerns about the US economy:** Worries rose significantly about the possibility of a pullback, driven by possible spillover effects from other global economies, and by the possibility of near-term interest rate increases and equity market corrections.
- **Rising commodity price worries:** Worries about oil and commodity prices continued this quarter, with particularly strong effects in Energy/Resources and Financial Services.
- **Renewal of interest rate worries:** Worries about interest rate movements and shocks declined somewhat last quarter, but they rebounded sharply this quarter—especially within Financial Services.
- **Lower policy and regulation concerns:** The breadth of policy concerns continued to narrow this quarter, but general concerns about burdensome regulations remain—especially within Manufacturing, Financial Services, and Healthcare/Pharma.
- **Rising talent challenges:** CFOs again cited substantial concerns around finding and keeping talent with the right skill sets, with particular concerns around securing the talent they need to drive important initiatives.
- **Rising execution challenges:** CFOs cite worries and weariness stemming from large portfolios of initiatives, difficult prioritization, and challenging technology and operational change initiatives.

What external and internal risk worries you the most?

Consolidation and paraphrasing of CFOs' free-form comments* (n=89-95)

External

⬆ Economy

- Global economic growth/recession/volatility (14)
- ↑↑ US economy pullback (12)
- ↑↑ Oil/commodity prices (11)
- European economy (5)
- ↓ China economy
- Consumer confidence/spending
- Divide in US as middle class gets squeezed
- Unemployment
- Housing recovery
- Greece permanence in eurozone
- Wage growth
- FX changing global trade flows

⬆ Capital / Currency

- ↑↑ Interest rate increases/decreases (15)
- ↑↑ Exchange rates/volatility (10)
- Market bubbles/corrections (4)
- ↓ Impact of strong US dollar (3)
- Global debt levels (3)
- Inflation (2)

Geopolitics

- ↑ Geopolitical risk (11)
- Russian instability
- Wars in Middle East
- Wars in Ukraine
- Latin American conflict

⬇ Government / Regulation

- Federal regulation – new/burdensome (17)
- Tax policy/reform (2)
- IP policy/rules (2)
- Government's ability to spur growth / pass reforms
- Emerging and uncertain accounting/capital rules
- Mexican energy reform
- Environmental regulation
- Government regulation of health care/ ACA
- Government spending/fiscal policy

Industry

- Competitive practices/pricing (3)
- ↑ Effects of overcapacity (3)
- ↑ New/strong competitors (3)
- ↑ Industry-specific rules and court decisions (2)
- Demand for current/new products (2)
- Supply chain issues
- Industry changes/consolidation

Internal

Growth

- Hitting growth plans (5)
- ↑ Reacting to market changes/opportunities (3)
- Maturing products/categories
- New product development
- Market contraction

Margins

- ↑ Cost control / expense structure (5)
- Productivity/efficiency improvement (2)
- ↑ Balance cost controls with growth (2)
- Oil/gas prices
- Ability to hold pricing
- Irrational competitor behavior
- Competitive forces

⬆ Execution

- Execution against plans (11)
- ↑ Project execution (11)
- ↑ Lack of focus/prioritization (7)
- ↑ Technology change/implementation (4)
- Cyber security (3)
- Managing operations (2)
- Too much internal focus (2)
- Growing weary of the intensity of the battle

⬆ Talent

- Hiring qualified talent (10)
- ↑ Retaining key employees (8)
- ↑ Finding leadership to lead important efforts (3)
- Leadership succession (2)
- Baby boomers retiring faster than can be replaced
- Cost of highly-skilled talent
- Difficulty finding tech and engineering talent
- Change management / morale

** Arrows indicate notable movements since last quarter's survey. Category movements are indicated by block arrows. Strong movements are indicated by multiple arrows. Gray text indicates topics that have fallen off the list this quarter.*

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

Special topic: Crisis preparedness

Crisis preparedness

How prepared are companies for potential crises?

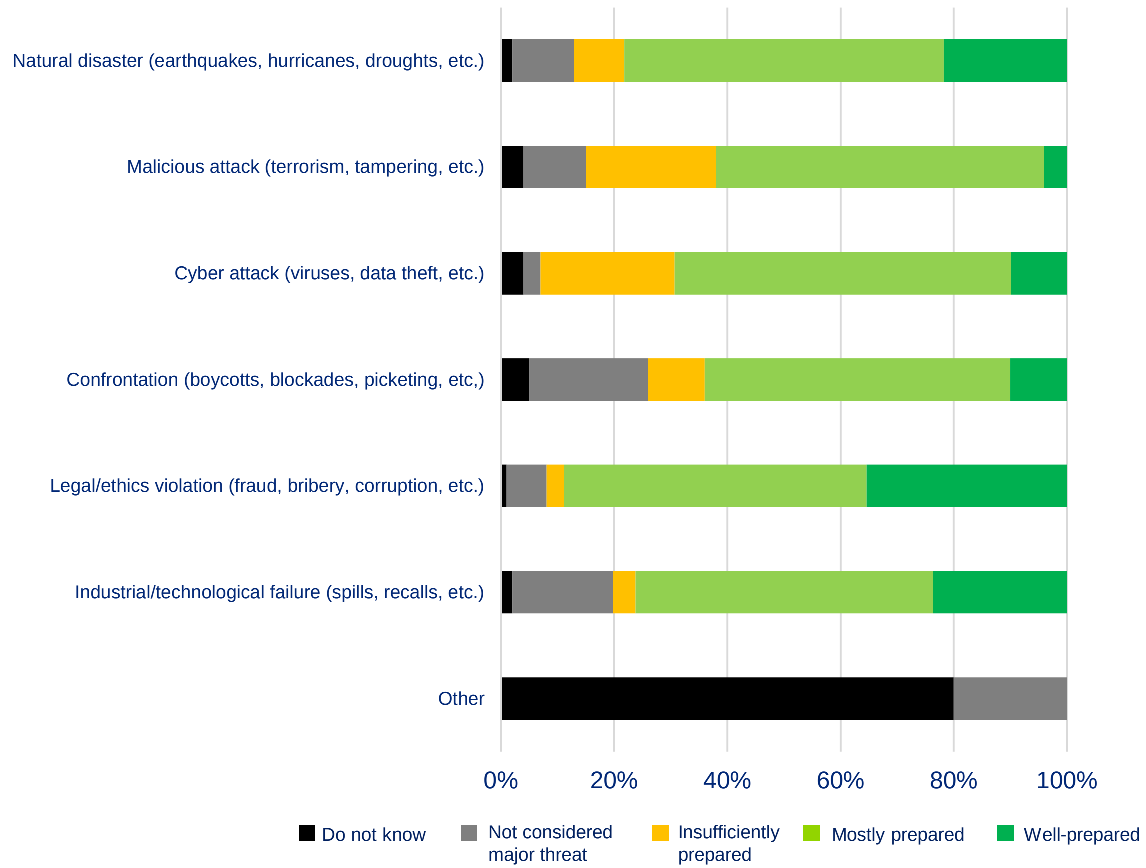
Strong, broad-based concerns about cyber attacks:

