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CFO Signals™

What North America's top finance executives are thinking—and doing
1st quarter 2022

MAKING AN IMPACT THAT MATTERS since 1845

Dear CFOs,

Since launching the 1Q22 *CFO Signals™* in early February, the world has witnessed tragedies that many of us thought we would never see again, at least in our lifetime. Judging by your responses—particularly to the questions seeking your assessments of conditions across regional economies, both currently and a year ahead—you may have had a foreboding of the devastation taking place in Ukraine and the implications for the global economy. Your comments regarding your most worrisome risks also made clear that talent/labor shortages, rising inflation, and geopolitical instability weigh heavily on your mind as financial stewards of your organizations. *Following are other survey highlights:*

CFOs' views of regional economies one year out: For the most part, CFOs expressed less optimism for the health of regional economies looking 12 months ahead. The 36% of CFOs expecting North America's economy to be better was a drop from 45% in the prior quarter. Similarly, 26% of CFOs said they expect Europe's economy to improve a year out, a sharp decline from 40% in 4Q21. There was also a drop in the percentage of CFOs expecting Asia's economy, excluding China, to improve in 12 months, at 33%, compared to 37% in 4Q21. The exceptions were China, with 31% of CFOs anticipating that economy to be better in 12 months, up from 28% in the prior quarter, and South America, with 16% of CFOs expecting its economy to improve in a year, up from 12% in 4Q21.

Own-company financial prospects and year-over-year growth expectations: Fewer CFOs (38%) viewed their own companies' prospects as being better compared to the three months prior to the survey launch, down from 4Q21's 49%. We also saw some dampening in CFOs' outlooks as they slightly lowered their year-over-year growth expectations for earnings, capital spending, domestic hiring, and domestic wages and salaries from the prior quarter. In contrast, they raised their growth expectations for revenue to 9.1% from 7.8% in 4Q21, and for dividends, to 3.9% from 3.7% in the prior quarter.

Chief risk concerns: As in 4Q21, talent/labor appeared at the top of CFOs' list of most worrisome internal risks, specifically retention. CFOs also noted concerns over prioritization of initiatives and strategy execution. In addition to inflation and geopolitical instability, CFOs cited policies and regulation as a key external risk. Other external risks included supply chain issues, a potential downturn in the economy, and rising interest rates. Some CFOs expressed concern over new COVID-19 variants. Together, these concerns might explain why less than half (47%) of CFOs say now is a good time to be taking on more risk, down from 57% in the prior quarter.

Managing the information technology (IT) function: Our special section this quarter asked CFOs several questions related to the IT function, including reporting relationships between the CFO and IT leaders, areas for improvement to gain greater value from IT, actions organizations have taken to enhance the function, IT spend as a percentage of annual revenue, and IT spend on Agile initiatives. On one hand, the responses revealed practical steps organizations are taking to derive more value from the IT function and services, and on the other hand, a lack of clarity in how the function's effectiveness is being measured.

I want to thank you for taking time to participate in *CFO Signals*. Your perspectives are valued not only by us at Deloitte, but, equally important, by your peers. Please mark April 7 on your calendar for our next [CFO 4Sight webcast](#) to get an economic update, hear from a guest CFO speaker, and learn more about the *CFO Signals* survey results.

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CONTENTS, CONTACTS, SURVEY LEADERS, AND PARTICIPATION PROFILE

Contents

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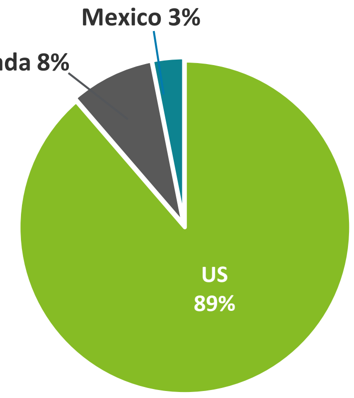
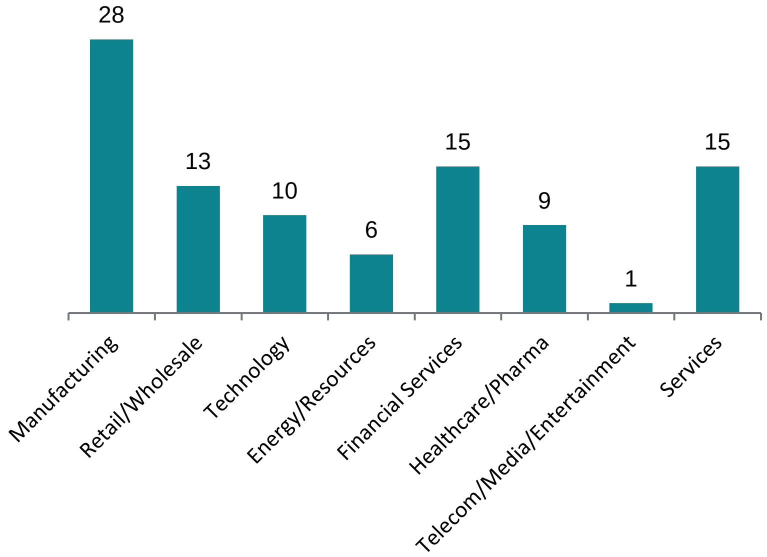
Participation: A total of 97 CFOs participated: 65% from public companies and 35% from privately held companies. More than one-third (36%) of CFOs have more than 10 years' experience, and another 29% have 5-10 years' experience, while the remainder have less than five years' experience. Respondents are from the US, Canada, and Mexico, and the vast majority are from companies with more than $1 billion in annual revenue. The 1Q22 survey was open from February 7-25, 2022. For other information about the survey, please contact nacfosurvey@deloitte.com.

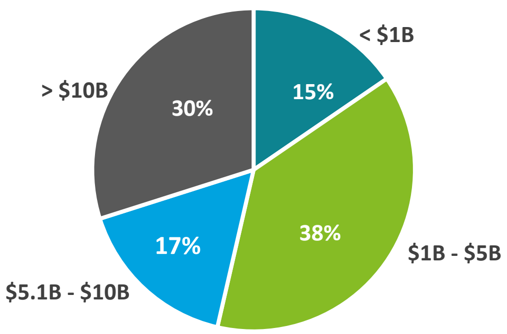
By country



By industry



By company size



1Q22 LONGITUDINAL BUSINESS OUTLOOK HIGHLIGHTS

CFOs' level of optimism for North America's current and future economic conditions fell markedly, compared to 4Q21. CFOs also lowered their assessment of Europe's current and future economic conditions, compared to the previous quarter, especially with regard to conditions a year out. While CFOs' views of China's current economy remained unchanged, their outlook for that region's economy in 12 months improved slightly. *Note: The survey closed the night of February 25, 2022—the day after Russia invaded Ukraine.*

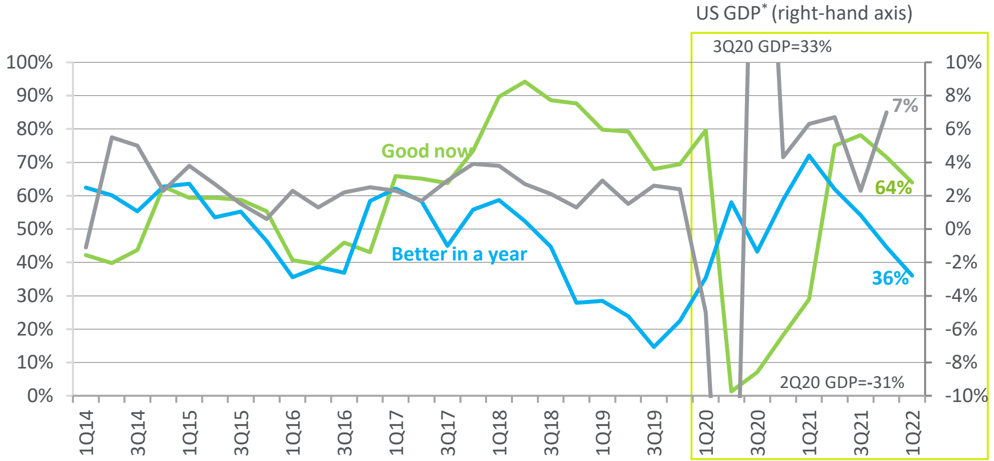
Economic assessment by region

- **North America:** 64% of CFOs rate the current economy as good or very good, down from 72% in 4Q21; 36% indicate conditions will improve in a year, down from 45% in the prior quarter.
- **Europe:** 31% of CFOs consider current economic conditions as good or very good, down slightly from 33% in 4Q21; a year out, slightly more than one-quarter (26%) of CFOs see the economy improving, a sharp decline from 40% in the prior quarter.
- **China:** 29% of CFOs view the current economy as good or very good, unchanged from 4Q21; those expecting better conditions in a year inched up to 31% from 28% in 4Q21.
- **Asia, excluding China:** 39% of CFOs view the current economy as good or very good, up from 32% in 4Q21; 33% indicate improvement a year out, down from 37% in 4Q21.
- **South America**: 14% of CFOs rate the current economy as good or very good, up from 9% in 4Q21; 16% expect improvement in the economy 12 months out, up from 4Q21's 12%.

Company outlook

- The **own-company optimism index** (percent of CFOs citing rising optimism regarding their companies' prospects minus the percent citing falling optimism) fell to +21 from +35 in 4Q21, with Retail/Wholesale CFOs being the most optimistic and Healthcare/Pharma CFOs the least optimistic.
- The **performance index** (average of percentages of CFOs citing positive YOY revenue and earnings growth) rose slightly to +87 from +86 in 4Q21. The Energy/Resources and Healthcare/Pharma industries led the index.
- The **expansion index** (average of percentages of CFOs citing positive YOY growth in capital spending and domestic hiring) increased slightly to +76 from +73 in 4Q21. The Retail/Wholesale and Services industries ranked highest on the index.

Views on North America's economy



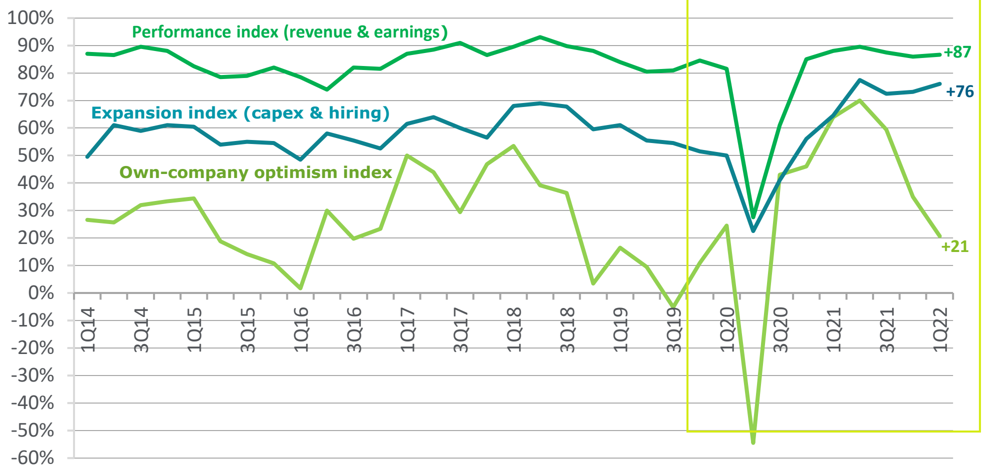
Economy optimism

	Good now	Better in a year	Last quarter	2-yr. avg
North America	↘ 64%	↘ 36%	72/45	43/54
Europe	↘ 31%	↘ 26%	33/40	16/37
China	↔ 29%	↗ 31%	29/28	38/48
Asia, excl. China	↗ 39%	↘ 33%	32/37	NA**
South America	↗ 14%	↗ 16%	9/12	NA**

*US GDP = percent change from preceding quarter in real US gross domestic product (source: Bureau of Economic Analysis table 1.1.1)

**Two-year average comparisons are not available because 3Q21 was the first time *CFO Signals* asked CFOs for their assessments of the economies of Asia, excluding China, and of South America.

Company indexes



Company optimism and growth

	This quarter	Last quarter	2-yr. avg.
Own-company optimism (net)	↘ +21	+35	+36
Revenue growth (YOY)	↗ 9.1%	7.8%	5.5%
Earnings growth (YOY)	↘ 9.2%	9.6%	7.1%
Dividend growth (YOY)	↗ 3.9%	3.7%	2.2%
Capital investment growth (YOY)	↘ 11.3%	11.5%	6.3%
Domestic personnel growth (YOY)	↘ 5.3%	5.8%	2.3%
Domestic wage growth (YOY)	↘ 5.0%	5.2%	3.0%

1Q22 HIGHLIGHTS—ASSESSMENTS OF REGIONAL ECONOMIES TRACKED BY CFO SIGNALS

When considering current economic conditions in North America, the percentage of CFOs assessing it as good or very good fell to 64% in 1Q22, from 72% in 4Q21. Similarly, the cohort of CFOs viewing Europe's current economy as good or very good dipped to 31% this quarter from 33% in 4Q21. Meanwhile, the percentage of CFOs who view China's current economic conditions as good or very good remained unchanged at 29%. Compared to 4Q21, the percentage of CFOs considering the current economies of Asia, excluding China, and South America as good or very good rose.

When considering economic conditions 12 months out, a smaller percentage of CFOs see improvement for North America, Europe, and Asia, excluding China, compared to the previous quarter. In contrast, the percentage of CFOs indicating economic conditions will be better in China and South America a year out increased somewhat from the prior quarter. The percentages of CFOs expecting economic conditions will be worse a year from now rose for all five regions, compared to 4Q21.

North America

Current conditions: **59%** good and **5%** very good
(**64%** total—down from **72%** in 4Q21)
5% bad

A year from now: **34%** better and **2%** much better
(**36%** total—down from **45%** in 4Q21)
26% worse—up from **16%** in 4Q21

Europe

Current conditions: **31%** good and **0%** very good
(**31%** total—down slightly from **33%** in 4Q21)
18% bad

A year from now: **24%** better and **2%** much better
(**26%** total—down from **40%** in 4Q21)
19% worse—up from **11%** in 4Q21

China

Current conditions: **29%** good and **0%** very good
(**29%** total—consistent with **29%** in 4Q21)
20% bad

A year from now: **30%** better and **1%** much better
(**31%** total—up from **28%** in 4Q21)
19% worse—up from **17%** in 4Q21

Asia, excluding China*

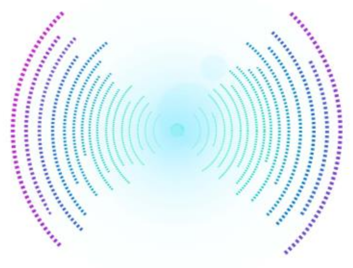
Current conditions: **38%** good and **1%** very good
(**39%** total—up from **32%** in 4Q21)
9% bad

A year from now: **31%** better and **2%** much better
(**33%** total—down from **37%** in 4Q21)
11% worse—up from **10%** in 4Q21

South America*

Current conditions: **12%** good and **2%** very good
(**14%** total—up from **9%** in 4Q21)
30% bad

A year from now: **16%** better and **0%** much better
(**16%** total—up from **12%** in 4Q21)
37% worse—up from **30%** in 4Q21



*_CFO Signals_ first asked CFOs for their assessments of Asia, excluding China, and of South America in 3Q21.

1Q22 HIGHLIGHTS OF CORE SURVEY QUESTIONS AND RESPONSES

CFOs raised their year-over-year growth expectations for revenue and dividends, compared to 4Q21. At the same time, they lowered their YOY growth expectations for earnings, capital spending, domestic hiring, and domestic wages and salaries, likely in response to the spike in inflation and the announced increases in the interest rate for US federal funds.

Assessments of the business environment, capital markets, and risks

How do you regard the current and future status of the following economies—North America, Europe, China, Asia (other than China), and South America? **When assessing the *current status* of the five regional economies,** 64% of CFOs ranked North America as good or very good, down from 72% in 4Q21. Twenty-nine percent of CFOs noted China's current economy as good or very good, the same as the prior quarter. Thirty-one percent of CFOs cited Europe's economy as good or very good, down from 33% in 4Q21. More than one-third (39%) of CFOs consider the economy of Asia, excluding China, to be good or very good, up from 32% in 4Q21. Fourteen percent said the same for South America's economy, an increase from 9% in the prior quarter .

Considering the regional economies 12 months out, CFOs were less positive. Slightly more than one-third (36%) of CFOs expect North America's economy to be better or much better a year from now, down from 45% in the prior quarter. Twenty-six percent of CFOs believe Europe's economy will be better in 12 months, a decline from 40% in 4Q21. CFOs' assessment of China's economy a year out slightly improved, however, with 31% expecting it to be better or much better, compared to 28% in the prior quarter. Thirty-three percent of CFOs expect Asia's economy, excluding China, to improve in 12 months, down from 37% in 4Q21. Sixteen percent of CFOs expect South America's economy to improve in the same time period, up from 12% in the prior quarter. The percentage of CFOs indicating that economic conditions would be worse a year out increased for each region tracked, as noted on page 5. See page 8 for charts.

What is your perception of the capital markets? CFOs' views of the capital markets dimmed across the board. Nearly three-quarters (72%) of CFOs considered US equity markets as overvalued this quarter, down from 88% in 4Q21. For 85% of CFOs, debt financing was attractive, down slightly from 88% in the 4Q21 survey. More than one-third (37%) of CFOs regarded equity financing as attractive, down from 51% in the prior quarter. See pages 9-10 for more details.

Is this a good time to be taking greater risks? Forty-seven percent of CFOs indicated now is a good time to be taking greater risks, down from 57% in the prior quarter. See page 11 for details.

What internal and external risks worry you the most? Not surprisingly, talent/labor was the most-often cited internal risk this quarter, including retention even more so than attracting new talent/labor. Along with talent/labor, CFOs noted concerns over prioritization of initiatives and execution, followed by wage inflation and the hybrid work model.

Regarding external risks, CFOs indicated inflation, geopolitical instability, and policies and regulation as their top worries. Other concerns cited revolved around supply chain issues, the state of the economy, and rising interest rates. Some CFOs also expressed concern over new COVID-19 variants. See pages 12-13 for more details and pages 43-44 for open-ended text responses to internal and external risk concerns.

CFOs' views on financial prospects and expectations for growth in key metrics

Compared to three months ago, how do you feel about your company's financial prospects? Thirty-eight percent of CFOs indicated they are somewhat or significantly more optimistic about their companies' financial prospects, a decline from 49% in the prior quarter. Retail/Wholesale industry CFOs were the most optimistic (69%), followed by Technology (40%), Financial Services (40%), and Manufacturing (39%). Some CFOs were somewhat less optimistic, mainly in Healthcare/Pharma (33%). See page 14 for details.

How do you expect your key operating metrics to change over the next 12 months? Compared to the prior quarter, CFOs raised their expectations for year-over-year growth only for revenue and dividends:

- **Revenue growth expectations** increased to 9.1% from 7.8% in 4Q21.
- **Dividend growth expectations** inched up to 3.9% from 3.7% in 4Q21.

Meanwhile, CFOs lowered their YOY growth expectations for earnings, capital spending, domestic hiring, and domestic wages and salaries from the prior quarter:

- **Earnings growth expectations** fell to 9.2% from 9.6% in 4Q21.
- **Capital spending growth expectations** dipped to 11.3% from 11.5% in 4Q21.
- **Domestic hiring growth expectations** slightly decreased to 5.3% from 5.8% in 4Q21.
- **Domestic wages/salaries growth expectations** declined to 5.1% from 5.2% in 4Q21.

See page 15 for more details, including a breakdown by country and industry.

Retaining talent/labor, along with prioritization of initiatives and strategy execution, are CFOs' top internal risk worries. Inflation, geopolitical instability, and policies and regulation rose to the top of their external worries.

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

1Q22 SPECIAL TOPIC AT A GLANCE: MANAGING THE INFORMATION TECHNOLOGY FUNCTION

From our experience working with CFOs, they increasingly recognize the critical role that their organizations' IT information technology function play—not only in keeping systems running smoothly, but also in contributing to the ability to compete effectively and enhance financial performance, and in managing cyberthreats. While more satisfied than dissatisfied with their IT functions, surveyed CFOs identified several areas that they would like to see improved to gain greater value from the IT function, including speed, agility, and innovation; governance, accountability, and transparency; talent, skills, and business acumen; and digitization.

Does your company's primary information technology (IT) leader (CTO, CIO, etc.) report to you? Of the 97 CFOs who responded to this question, 28% reported they have direct oversight over their organizations' IT leader, while 7% said their IT leader reports to them indirectly. The remaining 65% said their organizations' IT leader does not report to them. See page 16 for details.

What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? More than one-third (34%) of CFOs indicated they are very satisfied (5%) or satisfied (29%) with their organizations' IT services. Another 34% reported they are somewhat satisfied. Sixteen percent of CFOs said they are somewhat dissatisfied with their organizations' IT services. Eight percent noted they are dissatisfied, and just 1% said they are very dissatisfied. The remainder are neutral. See page 16 for details.

What is your estimate of overall information technology spend as a percentage of annual revenue? On average, CFOs indicated their organizations' overall IT spend was 3.1% of annual revenue. The percentage varied somewhat from industry to industry. On the high end, 8% of CFOs reported their overall IT spend is more than 6% of annual revenue. The average of 3.1% was lower than the 4.25% average that CIOs cited in the *2020 Global Technology Leadership Study* regarding their companies' technology budget as a percentage of annual revenue. Following is a link to the full report. See page 17 for more details on IT spend as a percentage of annual revenue.

Approximately what percentage of your current information technology spend goes to Agile initiatives? On average, 23.7% of CFOs said their organizations' IT spend goes to Agile initiatives. The highest percentage cited 70% and above, which may be an outlier, while 14% of CFOs said less than 1%, and 16% reported 1% to 5% of their IT spend goes toward Agile initiatives. *Note: 44 of 97 CFOs responded to this question.* Regardless of whether IT leadership is a direct or indirect report, it might be difficult to have visibility into IT spend, including allocations to Agile activities. See page 17 for details.

How is your information technology spend split across the following activities? The breakdown of CFOs' responses revealed that the majority (52%) of their IT spend goes toward maintaining day-to-day operations. The remainder of their IT spend was split between enhancing existing capabilities and operations at 26% and creating new capabilities for their business at 22%. See page 18 for details.

What are the top three challenges to realizing value from your information technology function? CFOs' responses fell into 10 categories, with the top three being talent, complexity and non-standardization, and business partnering and alignment. Technology debt, prioritization and execution, and time to value were the next most common categories of challenges. See page 19 for details.

