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QUARTERLY  
REPORT

September 2017

**CFO Survey**  
Europe | 2017

**Q<sub>3</sub>**

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# Dashboard overview

**63**

/100

## Sustained improvement in economic sentiment

The average optimism level among European CFO's continues the upward trend, reaching 63 on a scale of 100. Economic sentiment is up 2 points from the previous quarter.

**63%**

## Positive economic sentiment is widespread among CFOs

The number of European CFOs with a positive economic outlook has inched upward from 62% in Q2 to 63% this quarter, strengthening the widespread optimism further.

**64**

/100

## Prolonged business confidence among CFOs

For the fourth consecutive quarter, confidence about the own company's financials has increased. The Q3 optimism level has reached 64 (on a scale of 100), up 1 point from the previous quarter.

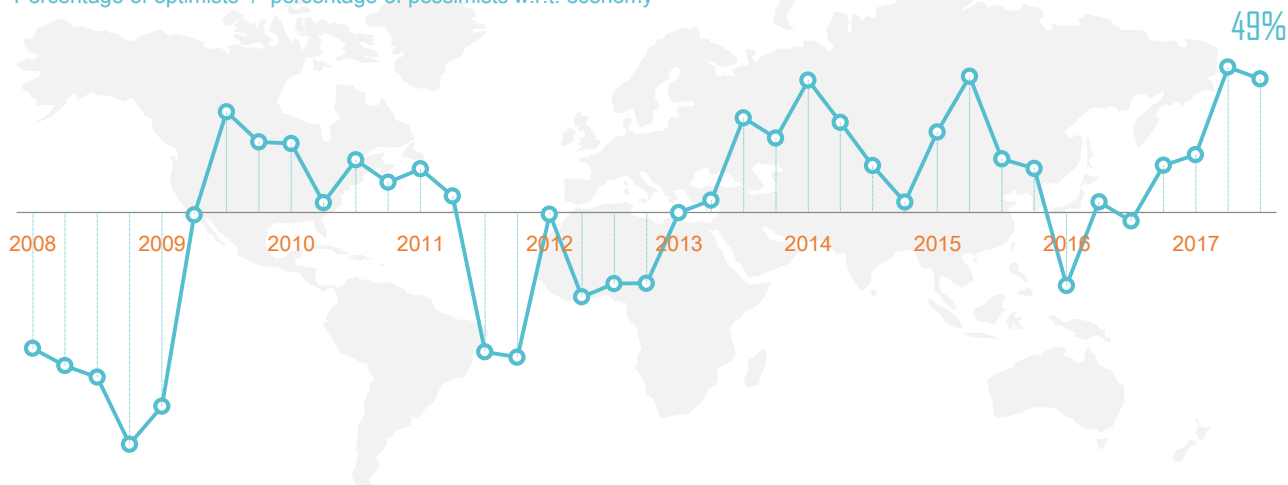
**43%**

## Steady level in number of CFOs with positive financial outlook of own company

Roughly 4 out of 10 CFOs continue to be more optimistic about their company's financial outlook over the next twelve months, extending the pace of the past two quarters.

**Chart 1. European CFO optimism index**

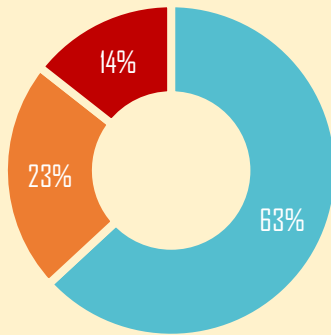
Percentage of optimists -/- percentage of pessimists w.r.t. economy



# CFO optimism & economic sentiment 2017

**Chart 2. Optimism CFOs about economy of own country**

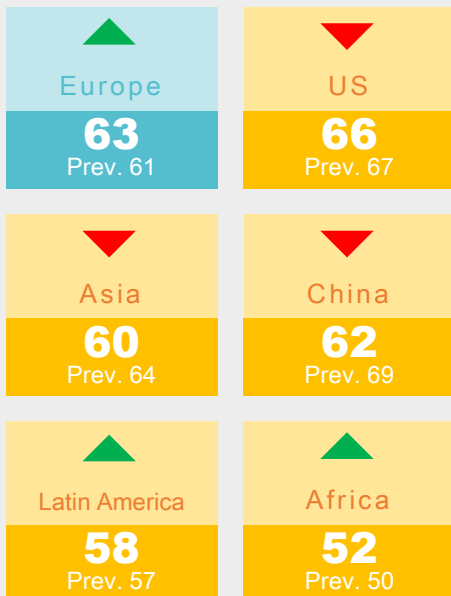
% optimists vs pessimists among European CFOs