- **Best prepared for legal/ethics violations:** Nearly 92% of CFOs consider legal/ethics violations to be a major threat, with nearly 90% saying that they are either mostly prepared or well-prepared for such crises. Energy/Resources and Manufacturing CFOs are most likely to say they are well-prepared.
- **Cyber attacks most threatening:** Just 3% of CFOs do not consider cyber attacks a major threat. Nearly 25% say they are insufficiently prepared for such crises, and just 10% say they are well-prepared. Technology* and Financial Services CFOs are most likely to say they are insufficiently prepared, with 50% and 30% citing this concern, respectively.
- **Malicious attacks a broad-based concern:** Eighty-five percent of CFOs consider malicious attacks (terrorism, tampering, etc.) a major threat, with 23% citing insufficient preparedness and only 4% saying they are well-prepared. Thirty percent of CFOs from Financial Services cite insufficient preparedness, and at least 40% of those from Technology*, T/M/E*, and Healthcare/Pharma cite the same.
- **Mostly prepared for natural disasters:** More than 85% of CFOs consider natural disasters a major threat. Just over 20% of CFOs say they are well-prepared, led by Financial Services CFOs at 45%. About 9% consider their company insufficiently prepared, driven mostly by concerns in Retail/Wholesale and Energy/Resources.
- **Confrontations mostly a threat for Manufacturing and Retail/Wholesale:** More than 80% of CFOs in these industries consider confrontations (boycotts, blockades, picketing, etc.) a major threat. Nearly 20% of Manufacturing CFOs say they are insufficiently prepared, and 13% say the same for Retail/Wholesale.
- **Industrial/technological failures mostly a threat for Manufacturing and Energy/Resources:** About 80% of all surveyed CFOs consider industrial/technological failures a major threat, driven mostly by high importance within Manufacturing and Energy/Resources. CFOs in these industries cite preparedness well above the average, with 90% saying they are at least "mostly prepared" (the cross-industry average is about 75%).

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

How prepared is your company for potential crises in the following areas?

Percent of CFOs selecting each level of applicability and preparedness (n=99-101)



Please see full report for industry-specific findings.

Special topic: Compensation and wages

Adjusting executive compensation for strong dollar

How are companies adjusting their executive compensation approach in light of a strong US dollar?

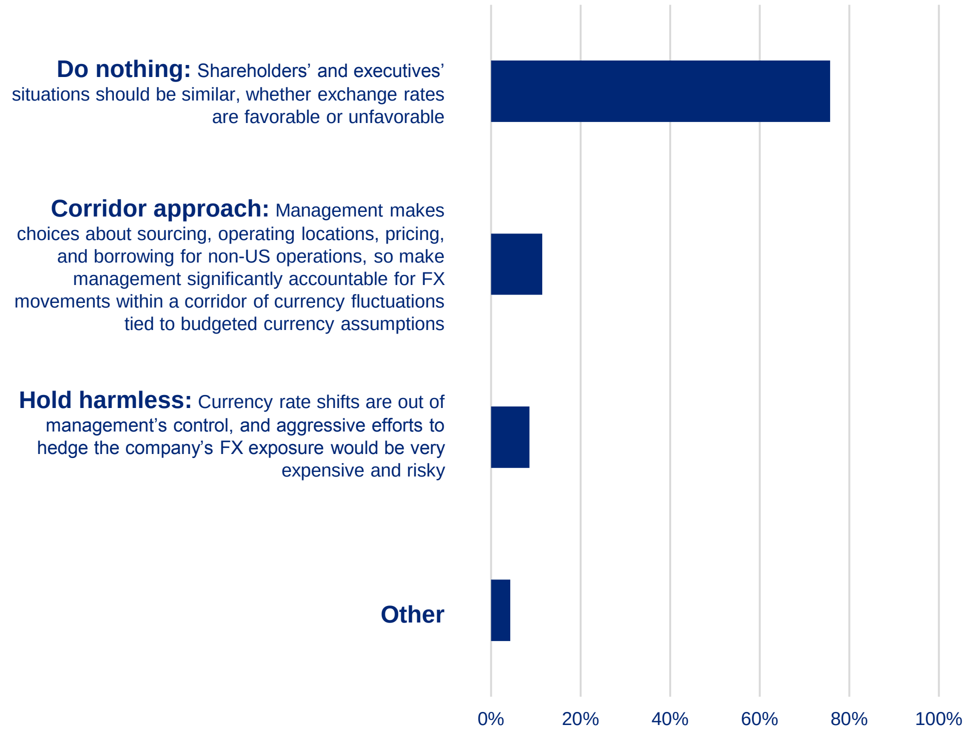
Companies overwhelmingly plan to make no compensation adjustments in response to a strong US dollar:

- **About 70% of CFOs say this issue is relevant for their company:** All Manufacturing CFOs say it is relevant for their company, while more than half of Financial Services CFOs say it is not.
- **Shareholders' and executives' situations should be similar:** More than three-quarters of CFOs who say this issue is relevant for their company report that they are not planning to adjust their executive compensation. All industries are at or above 50%, with Energy/Resources, Technology*, and Financial Services highest at 100%, 100%, and 89% respectively.
- **Significant support for "corridor" approach:** Mostly driven by support within Manufacturing, just over 11% of CFOs are in favor of making management accountable for FX movements within a corridor of currency fluctuations (about 20% of Manufacturing CFOs cite a preference for this approach).
- **Least support for "hold harmless" approach:** About 9% of CFOs cite a belief that holding their management accountable for rate shifts is not appropriate or is impractical. Retail/Wholesale CFOs are most likely to cite this approach at 18%.
- **Other approaches:** CFOs cite several alternate approaches, including making only slight compensatory adjustments, holding executives harmless for translation FX effects but responsible for transaction FX effects, and waiting until the end of the year to see if adjustments are actually necessary.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

Which approach best describes your board's views about adjusting executive compensation in light of a strong US dollar?

Percent of CFOs selecting each approach, among only those CFOs who said this issue is applicable to their company (n=70)



Please see full report for industry-specific findings.

Special topic: Compensation and wages

Salary and wage trends

How is compensation (salary/wages) trending within companies over the next year?

Compensation expected to rise 2.9% over the next year:

- **Financial Services highest:** The expectation is 3.6%, considerably above the expectations for other industries.
- **Energy/Resources and Technology* lowest:** The expectation for both is around 2% growth.
- **Canada lowest:** The expectation for Canada is just 1.8%, versus 2.8% and 4.3% for the US and Mexico, respectively.

