Renewed Opportunities for Growth

Global finance executives' views on business prospects, spending and investment plans, and key trends for the year ahead

Thought Leadership Studio

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About This Report

2017 marks the 10th year that American Express has collaborated with an independent research firm to conduct a global survey of senior executives at large enterprises, focusing in particular on Chief Financial Officers (CFOs) and other senior finance executives. This annual study explores how executives around the world assess the economic-growth prospects of their respective countries. It also explores the business spending and capital investment plans that companies have put in place to make the most of their opportunities in the year to come.

This year's study was conducted by Institutional Investor Custom Research Lab (IICRL) and is based on a survey of 650 senior executives from around the world.[1] All survey responses were gathered after the 2016 U.S. election, in late November and early December 2016. IICRL estimates the margin of error for this population to be approximately +/- 4% at a 95% level of confidence.

The demographic profile of this year's survey respondents is as follows:

Geographic location

North America	**25%**
U.S.	20%
Canada	5%
Latin America	**15%**
Argentina	5%
Brazil	5%
Mexico	5%
Europe	**32%**
U.K.	15%
Germany	5%
France	3%
Russia	3%
Elsewhere in Europe[2]	6%
Asia-Pacific	**28%**
China (other than Hong Kong)	5 %
Hong Kong	5%
Japan	5%
Singapore	5%
Australia	4%
India	4%

Title

Head of finance (chief financial officer, finance director, or equivalent title)	25%
Controller	13%
Treasurer	13%
Other executive with finance responsibilities	15%
Chief executive officer, president, managing director, or equivalent title	34%

Industry

Auto/Industrial/Manufacturing	10%
Financial services/Real estate/Insurance	9%
Wholesale/Retail trade	8%
Chemicals/Energy/Utilities	8%
Natural resources/Mining	8%
Hardware/Software/Networking	7%
Transportation/Warehousing	7%
Media/Entertainment/Travel/Leisure	6%
Telecommunications	6%
Food/Beverages/Consumer packaged goods	6%
Business/Professional services	5%
Pharmaceuticals/Biotechnology/Life sciences	4%
Construction	3%
Government/Public sector/Nonprofit	3%
Education	3%
Health care	3%
Aerospace/Defense	3%

Annual revenues

US$500 million – US$1 billion	30%
US$1 billion – US$5 billion	30%
US$5 billion – US$10 billion	13%
US$10 billion – US$20 billion	13%
More than US$20 billion	14%

[1] From 2008 to 2016, CFO Research, a unit of CFO Publishing LLC, conducted an annual study in collaboration with American Express. All survey data prior to 2017 cited in this report was gathered and verified by CFO Research.
[2] Belgium, Denmark, Spain and Switzerland

Sponsor's Statement

The *2017 Global Business & Spending Outlook* marks the tenth year American Express has surveyed top finance executives at large enterprises around the world to capture their insights and perspective on the evolving global economy.

While last year's survey signaled caution as the prevailing sentiment, this year's survey with Institutional Investor indicates an optimistic outlook worldwide. After years of belt-tightening and exercising caution, many companies around the globe are ready to shift into growth mode. The proportion of businesses anticipating substantial economic expansion leapt upward this year to 10-year highs.

As confidence in the economy grows, so too do businesses' appetite for spending and investment. But as they evaluate spending and investment opportunities, companies will continue to be value conscious, carefully managing their expenditures to protect the bottom line while promoting top-line growth.

Not only are companies loosening their purse strings to take advantage of renewed growth opportunities, but also to improve efficiency. In a departure from recent years, companies are ready to fund investment in resource-starved back office and support functions to improve administrative efficiency.

Among the large and global businesses participating in the survey, the top business goal in 2017 will be remaining competitive with other companies. Large enterprises are experiencing increased pressure to compete on the basis of customer service. To achieve this end, many anticipate spending more to improve customer service and build customer relationships. This enhanced customer focus means that the environmental, social and governance (ESG) dimensions of how companies conduct business are also becoming more important, as customers are increasingly focused on the footprint companies are leaving on the world around them.

In many areas of the world, technology spending is set to increase, particularly on hardware, infrastructure and mobile technology. Much of this increased spending will target IT improvements: a higher degree of systems integration, improved processing power and speed, more robust remote and mobile connectivity and greater analytic capability. But companies are also being forced to devote more resources to protecting themselves and their stakeholders from information security threats.