- More optimistic
- No change
- Less optimistic

**Chart 3. Average level of optimism**

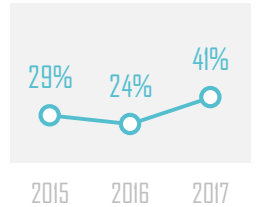
Europe compared to major economic regions (on a scale of 1- 100)



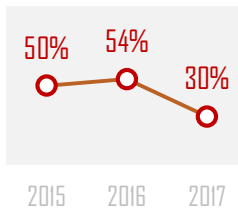
## Top 10 concerns European CFOs

Percentage of CFO's, Q3 2017 compared to Q3'16 and Q3'15

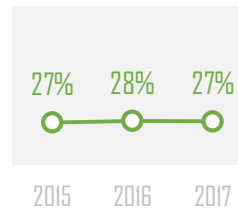
**1** Attracting / retaining qualified employees



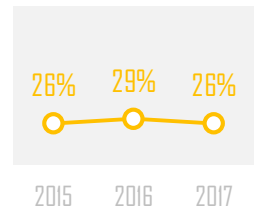
**2** Economic uncertainty



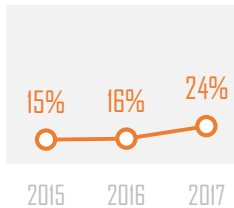
**3** Government policies



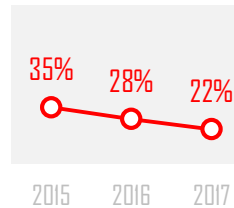
**4** Regulatory requirements



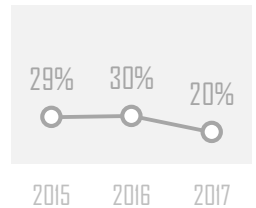
**5** Employee productivity



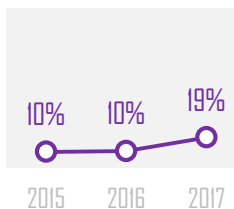
**6** Currency risk



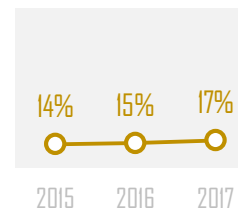
**7** Weak demand products / services



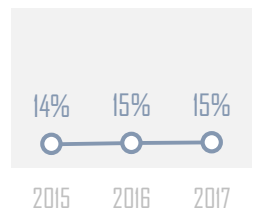
**8** Data security



**9** Employee morale



**10** Access to capital



# Finance & capital

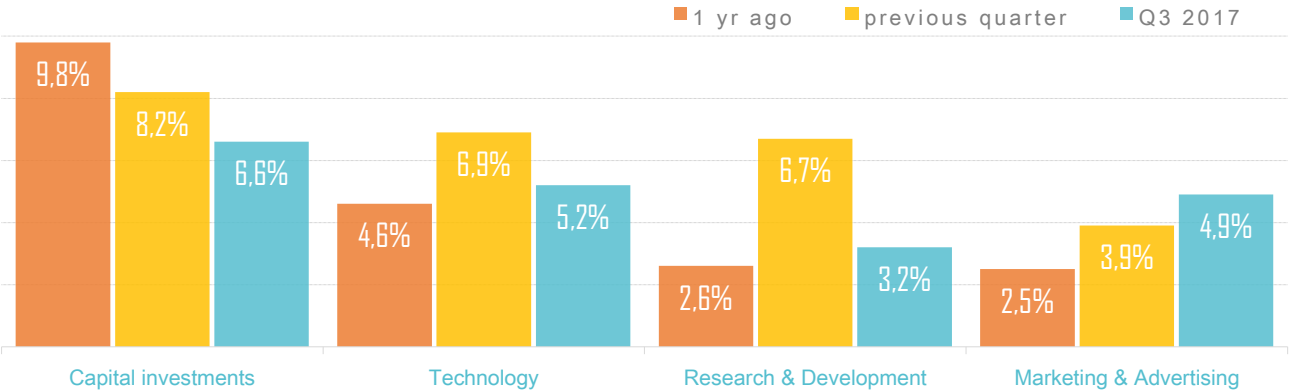
**61%** **Capital spending**  
More than 60% of the European CFOs says that their company intends to make capital investments during the next twelve months.