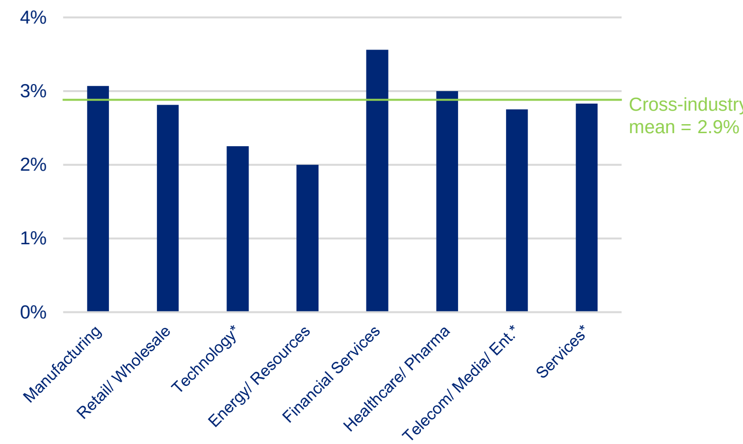
Increases most prevalent for highly-skilled staff and managerial levels, with US CFOs most likely to expect increases at all levels:

- **Highly-skilled staff:** On the whole, 63% of CFOs say they expect increases, led by Financial Services and Technology* at 80% and 75%, respectively. Only 1% of all surveyed CFOs anticipate a decrease.
- **Management:** Nearly half of CFOs say they expect managerial compensation to rise, led by Healthcare/Pharma and Financial Services at 60% and 55%, respectively. Just 6% of CFOs expect a decline.
- **Lower-skilled staff:** Forty-four percent expect compensation to rise, with Retail/Wholesale, Energy/Resources, Technology*, and T/M/E* highest (all are at or above 50%). Just 5% of CFOs expect a decline.
- **Executives:** Thirty-seven percent expect increases, led by Technology* and Financial Services at 50% and 45%, respectively. Retail/Wholesale, Healthcare/Pharma, and T/M/E* are significantly lower at 25% or below. About 7% of CFOs expect a decrease.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

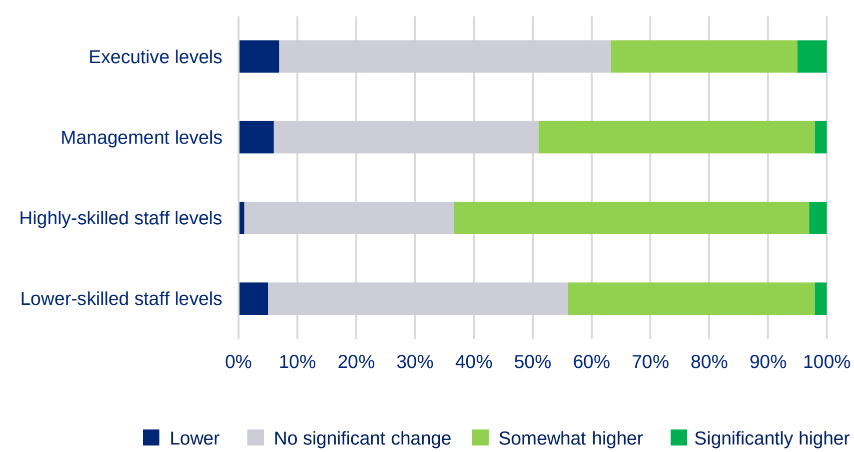
Compared to the past 12 months, how do you expect domestic wages and salaries to change over the next 12 months?

CFOs' expected change year-over-year* (n=97)



How is your company's compensation trending for the following staff levels over the next year?

Percent of CFOs selecting each type/degree of change (n=101)



Please see full report for industry-specific findings.

Special topic: Health care costs

Cost management approaches

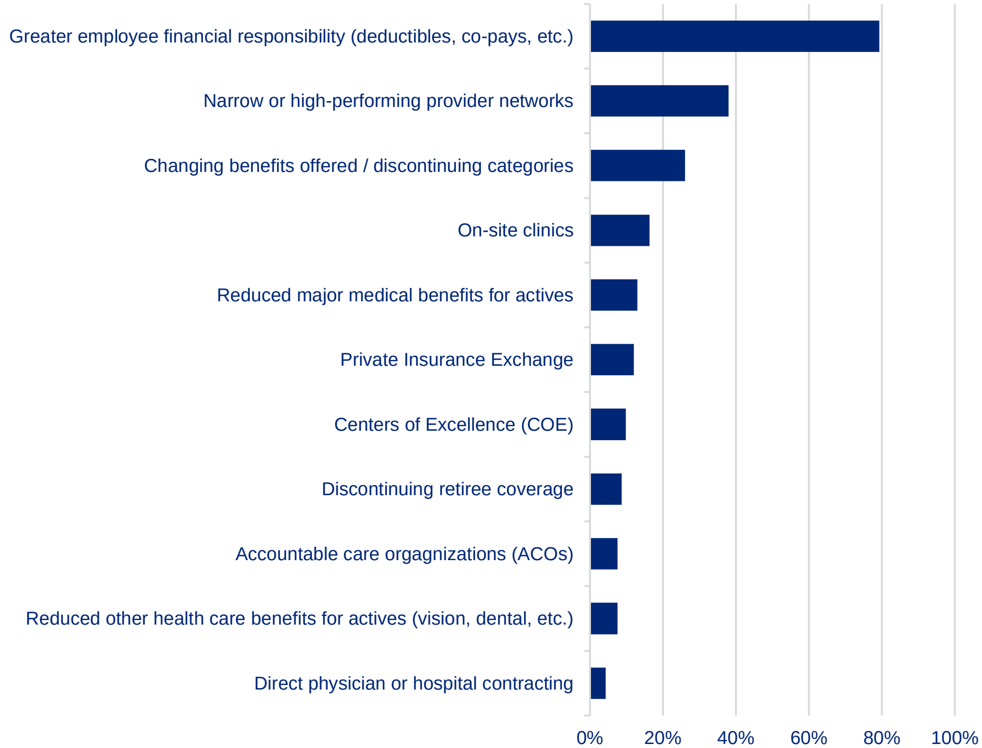
What strategies are CFOs using to manage health care costs?

Shifting of financial responsibility to employees is the dominant strategy for managing health care costs:

- **Heavy shifting of costs to employees:** Nearly 80% of CFOs say they are shifting financial responsibility to employees. The proportion is highest in the US at nearly 95%, with Mexico and Canada at 31% and 40%, respectively. Energy/Resources is lowest among the industries at about 65%, due mostly to high representation from Canadian companies.
- **Growing use of narrow or high-performing provider networks:** Thirty-eight percent of CFOs cite use of this strategy, led by 43% and 31% use in the US and Mexico, respectively. All industries are above 35% except for Energy/Resources—again apparently due to low use of this approach in Canada (just 10% of Canada's CFOs cite use).
- **Changes to benefit offerings more prevalent in Canada and Mexico:** About one-quarter of CFOs say they are changing benefits offered and/or discontinuing categories of benefits. Canada and Mexico lead with about 30% of CFOs citing this approach, with the US trailing at 25%. Retail/Wholesale is comparatively high at 38%.
- **Private insurance exchanges comparatively popular in Mexico:** Nearly 40% of Mexican CFOs cite use of this strategy.
- **Other strategies being utilized:** Examples include high-deductible health plans (HDHPs) with health-savings accounts (HSAs), consumer-based plans, medical insurance policies with broader groups of insurers, expanded wellness programs, and self-insurance programs.

Which strategies are you using (or do you plan to use) to manage health care costs?

Percent of CFOs selecting each option (n=92)



Please see full report for industry-specific findings.

Special topic: CFO role and focus

Interaction with executives

How frequently do CFOs have substantive interactions with their company's executives?