As companies prepare to meet an increased demand for their goods and services, a majority anticipate increasing their number of employees in the coming year.

As companies take advantage of growth opportunities and prepare to meet an increased demand for their goods and services, a majority anticipate increasing the number of employees in the coming year. To attract new hires and keep current employees happy, many will rely on non-monetary benefits, including improving the work environment and allowing flexible work arrangements to improve employees' work/life balance. The "gig economy" will also continue to be a force in the labor market; when choosing among a range of alternative staffing options, companies most often plan to make use of independent contractors and temporary workers. And for a majority of companies, independent contractors and temporary workers will be important or central to their company's employment practices in the coming year.

Even as they look forward to more robust growth, smart businesses are aware that a new level of managerial and technological savvy, particularly as it relates to data analytics, is required to compete on an expansive and highly competitive global playing field.

As a global leader in payments, American Express works with businesses of all sizes to provide insights into these complex issues and designs programs that help meet each company's objectives in the current global environment.

For more information about American Express Global Commercial Payments, please visit www.americanexpress.com/corporate.

Susan Sobbott
President
Global Commercial Payments
American Express Company

Overview: Ready, Set, Grow

After years of retrenchment, many companies around the world are set this year to pursue renewed opportunities for growth. The *2017 Global Business & Spending Outlook* indicates an optimistic global outlook overall, with exceptionally robust expectations in North America and in Asia/Australia offsetting a flat-to-negative outlook in Latin America and Europe. More companies expect to increase spending and investment, but in general company spending and investment are likely to be value conscious and carefully managed to protect the bottom line, in addition to promoting top-line growth. Companies are ready to set aside the “do more with less” mandate that they have applied to administrative and support functions during several years of post-recession retrenchment; they now appear poised to apply more resources to back office functions and support activities, with an eye to gaining efficiencies.

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Even as they look forward to more robust growth prospects, senior finance executives are keenly aware that their companies are preparing to compete on an expansive and highly competitive global playing field—one that will require a new level of technological and managerial savvy. This year’s survey explores the views of CFOs and other senior finance executives on an array of business trends, from their approach to political and economic uncertainty, to their thinking on information security, to sources of value and competitive differentiation, and to the role of sophisticated analytics in company decision-making.

The survey also examines the role of the finance function in this complex competitive landscape. Although few would dispute that finance has become higher profile in recent years, survey results show that the CFO’s influence is ascending to a new high. For many companies, “finance leadership” and “enterprise leadership” are now one and the same. ●