**52%** **Research & Development**  
Roughly half of the companies expects to expand their R&D spending over the next twelve months.

**60%** **Technology spending**  
6 out of 10 CFOs expect to see an increase in technology spending over the next twelve months.

**56%** **Marketing & Advertising**  
Almost 6 out of 10 CFOs anticipate an uptick in marketing and advertising spending for the next 12 months.

**Chart 4. CFOs' expected growth in business spending for next 12 months**  
Average growth rates in percentages, compared to the previous quarter and one year ago.



**22%** 1 out of 5 European companies pursue all projects with NPV > 0

**12.7%** Average hurdle rate that European companies use to evaluate investment projects

**18%** European companies that report an increase in back-log of (positive NPV) projects compared to 3 years ago

**European firms pursuing (not) all projects that have a positive Net Present Value (NPV)**

**31%** 1 out of 3 report shortage of management time and/or expertise as barrier to pursue all projects with positive NPV

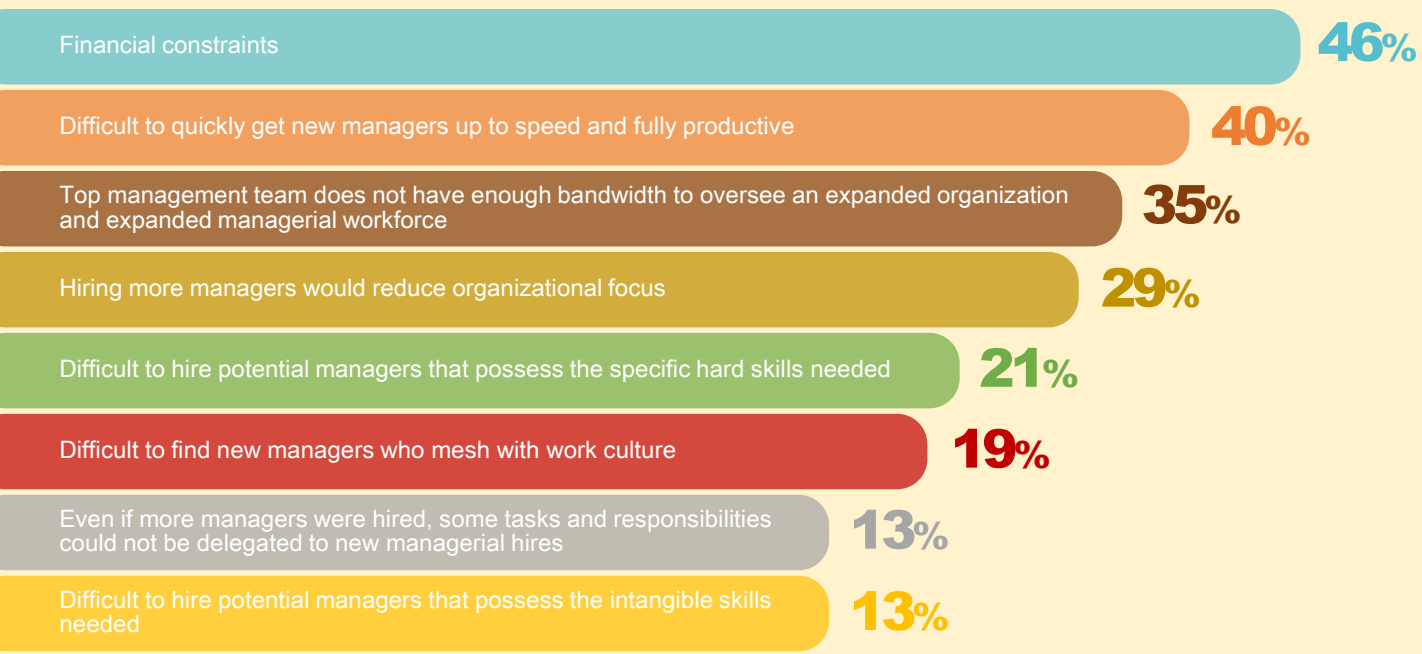
**33%** One third of firms have set the hurdle rate higher because of shortage of management time and/or expertise