What actions has your organization taken to enhance the value derived from the information technology function and technology spend? CFOs' responses fell into eight categories: Change IT leadership; improve governance; increase investment; increase talent; leverage their organizations' ecosystem; increase Agile development; restructure the IT operating model; and core modernization. Some of these actions might be well received by IT leaders, while others may not. See page 20 for details.

What metrics do you use to measure the effectiveness of your information technology function? The metrics CFOs cited aligned with five key categories: reliability, cost/revenue ratio, user satisfaction, help desk statistics, and return on investment (ROI). Some CFOs mentioned using benchmarks and measuring their IT functions' effectiveness against peers' data. Others noted their organizations are tracking the number of cyber incidents that are prevented, the number of web channel threats, and internal phishing failures to measure the IT function's effectiveness. See page 21 for details.

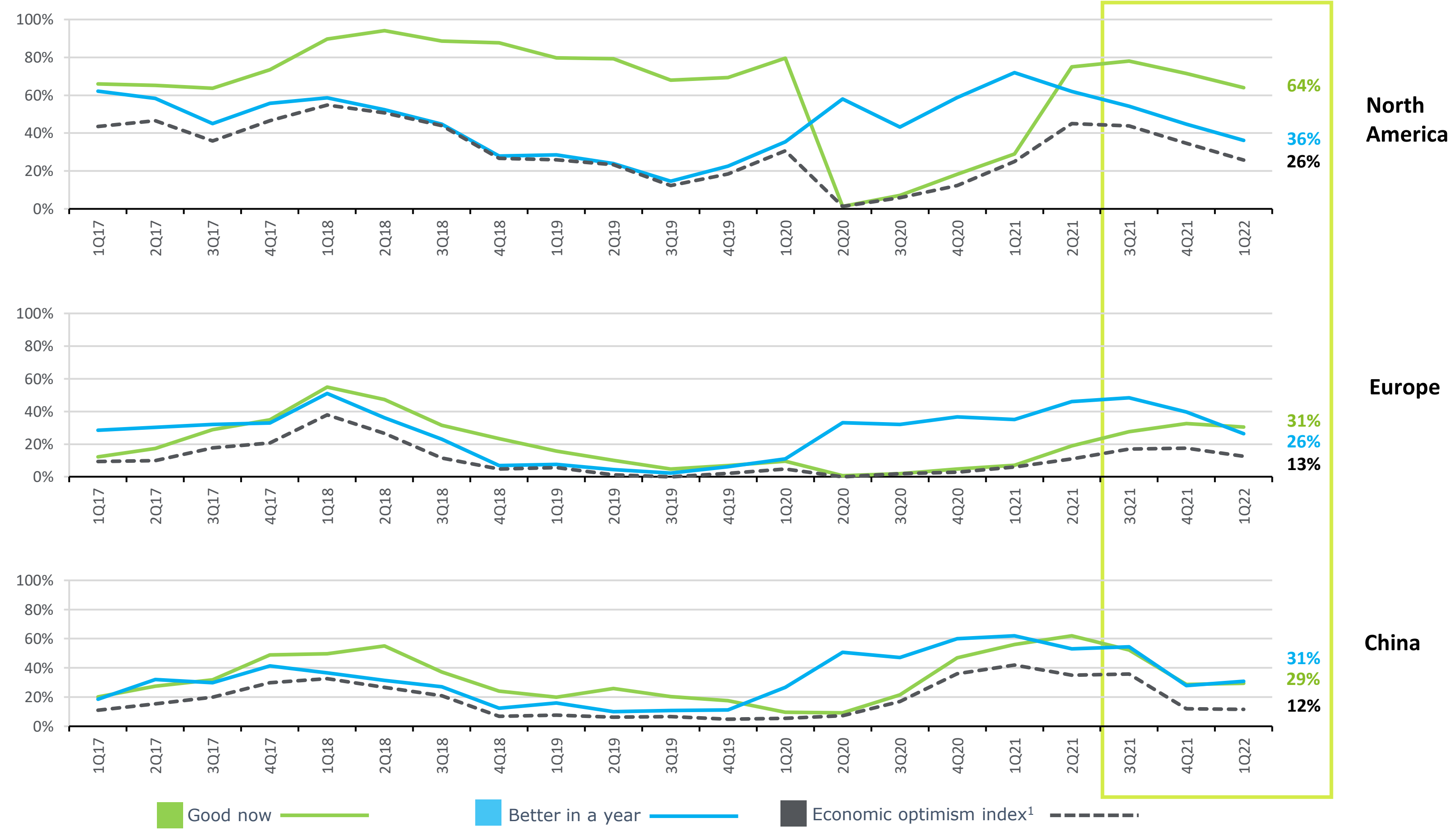
If your information technology function could improve three things to realize greater value, what would they be? CFOs came forward with far more than three things that could be improved to get more value from their IT function, but overall they zeroed in on four areas: 1) speed, agility, and innovation; 2) governance, accountability, and transparency; 3) talent, skills, and business acumen; and 4) digitization. Management of data interfaces, analytics, and insights, and operational execution and efficiency were other areas that, if improved, could position the IT function to provide more value. See page 22 for details.

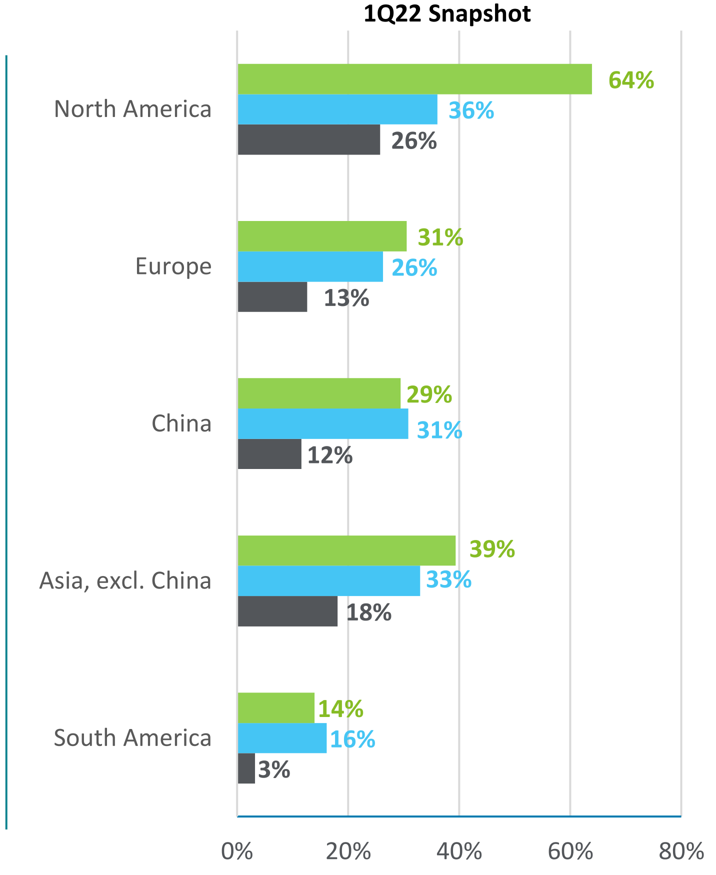
ASSESSMENTS OF REGIONAL ECONOMIES

CFOs' assessments of both North America's current and future economic conditions declined from 4Q21. CFOs also lowered their assessments of Europe's current economic conditions and the outlook a year ahead. Compared to 4Q21, their views of China's current economy were largely unchanged, but their 12-month outlook for the economy improved slightly.

- **North America:** 64% of CFOs cite current economic conditions as good or very good, down from 72% in the prior quarter. Those expecting improved conditions a year out fell to 36% from 45% in 4Q21.
- **Europe:** 31% of CFOs view Europe's current conditions as good or very good, a dip from 33% in 4Q21; 26% expect improved conditions in a year, a significant decrease from 40% in the prior quarter.
- **China:** 29% of CFOs see current conditions as good or very good, which is consistent with 4Q21, and 31% of CFOs expect China's economic conditions to be better in a year, up from 28% in 4Q21.
- **Asia, excluding China:** 39% of CFOs consider current conditions to be good or very good, up from 32% in 4Q21, while 33% expect conditions to improve in a year, a drop from 37% in 4Q21.
- **South America:** 14% of CFOs assess current conditions as good or very good, up from 9% in 4Q21, and 16% expect conditions to be better in a year, an increase from 12% the prior quarter.

How do you regard the current and future status of the following economies: North America; Europe; China; Asia, excluding China; and South America?





[1] Indexes reflect the percentage of respondents who rate current economic conditions as "good" or "very good" and who also expect "better" or "much better" conditions in a year.

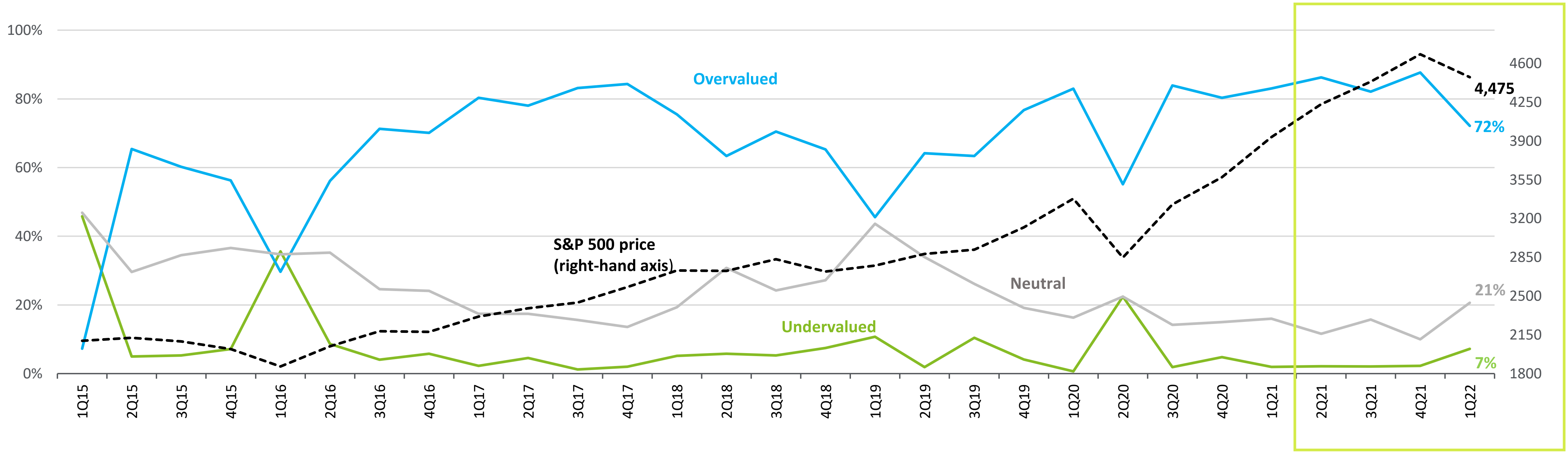
ASSESSMENTS OF CAPITAL MARKETS AND RISK: VALUATION OF US EQUITY MARKETS

Amid rising inflation and other disruptions to the US economy, US equities declined in February as the 1Q22 survey was open, and a smaller percentage (72%) of CFOs considered them to be overvalued, compared to 88% in the 4Q21 survey.

- The 72% of CFOs considering US equities as overvalued is the lowest percentage since the second quarter of 2020, when 55% of CFOs saw US equities as overvalued.
- Industries that were most likely to view markets as overvalued were the T/M/E, HealthCare/Pharma, and Services. The industries most likely to view the markets as undervalued were Energy/Resources followed by Manufacturing.
- The S&P 500 stood at 4,682 at the midpoint of our 4Q21 survey data collection on November 15, 2021. It had dropped to 4,475 at the midpoint of our 1Q22 survey data collection window on February 16, 2022.

How do you regard US equity markets valuations?

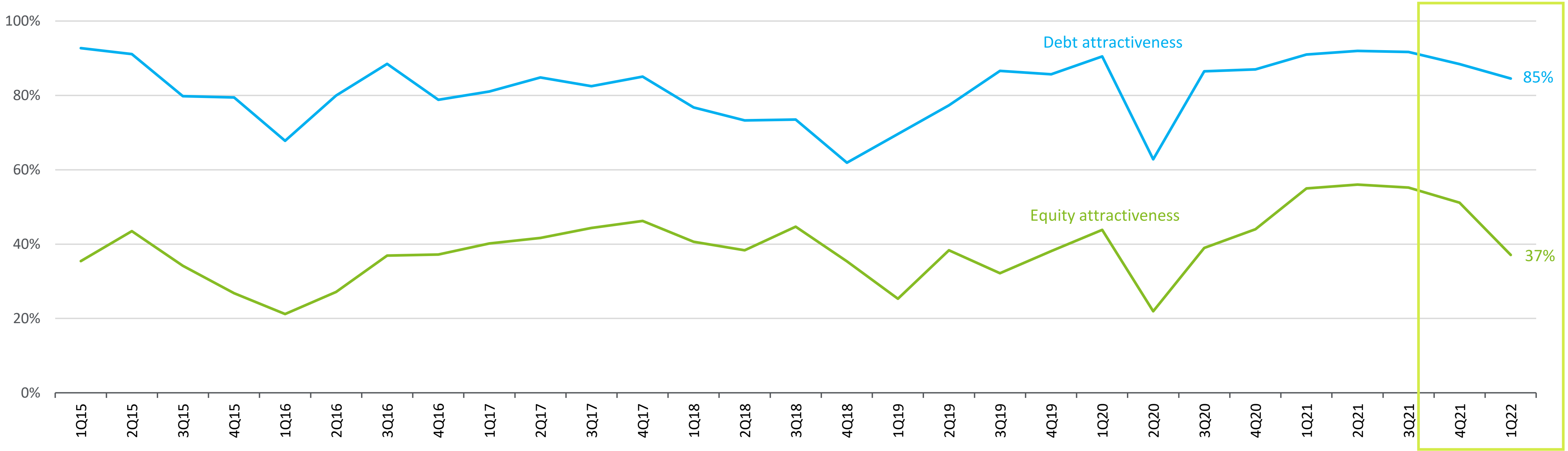
Percent of CFOs saying US equity markets are overvalued, undervalued, or neither (responses are compared to S&P 500 at survey midpoint)



After inflation hit record levels in January of 2022, it is perhaps not surprising that CFOs found both debt and equity financing less attractive this quarter, compared to 4Q21. The Fed's announcement of interest rate hikes at levels higher than what most CFOs in the 4Q21 survey expected may have been an influencing factor.

- Despite ongoing low interest rates (the US Fed has held the target rate range at 0%-0.25% as of July 28, 2021), debt attractiveness among CFOs slightly decreased to 85% from 88% in the prior quarter. Eighty-one precent of public company CFOs viewed debt financing as attractive, down from 89% in 4Q21. Among private companies, 91% of CFOs considered debt financing as attractive, compared to 86% in the prior quarter.
- CFOs' views on equity financing's attractiveness fell to 37% in this quarter's survey from 51% in 4Q21. Among public companies, 33% of CFOs regarded equity financing as attractive, down from 52% in the prior quarter. Among private companies 44% of CFOs considered equity financing as attractive, down from 50% in 4Q21.
- From an industry perspective, Healthcare/Pharma (22%) CFOs found debt financing less attractive than other industry CFOs, while Services (40%) and Manufacturing (32%) CFOs found equity financing less attractive than their counterparts in other industries.

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

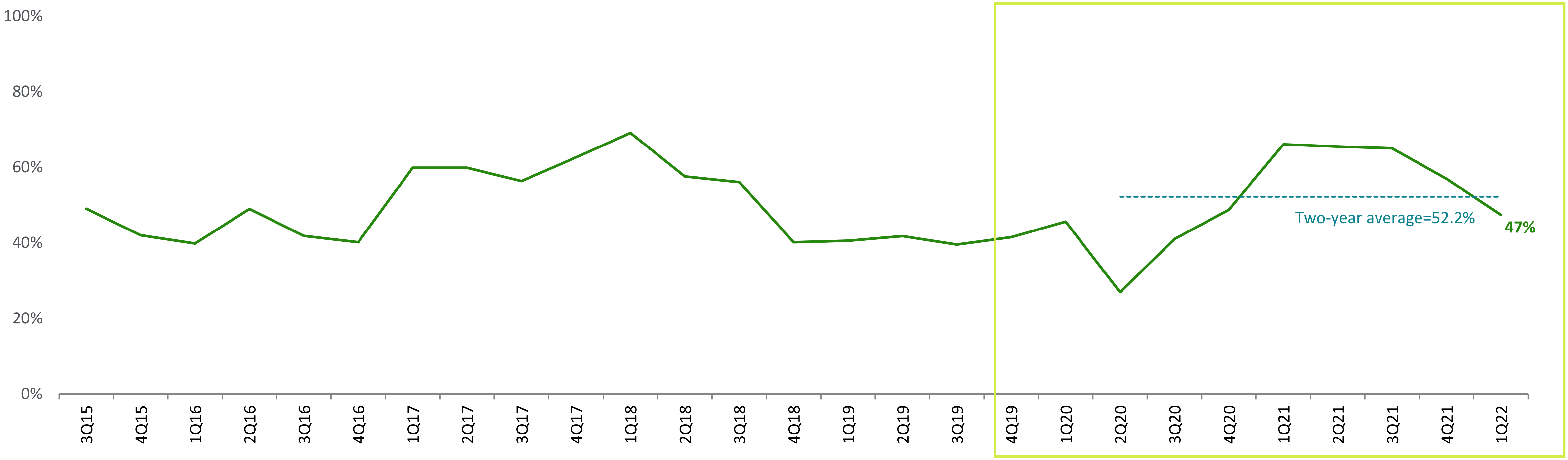


ASSESSMENTS OF MARKETS AND RISK: RISK APPETITE

This quarter's survey found a significantly smaller percentage of CFOs inclined to take risks, compared to 4Q21, with less than half (47%) of surveyed CFOs saying now is a good time to take on greater risk, down from 57% in 4Q21. The 1Q22 figure is lower than the two-year average and one percentage point lower than CFOs' risk appetite in the 4Q20 survey.

- The 53% of CFOs who say now is not a good time to be taking greater risks could reflect concerns over inflation, retaining talent/labor, and various geopolitical risks, as well as continued supply chain disruptions.
- CFOs in the following industries were most inclined toward risk-taking: T/M/E, Retail/Wholesale, and Services.
- CFOs who said this is not a good time to be taking greater risks were primarily in the Financial Services, Healthcare/Pharma, and Manufacturing industries.

Risk appetite: Is this a good time to be taking greater risks?
Percent of CFOs saying it is a good time to be taking greater risks



ASSESSMENTS OF MARKETS AND RISK: MOST WORRISOME INTERNAL RISKS

Retaining talent/labor—not just attracting new employees—rose to the top of CFOs' internal worries this quarter. And with the relaxation of mask mandates, it's not clear whether the hybrid work model, another key concern among CFOs, will continue, and if so, how. Other top internal concerns were determining what to prioritize among the many initiatives CFOs oversee and executing strategy.

Financial performance and cost management also figured into CFOs' most worrisome internal risks this quarter, likely reflecting the impact of rising inflation and their expectations for higher costs, which were noted by respondents to the 4Q21 *CFO Signals* survey. Technology and innovation—and related to that transformation—were mentioned often as well.

Which internal risk worries you most? *(Key themes)*

Inflation

Capital expenditures

Hybrid work model

Financial performance

Cybersecurity

Retention

Talent/labor

Continuous improvement

Technology/innovation

Covid-19

Cost management

Supply chain

Burnout

Wage inflation

Transformation

Prioritization & strategy execution

Sample themes, subthemes, and comments for CFOs' internal risk worries:

Talent/labor (38)

Comments:

- *Recruiting*
- *Ability to deliver*
- *Workforce readiness*
- *Employee burnout*
- *Complacency*
- *Having human resources that are well-versed in new technologies and valuation methodologies*
- *Reaching hiring goals without lowering standards*

Retention (37)

Comments:

- *Attrition*
- *Employee turnover*
- *Resource management as turnover increases and the rate for specialized roles increase*
- *Key talent retention and attraction; stabilization of our workforce*

Prioritization & strategy execution (14)

Comments:

- *Execution on strategic initiatives*
- *Executing against the market opportunities in front of us*
- *Our ability to prioritize among dozens of initiatives and then execute efficiently to fully realize the benefits*
- *Timely and accurate assessment of inflationary impacts on our business and implementing the appropriate strategies to mitigate, without over-swinging and missing an up-cycle market opportunity*
- *Execution risk*

While we have attempted to display CFOs' verbatim comments wherever possible, we have considered and reworded some comments in the interest of economy and participant confidentiality.

ASSESSMENTS OF MARKETS AND RISK: MOST WORRISOME EXTERNAL RISKS

This quarter, CFOs put inflation, geopolitical instability, and policies and regulation at the top of their external risks. Continued supply chain challenges, shortages of talent/labor, increased interest rates (which have been announced by the Federal Reserve), and a potential economic downturn also turned up on CFOs' list of top external risks.

To a lesser extent, CFOs cited new variants of COVID-19, the state of the capital markets, cybersecurity, and unconventional competition.

Which external risk worries you most? *(Key themes)*

Talent/labor shortages

Interest rates

Inflation

COVID-19 new variants

Unconventional competition

Policies & regulation

Capital markets

Economic downturn

Supply chain

Geopolitical instability

Cybersecurity

Sample themes, subthemes, and comments for CFOs' external risk worries:

Inflation (55)

Comments:

- *Rising inflation*
- *Wage inflation*
- *Raw materials costs*
- *Companies/industries are limiting capacity investments and that keeps inflationary pressures high*
- *Stagflation risk as rampant inflation both slows economy and drives central banks to further curtail rates and economic activity*

Geopolitical instability (39)

Comments:

- *Geopolitical risks creating US economic slowdown*
- *Geopolitical tension*
- *International conflicts*
- *Political unrest*
- *Russia/Ukraine*
- *China*
- *Taiwan*

Policies & regulation (21)

Comments:

- *Government regulation*
- *Fiscal policy*
- *Taxation*
- *Normalization of monetary policy (Fed rate increases) and its effect on markets/sentiment*
- *Regulatory oversite as they wrestle with cyber developments, ESG topics, and other issues all in a greatly compressed timeframe*
- *The continued push by federal and state governments to put unfunded mandates on private companies*

While we have attempted to display CFOs' verbatim comments wherever possible, we have considered and reworded some comments in the interest of economy and participant confidentiality.