Growth Prospects

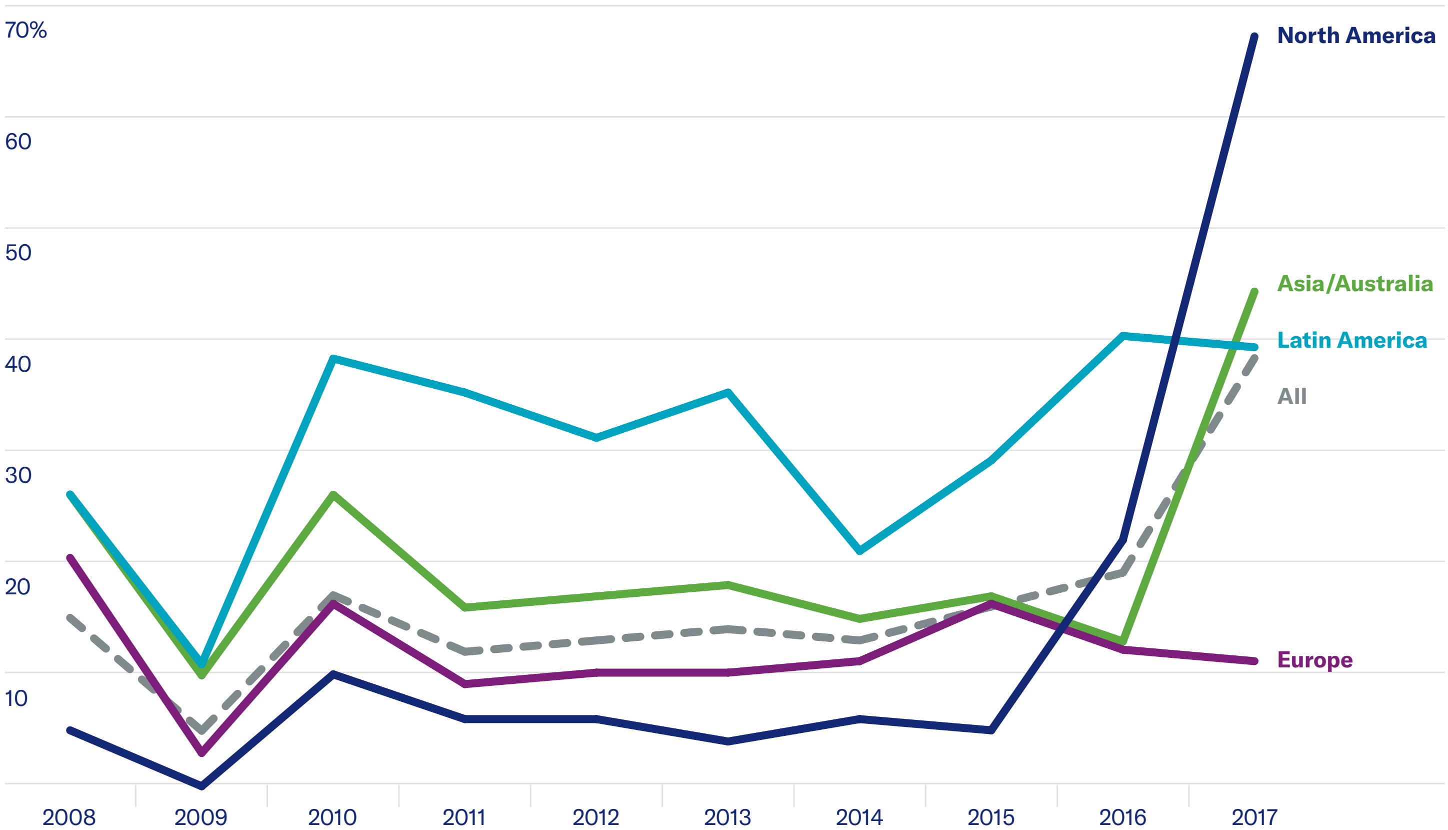
The pace of global growth is accelerating, led by North America and Asia

The *2017 Global Business & Spending Outlook* reveals brightening growth prospects in many parts of the world. Overall expectations for “modest” or “substantial” economic expansion among large companies are on the rise: 70% of all survey respondents predict economic expansion in the country where their position is based, compared with 64% last year. Furthermore, the percentage of respondents anticipating “substantial” (as opposed to “modest”) economic expansion leapt upward this year to 10-year highs. (See Figure 1.) Based on the proportion of respondents anticipating substantial expansion—this study’s strongest statement of a bright economic future—economic optimism around the world is at its highest level this year since the inception of this 10-year annual study.

In the immediate aftermath of the 2008 financial crisis, emerging markets in Latin America and in Asia/Australia led the world’s growth expectations; expectations in North America and in Europe generally lagged behind. In last year’s study, however, slowing growth in China and concern over China’s economic transition (i.e., China’s ongoing shift from an economy reliant on exporting manufactured goods to a services-based economy fueled by domestic consumption) led to a dip in expectations in Asia/Australia.