**20%** 1 out of 5 European companies, report that a shortage of (non-management) labor prevents them from pursuing all positive NPV projects

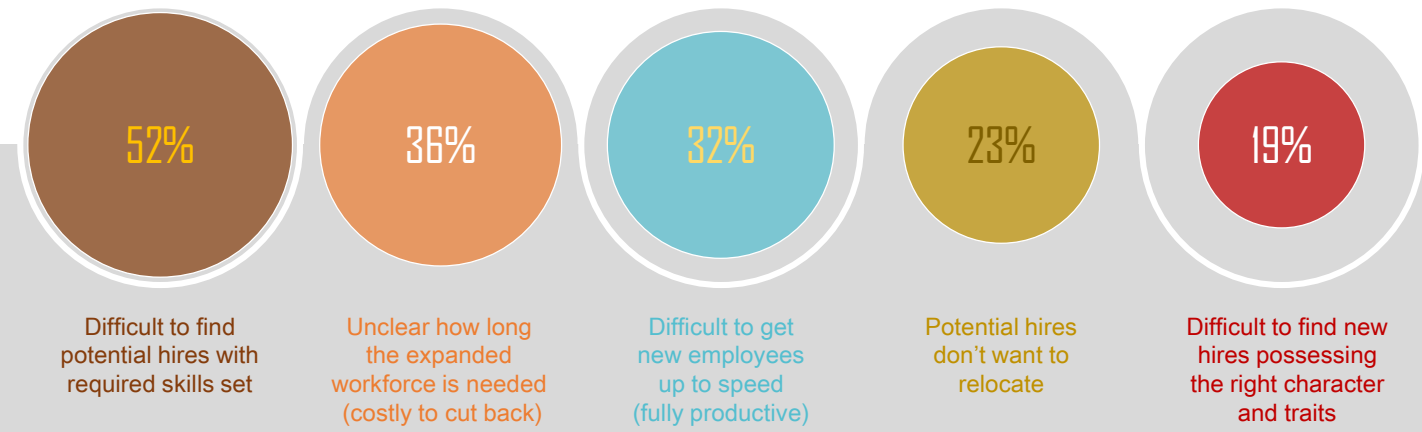
# Shortage of management & labor

preventing European companies to pursue projects with positive NPV

**Chart 5. Principal reasons for European CFOs not to hire more managers to reduce the shortage**  
Percentage of European firms

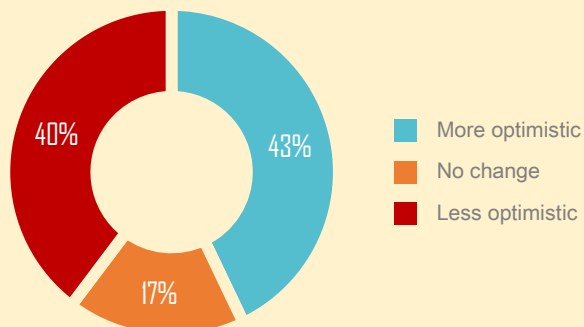


**Chart 6. Principal reasons for European firms not to hire more (non-management) labor to reduce the shortage**  
Percentage of European firms

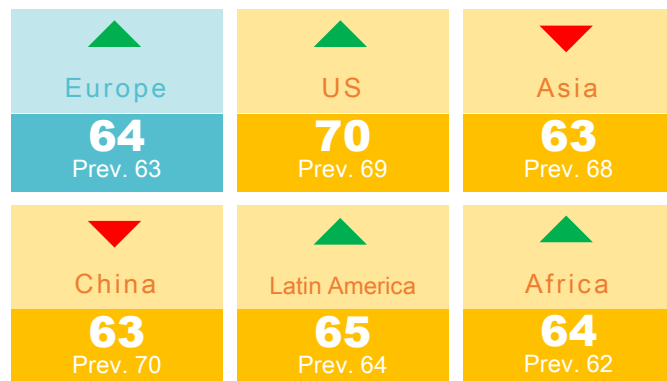


## Chart 7. European CFO optimism about financial prospects of company

Percentage optimists vs pessimists



Average level of optimism Europe, compared to major economic regions (on a scale of 1 – 100)



### PRICES OF PRODUCTS

58%

Almost 60% of the European companies are likely to increase their prices over the next twelve months.