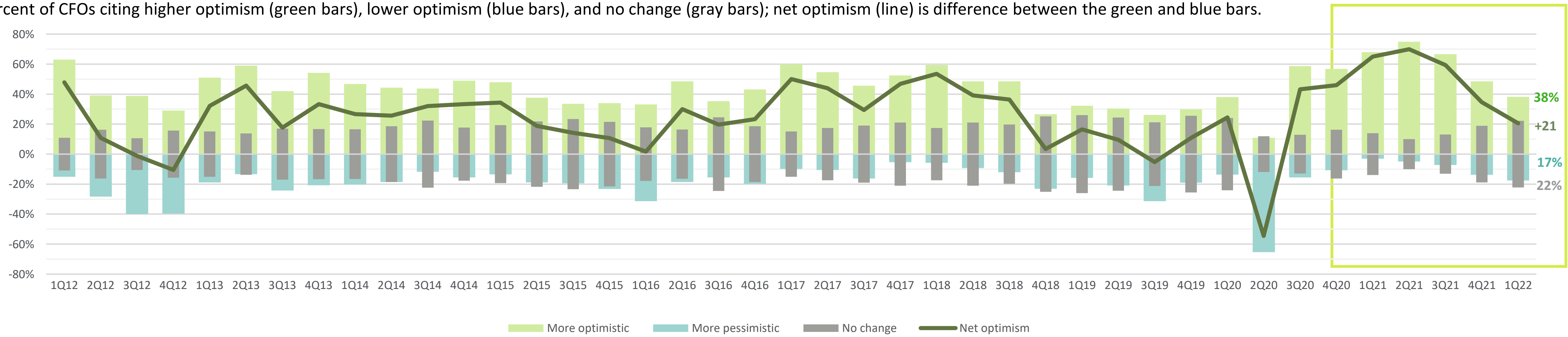
EXPECTATIONS FOR OWN COMPANY'S FINANCIAL PROSPECTS

Less than half (38%) of CFOs expressed more optimism for their companies' financial prospects compared to three months prior to their participation in the survey. That figure represents a decline from 49% in the prior quarter and a significant drop from 65% in the 1Q21 survey.

- CFOs' level of net optimism declined this quarter to +21 from 35% in 4Q21, as 17% of CFOs indicated declining optimism and 38% expressed rising optimism.
- Net optimism among US CFOs decreased to +17 this quarter from 4Q21's +37.
- Among CFOs of Canadian companies, net optimism increased to +38 from +0 last quarter. The net optimism of CFOs of Mexican companies increased to +67 from +60 in 4Q21. *Note: Only 8% and 3% of participants were from Canada and Mexico, respectively, so the sample size was much smaller than for the US.*
- The highest level of net optimism was in the Retail/Wholesale (+62) industry. Healthcare/Pharma, Services, and T/M/E had the lowest levels of net optimism at -11, +0, and +0, respectively. Among CFOs within the Services and T/M/E industries the level of optimism was broadly unchanged from the prior quarter.

Compared to three months ago, how do you feel now about the financial prospects for your company?

Percent of CFOs citing higher optimism (green bars), lower optimism (blue bars), and no change (gray bars); net optimism (line) is difference between the green and blue bars.



Net optimism by country and industry

Total	Mexico	Canada	US	Technology	Retail/ Wholesale	Healthcare/ Pharma	Manufacturing	Financial Services	Services	Energy/ Resources	T/M/E
+21	+67	+38	+17	+20	+62	-11	+21	+27	+0	+17	+0

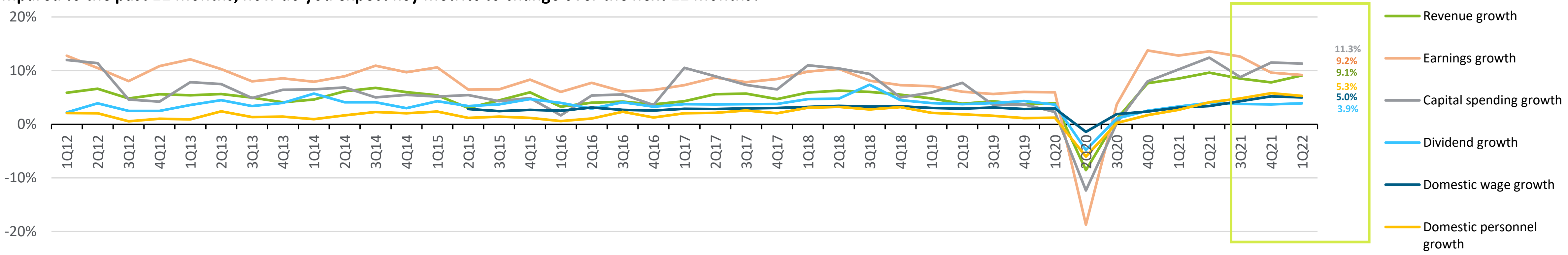
EXPECTATIONS FOR GROWTH IN KEY METRICS, YEAR OVER YEAR

CFOs indicated a notable increase in their YOY growth expectations for revenue, but lowered their growth expectations for earnings, albeit slightly. Although CFOs cited retaining talent/labor as a top internal risk, they edged down their growth expectations for domestic hiring, and wages and salaries.

- **Revenue growth** increased to 9.1% from 7.8% in 4Q21. CFOs in Retail/Wholesale and Energy/Resources reported the highest expectations, at 16.3% and 11.3%, respectively.
- **Earnings growth** declined to 9.2% from 9.6% in 4Q21. In contrast, double-digit growth was cited by CFOs in Retail/Wholesale (14.6%), Energy & Resources (10.8%), and Manufacturing (10.5%).
- **Capital spending growth** fell slightly to 11.3% from 11.5% in 4Q21. Retail/Wholesale (22.0%), Energy & Resources (15.3%), and T/M/E (15.0%) indicated the highest expectations for spending growth.
- **Dividend growth** inched up slightly to 3.9% from 3.7% in 4Q21. Industries expecting the greatest growth in dividends were Energy & Resources (5.0%), Manufacturing (4.5%), and Financial Services (4.4%).
- **Domestic hiring growth** dipped to 5.3% from 5.8% in 4Q21. Technology (8.1%) and Retail/Wholesale (6.9%) indicated the strongest growth expectations for domestic hiring.
- **Domestic wages/salaries growth** also decreased slightly to 5.1% from 5.2% in 4Q21. CFOs in Retail/Wholesale (6.0%) and Services (5.6%) noted the highest growth expectations for this metric.

Performance and investment expectations

Compared to the past 12 months, how do you expect key metrics to change over the next 12 months?



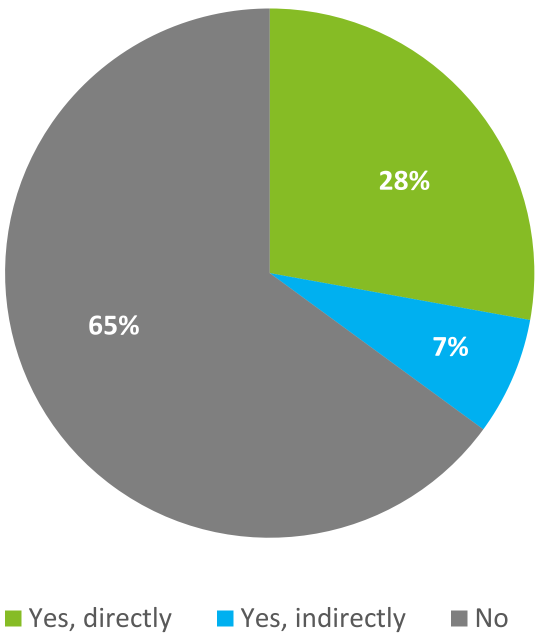
Growth expectations by country and industry

	Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	9.1%	9.2%	7.7%	8.5%	8.9%	16.3%	6.8%	11.3%	6.9%	5.8%	4.0%	8.5%
Earnings	9.2%	9.4%	8.3%	7.5%	10.5%	14.6%	5.5%	10.8%	6.5%	6.8%	0.0%	8.9%
Capital spending	11.3%	11.2%	30.0%	4.9%	11.0%	22.0%	6.9%	15.3%	3.4%	8.6%	15.0%	13.5%
Dividends	3.9%	4.1%	1.7%	2.8%	4.5%	2.6%	0.3%	5.0%	4.4%	4.3%	2.0%	4.1%
Domestic wages/salaries	5.1%	5.1%	5.8%	4.4%	4.5%	6.0%	5.0%	4.5%	5.0%	5.0%	4.0%	5.6%
Domestic hiring	5.3%	5.2%	2.3%	6.9%	4.6%	6.9%	8.1%	2.0%	4.9%	4.9%	0.0%	5.6%

CFOs reporting relationships with their organizations' IT leaders and their satisfaction levels with IT services

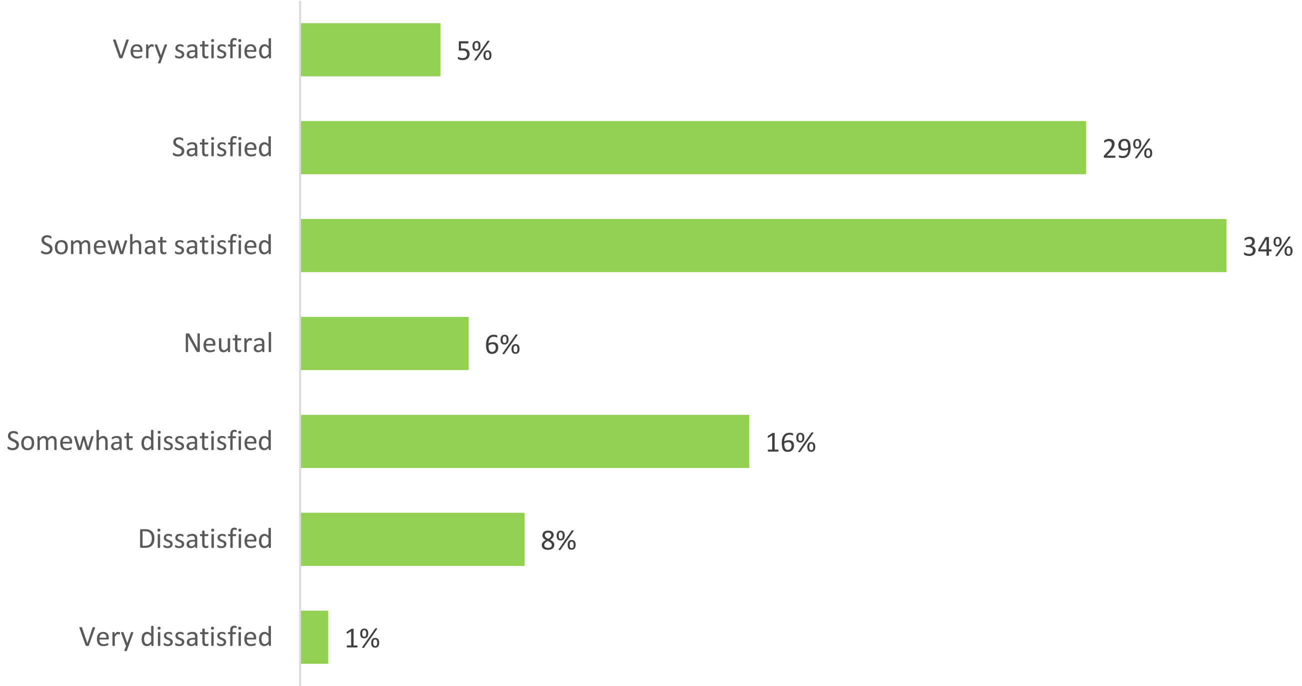
More than one-third (35%) of surveyed CFOs oversee their organizations' information technology function—either directly or indirectly—providing them an opportunity to have greater insight into IT initiatives and spend. Overall, CFOs appear to be more satisfied (a total of 68%) than dissatisfied (25%). Still, CFOs cited various challenges regarding their IT services, including lack of talent, standardization, and alignment with the business, as discussed on page 19.

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=97)*



*97 (100%) of respondents answered.

What is your overall satisfaction with the Information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=97)*



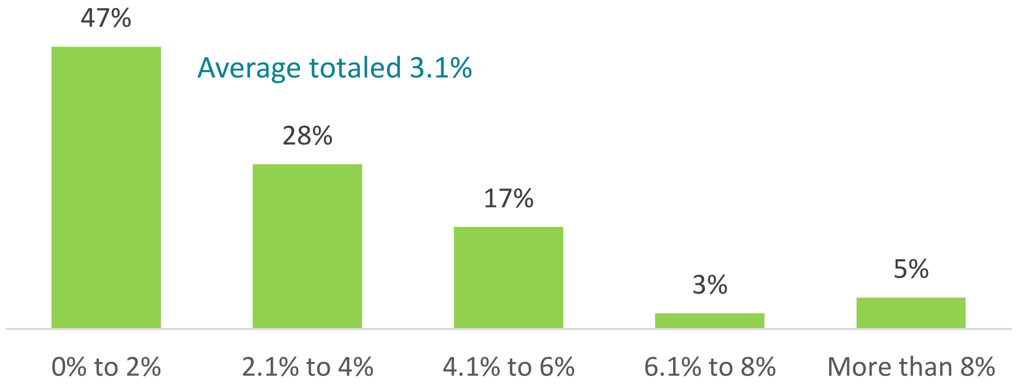
*97 (100%) of respondents answered.

Overall IT spend as a percentage of annual revenue and percentage of IT spend on Agile initiatives

Among the CFOs who responded, their organizations' overall IT spend averaged 3.1% of annual revenue, with some variation. Nearly half (47%) of CFOs indicated that their organizations' overall IT spend ranged between zero and 2% of annual revenue, and 28% spend 2.1% to 4%. One-fifth of CFOs reported their IT spend fell between 4% and 8% of annual revenue, while 5% of CFOs reported their organizations' IT spend was more than 8% of annual revenue.

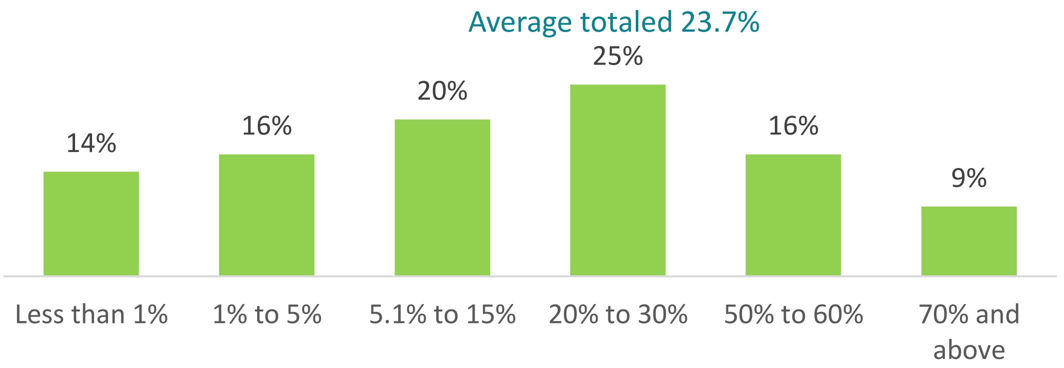
When CFOs were asked approximately what percentage of their current IT spend goes to Agile initiatives, their responses covered a broad range, from less than 1% to more than 70%. One-quarter of CFOs indicated that 20% to 30% of their IT spend is allocated to Agile projects. On average, CFOs' organizations' IT spend on Agile initiatives totaled approximately 23.7%.

What is your estimate of overall information technology spend as a percentage of annual revenue? (N=76)*



*76 (78.4%) of respondents answered.

Approximately what percentage of your current information technology spend goes to Agile initiatives? (N=44)*



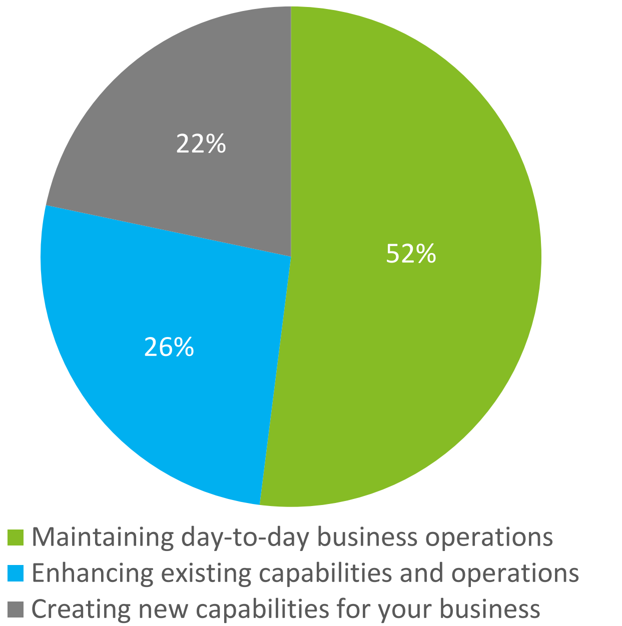
*44 (45.4%) of respondents answered.

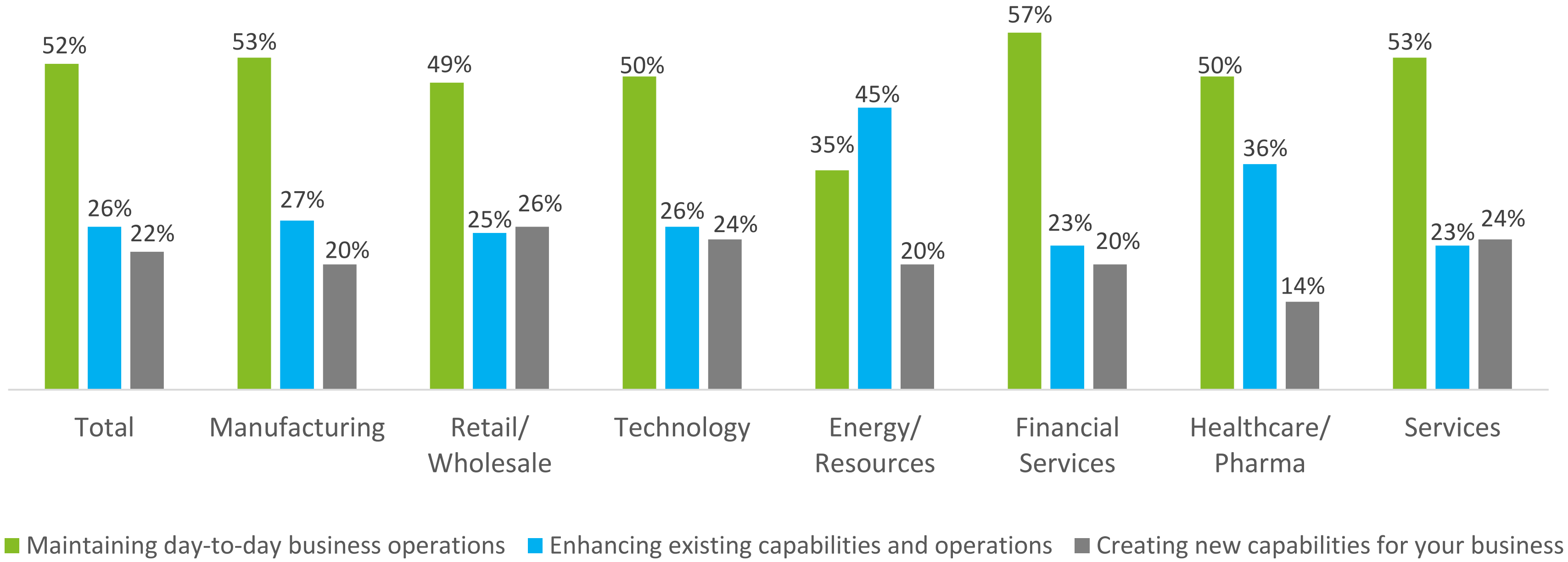
Organizations' allocation of IT spend

On average, CFOs reported that slightly more than half (52%) of their organizations' IT spend goes to maintaining day-to-day operations, while the remaining balance is split between enhancing capabilities and operations (26%) and creating new capabilities (22%) for their businesses. The latter two findings dovetail with the results from the 2Q21 *CFO Signals* survey, which asked CFOs what was the most important enterprise transformation their company was undertaking or planned to undertake. In that survey, 40% of CFOs had indicated technology/systems upgrades, and 35% noted transformations related to strategy, business model, and a shift in offerings.

There was slight variation from industry to industry in terms of the allocation of IT spend, with a few exceptions. Energy/Resources and Healthcare/Pharma CFOs indicated higher levels of IT spend allocated to enhancing existing capabilities and operations than their counterparts in other industries, at 45% and 36%, respectively. With respect to IT spend allocated to creating new capabilities for the business, Retail/Wholesale CFOs reported the highest percentage at 26%, followed by Technology and Services, both at 24%.

How is your information technology spend split across the following activities? (N=81)*





*81 (83.5%) of respondents across seven of eight industries answered.

SPECIAL TOPIC: MANAGING THE INFORMATION TECHNOLOGY FUNCTION

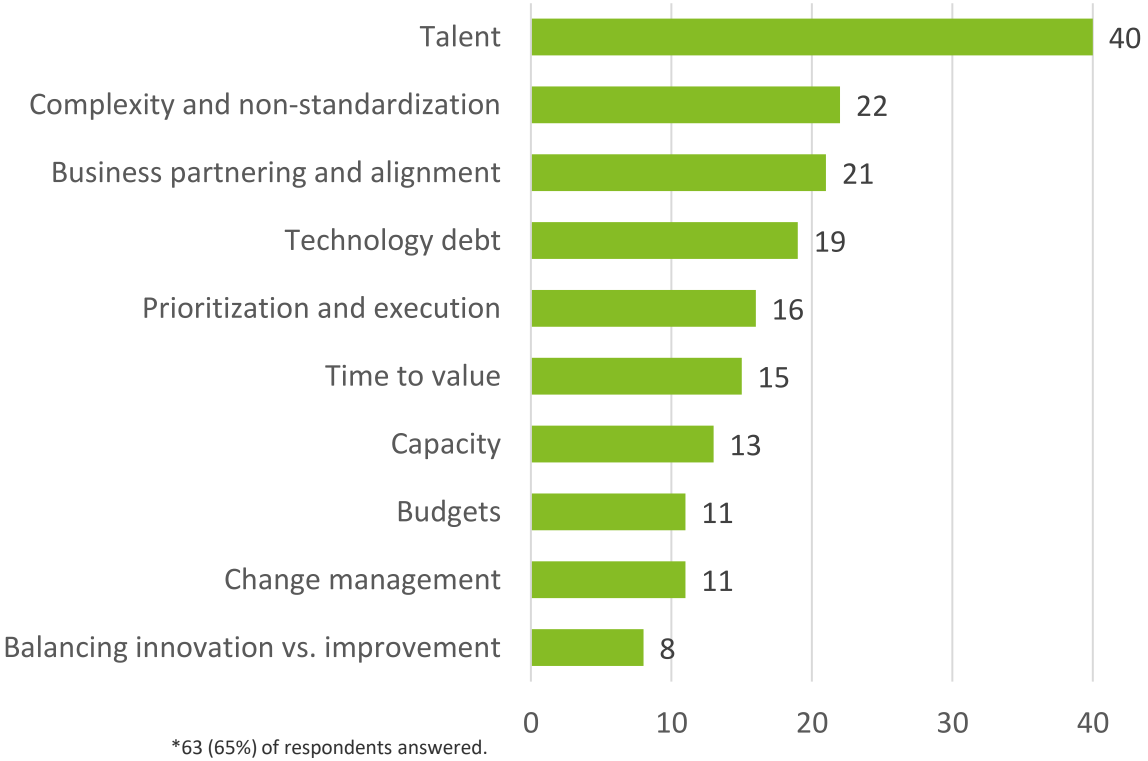
Top three challenges to realizing value from the IT function

As the pace of technology innovation and demand for IT services accelerate, organizations are trying to realize as much value as possible from their IT function. When asked to list the top three challenges to realizing value from their IT function, CFOs' comments fell into 10 common categories, with the top three being talent, complexity and non-standardization, and business partnering and alignment. Technology debt, prioritization and execution, and time to value were the next most common categories of challenges.