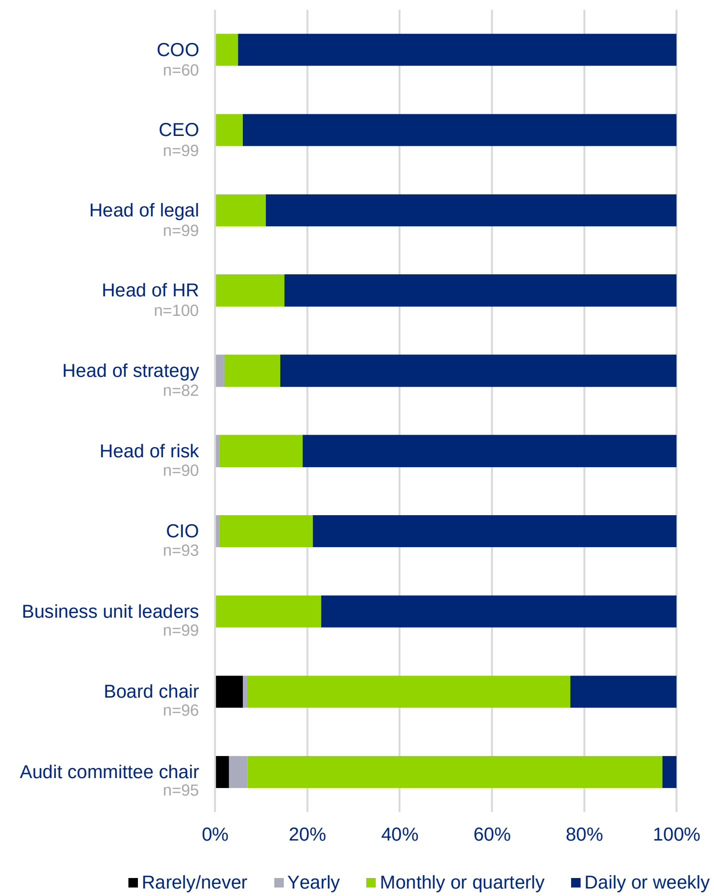
CFOs report frequent, substantive interactions with almost all of their company's key executives:

- **Very frequent interactions with CEO:** Nearly 95% of CFOs cite daily or weekly interactions with their CEO. All countries and industries are above 80%.
- **Very frequent interactions with COO when there is one:** Of the approximately 60% of CFOs who say their company has a COO, about 95% of CFOs cite daily or weekly interactions with this executive. COOs appear most common in Canada and Mexico (more than 90% report having COOs versus just half in the US), and also within the Energy/Resources industry (about 80% report having a COO).
- **Very frequent interactions with business unit leaders:** More than three-fourths of CFOs say they have weekly or daily interactions with business unit leaders (the US is highest at 80%, with Canada and Mexico at 71% and 64%, respectively), and the remaining quarter cites monthly or quarterly interactions. Among industries with larger sample sizes this quarter, Financial Services CFOs are comparatively more likely to cite monthly/quarterly interactions.
- **Less frequent interactions with Board Chair:** About two-thirds of CFOs say they have monthly or quarterly interactions with their Board Chair, with just over 20% citing more frequent interactions. Just 6% claim rare or non-existent interactions. There is relatively little difference by country. Financial Services and Technology* CFOs are comparatively more likely to cite monthly/quarterly interactions over daily/weekly interactions.
- **Least frequent interactions with Audit Committee Chair:** About 85% of CFOs say they have monthly or quarterly interactions with their Audit Committee Chair, with just 3% citing more frequent interactions. There is relatively little discernible difference by country or by industry.
- **Frequent interactions with function leaders:** The vast majority of CFOs indicate having daily or weekly interactions with the heads of legal, HR, strategy, and risk management, at 89%, 85%, 85%, and 81%, respectively. There are significant industry differences for some executives (please see the full report for more information).

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

How frequently do you have substantive interactions with your company's executives?

Percent of CFOs selecting each option (n=60-100)*



Please see full report for industry-specific findings.

* Number of responses varies due to lack of some positions within some companies.

Special topic: CFO role and focus

Division of time between roles

How do CFOs divide their time between CFO roles?

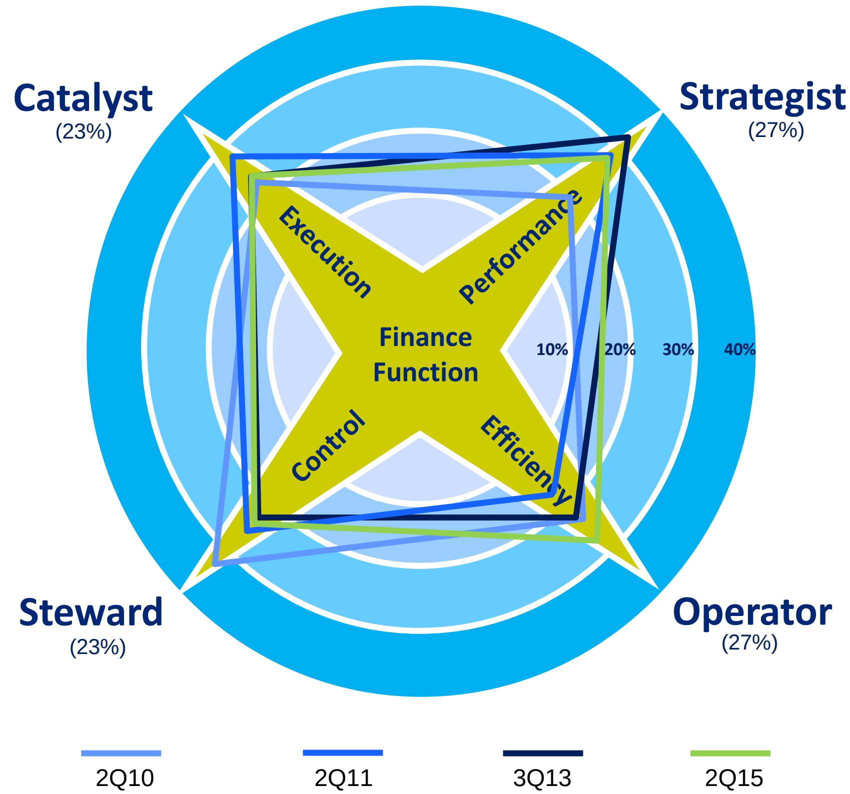
Compared to two years ago, CFOs report less time spent in their "strategist" role and more in their "operator" role:

- **Time spent as a strategist declined since 2013**: CFOs say 27% of their time is spent in their strategist role, down from the 31% they reported in 3Q13. CFOs from Healthcare/Pharma, Energy/Resources, Manufacturing, and T/M/E* report the most time in their strategist role, while those in Retail/Wholesale, Technology* and Financial Services report the least.
- **Time spent as an operator steadily climbing since 2011**: The proportion of time CFOs dedicate to their operator role rose to 27%, up from 23% in 3Q13 and 18% in 2Q11. Retail/Wholesale, Technology* and Financial Services CFOs report the most time in this role, while Energy/Resources, Healthcare/Pharma, and Services* report the least.
- **Time spent as a catalyst essentially unchanged**: CFOs' time spent in their catalyst role held relatively steady at 23% (versus 24% in 3Q13). CFOs from Services* and Healthcare/Pharma report the most time in this role, and those from Technology*, Financial Services, Retail/Wholesale, and T/M/E* report the least.
- **Time spent as a steward essentially unchanged**: CFOs say 23% of their time is spent in their steward role, up only slightly from the 22% they reported in 3Q13. Technology* and Financial Services CFOs report the most time in this role, while Healthcare/Pharma, Manufacturing, and Services* CFOs report the least.
- **Some country differences:** US CFOs report a strong focus on both their strategist and operator roles. Canadian CFOs report roughly equal focus on all four roles. Mexican CFOs report a very strong focus on their strategist and operator roles with a significantly below-average focus on their catalyst role.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

What is your division of time between CFO roles?