### REVENUES

81%

Four out of every five CFOs in Europe anticipate growth in corporate revenues during the next twelve months.

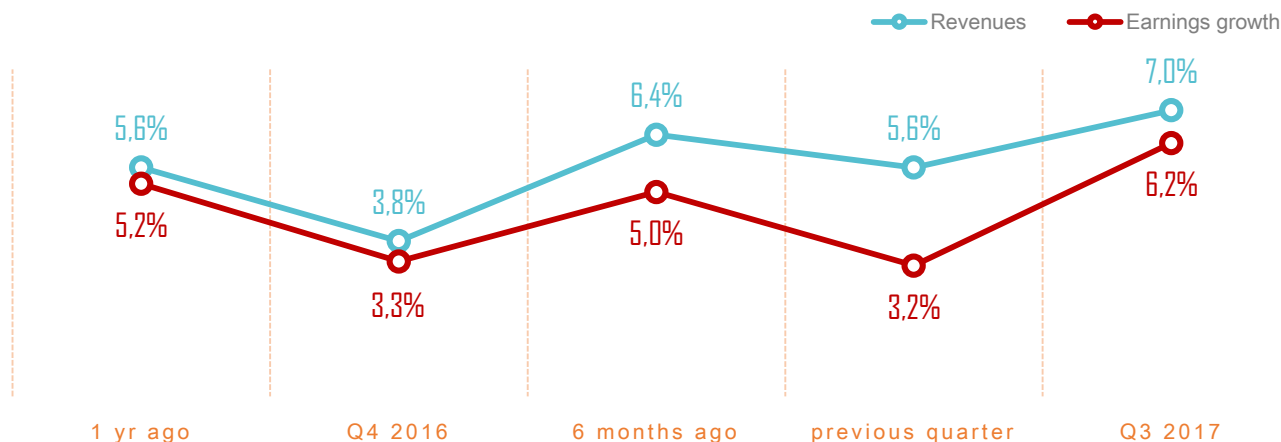
### EARNINGS

68%

More than two thirds of the European companies expect an increase in their earnings during the next twelve months.

## Chart 8. CFOs' anticipated growth in revenues and earnings

Twelve month historic trend in average growth rates in percentages (public firms only)



# Employment

**52%**

## Domestic full time hiring

Half of the European companies indicate to have plans for expansion of the (domestic) workforce during the next twelve months.

**24%**

## Employee productivity

Almost a quarter of the CFOs express their concerns over employee productivity, while another 17% is concerned over employee morale.

**41%**

## Retaining qualified workforce

Roughly 4 out of 10 CFOs are concerned about increased difficulty to attract and retain competent personnel over the next year.

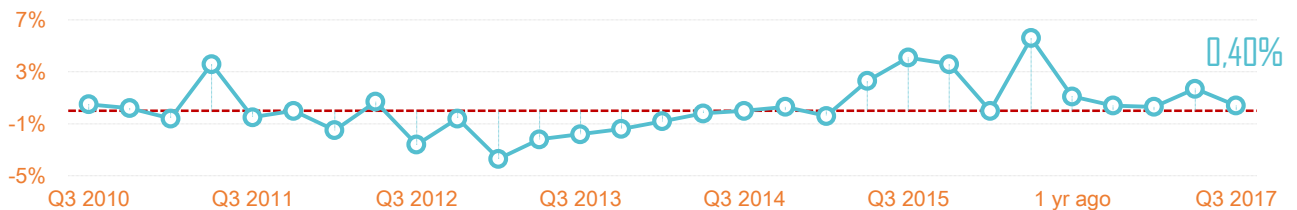
**87%**

## Wages & salaries

In the next twelve months, almost 9 out of 10 CFOs expects their company to increase wages and salaries for its workforce.