Some CFOs noted challenges related to legacy systems; lack of business acumen among IT professionals and lack of tech savviness within finance; managing transformation costs; and the conflicts that can occur between business drivers and various data privacy needs and cyber risk.

What are the top three challenges to realizing value from your information technology function? (N=63)*

Most frequently cited comments by category



*63 (65%) of respondents answered.

Sample comments*

- *Quality of leadership; having the right people in IT who know how to add value*
- *Dearth of technology professionals with intimate knowledge of the business they are trying to support*
- *Properly deciding where to leverage common solutions and where to allow for specialization in different areas of the business*
- *Increasing complexity of deployment as technology becomes more connected*
- *Need to transition from "old" to more efficient/flexible platforms and solutions*
- *IT lacks a true understanding of the needs of the business; very focused on the future, which is great, but not helpful in dealing with operational issues in the current*
- *Time required to service technical debt from disparate legacy systems*
- *Back-office systems are deprioritized. As a result, the front-end investments often cannot realize full value; the data, insights, etc., run into the brick wall of antiquated internal systems*
- *Too many initiatives; jumping to the next one before completely finishing the current one*
- *Speed to implement business value enablers*
- *Difficulties related to investing in enabling initiatives that do not directly generate benefits*
- *Capacity to meet multiple competing demands; scalability; vendor management*
- *Cybersecurity expenses crowd out new functionality*
- *Resistance to change; speed of change*
- *Difficulties to allocate budget between sustain and create new capabilities*
- *Risk avoidance is more rewarded than value creation*

*See pages 45-46 for open-ended text responses.

While we have attempted to display CFOs' verbatim comments wherever possible, we have considered and reworded some comments in the interest of economy and participant confidentiality.

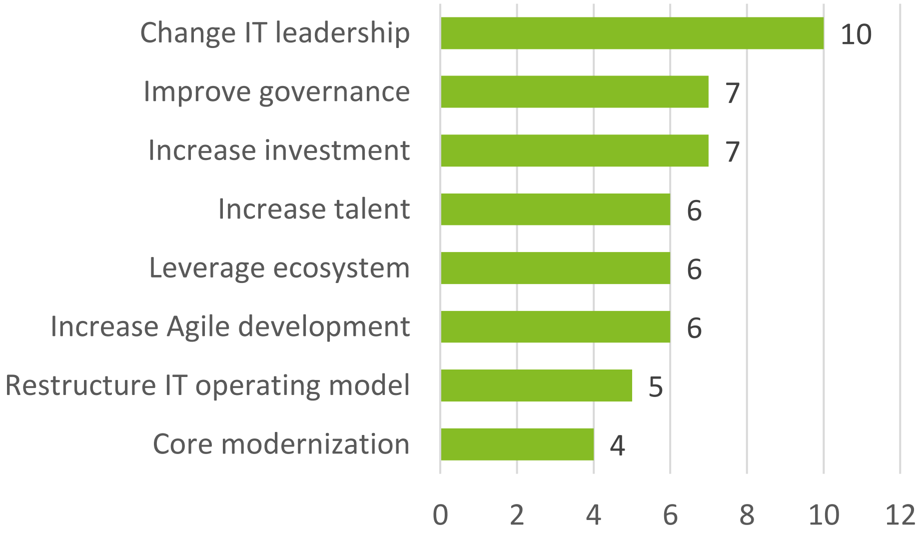
Actions organizations have taken to gain greater value from IT

CFOs shared the actions their organizations have taken to enhance the value derived from both their IT function and technology spend. The three actions most frequently mentioned were changing the IT function's leadership, improving governance, and increasing investment. The first action might cause some consternation among sitting leaders of the IT function; however, the action to increase investment should be welcome news.

CFOs also cited in equal numbers increasing talent, leveraging their organizations' ecosystem, and increasing Agile development. Restructuring the IT operating model and core modernization were additional actions taken—actions that fall squarely in CIOs' purview. They, along with improving governance and leveraging the ecosystem, could presumably enable organizations to enhance the value derived from technology spend, as well as from the IT function overall. See pages 45-46 for open-ended text responses.

What actions has your organization taken to enhance the value derived from the information technology function and technology spend? (N=57)*

Most frequently cited comments by category



*57 (58.8%) of respondents answered.

Sample comments*

- *Underwent exercise to align delivery teams toward customer outcome*
- *Realigned the (IT) structure*
- *Moved applications to the cloud, evolved the operating model of the team organization, enhanced data governance*
- *Hired new CIO*
- *Increased technology capital expenditure budgets*
- *Moved to globalization and shared services*
- *Consolidation of functions within CIO, including digital, data, and analytics*
- *Instituted Agile development*
- *Clearly articulated the value proposition to support the investment beyond immediate ROI (e.g., better customer engagement)*
- *Transitioning to the cloud*
- *Sunsetting legacy systems*
- *Enabling mix shift within IT spend away from "run" and toward "invest"*
- *Adopting a "common where possible, unique where necessary" mindset*

*See page 47 for open-ended text responses.

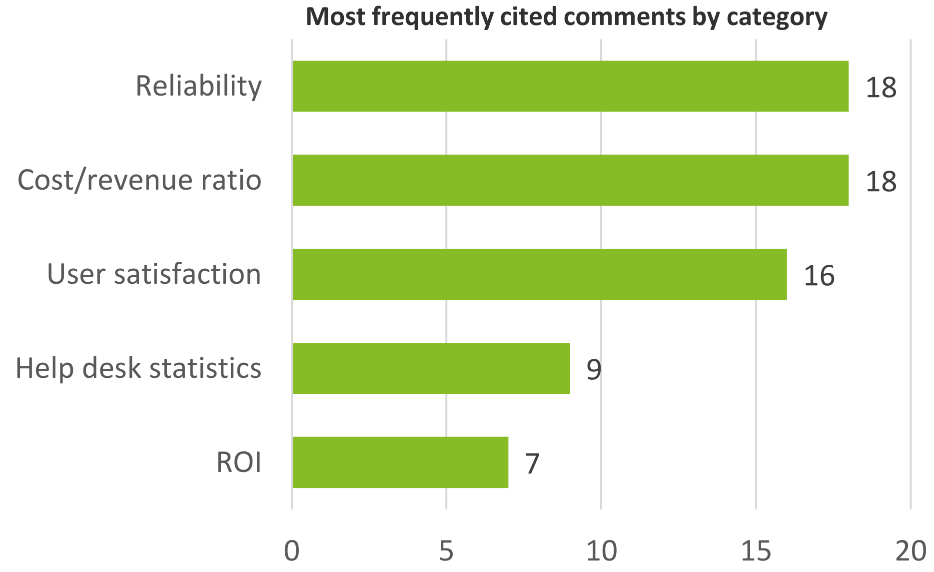
While we have attempted to display CFOs' verbatim comments wherever possible, we have considered and reworded some comments in the interest of economy and participant confidentiality.

Types of metrics used to measure the IT function's effectiveness

Although it can be difficult to measure the effectiveness of any function, let alone one that is as complex as information technology, CFOs cited various metrics their organizations are using to gauge IT's ability to deliver effectively. The metrics cited aligned with five key categories: reliability, cost/revenue ratio, user satisfaction, help desk statistics, and return on investment (ROI). Surveys and net promoter scores are among the tools used to obtain the metrics, particularly in the area of reliability and user satisfaction. Downtimes and uptimes, as well as cyber incidents, were factors used to measure the IT function's effectiveness in terms of reliability. With the SEC having proposed disclosure rules for cyber incidents, measuring the IT function's effectiveness with respect to cybersecurity may be an area where leaders might want to spend more time.

The fact that few respondents referenced return on investment in comparison to other metrics may indicate the difficulty of measuring the outcome of the IT function's work and investments.

What metrics do you use to measure the effectiveness of your information technology function? (N=66)*



*66 (68%) of respondents answered.

Sample comments*

- *Downtime, data quality checks, number of systems decommissioned*
- *Amount of systems on cloud*
- *Amount of data populated in data warehouse*
- *Operational readiness and availability*
- *Success in upgrades and new projects; the success of new service capability rollouts*
- *IT maturity score*
- *External cybersecurity score, web channel threats, PC/desktop threats, compromised credentials, internal phishing failures*
- *IT spend as percentage of total revenues*
- *Project KPIs: time/budget/deliverables*
- *Cost as a percentage of revenue vs. peers; external benchmarking*
- *Performance to timeline/budget on ERP roadmap*
- *Internal customer satisfaction surveys; level of complaints*
- *Help desk tickets and resolution*
- *Breakeven period, ability to deliver value in progressive steps (rather than one huge project)*
- *Percentage of transactions digitized*
- *Percentage of new capabilities implemented through Agile*

*See page 48 for open-ended text responses.

While we have attempted to display CFOs' verbatim comments wherever possible, we have considered and reworded some comments in the interest of economy and participant confidentiality.

SPECIAL TOPIC: MANAGING THE INFORMATION TECHNOLOGY FUNCTION

CFOs' wish list for improving the IT function to gain greater value

When CFOs were asked to identify three things they would like their IT function to improve in order to realize greater value, their list went well beyond three. Overall, their comments fell into 11 broad areas, as shown in the chart below. Four areas rose to the top in equal numbers: speed, agility, and innovation; governance, accountability, and transparency; talent, skills, and business acumen; and digitization. CFOs also named management of data interfaces, analytics, and insights, as well as operational execution and efficiency, as areas where CFOs would like to see improvement. Generally, these areas align with many of the challenges CFOs mentioned with respect their IT function (see page 19).

Despite the many challenges, it's important to bear in mind that 68% of surveyed CFOs said they are very satisfied, satisfied, or somewhat satisfied with their IT functions, compared to 25% who fell on the dissatisfied range. So while IT functions in many organizations are likely getting a lot of things right, there may be room for improvement.

If your information technology function could improve three things to realize greater value, what would they be? (N=71)*

Most frequently cited comments by category

*71 (73%) of respondents answered.

Sample comments*

- *Enhanced documentation and formalized policies*
- *Accelerate spending on major capital investments on core systems*
- *Sharing successes across divisions to benefit all*
- *Increase digitalization of operations*
- *Standardization of master data and systems*
- *Simplicity of customer experience*
- *Ensure a comprehensive data strategy/master data management*
- *Push for a balance between automation efforts and new tool deployment.*
- *Better communication with business*
- *Speed (rapid iteration)*
- *Make the technology talent more business-savvy and the business people more tech-savvy*
- *More Agile development*
- *Establish a flexible, resilient, and efficient technology ecosystem*
- *Introduce a product-oriented operating model across the enterprise*
- *Transformation expertise to automate E2E processes*

*See pages 49-50 for open-ended text responses.

While we have attempted to display CFOs' verbatim comments wherever possible, we have considered and reworded some comments in the interest of economy and participant confidentiality.

Appendix

Longitudinal and industry data and country trends
Open-ended text responses
Survey methodology

APPENDIX

Longitudinal trends

Cross-industry expectations and sentiment (last 24 quarters)

CFOs' year-over-year expectations[1]

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses[2])

			1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	Survey mean	2-year mean
Operating results	Revenue	*Mean*	3.3%	4.0%	4.2%	3.7%	4.3%	5.6%	5.7%	4.7%	5.9%	6.3%	6.1%	5.5%	4.8%	3.8%	4.3%	3.7%	3.9%	-8.6%	1.0%	7.7%	8.5%	9.6%	8.5%	7.8%	9.1%	5.5%	5.4%
		Median	3.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	-5.0%	3.0%	5.0%	6.0%	9.0%	6.0%	6.0%	8.0%	4.9%	4.8%
		%>0	78%	72%	83%	82%	85%	89%	92%	87%	91%	92%	91%	91%	86%	81%	82%	86%	81%	28%	59%	85%	90%	93%	90%	90%	90%	83%	78%
		standard deviation	5.1%	6.7%	4.8%	3.9%	3.7%	4.4%	3.9%	4.0%	4.1%	4.6%	5.0%	4.3%	4.4%	5.1%	4.9%	3.9%	4.7%	12.7%	10.6%	12.4%	7.1%	7.5%	6.9%	6.3%	8.0%	6.0%	8.9%
	Earnings		6.0%	7.7%	6.1%	6.4%	7.3%	8.7%	7.9%	8.4%	9.8%	10.3%	8.1%	7.3%	7.1%	6.1%	5.6%	6.0%	6.0%	-18.7%	3.7%	13.8%	12.8%	13.6%	12.6%	9.6%	9.2%	8.9%	7.1%
			5.0%	7.0%	5.0%	6.0%	8.0%	8.0%	7.5%	8.0%	8.0%	10.0%	8.0%	8.0%	7.0%	6.0%	5.0%	5.0%	5.0%	-10.0%	5.0%	10.0%	10.0%	10.0%	8.0%	8.0%	9.0%	7.4%	6.3%
			79%	76%	81%	81%	89%	88%	90%	86%	88%	94%	89%	85%	82%	80%	80%	83%	82%	27%	63%	85%	86%	86%	85%	82%	84%	82%	75%
			9.1%	13.5%	7.0%	7.1%	5.6%	8.6%	5.7%	7.5%	7.7%	7.0%	5.8%	6.2%	4.4%	7.4%	7.0%	6.6%	6.9%	26.9%	16.5%	25.0%	13.4%	14.1%	14.0%	11.5%	8.7%	11.6%	16.3%
Investment	Dividends		4.0%	2.9%	4.1%	3.3%	3.8%	3.7%	3.8%	3.8%	4.7%	4.8%	7.4%	4.5%	3.9%	3.7%	3.9%	4.3%	3.7%	-4.8%	1.1%	2.5%	3.3%	4.0%	3.8%	3.7%	3.9%	3.8%	2.2%
			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.5%	0.0%	2.0%	1.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	1.5%	0.2%	0.4%
			46%	42%	43%	43%	43%	46%	43%	45%	49%	47%	51%	43%	44%	50%	48%	55%	54%	26%	34%	45%	45%	52%	47%	47%	54%	42%	44%
			6.0%	4.7%	7.6%	3.9%	4.7%	5.5%	6.0%	5.8%	6.6%	6.3%	12.8%	4.7%	6.6%	4.6%	4.6%	5.5%	4.3%	13.7%	4.5%	4.2%	5.0%	5.6%	5.9%	4.9%	4.8%	5.8%	6.1%
	Capital spending		1.7%	5.4%	5.6%	3.6%	10.5%	9.0%	7.3%	6.5%	11.0%	10.4%	9.4%	5.0%	5.9%	7.7%	3.6%	3.7%	2.3%	-12.3%	0.2%	8.0%	10.2%	12.4%	8.8%	11.5%	11.3%	6.9%	6.25%
			0.0%	4.0%	2.0%	3.0%	5.0%	5.0%	4.5%	3.0%	5.0%	5.0%	5.0%	2.0%	3.0%	2.0%	2.0%	0.0%	2.0%	-5.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.7%	3.1%
			50%	61%	58%	57%	66%	66%	61%	59%	70%	73%	70%	58%	58%	57%	53%	49%	56%	26%	41%	61%	69%	80%	73%	66%	71%	60%	61%
			11.2%	16.0%	10.7%	11.4%	20.9%	17.8%	14.2%	12.2%	14.9%	12.2%	14.3%	10.6%	9.7%	14.0%	9.1%	14.0%	9.4%	20.4%	14.4%	18.8%	14.8%	16.8%	9.1%	14.5%	14.3%	13.9%	15.4%
Talent	Number of domestic personnel		0.6%	1.1%	2.3%	1.3%	2.1%	2.1%	2.6%	2.0%	3.1%	3.2%	2.7%	3.2%	2.1%	1.9%	1.6%	1.1%	1.2%	-6.0%	0.2%	1.7%	2.7%	4.1%	4.8%	5.8%	5.3%	1.9%	2.3%
			0.0%	1.0%	1.0%	0.0%	1.0%	2.0%	2.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	1.0%	2.0%	3.0%	3.0%	5.0%	4.0%	1.1%	2.3%
			47%	55%	53%	48%	57%	62%	59%	54%	66%	65%	66%	61%	64%	54%	56%	54%	44%	19%	41%	51%	60%	75%	72%	82%	81%	55%	60%
			3.0%	3.8%	3.1%	2.3%	1.9%	2.7%	3.8%	3.3%	4.4%	4.4%	3.7%	4.5%	3.3%	3.5%	3.5%	3.5%	3.7%	13.7%	4.9%	3.8%	3.5%	3.9%	5.6%	6.1%	5.4%	4.7%	5.8%

CFOs' own-company optimism[3] and equity market performance

		1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	Survey mean	2-year mean
Optimism	Optimism (% more optimistic)	33.1%	48.6%	35.2%	43.1%	59.9%	54.6%	45.6%	52.4%	59.4%	48.5%	48.5%	26.5%	32.3%	30.4%	26.2%	29.9%	38.1%	10.9%	58.7%	56.8%	67.2%	75.0%	66.7%	48.5%	38.1%	45.2%	52.7%
	Neutrality (% no change)	35.6%	32.9%	49.2%	37.2%	30.3%	34.8%	38.1%	42.2%	34.8%	42.1%	39.4%	50.4%	51.9%	48.7%	42.4%	51.0%	48.3%	23.7%	25.8%	32.4%	29.7%	20.0%	26.0%	37.7%	44.3%	34.7%	30.0%
	Pessimism (% less optimistic)	31.4%	18.6%	15.6%	19.7%	9.9%	10.6%	16.3%	5.4%	5.8%	9.4%	12.1%	23.1%	15.8%	20.9%	31.4%	19.1%	13.6%	65.4%	15.5%	10.8%	3.1%	5.0%	7.3%	13.8%	17.5%	20.3%	17.3%
	Net optimism (% more minus % less optimistic)	1.7%	30.0%	19.7%	23.4%	50.0%	43.9%	29.4%	46.9%	53.5%	39.2%	36.4%	3.4%	16.5%	9.5%	-5.2%	10.9%	24.5%	-54.5%	43.2%	46.0%	64.1%	70.0%	59.4%	34.7%	20.6%	24.9%	35.4%
Equities	S&P 500 price at survey period midpoint	1,865	2,047	2,184	2,177	2,316	2,391	2,441	2,582	2,732	2,728	2,833	2,722	2,776	2,881	2,919	3,120	3,380	2,848	3,328	3,573	3,935	4,233	4,436	4,682	4,475	2,335	3,939
	S&P gain/loss QoQ	-7.8%	9.8%	6.7%	-0.3%	6.4%	3.2%	2.1%	5.8%	5.8%	-0.1%	3.8%	-3.9%	2.0%	3.8%	1.3%	7.0%	8.3%	-15.7%	16.9%	7.4%	10.1%	7.6%	4.8%	10.6%	-4.4%	3.3%	4.0%
	US equity valuations (% who say overvalued)	29.7%	56.1%	71.3%	70.1%	80.3%	78.0%	83.1%	84.4%	75.5%	63.4%	70.5%	65.3%	45.6%	64.2%	63.4%	76.7%	83.0%	55.1%	83.9%	80.3%	82.8%	86.2%	82.1%	87.7%	72.2%	70.4%	78.8%

[1] All means have been adjusted to eliminate the effects of stark outliers. The "survey mean" column contains arithmetic means since 2Q10.

[2] Standard deviation of data winsorized to 5th/95th percentiles.

[3] Averages for optimism numbers may not add to 100% due to rounding.

Please contact nacfosurvey@deloitte.com for data as far back as 2Q10.

Special topic: Managing the information technology function and cross-industry results

What is your estimate of overall information technology spend as a percentage of annual revenue? (N=76)*

Average by industry								
Total	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
3.1%	2.1%	2.6%	3.8%	2.3%	4.2%	3.5%	1.0%	4.1%

*76 (78.4%) of respondents answered.