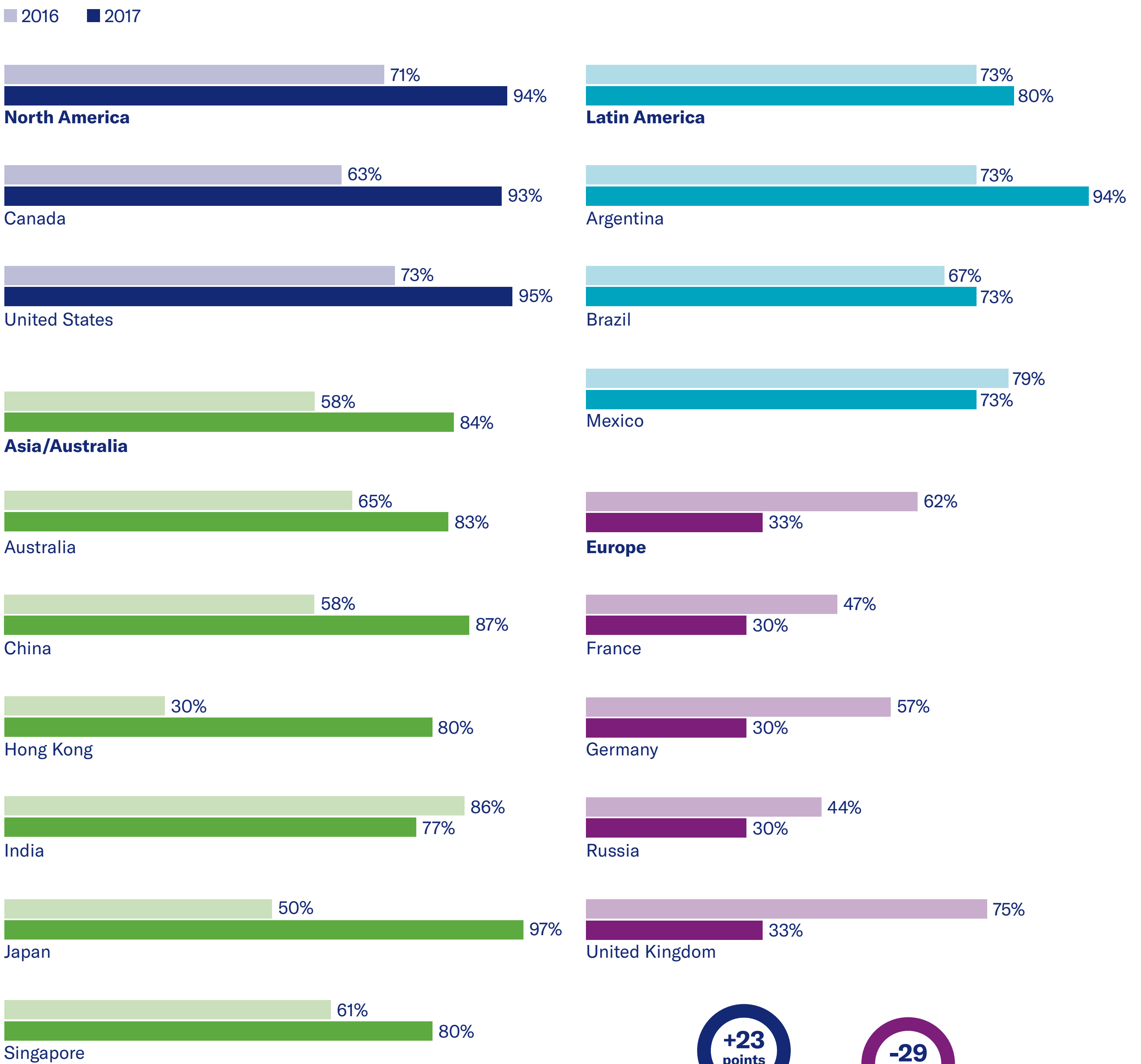
Figure 1. Expectations for substantial economic expansion by region, 2008–2017

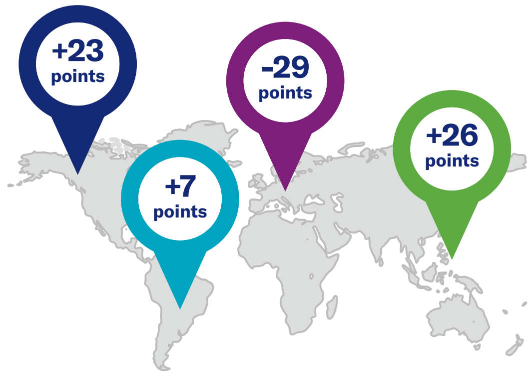
Percentage of respondents by year predicting “substantial economic expansion” in each region



Sources: Institutional Investor Custom Research Lab (2017 data); CFO Research, a unit of CFO Publishing LLC (pre-2017 data)

Figure 2. Executives who anticipate "modest" or "substantial" economic expansion in their home country





With the exception of Europe, a majority of respondents expect economic expansion in their home countries in 2017.

Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

Country-level results show an exceptionally robust outlook in both the U.S. and Canada, and across most of Asia. In Canada, expectations have been buoyed by a rebound in the country's energy and mining sectors. The U.S. economy has continued to expand at a steady pace, supported by a robust job market and rising housing prices.