Percent of time CFOs report spending in each role (n=100)



Please see full report for industry-specific findings.

	Operator	Steward	Strategist	Catalyst
US	27%	22%	27%	24%
Canada	25%	26%	24%	24%
Mexico	30%	22%	30%	18%

- **Operator—**Time spent focused on finance organization efficiency and service levels/effectiveness: balancing cost and service levels in delivering services; defining and evolving finance's operating model; managing issues of talent and resources offshoring, shared services, etc.
- **Steward—**Time spent overseeing accounting, control, risk management and asset preservation: ensuring company compliance with financial reporting and control requirements; ensuring information quality, and control rationalization.
- **Strategist—**Time spent working as a driver of strategy: defining the company's future; providing a financial perspective on innovation and growth; improving risk-awareness, decision-making, and performance management; translating expectations of capital markets into business imperatives.
- **Catalyst—**Time spent working as an agent for change: establishing a value mindset; aligning groups around strategies; aiding other decision-makers; establishing accountability.

Special topic: Finance talent

Challenges in meeting business needs

What challenges are finance teams facing in meeting the needs of the business?

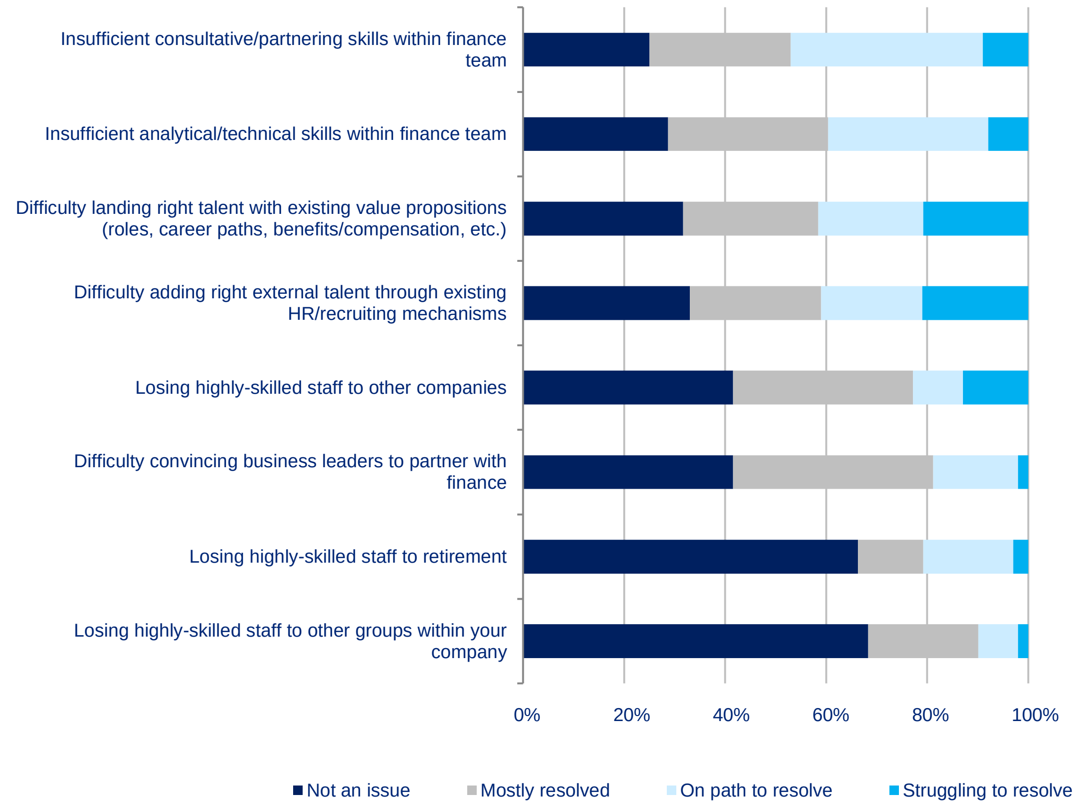
Acquiring and developing key skill sets a continuing challenge:

- **Some initial difficulty convincing business leaders to partner with finance:** About 60% of CFOs indicate challenges in convincing business leaders to partner with finance, but the vast majority say the problem has been solved or is on its way to being solved (only 2% say they are still struggling with this issue). More than 85% of Energy/Resources, Healthcare/Pharma, and T/M/E* CFOs say it was either not an issue or is already mostly resolved.
- **Difficulties in acquiring new talent:** About two-thirds of CFOs say landing new talent has been an issue, due to ineffective job/role value propositions, ineffective HR/recruiting mechanisms, or both. About one-quarter say they have mostly resolved these issues, and about 20% say they are currently on a path to resolution. Another 20%, however, say they are struggling to resolve these issues. Financial Services CFOs are the most likely to cite continuing struggles, and so are CFOs from Mexican companies.
- **Skill-set shortages a substantial challenge:** More than 70% of CFOs cite initial shortages of consultative, partnering, analytical, and technical skills. About 60% say they have mostly resolved the situation or are on a path to so, with about 10% citing continuing struggles.
- **Loss of key staff to other companies mostly resolved:** About 60% say losing highly-skilled talent to other companies has been a challenge, but only about 13% say they are still struggling to resolve the problem. T/M/E*, Technology*, Retail/Wholesale, and Manufacturing CFOs tend to report the highest remaining struggles.
- **Losing key staff to retirement or internal groups a minor concern:** About two-thirds of CFOs say losing highly-skilled staff to retirement or to other groups within the company has not been an issue, and only about 2% report struggles in this area.

** Asterisks indicate industries with sample sizes of less than five for this quarter.*

What challenges is your finance team facing in meeting the needs of the business?

Percent of CFOs citing each status (n=100-101)



Please see full report for industry-specific findings.

Special topic: Finance talent

Best steps for ensuring right talent

What are the best steps you have taken to ensure your finance team has the right talent it needs?

CFOs cite a variety of strategic, structural, and tactical approaches to ensuring their finance organization has the talent it needs:

- **Raising the importance of effective talent management:** CFOs cite important steps around getting talent management onto the daily radar screens of leaders. They mention making managers increasingly and explicitly responsible not only for talent planning, but also for talent acquisition, development, and retention.
- **Cultural shifts around continuous learning and leader/staff relationships:** CFOs mention emphasis on staff engagement and inclusion, and also on establishing a culture of continuous learning opportunities. They also emphasize steps to raise management's role in leading and mentoring key staff.
- **Raising the value proposition for current and potential employees:** Many CFOs cite strong steps to enhance employee opportunities for skills development, exposure to multiple roles and functions, and paths to leadership roles. They also cite steps to ensure competitive compensation, especially around key skill sets.
- **Raising the impact of talent on the organization:** CFOs mention a broad range of tactics for increasing the impact staff have on their organizations, ranging from getting rid of underperformers to linking staff goals and incentives to organizational priorities to providing staff with better feedback and better development opportunities.

What are the best steps you have taken to ensure your finance team has the right talent it needs?