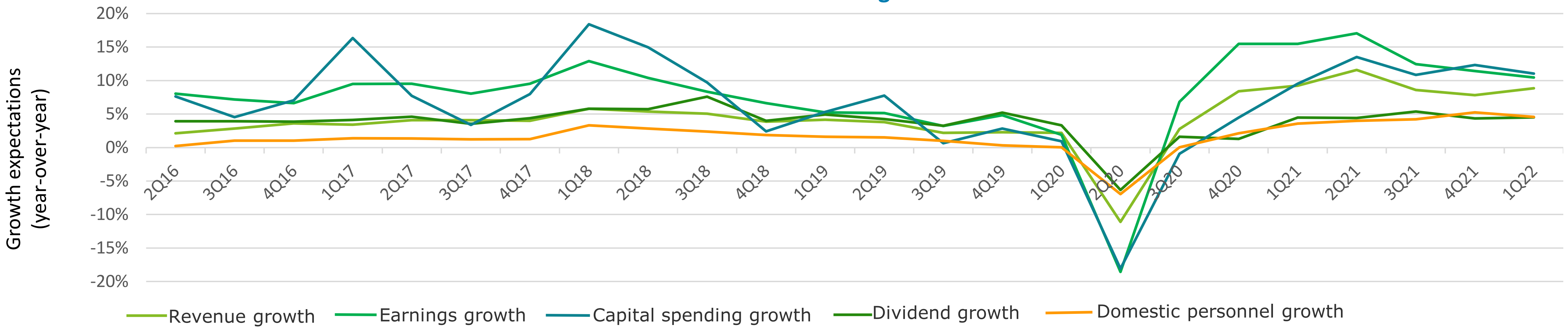
Approximately what percentage of your current information technology spend goes to Agile initiatives? (N=44)*

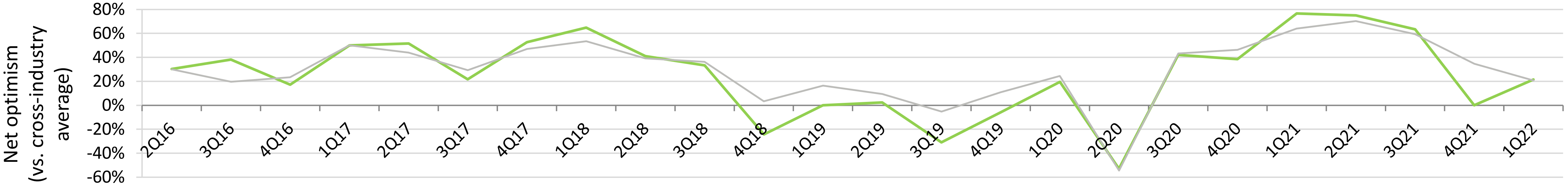
Average by industry								
Total	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
23.7%	20.6%	27.6%	25.3%	-	29.6%	23.7%	-	17.6%

*44 (45.4%) of respondents answered.

Industry trends—Expectations, sentiment, and selected highlights

Manufacturing





Selected highlights

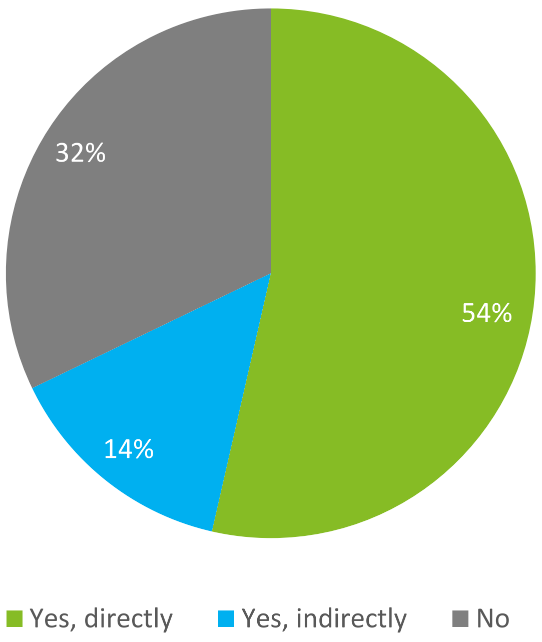
Composition: The majority (85%) of respondents are food processors or manufacturers of consumer products, industrial products, construction materials, and of oil, gas, and chemicals, with remaining respondents from a broad range of agriculture, automotive, and other manufacturers; 64% are from public companies.

Sentiment/expectations: Net optimism increased to +21 from last quarter's +0. Note: 43% of respondents indicated that their optimism was broadly unchanged. Revenue growth expectations increased to 8.9% from 7.8% in 4Q21, while earnings growth expectations decreased to 10.5% from 11.4%. Meanwhile, CFOs decreased their growth expectations for capital spending to 11.0% from 4Q21's 12.3%. Dividend growth slightly increased to 4.5% from 4.3% in the previous quarter. Expectations for domestic personnel growth and wages/salaries both decreased to 4.5%, respectively, from 4Q21's 5.2% and 4.6%.

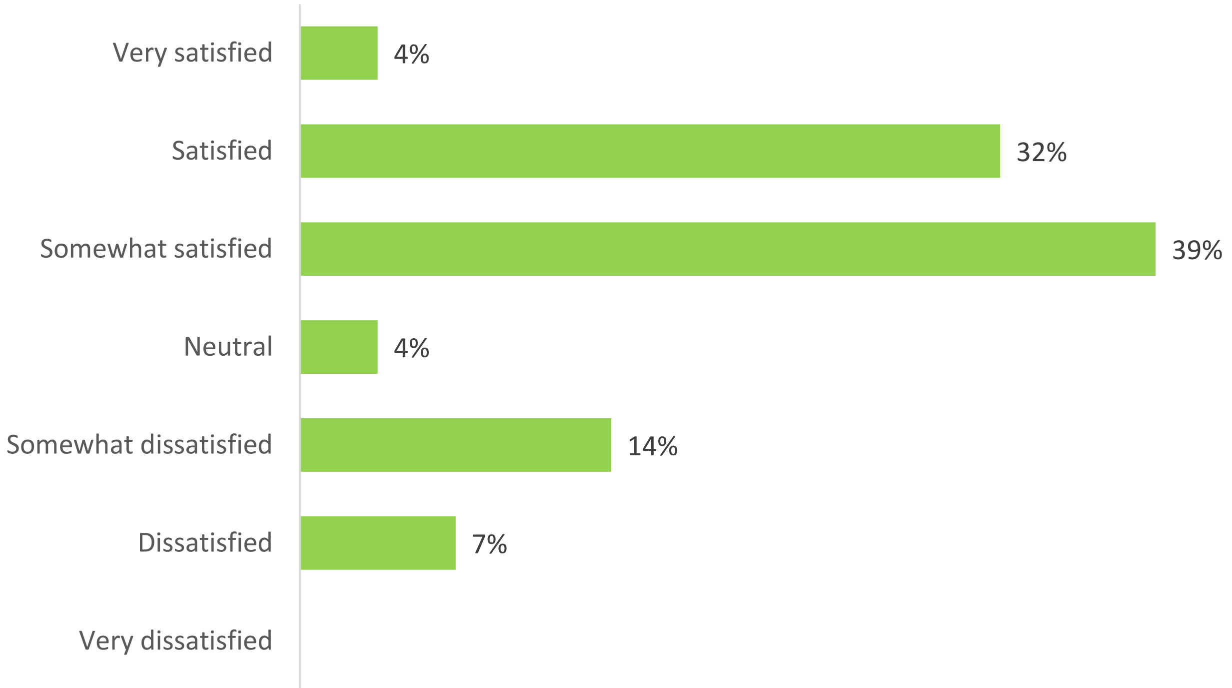
Industry trends: Managing the information technology function

Manufacturing

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=28)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=28)



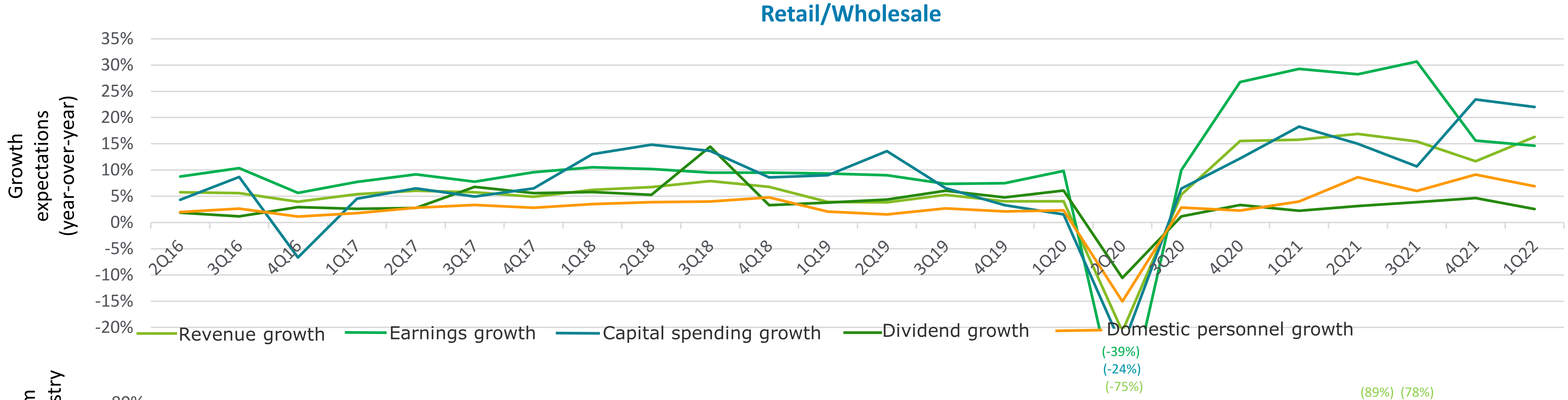
What is your estimate of overall information technology spend as a percentage of annual revenue?

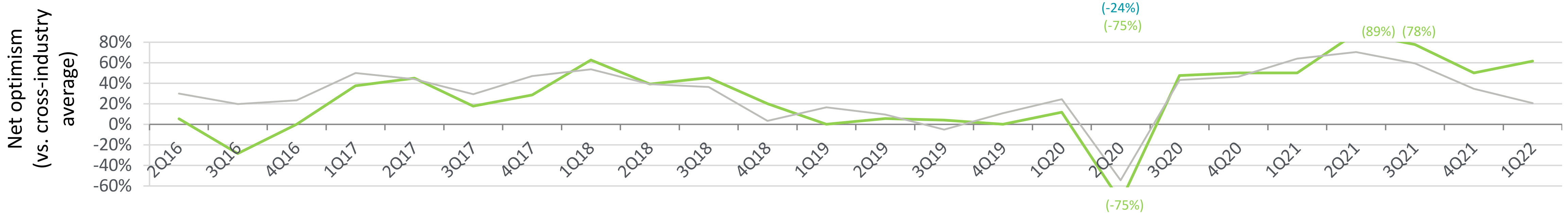
Average in total and for industry	
Total	Manufacturing
3.1%	2.1%

Approximately what percentage of your current information technology spend goes to Agile initiatives?

Average in total and for industry	
Total	Manufacturing
23.7%	20.6%

Industry trends: Expectations, sentiment, and selected highlights





Selected highlights

Composition: Respondents are from a broad range of retail, wholesale, and distribution companies (77%), with the remaining 23% consisting of a range of transportation, tourism, hospitality, and leisure companies; 38% are from public companies.

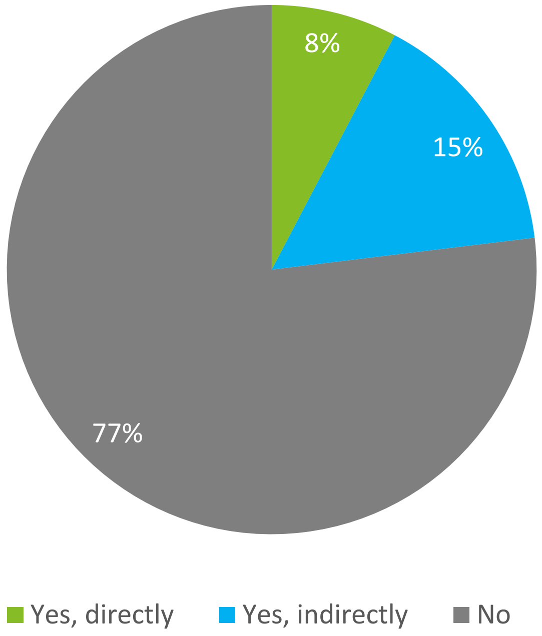
Sentiment/expectations: Net optimism increased to +62 from last quarter's +50. In line with the increase in net optimism, Retail/Wholesale CFOs growth expectations for revenue rose to 16.3% from 4Q21's 11.7%. However, earnings expectations dipped to 14.6% from 15.6% in 4Q21. Their expectations for capital spending growth slightly decreased to 22%, from last quarter's 23.5%. Dividend growth expectations dropped to 2.6% from 4.6%. Expectations for growth in domestic personnel and wages/salaries both decreased to 6.9% and 6.0%, respectively, from 9.1% and 7.4% in 4Q21.

* "Highest" and "lowest" are relative to other industries.

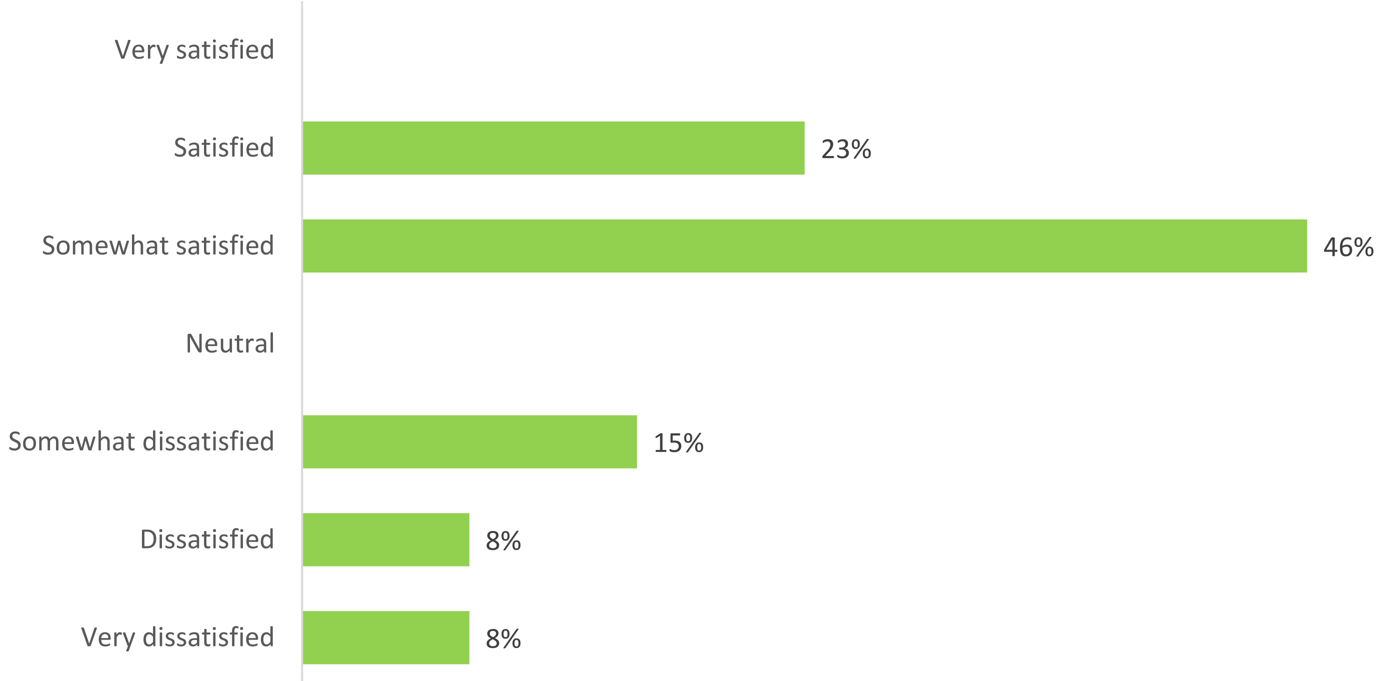
Industry trends: Managing the information technology function

Retail/Wholesale

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=13)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=13)



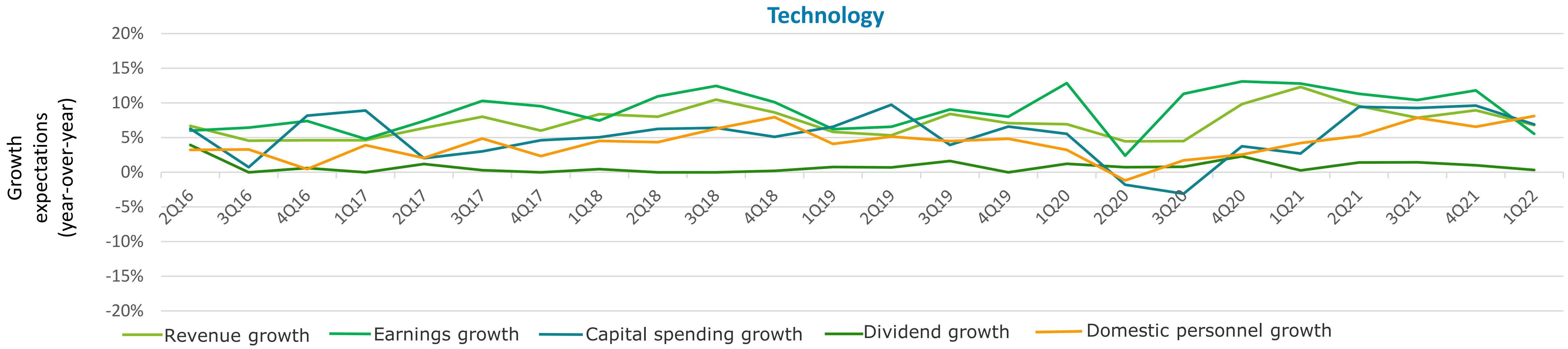
What is your estimate of overall information technology spend as a percentage of annual revenue?

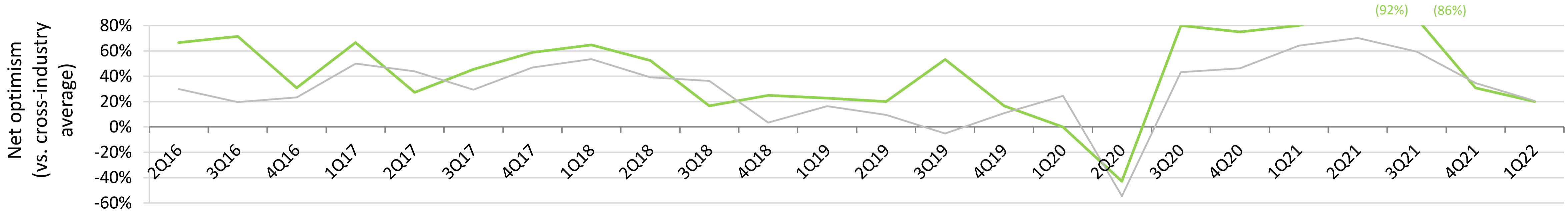
Average in total and for industry	
Total	Retail/Wholesale
3.1%	2.6%

Approximately what percentage of your current information technology spend goes to Agile initiatives?

Average in total and for industry	
Total	Retail/Wholesale
23.7%	27.6%

Industry trends: Expectations, sentiment, and selected highlights





Selected highlights

Composition: Respondents **c**onsisting of hardware, software, and industrial automation and information technology companies; 70% are from public companies.

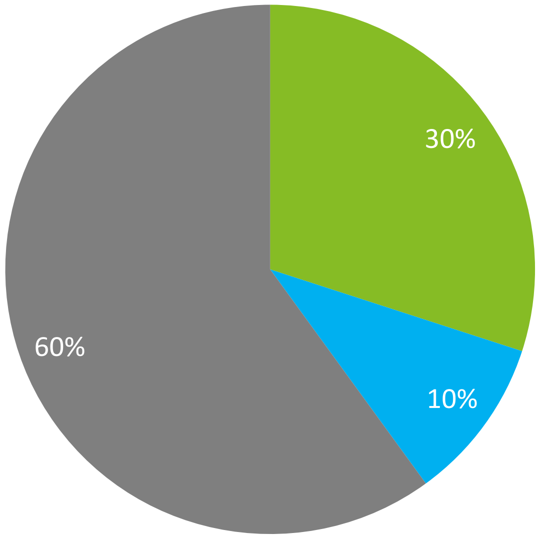
Sentiment/expectations: In line with the overall decrease in net optimism, net optimism for the Technology industry dropped to +20 from +31 in 4Q21. Growth expectations decreased for revenue, earnings, and capital spending to 6.8%, 5.5%, and 6.9%, respectively, from 8.9%, 11.8%, and 9.6% in the prior quarter. Growth expectations for dividends also declined to 0.3% from 1.0% in 4Q21. Domestic hiring decreased to 8.1% from 6.6%, while growth expectations for wages/salaries increased to 5.1% from 4.7% in 4Q21.

* "Highest" and "lowest" are relative to other industries.