This year, survey results show a dramatic uptick in optimism in North America, where expectations for economic expansion now lead the world by a wide margin. This year's results also reflect a rebound of sentiment in Asia/Australia, supported by strong growth in China's manufacturing sector in the second half of the year (fueled, in turn, by a strong property market and government infrastructure spending), as well as positive signals tied to regulatory and financial reforms in Japan.

Country-level results show an exceptionally robust outlook in both the U.S. and Canada and across most of Asia (with the exception of India, where respondents are digesting the potential impact of recent changes in currency policy). In Canada, expectations have been buoyed by a rebound in the country's energy and mining sectors. Meanwhile, the U.S. economy has continued to expand at a steady pace, supported by a robust jobs market and rising housing prices.

By contrast, expectations for growth in Europe appear to have eroded substantially among large companies since last year, despite the emergence of a range of positive economic signals in the region, including solid business growth and signs of rising prices (easing fears of deflation). The impact of the Brexit vote is weighing particularly heavily in the U.K.: the percentage of respondents in the U.K. anticipating economic expansion in 2017 stands at only 33%—down 42 percentage points from last year. European respondents may also be factoring in uncertainty tied to upcoming elections in Germany, France, and the Netherlands, which have the potential to shift the economic- and fiscal-policy status quo. It is important to note, however, that survey results also indicate that company spending and investment in Europe are poised to increase in 2017—a practical recognition, perhaps, of Europe's strengthening economic fundamentals.

In Latin America, the outlook is relatively flat year-on-year, as the region continues to feel the effects of falling oil prices, uncertainty tied to international trade agreements, and the aftermath of major political and economic crises in Brazil and Venezuela. The outlook in Argentina is notably more optimistic than in other Latin American countries, buoyed by the recent resolution of the country's sovereign debt crisis. ●

Coping with uncertainty

Surprises are becoming a business norm, according to the results of the 2017 survey. The overwhelming majority of all survey respondents (91%) agree on "the prospect of widely unanticipated surprise events (including economic, political, social or environmental surprises) that could negatively affect our business is a rapidly growing concern" at their companies. Executives around the world are bracing for the unexpected.

Survey results also suggest, however, that companies are taking an active role in managing risk—placing risk considerations at the center of key operating decisions—rather than relying on third-party insurers and financial advisers. When asked to choose among a range of potential responses to economic or political uncertainty over the next year, for example, respondents around the world most often say their companies are likely to withdraw business activities from high-risk geographies altogether (87% of all respondents). Increasing the time, attention and resources dedicated to managing risk through insurance and hedging tactics follow (66%). (Respondents based in China [97%] and Germany [97%] are most likely to anticipate withdrawal of business activities from high-risk geographies compared with their peers in other countries.)

These results suggest that, rather than relying on conventional tactics that leave risk-management activities in the hands of third parties, companies will seek to actively evaluate local operating conditions and business prospects to determine whether the risks of doing business in a given geography outweigh the rewards. Unflagging attention to information gathering and risk analysis—along with a high degree of enterprise adaptability in the face of rapidly changing conditions—will be crucial to success in an uncertain world. ●

Spending and Investment

Purse strings are loosening as companies seek to achieve sustained, profitable growth amid fierce competition

As confidence in economic prospects grows, so too do companies' ambitions for spending and investment. This year's *2017 Global Business & Spending Outlook* shows that large companies are ready to loosen their purse strings, not just to take full advantage of renewed growth opportunities, but also to improve efficiency by reinvesting in resource-starved back office and support functions. Their ultimate objective? To maintain and extend their competitive edge. Although more large enterprises around the globe expect to expand their business spending and capital investment this year, survey results also show that large companies will remain highly conscious of value, evaluating their spending and investments carefully to ensure maximum returns.

Figure 3. Most important business priorities in 2017

Percentage of respondents; respondents were allowed to choose up to three responses

Source: Institutional Investor Custom Research Lab

Preparing to compete

Buoyed as they may be by improving economic prospects, executives are also alert to competitive threats. Survey results show that companies are prepared to spend and invest substantial sums to stay competitive in the coming year, even as senior finance executives recognize that the scope of competition is continually expanding to include new and evolving dimensions of value.