Consolidation and paraphrasing of CFOs' free-form comments* (n=74)

Development, training, and rewards

ENGAGEMENT / INCLUSION
- Talent culture—respect, engagement, inclusion (8)
- Communication/visibility of leadership (7)
- Make talent development a priority for all leaders (3)
- Measurement of employee satisfaction
- Talent visibility with leadership

CAREER DEVELOPMENT
- Career development plans/discussions (7)
- Coaching/mentoring (6)
- Create clear career paths

EXPOSURE / BREADTH
- Job rotations / job shadowing (6)
- Challenging/stretch assignments (4)
- Mobility/variety of roles (2)
- Match talent with right roles (2)
- Cross-training Projects
- Exposure to operations

TRAINING AND DEVELOPMENT
- Training (11)
- Training programs—people/partnering (4)
- Training programs—technical/analytical (2)
- Training programs—management skills (3)
- Leadership development programs (4)
- Create culture of continuous learning
- Encourage continuing education
- External training

COMPENSATION AND REWARDS
- Competitive compensation (9)
- Strong compensation rewards for critical resources
- Salary realignment

Talent management

TALENT PLANNING
- Succession planning (3)
- Retention planning (2)
- Survey business unit leaders for feedback on strengths/improvement areas
- Maintain lean staffing while obtaining additional help when needed
- Project talent needs in advance

TALENT ACQUISTION
- Have CFO/leaders participate in recruiting to ensure quality (6)
- Hire experience/skillsets to raise the bar for internal expectations (3)
- Recruit even when no open positions (3)
- Invest in campus recruiting / internships (3)
- Network for new talent (3)
- Hire more skills than are required for the role (2)
- Employ an executive recruiter
- Be an employer of choice
- Recruit for mix of business and finance skills
- Set right balance between recruiting talent and growing talent internally
- Vertical and lateral recruiting

PERFORMANCE MANAGEMENT
- Remove underperformers (5)
- Strong/frequent performance review process focused on development (4)
- Link staff goals to company goals (2)
- Perform talent assessments (2)
- Provide feedback (2)
- Benchmark performance vs. peers
- Create a competency-based talent management framework
- Create clear roles and responsibilities

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes.*

Special topic: Finance talent

Best skill set for bolstering finance team

If you could bolster your finance team with one particular skill set or expertise, which would it be?

Very strong demand for people who can effectively use data to influence business decisions:

- **Strong demand for analytics expertise:** About one-quarter of CFOs say they would like to bolster their team with expertise around the gathering, analysis, and presentation aspects of analytics.
- **Business acumen over technical finance skills:** While some CFOs mention a desire to add technical skills to their finance team (especially around FP&A and tax), many more voice a need for stronger business understanding and acumen.
- **Leadership and influence highly valued:** CFOs voice strong demand for people who can not only analyze and synthesize data, but also for those who can persuasively communicate insights and ideas to people throughout the business. Central to their comments are traits they believe go along with influential staff—curiosity, confidence, consultative skills, and big-picture-thinking.

If you could bolster your finance team with one particular skill set or expertise, which would it be?

Consolidation and paraphrasing of CFOs' free-form comments* (n=84)

Business Understanding

SKILLS / EXPERTISE
- Business acumen (5)
- Business analysis/insight/vision (5)
- Business strategy (4)
- Business transformation/ innovation (3)
- M&A (3)
- Process improvement (2)
- Operations understanding
- Business development
- Pricing
- Government rules and regulations

EXPERIENCE
- Experience with business models that have gone through significant technology disruption
- Industry experience

Technical Skills

FINANCE / ACCOUNTING
- Financial planning/analytics/modeling (3)
- Tax (3)
- Accounting (2)
- Capex management
- Capital management
- SEC/external reporting
- Risk management

ANALYTICS
- Analytics (15)
- Business analytics (3)
- Data analytics (3)
- Analytics skills at senior levels
- Interpretive analytics

TECHNOLOGY
- Excel
- SAP
- Big data

Influence

MINDSET
- Curious (2)
- Change mindset
- Confident
- Generalist/versatile
- Consultative
- Independent thinking
- Big picture thinking

ROLES
- Communicator (9)
- Leader (8)
- Business partner/collaborator (4)
- Talent manager/developer (2)
- Influencer (2)
- Project manager
- Challenger of the business

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes.*

Please see full report for industry-specific findings.

Longitudinal trends

Expectations and sentiment

CFOs' Year-Over-Year Expectations*

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

		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Operating Results	Revenue	9.3%	10.9%	6.5%	8.2%	7.1%	6.8%	6.3%	5.9%	6.6%	4.8%	5.6%	5.4%	5.7%	5.0%	4.1%	4.6%	6.1%	6.8%	6.0%	5.4%	3.1%
		6.0%	10.0%	5.0%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
		84%	93%	81%	89%	80%	83%	87%	79%	85%	82%	83%	81%	84%	78%	82%	90%	90%	89%	90%	86%	78%
	Earnings	17.3%	19.5%	12.0%	12.6%	14.0%	9.3%	10.1%	12.8%	10.5%	8.0%	10.9%	12.1%	10.3%	8.0%	8.6%	7.9%	8.9%	10.9%	9.7%	10.6%	6.5%
		6.0%	10.0%	8.0%	10.0%	10.0%	8.0%	9.0%	9.5%	8.5%	6.0%	7.0%	10.0%	10.0%	9.0%	8.0%	7.0%	8.0%	8.0%	8.0%	8.0%	5.0%
		89%	93%	80%	83%	83%	82%	84%	79%	81%	84%	76%	84%	83%	82%	82%	84%	83%	90%	86%	79%	79%
Investment	Dividends	6.5%	8.6%	4.1%	4.4%	3.7%	3.5%	2.4%	2.2%	3.9%	2.5%	2.5%	3.6%	4.5%	3.4%	4.0%	5.7%	4.1%	4.1%	3.0%	4.3%	3.4%
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		38%	39%	28%	36%	35%	41%	27%	31%	33%	30%	29%	38%	40%	39%	37%	47%	45%	45%	44%	47%	43%
	Capital spending	12.4%	8.3%	8.7%	11.8%	10.7%	7.9%	9.6%	12.0%	11.4%	4.6%	4.2%	7.8%	7.5%	4.9%	6.4%	6.5%	6.8%	5.0%	5.5%	5.2%	5.4%
		5.0%	5.0%	4.0%	5.0%	10.0%	5.0%	5.0%	6.0%	10.0%	3.0%	0.0%	0.0%	3.5%	2.4%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%
		62%	58%	57%	61%	69%	59%	61%	68%	70%	53%	43%	57%	57%	54%	59%	57%	64%	60%	62%	63%	59%
Employment	Number of domestic personnel	3.1%	2.0%	1.8%	1.8%	2.0%	1.2%	1.0%	2.1%	2.1%	0.6%	1.0%	0.9%	2.4%	1.3%	1.4%	1.0%	1.6%	2.3%	2.1%	2.4%	1.2%
		0.5%	2.0%	1.0%	1.0%	2.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%
		50%	60%	48%	61%	64%	52%	51%	51%	52%	40%	40%	43%	46%	47%	48%	42%	58%	58%	60%	58%	49%
	Number of offshore personnel	3.5%	2.8%	3.6%	3.7%	4.1%	2.9%	4.8%	3.7%	3.8%	1.5%	0.5%	2.4%	2.5%	1.9%	4.1%	2.5%	1.9%	2.6%	1.9%	3.1%	2.0%
		0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		41%	49%	47%	41%	57%	37%	50%	43%	41%	30%	32%	39%	36%	33%	42%	34%	42%	45%	44%	48%	39%