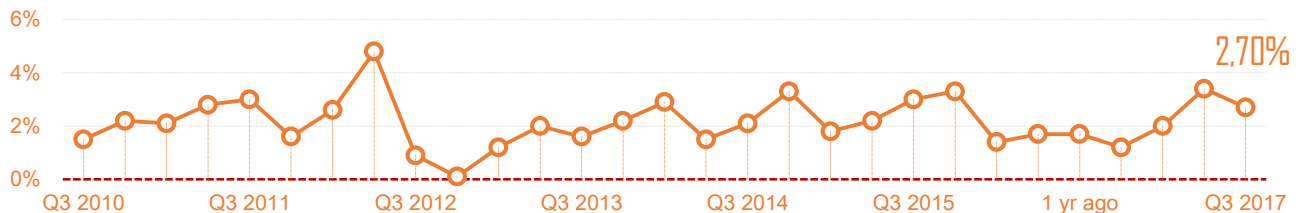
**Chart 9. Expected growth in full-time employment**

Quarterly expected growth for next twelve months (2010 – to date)



**Chart 10. Expected growth in wages and salaries**

Quarterly expected growth for next twelve months (2010 – to date)



**48%**

The average percentage of the workforce at European companies that is in the possession of college degree

**11%**

The average percentage of the workforce at European companies that is unionized

**9.5yrs**

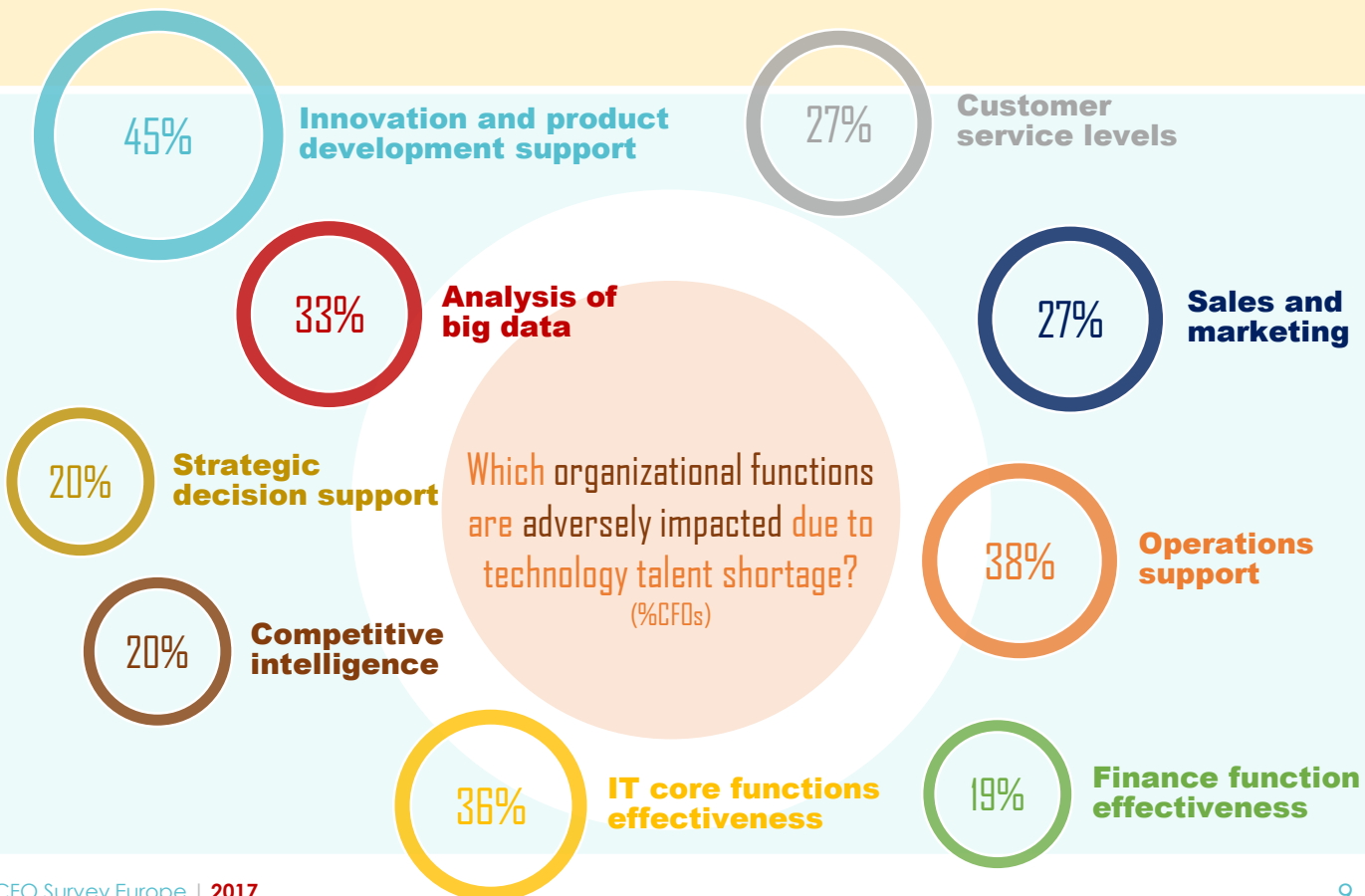
The average number of years that an employee works for the same company