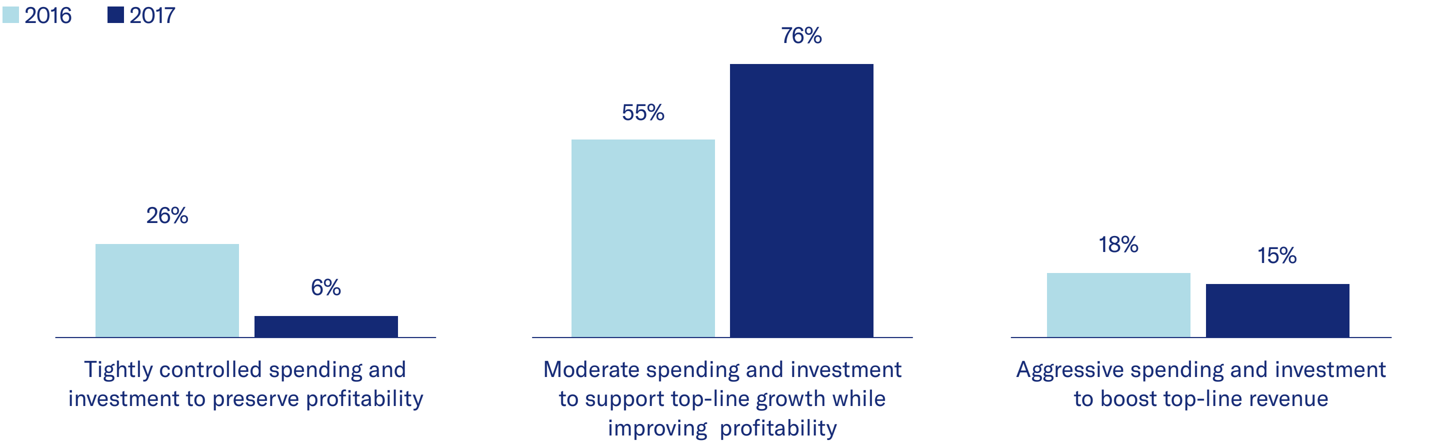
Across the population of all respondents, top business goals for 2017 include remaining competitive with other companies (53%); better meeting customer needs (48%); entering new markets (47%); and improving market capitalization or stock price (45%). (See Figure 3.) At the same time, respondents are most likely by far to identify remaining competitive with other companies as the business priority that will require a "substantial" increase in spending and investment over the next year. Indeed, the vast majority of all respondents (90%) say that staying competitive will require a substantial increase in spending and investment. Taken together, these results suggest that companies will focus considerable attention and resources on maintaining and extending their competitive edge in 2017.

But what will it take to stay competitive over the next 12 months? In a price-pressured environment, companies are taking an expansive view of the value they're delivering in order to win and retain customers. Half of all respondents, for example, confirm that pressure on their companies to compete on the basis of customer service has increased "substantially" over the past two years; another 36% say that pressure to compete on service has increased "somewhat" over that time frame.

Respondents also confirm that customer service has become a more important basis for their own buying decisions. Eighty-eight percent of all respondents say that service has become a more important factor for their companies' purchasing decisions over the past two years, compared with other factors such as price, product quality and existing business relationships. Companies are prepared to devote resources to respond to this competitive pressure: 81% of all respondents anticipate spending more to improve customer service over the next year.

Important as customer service has become to companies' ability to compete, survey results show that the basis for competition continues to expand to include much more than price, quality, and even service. As companies seek new ways to build relationships and affinities with their customers, the environmental, social and governance dimensions of how they conduct their businesses are

Figure 4. Anticipated approach to spending and investment in next 12 months



Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

becoming increasingly crucial. Nearly one in five respondents around the world (19%) confirm that sustainable, ethical and transparent business practices are currently "very important" to their ability to compete effectively in their markets (another 70% confirm that these business practices are currently "somewhat important" to their ability to compete). Fully half of all respondents, however, "strongly" agree that sustainable, ethical and transparent business practices will be an important basis for competition in their industries within the next five years (another 33% agree "somewhat" with this statement).