CFO and Equity Market Sentiment**

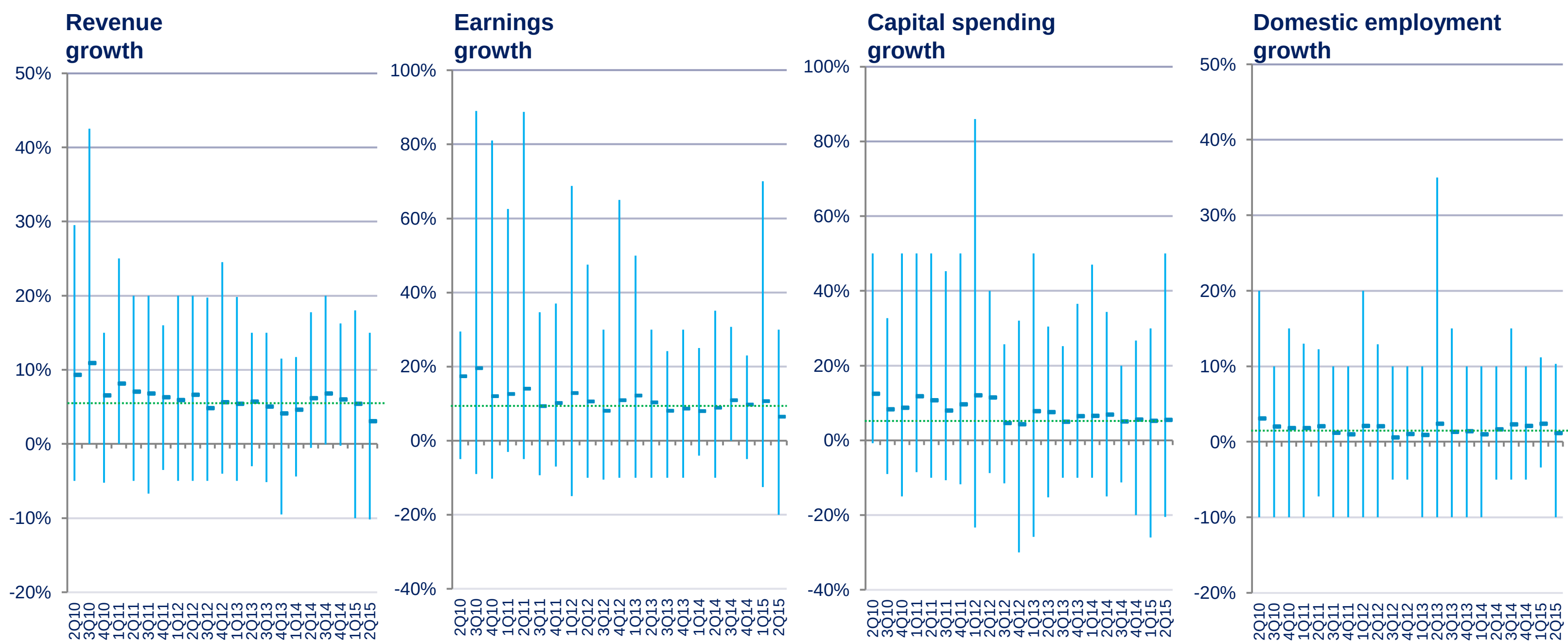
		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Optimism	Optimism (% more optimistic)	63.5%	46.8%	53.3%	62.4%	39.7%	28.6%	28.6%	63.0%	39.1%	38.8%	29.1%	51.0%	59.0%	41.9%	54.2%	46.8%	44.3%	43.7%	49.0%	47.9%	37.6%
	Neutrality (% no change)	19.3%	16.8%	26.0%	22.0%	28.3%	18.6%	32.1%	21.9%	32.6%	21.2%	31.3%	30.1%	27.7%	33.9%	33.4%	33.0%	37.2%	44.6%	35.3%	38.5%	43.6%
	Pessimism (% less optimistic)	17.2%	36.4%	20.7%	15.6%	32.0%	52.8%	39.3%	15.1%	28.3%	40.0%	39.6%	18.9%	13.3%	24.2%	20.8%	20.2%	18.6%	11.7%	15.6%	13.5%	18.8%
	Net optimism (% more optimistic less % less optimistic)	46.3%	10.4%	32.6%	46.8%	7.7%	-24.2%	-10.7%	47.9%	10.8%	-1.2%	-10.5%	32.1%	45.7%	17.7%	33.4%	26.6%	25.7%	32.0%	33.3%	34.4%	18.8%
S&P	S&P 500 price at survey period midpoint	1,088	1,072	1,200	1,343	1,333	1,123	1,161	1,361	1,317	1,418	1,387	1,520	1,667	1,656	1,798	1,839	1,878	1,955	2,040	2,097	2,123
	S&P gain/loss QoQ		-1.5%	11.9%	11.9%	-0.7%	-15.8%	3.4%	17.2%	-3.2%	7.7%	-2.2%	9.6%	9.7%	-0.7%	8.6%	2.3%	2.1%	4.1%	4.3%	2.8%	1.2%

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

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

Longitudinal trends

Means and distributions for key metrics



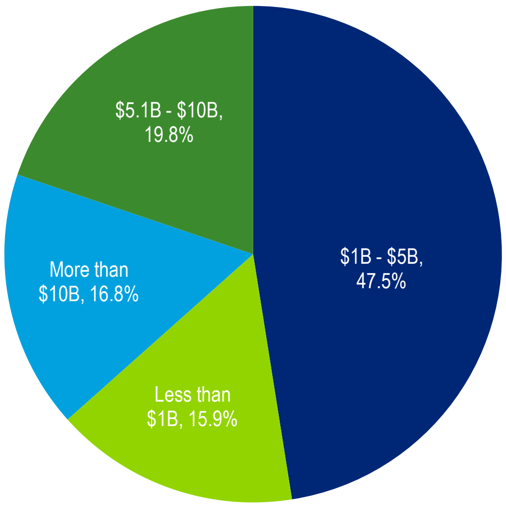
Vertical lines indicate range for responses between 5th and 95th percentiles.

Horizontal marks indicate outlier-adjusted means.

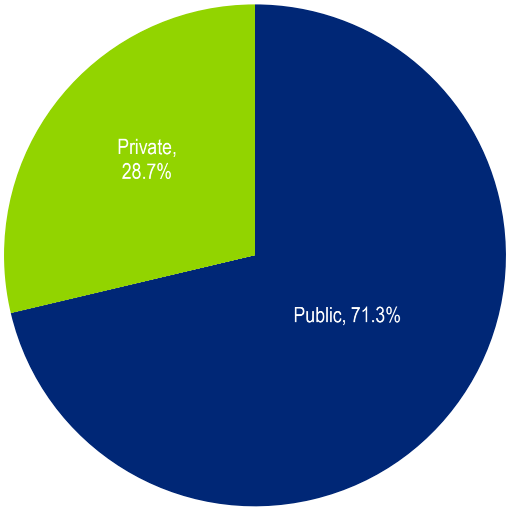
Dotted lines indicate 3-year average (mean).