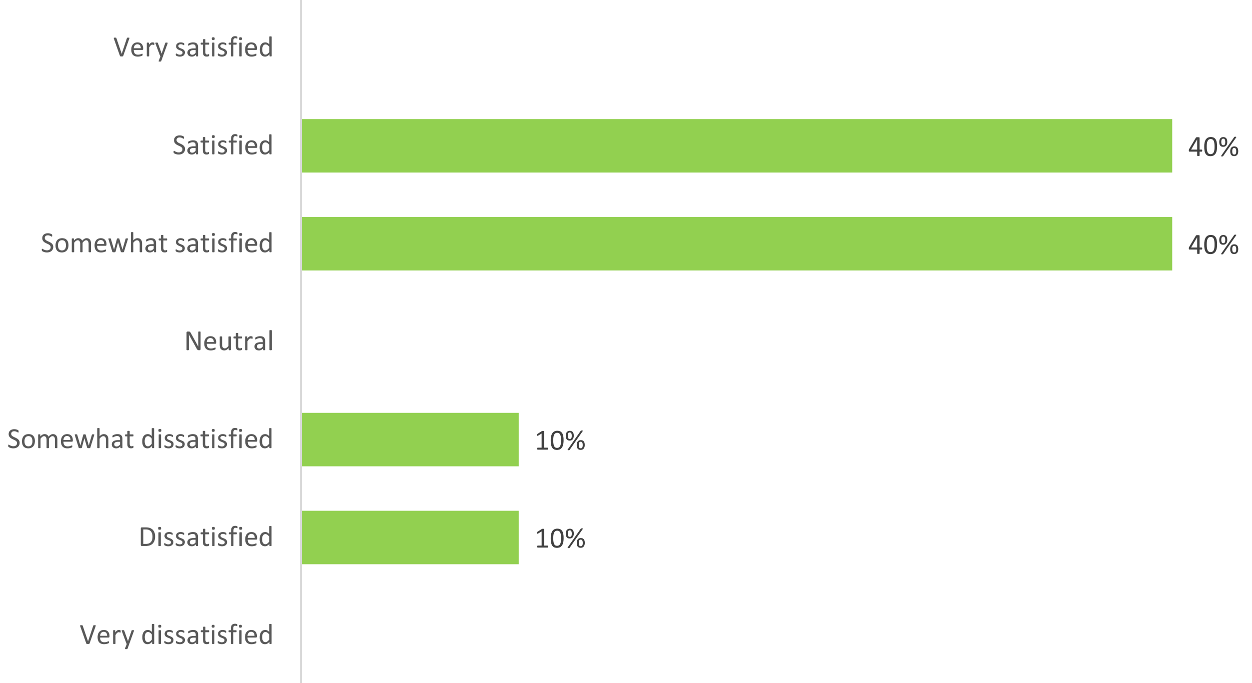
Industry trends: Managing the information technology function

Technology

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=10)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=10)



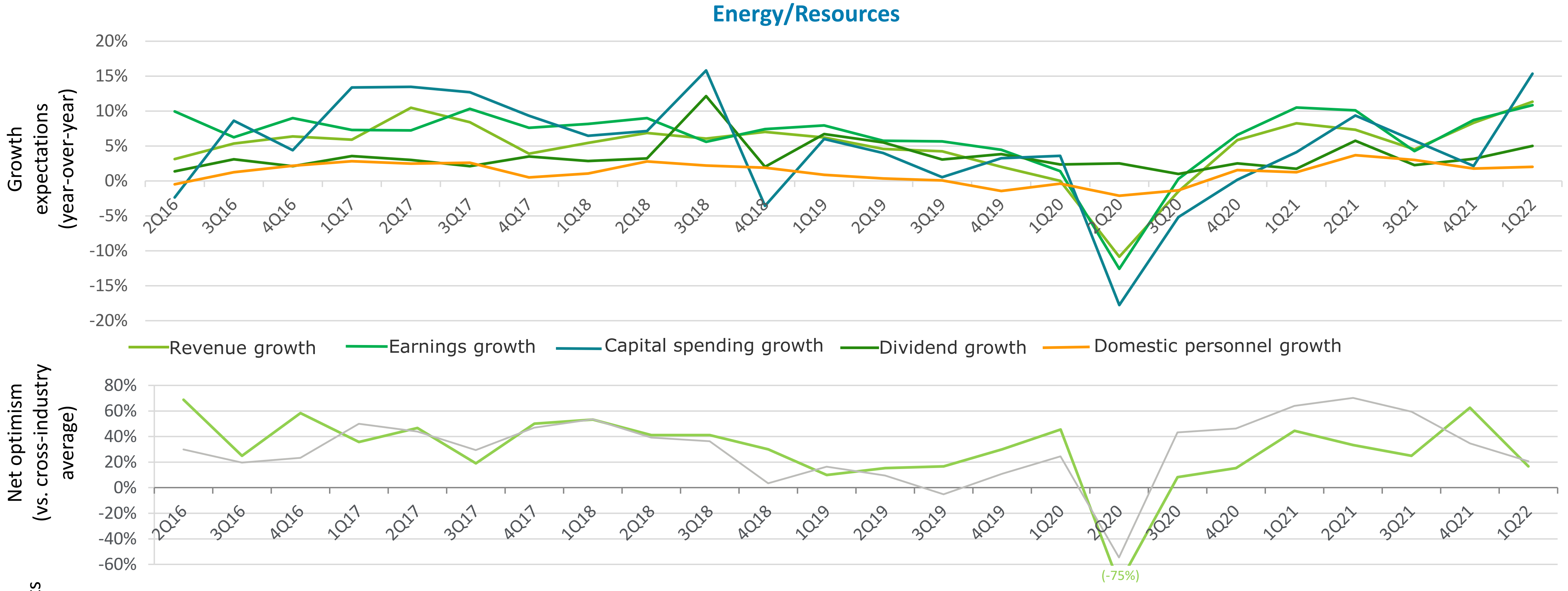
What is your estimate of overall information technology spend as a percentage of annual revenue?

Average in total and for industry	
Total	Technology
3.1%	3.8%

Approximately what percentage of your current information technology spend goes to Agile initiatives?

Average in total and for industry	
Total	Technology
23.7%	25.3%

Industry trends: Expectations, sentiment, and selected highlights



Selected highlights

Composition: Respondent base was comprised mostly (67%) of power and utilities, with the remaining companies from oil, gas, and mining; 100% of respondents are from public companies.

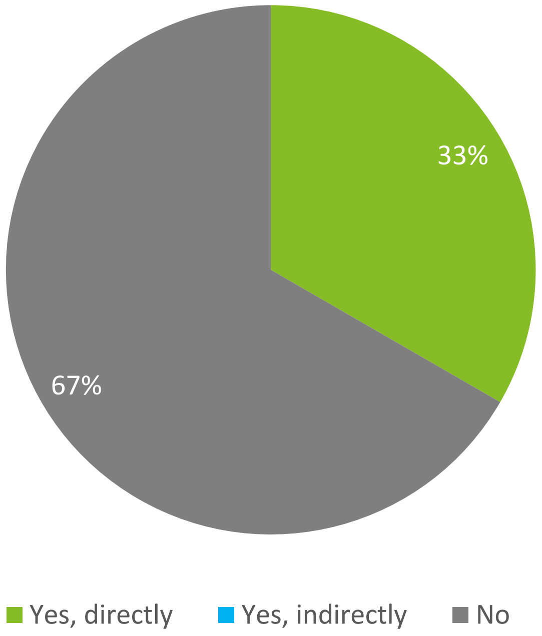
Sentiment/expectations: Net optimism suffered a steep decrease to +17 from 4Q21's +63. Revenue and earnings growth expectations both increased to 11.3% and 10.8%, respectively, from 8.3% and 8.7% in 4Q21. Growth expectations for capital spending jumped to 15.3% from 4Q21's 2.1%, and dividend growth expectations increased to 5.0% from 3.1% in 4Q21. Domestic personnel growth slightly declined to 2.0% from 2.1% in the prior quarter, while domestic wage growth expectations increased to 4.5% from 3.6%.

* "Highest" and "lowest" are relative to other industries.

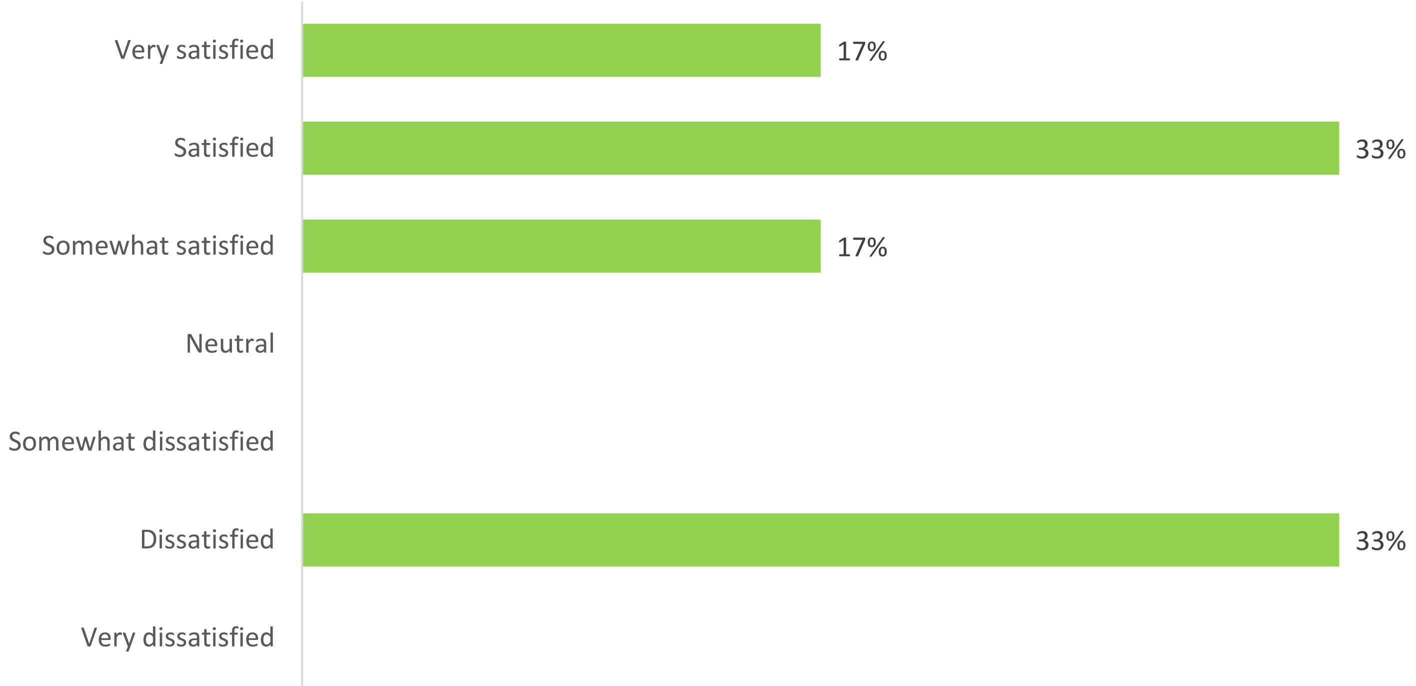
Industry trends: Managing the information technology function

Energy/Resources

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=6)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=6)



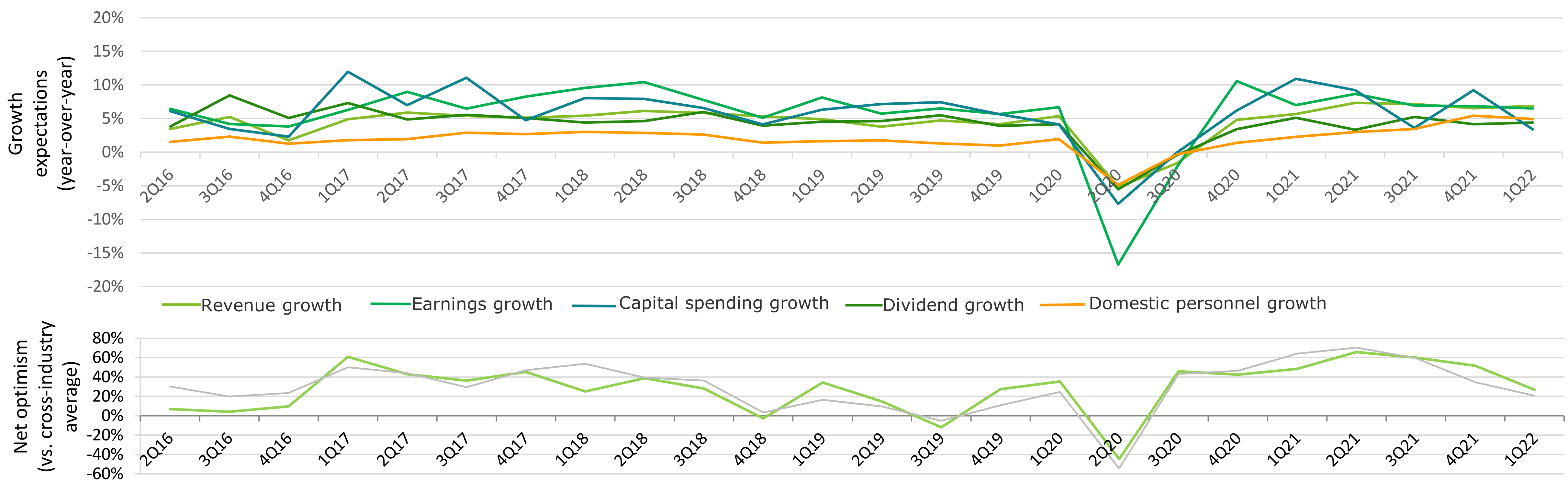
What is your estimate of overall information technology spend as a percentage of annual revenue?

Average in total and for industry	
Total	Energy & Resources
3.1%	2.3%

Note, there were no responses on percentage of current information technology spend going to Agile initiatives from Energy/Resources participants.

Industry trends: Expectations, sentiment, and selected highlights

Financial Services



Selected highlights

Composition: Respondent base was comprised of insurance (53%), banking and securities (7%), investment management (13%), real estate (20%), and private equity/hedge funds (7%). Sixty percent of respondents were from public companies.

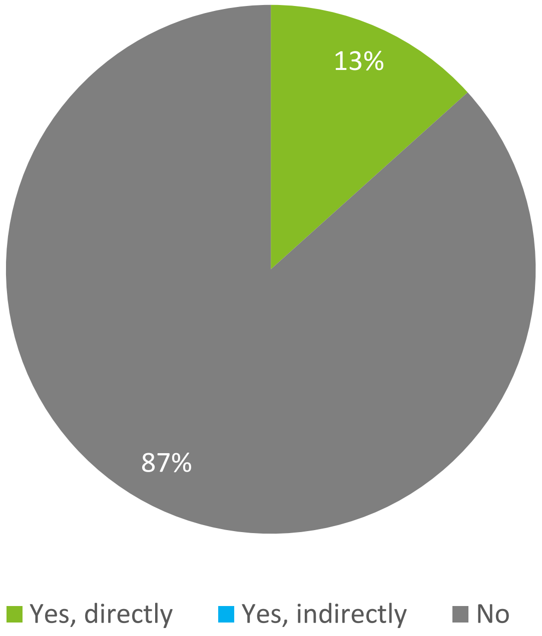
Sentiment/expectations: Net optimism dipped to +27 from last quarter's +52; however, it continues to remain high following a deep fall in 2Q20. Revenue and dividend growth expectations both increased slightly this quarter to 6.9% and 4.4% from 6.6% and 4.2%, respectively. Expectations for earnings growth inched down to 6.5% from 6.8% in the prior quarter, while capital spending growth dropped to 3.4% from 9.2% in 4Q21. Domestic personnel growth and domestic wages/salaries expectations both decreased to 4.9% from 4Q21's 5.4% and 5.5%, respectively.

* "Highest" and "lowest" are relative to other industries.

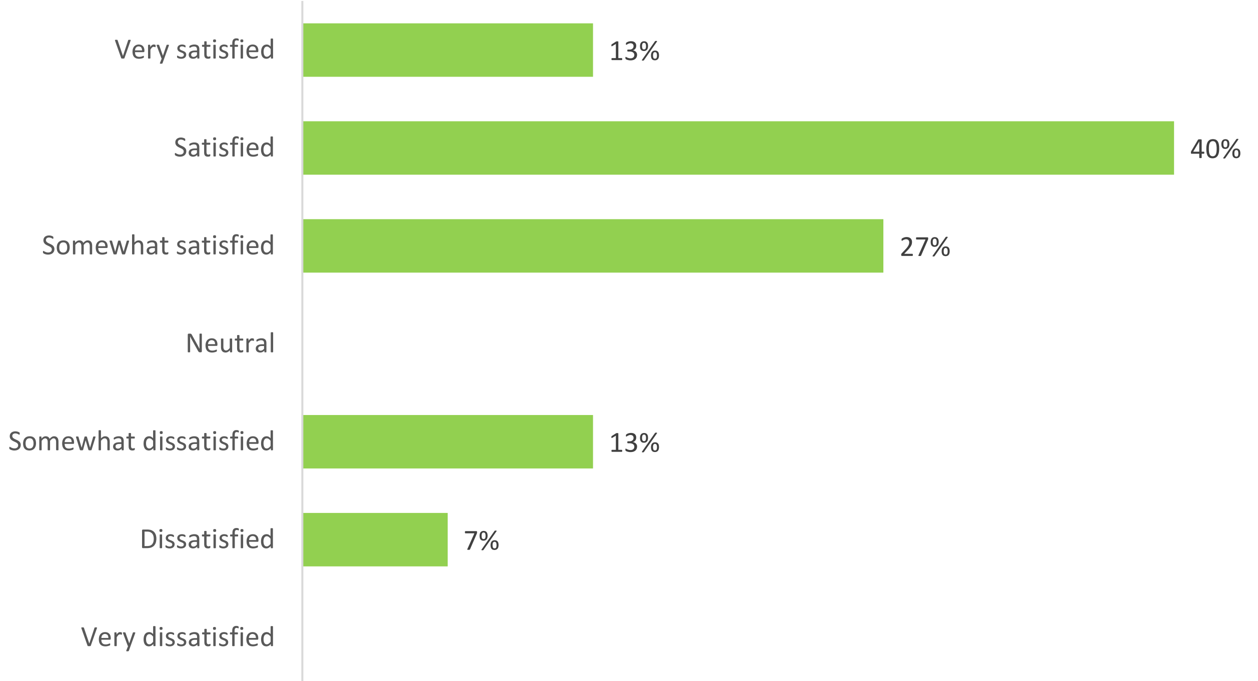
Industry trends: Managing the information technology function

Financial Services

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=15)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=15)



What is your estimate of overall information technology spend as a percentage of annual revenue?

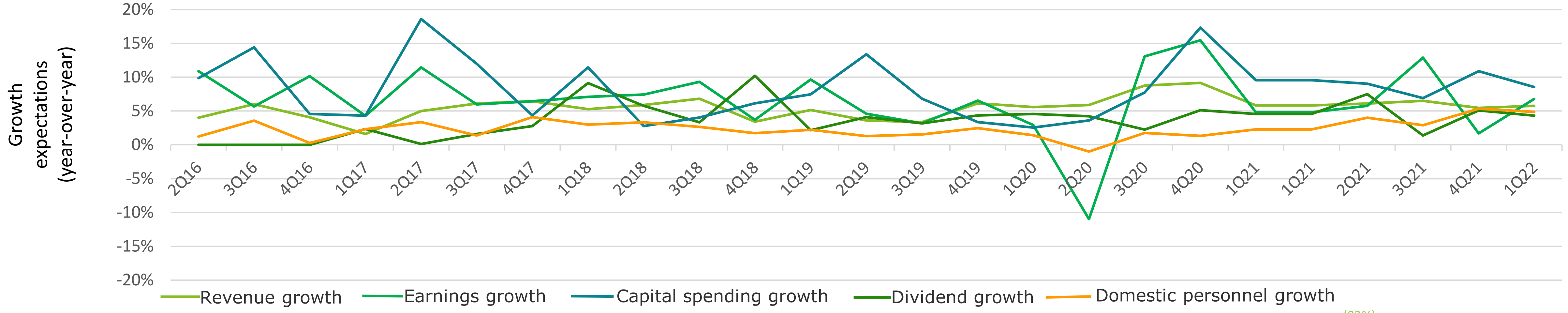
Average in total and for industry	
Total	Financial Services
3.1%	4.2%

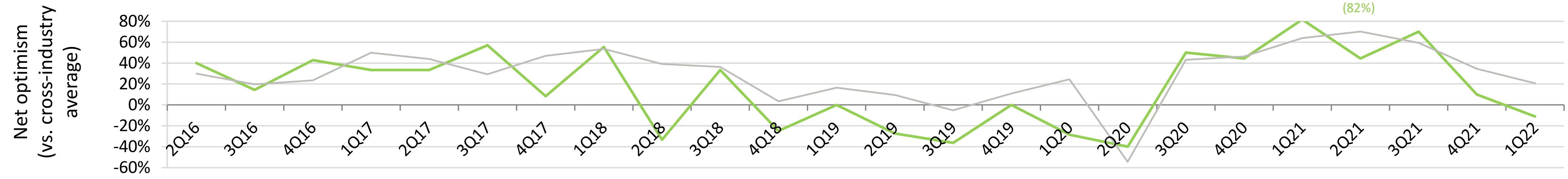
Approximately what percentage of your current information technology spend goes to Agile initiatives?

Average in total and for industry	
Total	Financial Services
23.7%	29.6%

Industry trends: Expectations, sentiment, and selected highlights

Healthcare/Pharma





Selected highlights

Composition: Respondent base is made up of 56% life sciences/pharma, 22% health plans, and 22% healthcare providers; 78% of respondents are from public companies.

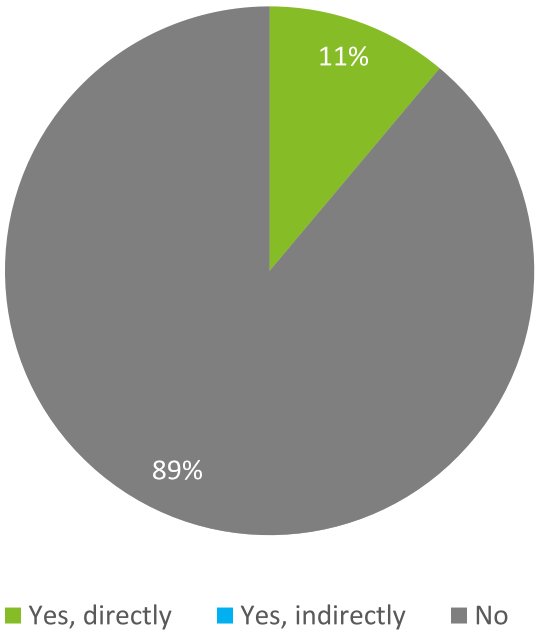
Sentiment/expectations: Net optimism dipped to -11 from 4Q21's +10. However, expectations for revenue growth inched up to 5.8% from 5.5% in 4Q21, and earnings growth jumped to 6.8% from 1.7%. Growth expectations for capital spending declined to 8.6% from 10.9% in 4Q21, while expectations for dividends and domestic personnel growth decreased to 4.3% and 4.9% from 5.1% and 4.8%, respectively. Domestic wages/salaries growth expectations increased to 5.0% from 4.8% in the prior quarter.

* "Highest" and "lowest" are relative to other industries.

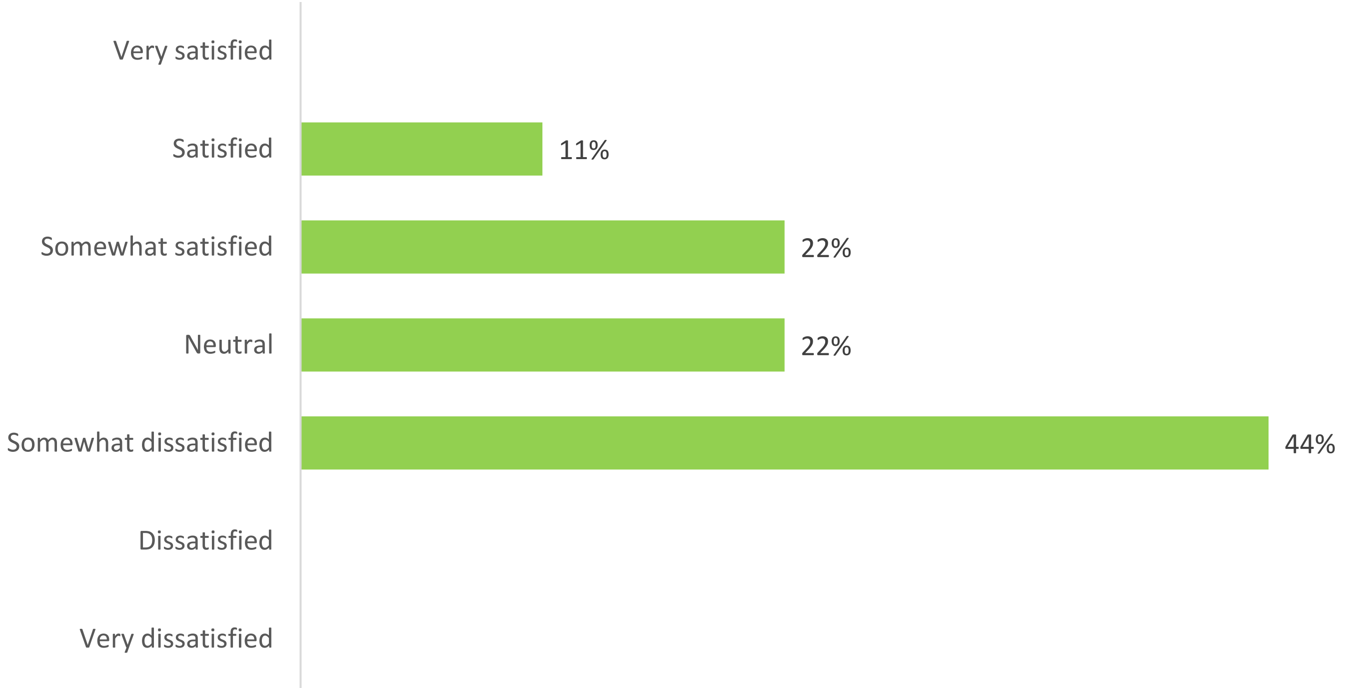
Industry trends: Managing the information technology function

Healthcare/Pharma

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=9)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=9)



What is your estimate of overall information technology spend as a percentage of annual revenue?