# Shortage of tech talents

and the impact on the organization of European companies

**Chart 11. Does your company have difficulty attracting and retaining qualified technology employees? and to what extent is the organization adversely impacted?**



# Key results CFO Survey

## Europe, US, Latin America, Africa and Asia

Key Indicator	Europe	US	Latin America	Africa	Asia
<b>ECONOMIC SENTIMENT</b>					
CFOs More optimistic	63.1%	32.7%	48.0%	35.7%	39.8%
CFOs Less optimistic	14.4%	29.2%	18.7%	42.9%	23.4%
No change	22.5%	38.1%	33.3%	21.4%	36.9%
Own country optimism level	63.4	65.9	57.5	51.5	60.2
Employment – full-time	0.4%	3.4%	1.2%	-0.1%	-0.5%
Inflation (own-firm products)	1.5%	1.2%	2.4%	4.2%	0.8%
<b>FINANCIAL OUTLOOK OWN COMPANY</b>					
CFOs More optimistic	42.9%	47.7%	50.8%	70.4%	43.8%
CFOs Less optimistic	17.4%	22.2%	14.8%	22.2%	24.6%
No change	39.8%	38.1%	34.4%	7.4%	31.6%
Own company optimism level	64.0	70.2	65.0	64.1	68.0
Revenue growth	7.0%	4.3%	8.2%	14.0%	2.9%
Earnings growth	6.2%	4.6%	7.9%	11.8%	0.7%
<b>BUSINESS SPENDING</b>					
Capital spending	6.6%	4.2%	2.7%	3.1%	8.1%
Technology spending	5.2%	5.2%	5.3%	14.4%	8.9%
R&D spending	3.2%	1.3%	1.6%	3.0%	3.4%
Advertising and marketing spending	4.9%	1.7%	2.7%	5.7%	2.5%
Wages and Salaries	2.7%	3.9%	3.8%	4.9%	1.7%
Health Care Costs	1.2%	8.6%	4.3%	3.5%	1.8%

# About the survey

## About the survey

The CFO Survey Europe is conducted jointly by TIAS School for Business and Society (Tilburg, Netherlands), Duke University (Durham, North Carolina), and CFO Magazine. Previous editions of the CFO Survey Europe can be found at [FinanceLab](#) under the CFO Survey tab. For further information, please contact Mrs. Judith Slikker, TIAS School for Business and Society, tel.+31-(0)-134668622 or e-mail [j.slikker@tias.edu](mailto:j.slikker@tias.edu)

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# Methodology & CFO Survey Europe team

## Note on methodology

The figures quoted in this report are taken from the Global CFO Survey for the second quarter of 2017. The survey concluded September 9, 2017. Every quarter, CFOs in Europe, the US, Latin America, Asia (and China), and Africa are polled about their economic expectations. Current quarterly records go back more than 20 years. The survey generated responses from over 700 CFOs, including 371 from North America, 101 from Asia, 163 from Europe, 123 from Latin America and 29 from Africa.

The CFO Global Business Outlook survey covers a wide range of companies (public and private, small and large, many industries, etc.). The responses are representative of the population of CFOs that are surveyed. Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance.

The average growth rates reported are weighted by revenues or number of employees. For example, one \$5 billion company affects on average as much as 10 \$500-million firms would. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending and prices of products. Employee-weighted mean growth rates are used for health care costs, productivity, number of employees and outsourced employment. The earnings, dividends, share repurchases and cash on balance sheet are for public companies only. Unless noted, all other numbers are for all companies, including private companies.

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