Demographics*

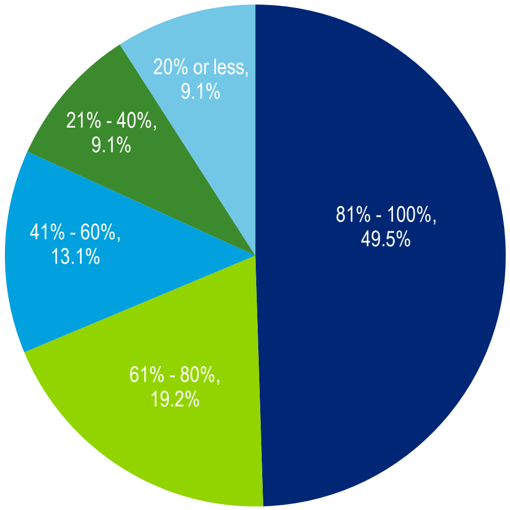
Annual Revenue ($US)
(n=101)



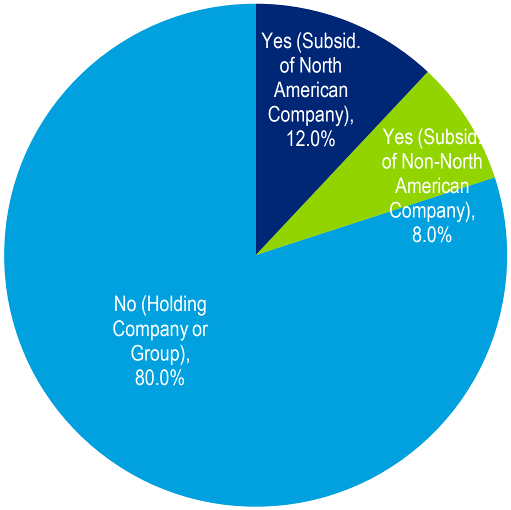
Ownership
(n=101)



Revenue from North America
(n=99)



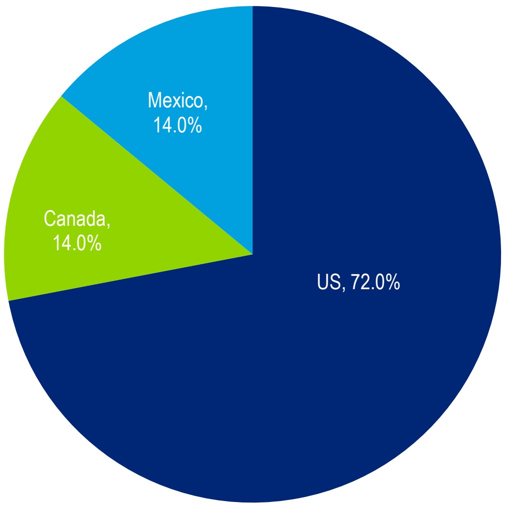
Subsidiary Company
(n=100)



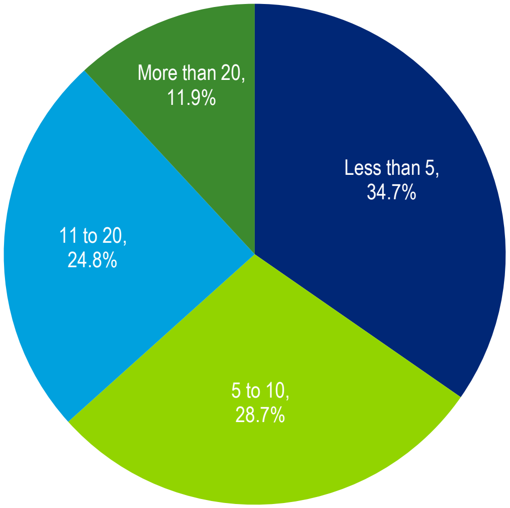
* Sample sizes for some charts are not 101 because some respondents did not provide information for all demographic items.

Demographics (cont.)

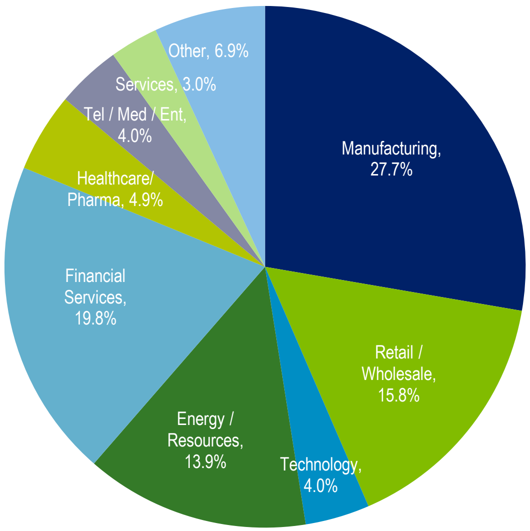
Country
(n=100)



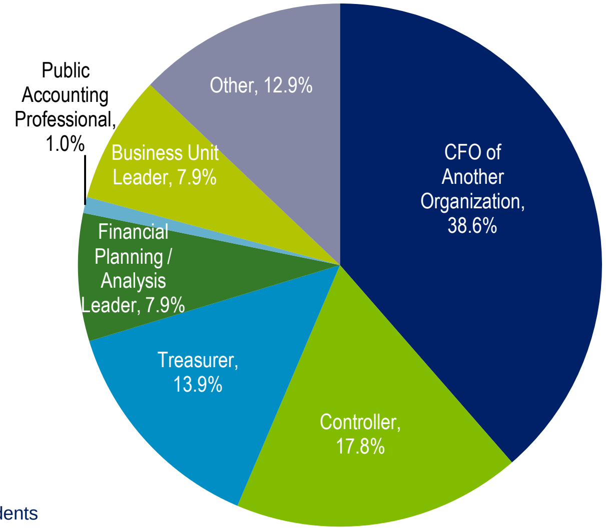
CFO Experience (Years)
(n=101)



Industry
(n=101)



Previous CFO Role
(n=101)



* Sample sizes for some charts are not 101 because some respondents did not provide information for all demographic items.

Methodology

Background

The Deloitte North American CFO Survey is a quarterly survey of CFOs from large, influential companies across North America. The purpose of the survey is to provide these CFOs with quarterly information regarding the perspectives and actions of their CFO peers across four areas: business environment, company priorities and expectations, finance priorities and CFOs' personal priorities.

Participation

This survey seeks responses from client CFOs across the United States, Canada, and Mexico. The sample includes CFOs from public and private companies that are predominantly over $3B in annual revenue. Respondents are nearly exclusively CFOs. Participation is open to all industries except for government.

Survey Execution

At the opening of each survey period, CFOs receive an email containing a link to an online survey hosted by a third-party service provider. The response period is typically two weeks, and CFOs receive a summary report approximately two weeks after the survey closes. Only CFOs who respond to the survey receive the summary report for the first two weeks after the report is released.

Nature of Results

This survey is a "pulse survey" intended to provide CFOs with information regarding their CFO peers' thinking across a variety of topics; it is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate – especially within individual industries. Accordingly, this report summarizes findings for the surveyed population but does not necessarily indicate economy- or industry-wide perceptions or trends.