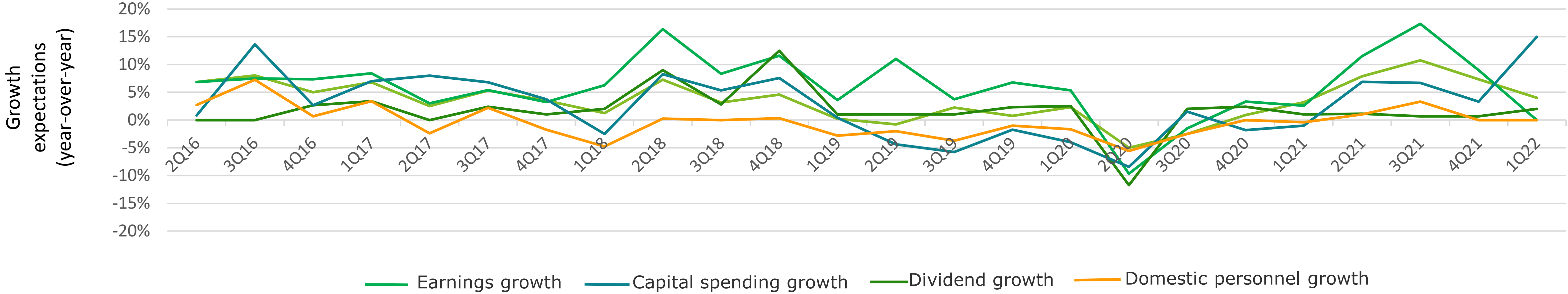
Average in total and for industry	
Total	Healthcare/Pharma
3.1%	3.5%

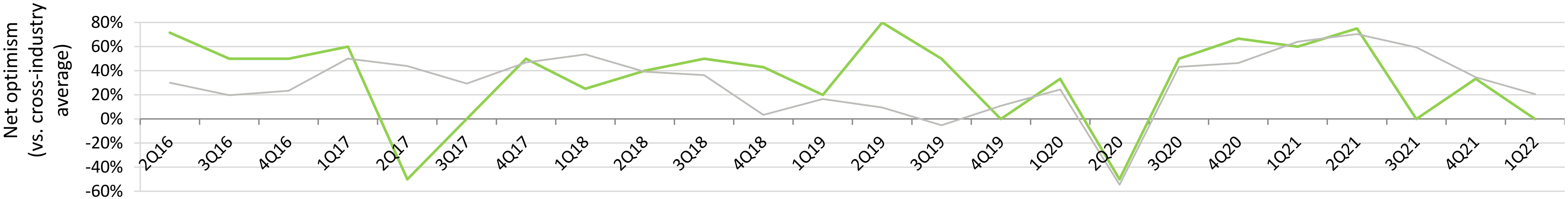
Approximately what percentage of your current information technology spend goes to Agile initiatives?

Average in total and for industry	
Total	Healthcare/Pharma
23.7%	23.7%

Industry trends: Expectations, sentiment, and selected highlights

Telecom/Media/Entertainment (T/M/E)





Selected highlights

Composition: One public T/M/E company made up the respondent base.

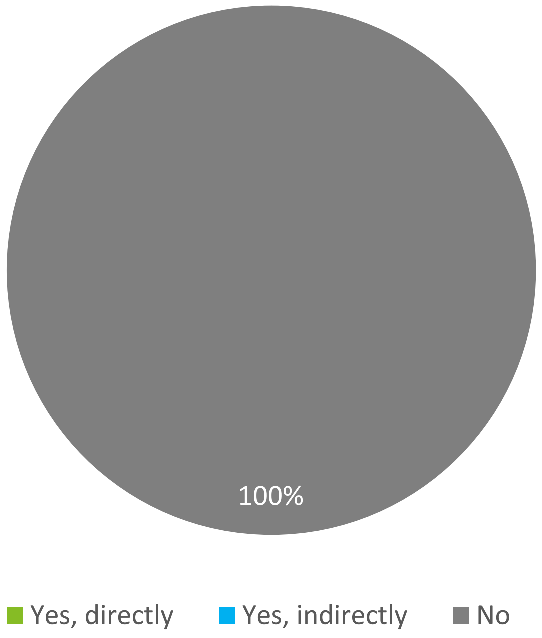
Sentiment/expectations: Net optimism decreased to +0 this quarter, down from +33 in 4Q21. Expectations for growth in revenue (4.0%) and earnings (0.0%) both fell from 7.3% and 9.0%, respectively, in 4Q21, while domestic personnel growth remained flat at 0%. Dividend growth expectations increased to 2.0% from 0.7%, while capital spending growth expectations jumped to 15.0% from 3.3% in 4Q21. Finally, domestic wages/salaries growth expectations slightly declined to 4.0% from 4.3%.

* "Highest" and "lowest" are relative to other industries.

Industry trends: Managing the information technology function

Telecom/Media/Entertainment (T/M/E)

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=1)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=1)

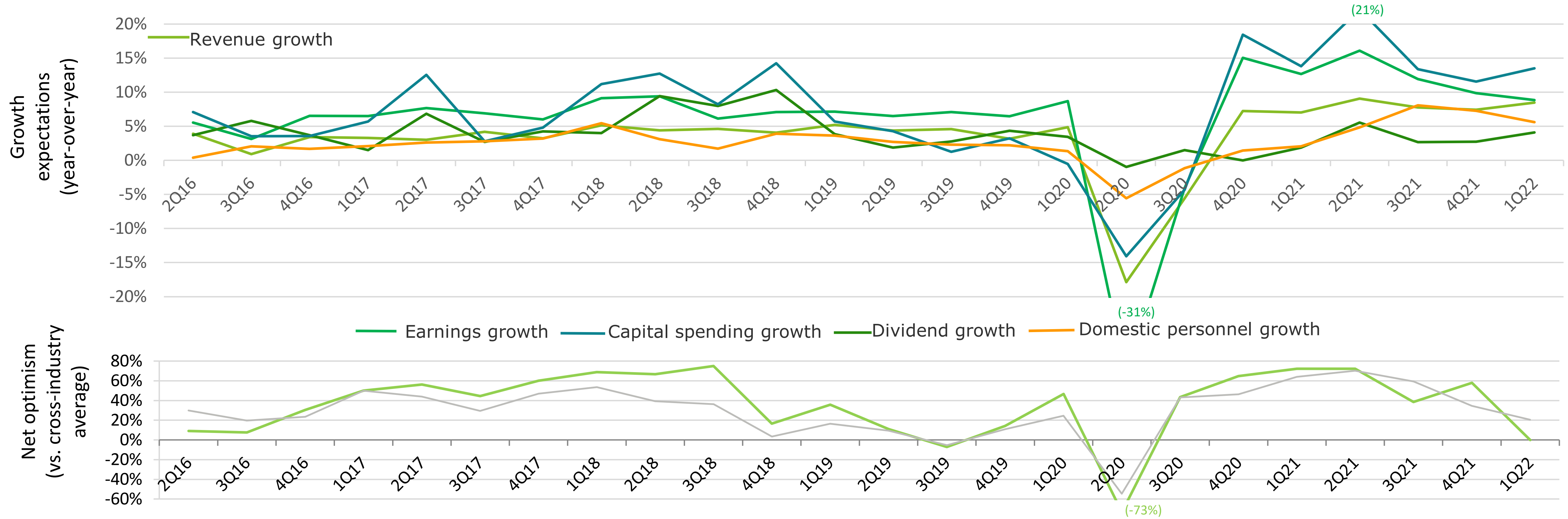
What is your estimate of overall information technology spend as a percentage of annual revenue?

Average in total and for industry	
Total	T/M/E
3.1%	1.0%

Note, there were no responses on percentage of current information technology spend going to Agile initiatives from T/M/E participants.

Industry trends—Expectations, sentiment, and selected highlights

Services



Selected highlights

Composition: Respondents are mostly from transportation, logistics, and support companies (40%), with the remaining respondents from across engineering and construction, educational services, consumer, and other support services; 67% are from public companies.

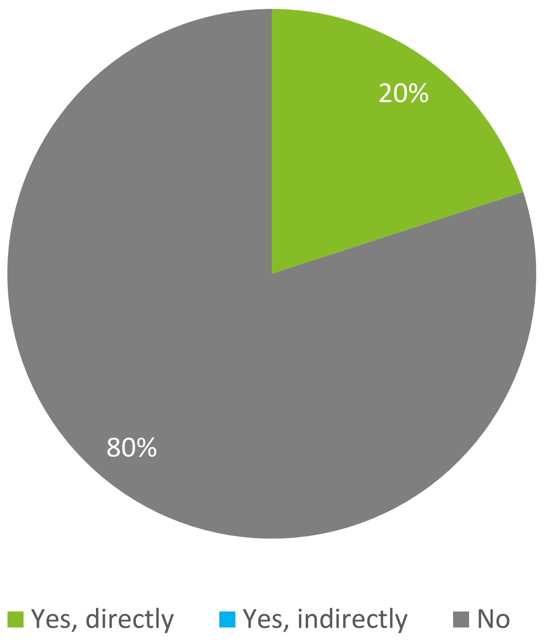
Sentiment/expectations: Net optimism fell to +0 from last quarter's +58. Expectations for revenue growth increased from 7.4% in 4Q21 to 8.5%, earnings fell from 9.9% to 8.9%, capital spending increased from 11.6% to 13.5%, and domestic personnel growth fell to 5.6% from 7.3% in 4Q21. Dividend growth expectations increased to 4.1% from 2.7%, and domestic wages/salaries remained flat at 5.6%.

* "Highest" and "lowest" are relative to other industries.

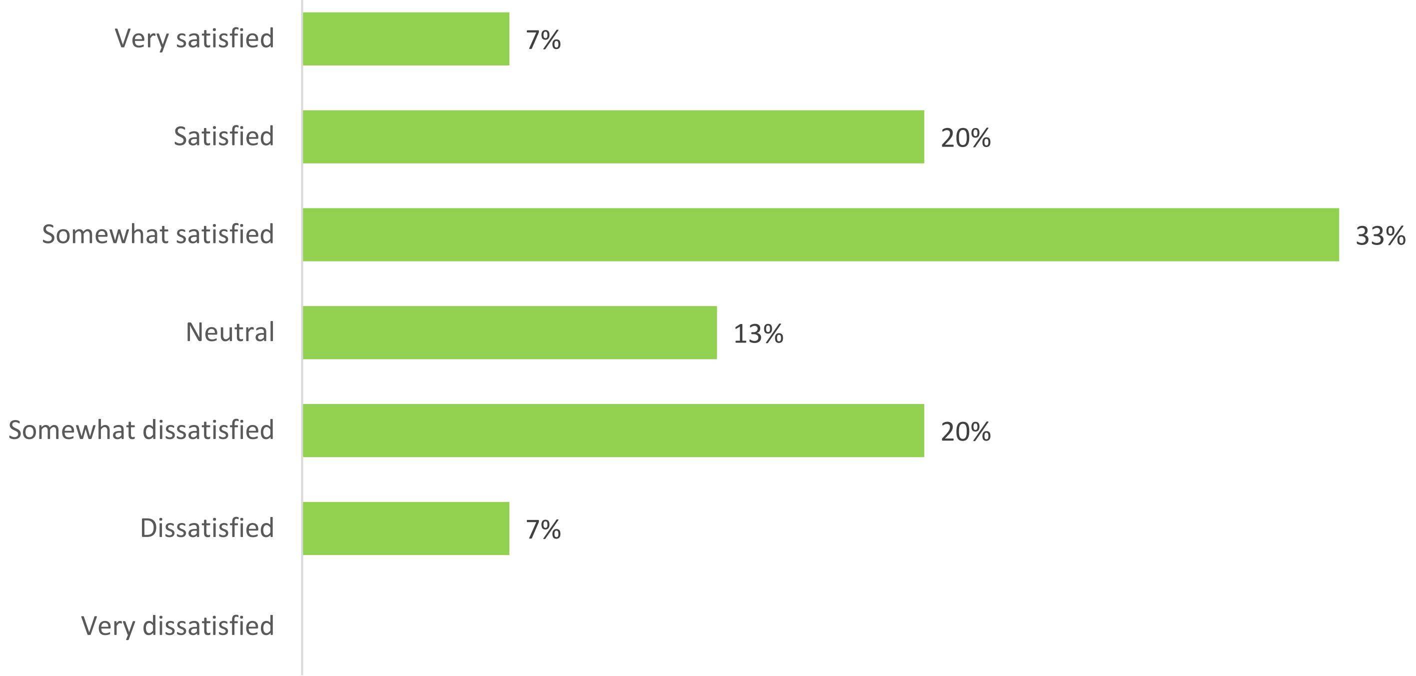
Industry trends: Managing the information technology function

Services

Does your company's primary information technology leader (CTO, CIO, etc.) report to you? (N=15)



What is your overall satisfaction with the information technology services in your company on a 7-point scale, where 1 equals very dissatisfied and 7 equals very satisfied? (N=15)



What is your estimate of overall information technology spend as a percentage of annual revenue?

Average in total and for industry	
Total	Services
3.1%	4.1%

Approximately what percentage of your current information technology spend goes to Agile initiatives?

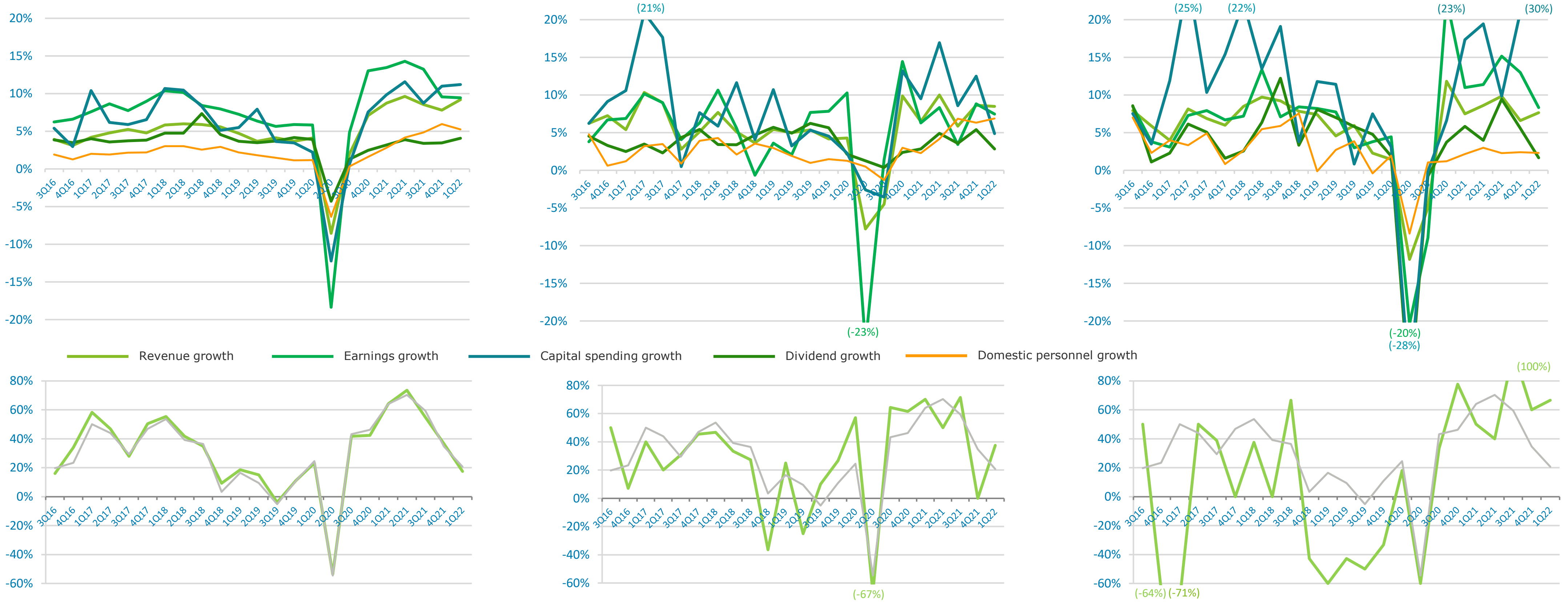
Average in total and for industry	
Total	Services
23.7%	17.6%

North America country trends: Expectations, sentiment, and selected highlights

US | Canada | Mexico

Growth expectations (year-over-year)

Net optimism (vs. cross-industry average)



Selected highlights*

Composition: Broad mix of industries, with highest representation from Manufacturing (28%), Services (17%), and Retail/Wholesale (14%), followed by Financial Services (13%) and Technology (10%); about 67% public.

This quarter longitudinal: Net optimism dipped in 1Q22 to +17 from +37 last quarter. This metric tracks overall optimism since the vast majority of participants are from the US (the same is true for growth expectations). US CFOs were less optimistic than those in both Canada and Mexico in 1Q22. Growth expectations for revenue (9.2%) increased from 4Q21, while earnings (9.4%) decreased slightly. Growth expectations for capital spending increased to 11.2% from 11.0% in 4Q21, and dividends increased to 4.1% from 3.5%. Expectations for growth in domestic personnel decreased to 5.2% from 6.0%.

Composition: Largely Financial Services (50%), followed by Manufacturing (37%) and Technology (13%) organizations; 38% public.

This quarter longitudinal: Net optimism jumped to +38 from the prior quarter's +0; in 4Q21 60% of Canadian respondents had indicated no change in optimism compared to three months ago. Growth expectations for revenue, earnings, and dividends decreased from 4Q21, and growth expectations for capital spending and domestical personnel growth both slightly increased.

Composition: Consists of Manufacturing (33%), Healthcare/Pharma (33%), and Retail/Wholesale (33%); 100% public.

This quarter longitudinal: Net optimism among Mexican CFOs increased slightly to +67 from 4Q21's +60. No respondents from Mexico indicated that they were somewhat or significantly less optimistic. Growth expectations for revenue increased to 7.7% increased from 6.6% in 4Q21, while earnings (8.3%) and dividends (1.7%) both decreased from 13.0% and 5.6%, respectively. Growth expectations for domestic personnel remained mostly flat, while capital spending growth expectations saw an increase to 30% from 21.0% in 4Q21.

Sentiment: Most worrisome internal risks

Overall, what internal risk worries you the most? *Open-ended text*

- Ability to protect margins
- Ability to recognize/incorporate external supply chain disruptions and their impact on broad-based demand
- Ability to retain people and talents
- Ability to supply
- Alignment
- Attracting and keeping talent
- Attracting and retaining talent
- Attracting, recruiting, and retaining talent
- Attrition
- Availability of medicine
- Availability of talent; vacancies and their impact on projects/capacity
- Availability of workers
- Burnout
- Burnout of the organization
- Capability for transformational change
- Capacity to handle the pace of accelerated automation
- Complacency; unchartered economic territory
- Continuous improvement
- Cost containment measured against growing the business strategically
- Cost management
- Cost of material
- Cyberattacks
- Cybersecurity and staying current with technology
- Disproportionate growth in overhead and lower margins
- Employee burnout
- Employee engagement
- Employee morale
- Employee retention
- Employee retention
- Employee retention
- Employee retention
- Employee turnover
- Employee turnover
- Executing against the market opportunities in front of us
- Execution
- Execution and talent
- Execution of our digital strategy
- Execution of strategy
- Execution on strategic initiatives
- Execution risk
- Execution risk while simultaneously making a lot of technology and process changes
- Execution; prioritization
- Getting quality people
- Growing back to 2019 levels
- Having human resources that are well-versed in new technologies and valuation methodologies
- High growth investment on ecommerce may fizzle at some point this year; cost structure will need to flex back
- Hiring
- Hiring the right talent
- Hourly hiring
- Human capital
- Human capital/talent retention
- Hybrid work environment going forward
- Inflation
- Inflation
- Key talent retention and attraction
- Labor
- Labor
- Labor inflation
- Labor shortage
- Labor shortages in operations and tech/data skills
- Labor availability
- Maintaining continuous desire for improvement
- Managing in a post-COVID-19 workplace
- Our ability to prioritize among dozens of initiatives and then execute efficiently to fully realize the benefits
- People
- Productivity and disruption associated with whatever a return to normal looks like from a work and flexibility perspective
- Professional talent and retention
- Reaching hiring goals without lowering standards
- Recruiting and retention
- Resource management as turnover increases and the rate for specialized roles increases
- Retaining staff
- Retaining talent
- Retaining talent and stabilization of our work force
- Retention
- Retention
- Retention of key employees
- Simultaneous execution of multiple, large-scale initiatives
- Staff turnover and return to office
- Staffing
- Talent
- Talent acquisition and retention; ability to deliver on digital transformation
- Talent attraction and retention
- Talent attrition
- Talent attrition
- Talent attrition
- Talent retention
- Talent retention
- Talent retention
- Talent retention
- Talent retention
- Talent retention
- Talent retention
- Talent retention; margin recovery
- Talent retention and recruitment
- Talent shortage
- Timely and accurate assessment of inflationary impacts on our business and implementing the appropriate strategies to mitigate, without over-swinging and missing an up-cycle market opportunity
- Transformation fatigue
- Transition from pandemic to endemic
- Wage inflation
- Wage inflation and capex
- Workforce readiness and compensation

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Sentiment: Most worrisome external risks

Overall, what external risk worries you the most? *Open-ended*

- A new powerful variant that emerges that puts the world back into some form of pandemic lockdown
- A significant stock market downturn or correction; inflation
- Ability of suppliers to meet demand
- Additional COVID-19 waves; government regulation
- Asia COVID-19 policy
- Capital markets
- China economy produces a fair amount of uncertainty
- China/Taiwan
- Commodity inflation
- Companies/industries are limiting capacity investments and that keeps inflationary pressures high
- Consumer spending
- Continued supply chain challenges
- Continued supply chain impacts from Southeast Asia and difficulty importing product
- COVID-19 restrictions, new variants, etc.
- COVID-19 disruption
- Credit due to rising inflation
- Cybersecurity
- Cybersecurity
- Domestic regulatory policy risk
- Economic: monetary/fiscal policy and actions
- Federal and state regulation
- Fiscal policy
- Fiscal Policy
- Follow-on impacts of inflation
- Fuel prices
- Geopolitical
- Geopolitical
- Geopolitical
- Geopolitical
- Geopolitical (both Russia and China)
- Geopolitical (Russia/Ukraine)
- Geopolitical conflict and events (Ukraine, Taiwan)
- Geopolitical instability
- Geopolitical issues
- Geopolitical risk
- Geopolitical risks
- Geopolitical risks
- Geopolitical risks
- Geopolitical risks creating US economic slowdown
- Geopolitical tension (US, China, Russia)
- Geopolitical tension
- Geopolitical uncertainty
- Geopolitics
- Geopolitics/war
- Government activism
- Government interference
- Government policies
- Government regulation
- High systemic inflation
- Hyperinflation (Feels like we are really getting out of balance)
- Inconsistent handling of the pandemic has hurt business in specific markets
- Inconsistent policy development
- Inflation
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- Inflation
- Inflation and related access to capital
- Inflation and the pressure it will put on economic growth
- Inflation is significant, and it feels like the FED is behind
- Inflation on input costs, energy costs, and transportation costs
- Interest
- Interest rates
- Interest rates
- Interest rates
- Interest rates impacting overall GDP
- Interest rate rising too fast and over shooting
- Interest rate raises slowing down construction
- International conflicts
- Labor and material availability
- Labor availability
- Labor availability
- Labor availability
- Labor availability
- Labor availability
- Labor availability
- Labor cost
- Labor shortage, particularly use of crisis labor in nursing
- Labor markets
- Labor market
- Labor shortages
- Macro-economic
- Market recovery
- New governmental regulations
- Normalization of monetary policy (FED rate increases) and its effect on markets/sentiment
- Ongoing supply chain extra costs
- Pandemic
- Political
- Political
- Political instability; cyber attacks
- Political polar extremes disrupting social and business environment in the US
- Political unrest (Ukraine/Russia tensions)
- Political unrest leading to an economic downturn/recession
- Potential domestic tax increases
- Raw material costs
- Recession
- Regulation
- Regulation; tax policy
- Regulatory; geopolitical
- Regulatory oversight that causes increased costs and reporting burdens
- Regulatory oversite as they wrestle with cyber developments, ESG topics, and other issues all in a greatly compressed timeframe
- Restrictive monetary policies
- Restrictive competition policies
- Rise in interest rates
- Rising interest rates
- Rising interest rates
- Rising inflation
- Russia
- Russia and regulators
- Russia/Ukraine
- Russia/Ukraine
- Russian conflict
- Scarcity of qualified and committed employees
- Stagflation risk as rampant inflation both slows economy and drives central banks to further curtail rates and economic activity
- Supply challenges
- Supply chain
- Supply chain
- Supply chain
- supply chains
- Supply chain
- Supply chain and logistics
- Supply chain challenges
- Supply chain constraints
- Supply chain disruption and the unwinding of the backlog
- Talent
- Taxation
- The continued push by federal and state government to put unfunded mandates on private companies
- Too much liquidity in market
- Ukraine
- Ukraine/Russia situation
- Unconventional competitors
- US politics
- US politics and disputed elections
- US political environment is a concern
- US regulatory environment
- Wage inflation
- Wage inflation

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Special topic: Managing the information technology function

What are the top three challenges to realizing value from your information technology function? *Open-ended text (continued on next page)*

- Acquisitions and divestitures require IT effort that distracts from core business operations/improvement initiatives
- Adequate internal and external resources with the required skills
- Age of systems
- Aged infrastructure
- Agile
- Aging systems
- Amount of talent that is BPO
- Antiquated IT infrastructure
- Attracting and retaining IT talent
- Availability of qualified new hires
- Available capital
- Back-office systems are deprioritized. As a result, the front-end investments often cannot realize full value. The data, insights, etc., run into the brick wall of antiquated internal systems.
- Budget constraints
- Business ability to consume
- Capabilities of the internal people
- Capabilities of the suppliers
- Capacity
- Capacity
- Change management
- Change management
- Change management
- Clarity of resource utilization and relevance
- Clear business definition of outcomes
- Clear finance objectives and returns
- Cloud capabilities
- Communicating needs to the IT people
- Competing priorities
- Competition for talent
- Completing ERP implementation
- Complex legacy infrastructure
- Complexity
- Complexity of end-user service-reporting expectations
- Complexity of legacy systems and their numerous points of interface
- Complexity of multiple apps and platforms and resultant data integrations and reconciliations
- Confidence in uptime
- Connectivity to business
- Consistent and sustainable target operating model
- Consultant turnover/skill set
- Controls mindset
- Cost
- Complexity of replacing legacy platforms
- Cost controls
- Cost leadership
- Cost of talent
- Cost pressures
- Costs
- Customer focus
- Cybersecurity
- Cybersecurity
- Cybersecurity focus taking away from others
- Cybersecurity
- Cybersecurity expenses crowd out new functionality
- Cyberthreat
- Data analytics
- Data architecture
- Data integration
- Data strategy
- Master data management
- Dearth of technology professionals with intimate knowledge of the business they are trying to support
- Decentralized organizational structure
- Decentralized planning
- Defining future state processes
- Delivering large-scale initiatives on time, budget, and outcome
- Developing leading-edge enhancements for ecommerce business
- Difficulties to align benefits with costs
- Difficulties to invest on enabling initiatives that do not directly generate benefits
- Difficulty attracting talent
- Difficulty in measuring benefits
- Digital
- Disparate legacy systems
- Disparate solutions
- Disparate systems; lack of a single platform
- Employee retention
- Employee turnover
- Escalating conflicts with business drivers and various data privacy needs and cyber risk
- Establishing a clear IT strategy
- Execution of technology projects
- Expense and time of new system rollouts
- Finance’s needs have a lower prioritization in current year
- Finding right talent
- Finding the right talent
- Finding the right vendors
- Focus
- Focusing more on innovative solutions
- Getting foundation in place before digital initiatives
- Getting internal executive and board alignment
- Getting work done on time and on budget
- Good program management
- Having IT people communicate so that lay people can understand
- Having the right people in IT that know how to add value
- Impact to global operations
- Implementing the tools with the right functionality to add value

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Special topic: Managing the information technology function

What are the top three challenges to realizing value from your information technology function? *Open-ended text (continued from previous page)*

- Inconsistent/multiple ERPs
- Increasing complexity of deployment as technology becomes more connected
- Insufficient scoping of projects
- Integration execution
- Integration to ERP
- Internal alignment
- Internal sponsorship
- Interoperability
- IT lacks a true understanding of the needs of the business. Very focused on the future, which is great, but not helpful dealing with operational issues in the current.
- Knowledge of suite of available tools to address everyday challenges
- Labor costs
- Lack of agility
- Lack of data quality/integrity controls
- Lack of resources for administration
- Lack of resources for implementation
- Leadership
- Legacy platforms from M&A
- Legacy systems
- Legacy systems that need to be enhanced
- Legacy tech debt
- Legacy technology debt
- Legacy technology debt
- Limited budget
- Limited resources
- Maintaining current/emerging skills
- Making data available for insights
- Management and team bandwidth to work on improvement projects
- Management of change
- Managing transformation costs
- Manufacturing 4.0 implementation
- Master data
- Migrating and retiring from legacy systems
- Modernize infrastructure; move to cloud
- More focus on art of the possible
- More use of cloud-based technology
- More use of robotic process automation and visualization applications
- Need to transition from "old" to more efficient/flexible platforms and solutions
- New implementations missing delivery timing and scope
- No user business intelligence capabilities
- On-time execution
- Optimization of analytics
- Organizational capacity
- Organizational understanding
- Overall talent capabilities
- Overhang from ERP go live and need to stabilize before further development
- Participation by our IT professionals in understanding the nature of the work, and how it may be improved using technology
- Partnership with other functions
- People
- Platforms that are difficult to move away from
- Priorities
- Prioritization
- Prioritization of projects
- Properly deciding where to leverage common solutions and where to allow for specialization in different areas of the business
- Quality of leadership
- Rapid changes in technology
- Rationalization of applications
- Recruitment of talent
- Resistance to change
- Resource allocation
- Resource bottlenecks
- Resource focus and prioritization
- Resources
- Resources
- Resources are a constant issue (securing them externally)
- Resources to execute
- Rising costs
- Risk avoidance is more rewarded than value creation
- Scalability
- Scope creep
- Security
- Skill set
- Skills in new technology process automation applications, e.g., RPA
- Specification requires more efforts
- Speed and agility
- Speed of change
- Speed of delivery
- Speed to implement business value enablers
- Staff balancing as the mix of contractor-to-employee shifts (higher need for knowledge retention)
- Staffing
- Staffing
- Standard enterprise architecture
- Sufficient resourcing for the backlog of projects
- Sunsetting of legacy technologies
- Talent
- Talent
- Talent
- Talent
- Talent
- Talent attraction and retention
- Talent attraction/retention
- Talent: hiring and retaining
- Technical debt
- Technology debt
- The push to reduce IT vendors while attempting to upgrade and modernize
- Time required to service technical debt from disparate legacy systems
- Timeliness of project completion
- Too many initiatives; jump to the next one before completely finishing the current one
- Too many spreadsheets still being used
- Traditional "big tech" mindset
- Turnover and talent attrition
- Unifying technology platforms across the company
- User acceptance
- Change management
- Vision
- We do not have a global ERP installed
- Working group support

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Special topic: Managing the information technology function

What actions has your organization taken to enhance the value derived from the information technology function and technology spend? *Open-ended text*

- Add employee-facing capabilities
- Added oversight by the strategy area on the measurement tracking and reporting
- Added digital responsibility
- Added specific resources to pursue digitization
- Adopting a "common where possible; unique where necessary" mindset
- Adopted Agile to some effect
- Agile
- Agile at scale
- Agile development
- Agile practices are deployed; focus is on the customer
- Alignment and prioritization at the senior executive level
- Business case style approach to project prioritization
- Centralize the function across businesses globally
- Centralized governance
- Clear partnership with IT to drive outcomes
- Clearly articulated the value-proposition to support the investment beyond immediate ROI (e.g., better customer engagement)
- Cloud transition
- Co-located offices to increase tech recruiting
- Common platforms
- Completed strategy and executing
- Consolidating functions within CIO (digital; data and analytics)
- Data as an enabler of developing greater customer value and operational efficiency rather than the exhaust of systems and processes
- Delivery transformation
- Emergency detection and response support
- Enabling mix shift within IT spend away from “run” and toward “invest”
- Enhanced data governance
- Enhanced team, outside resources, and consulting assistance
- Ensure better governance to get closer to business
- Evolved the operating model of the team
- Focus on hard benefits of the initiatives
- Getting assistance from external advisors to improve effectiveness
- Help desk support
- Higher focus on cybersecurity
- Hired a first-class CIO
- Hired new CIO
- Hired some younger staff who have more updated knowledge
- Hiring new talent
- Implement new ERP
- Implemented a new ERP system
- Increased budgets
- Increased level of overall IT spend by improving efficiency in other functions
- Increased spend
- Increased technology capital expenditure budgets
- Instituted IT steering committee
- Invest earlier in new capabilities, using a sort of incubator approach
- Key talent hires
- More focus on transformational technology to support new products and services
- More focus; looking at open options
- Moved to globalization and shared services
- Moved applications to the cloud
- Moved to a product-focused orientation in IT
- Multi-year road map of initiatives, deeper upfront cost benefit, and agreed post-implementation KPI
- New CIO
- New CIO
- New leader
- New leadership
- New leadership
- New leadership
- New resources
- New technology leader
- Organizational restructuring
- Outsourced some of the help desk functionality
- Realigned the structure in February 2022
- Reduced FTE
- Regular updates and touch points to escalate, deal with issues, and reprioritize as necessary
- Significantly increased expenses (including capital expenditures)
- Started to work on global ERM
- Streamlining of process and policies
- Strong governance
- Sunsetting of legacy systems
- System decommissioning
- Taking an agile, flexible approach to design and implementation
- Third-party service provider
- Too long to answer
- Transitioning to cloud
- Underwent exercise to align delivery teams toward customer outcomes
- Upgraded US business to CRM tool
- Various groups are leading their own IT investments. We have increased our project spending greatly over the last several years.
- We are embarking on a very large IT infrastructure modernization journey
- We are in the middle of a transformation program
- We now have governance around projects and spending
- Working with outside experts and hiring a VP of IT

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Special topic: Managing the information technology function

What metrics do you use to measure the effectiveness of your information technology function? *Open-ended text*

- Ability to deliver value in progressive steps (rather than one huge project)
- Ability to transact efficiently
- Amount of data populated in data warehouse
- Amount of systems on cloud
- Availability of resources
- Basic items mainly, such as uptime and help desk ticket resolution; not as much customer feedback as should be
- Benchmarking versus peer firms
- Benefits/costs
- Breakeven period
- Budget
- Business cases on projects
- Business outcomes; struggling to measure technology delivery throughput
- Call volume
- Complaints
- Corporate audit results
- Cost as percent of revenue
- Cost as a percent of revenue versus peers
- Cost as a percent of revenues
- Cost to deliver services measured by headcount
- Cost ROI
- Cost/revenue
- Cost versus budget
- Cyber metrics
- Data quality checks
- Deliverables
- Do not really have metrics to speak of
- Don't know
- Downtime
- Downtime
- Downtime
- Downtime
- Downtime
- Downtimes
- Employee satisfaction
- Employee satisfaction of IT services (via surveys)
- External cybersecurity score
- External benchmarking
- Feedback from internal customers
- FTE and volume of transactions
- Help desk tickets
- Help desk tickets and surveys
- I know of none used
- Incidents
- Increase integration across the value chain
- Information Integrity
- Internal customer satisfaction surveys
- Internal phishing failures
- Investment in sustainability as percentage of capital investment in systems
- IT efficiency
- IT maturity score
- IT spend as percentage of revenue
- IT spend as percentage of total revenues
- IT spend as a percentage of top line
- Lack of cyberattacks that are successful
- Level of complaints
- Manage growth in people-related costs
- Mix of IT spend (run versus invest)
- Multiple KPIs
- N/A
- N/A
- Net promoter scores
- Network downtime
- No specific measures; more internal customer satisfaction and, indirectly, the success of new service capability rollouts
- Number of incidents
- Number of systems decommissioned
- OKR's
- On-time execution
- Open ticket trends
- Operational leverage
- Operational readiness and availability
- Outcomes of various efforts
- Patching status
- PC/desktop threats
- Percentage of downtime
- Percentage of new capabilities implemented through Agile
- Percentage of revenue (not ideal)
- Percentage of sales
- Percentage to sales spend, project completion
- Percentage of spend in relation to total revenue and specific initiative KPIs per deployment
- Percentage of transactions digitized
- Percentage of users
- Performance to NIST objectives for cyber protection
- Performance to timeline/budget on ERP roadmap
- Progress towards stated objectives
- Project accountability
- Project KPIs: time/budget/deliverables
- Project management stats compromised credentials
- Project ROI
- Qualitative scoring
- Return on investment
- ROI
- ROI
- ROIC
- Service level
- Service availability
- Several
- Spend as a percentage of revenue
- Spend versus budget
- Success in upgrades and new projects
- Survey and ROI
- System uptime
- System uptime
- System uptime
- The extent to which manual processes have been automated
- Total cost of ownership
- Turnaround time
- Typical benchmarks
- Uptime
- Uptime at retail stores
- User adoption
- User survey
- Variance to budget
- Web channel threats

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Special topic: Managing the information technology function

If your information technology function could improve three things to realize greater value, what would they be? *Open-ended text (continued on next page)*

- Accelerate spending on major capital investments on core systems
- Accountability
- Add resources
- Agility
- Align costs with benefits or spend less upfront and generate benefits earlier
- Allow for more user-enabled changes and customization
- Analytics
- Attract more talent
- Attract new/better talent
- Automated analysis of enormous data sets to identify leading indicators of emerging issues
- Base customer service
- Be more agile in order to change direction fast if needed
- Better communication with business
- Better evaluation of talent needed to deliver promised improvements
- Better execution of technology projects
- Better forecasting
- Better identify the winning technologies/ applications/tools
- Better insights to operators on how to drive adoption for customers
- Better leadership
- Better planning from a resource perspective, as well as understanding impact on the business
- Better prioritization
- Better program management
- Better recruitment
- Better talent
- Business intelligence for users
- Capability
- Centralize planning
- Clarity of execution to realize business outcomes
- Commercial strategy
- Communication
- Consistent architectural target operating model
- Continue move to one ERP
- Cost
- Cost-effectiveness
- Creation of self-service reporting tools to enable data analytics
- Cybersecurity function
- Cybersecurity mitigating risks
- Data analytics (manufacturing)
- Data interfaces
- Data lake
- Data quality validation and controls
- Data standards, governance
- Digital
- Digital capabilities for customers
- Digital transformation planning
- Do more faster by hiring more employees
- EDI with customers and suppliers
- Education of staff on IT matters
- Effective and efficient delivery of large-scale projects
- Employee skill set
- End-user centricity that makes apps more usable
- Enhance data foundation
- Enhanced documentation
- Ensure a comprehensive data strategy
- Ensure KTLO is optimized
- ePMO
- Establish a flexible, resilient, and efficient technology ecosystem
- Even more strategic thinking
- Execute on-time and on-plan
- Faster
- Faster turnaround on value-added projects
- Filling open positions
- Formalization of policies
- Further digitization
- Greater centralization
- Greater focus
- Greater improvement on employee engagement/experience
- Greater use of shared service centers
- Help the company streamline and improve its processes
- Higher level of analytical support
- Hire quality hiring
- Hold folks in the field accountable for adoption
- Hybrid model of using some targeted external partners for special requirements
- I'd like for IT to help eliminate bureaucracy (versus a legacy of IT systems helping to implement bureaucratic ways of operating)
- Implementation of ERPs
- Improve education and expertise
- Improve internal change management capabilities
- Improve soliciting input from business customers versus unilateral decisions
- Improve the ability to objectively evaluate new platforms
- Improve transparency of the IT road map beyond buzzwords and high-level road maps
- Improved access to consolidated data warehouse applications by business users
- Improved learning
- Improved revenue
- Increase digitalization of operations
- Increase spending on IT to create new products and services
- Increased digitalization
- Increased investment
- Increased self-service
- Information availability
- Information integrity
- Innovation
- Install and ERM
- Integration of systems
- Interfaces
- Introduce a product-oriented operating model across the enterprise
- Invest more heavily into our customer-facing apps
- Lead the company to use best practices
- Less big-tech implementations and more micro-development/point solutions (return to the future)
- Less legacy, more future
- Less maintenance
- Less projects
- Live dashboards
- Long-range (2-3 year) plan
- Longer-term information and reporting data base road map
- Lower cost
- Lower cost

*While we have attempted to display CFOs' verbatim comments wherever possible, we have considered and reworded some comments in the interest of economy and participant confidentiality.

Special topic: Managing the information technology function

If your information technology function could improve three things to realize greater value, what would they be? *Open-ended text (continued from previous page)*

- Maintaining current/emerging skills
- Make the technology talent more business-savvy and the business people more tech-savvy
- Manager level of complexity in each new deployment (i.e., everything does not need to be programmed and directly connected)
- Master data
- Master data management
- Measuring returns
- Modernize
- Modernize the IT ecosystem: the key subsystems (i.e., point of sale, CRM, HRIS, etc.)
- More agile
- More agile
- More agile development
- More automation
- More connected to the business
- More discipline; fewer systems for each function/activity
- More effective integration of different info sources
- More focus on delivery timing
- More offshoring
- More operational focus on today's needs
- More rapid migration to common ERP backbone
- More rapid roll out of ERP
- More tech-savvy workforce
- More use of cloud-based technology
- More use of robotic process automation and visualization applications
- Move faster to containerization of core systems
- Move faster to digital solutions
- Operational execution and efficiency
- OTC insights
- Pace
- Partner to establish a clear IT strategic roadmap
- Partnerships in certain areas
- Priorities
- Prioritization
- Provide more support for projects targeting efficiency gains, de-risking of financial information gathering, and automation
- Push for a balance between automation efforts and new tool deployment
- Reduce costs
- Reduce cyber-threat surface
- Reduce headcount/spend of the group
- Reduce tickets
- Replacing legacy systems
- Resilience
- Retire tech debt
- Road maps
- Scalability
- Security
- Security enhancements
- Setting up a cost-effective development center
- Sharing successes across divisions to benefit all
- Shift levels of cost away from fixing and maintaining to new value creation
- Simplicity of customer experience
- Speed
- Speed
- Speed
- Speed
- Speed (rapid iteration)
- Speed of execution
- Speed to viable solutions
- Standardization of master data and systems
- Standardization of our business applications
- Standardize tools
- Stopping non-value add activity
- Take accountability and drive the projects
- Tighter collaboration with business units on digital business opportunities
- Tighter partnership with business resources
- Time sheets
- Timely deliverables
- Transformation expertise to automate E2E processes
- Transparency
- Unify technology platforms across the company
- Unify various apps across the entire company
- Untangle a complex and tightly integrated ecosystem
- User experiences
- Value creation
- We need to separate our systems from those of our former parent company

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Important notes about this survey report

The Deloitte North American *CFO Signals™ s*urvey is a quarterly survey of CFOs from large, influential companies across North America. Each quarter since 2Q10, *CFO Signals* has tracked the thinking and actions of CFOs representing many of North America's largest and most influential companies. All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from public and private companies, predominantly with more than $1 billion in annual revenue. Participation is open to all industries except for public sector entities.

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. Participating CFOs have agreed to have their responses aggregated and presented. At the opening of each survey period, the 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 generally two to three weeks after the survey closes.

As a "pulse survey," *CFO Signals* 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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