Focusing on sustained, profitable growth

Survey results show that a moderate approach to company spending and investment, geared toward pursuing top-line growth while remaining conscious of profitability, will replace tight controls on expenditures in the coming year. (See Figure 4.) Although slightly fewer respondents anticipate an "aggressive" approach to spending and investment focused on boosting revenue growth (15% of all respondents this year, compared with 18% last year), far fewer respondents anticipate that their

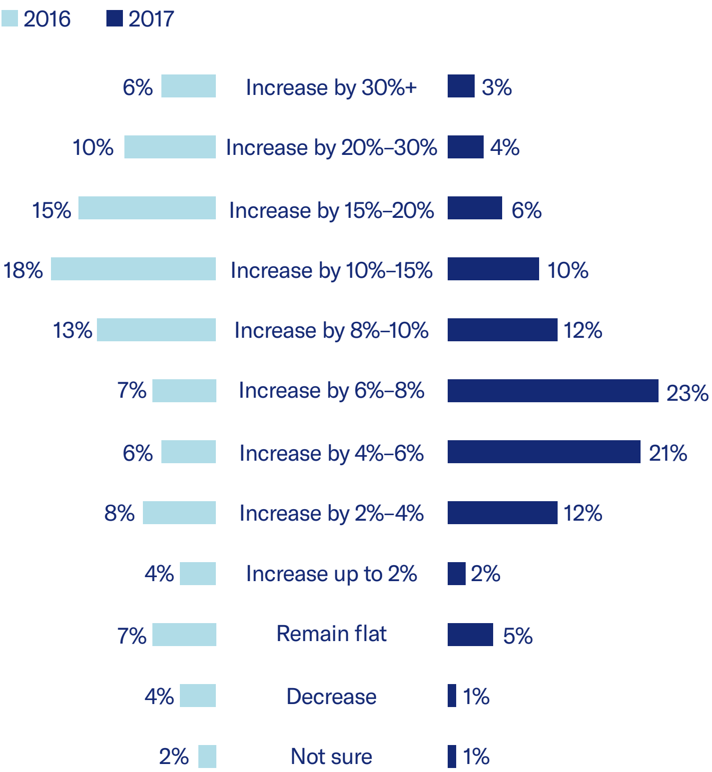
Information security: Persistent threat demands a constant stream of resources

The results of this year's survey suggest that spending on information technology in many areas of the world is set to increase in the coming year—particularly spending on hardware and infrastructure and on mobile technology. Much of this increased spending will flow toward technology improvements—a higher degree of systems integration, improved processing power and speed, more robust remote and mobile connectivity, and greater analytical capacity. But survey respondents also acknowledge that their companies have been forced to devote more and more resources to protecting themselves and their stakeholders from information-security threats.

One-quarter of all respondents say that their companies have experienced one or more actual or attempted data breaches in the past year, and more than half of all respondents (52%) report that their companies have experienced a confirmed instance of digital corporate espionage involving the theft of trade secrets by a competitor. Respondents in Russia (70%) and Hong Kong (67%) are particularly likely to say their companies have been victims of digital espionage.

Threats to information security are absorbing IT resources that companies would otherwise be able to apply to other business objectives. Eighty-eight percent of all respondents say their companies plan to spend more on information security next year. Meanwhile, a majority of all respondents (61%) say they expect the cost in time, resources and reputation associated with data breaches to increase over the next two years—a business reality in a thoroughly digital age. ●

Figure 5. Anticipated change in spending and investment in next 12 months



Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

companies will "tightly control" spending and investment this year. Only 6% of respondents anticipate tight spending and investment control over the coming year, compared with 26% of respondents to last year's survey. Meanwhile, the percentage of respondents anticipating "moderate spending and investment"—a measured, disciplined approach intended to support growth as well as profitability—jumped up to include more than three-quarters of all respondents (compared with just over half of all respondents last year).

Respondents in Australia and in Canada, both countries that are exporters of natural resources, are more likely than their peers to predict their companies will take an "aggressive" approach to spending and investment. Thirty-seven percent of respondents in Canada anticipate an aggressive approach this year, (compared with only 13% of Canadian respondents last year), while 27% of respondents in Australia anticipate aggressive spending and investment in 2017 (compared with 19% last year). Companies in these areas may well be preparing for an anticipated uptick in demand for energy and materials from Asia's strengthening manufacturing sector.

Even in the Eurozone, where economic optimism deteriorated compared with last year, survey results show movement toward a moderate approach and away from tight control over spending and investment. In France, 44% of respondents in 2016 expected to tightly control outlays over the year ahead; this year, only 10% of French respondents say the same. Last year, 27% of respondents based in Germany said they expected tightly controlled spending and investment; this year, only 3% of German respondents say the same. And in the U.K., where survey results indicate that economic optimism is at a low ebb, only 10% of respondents expect tight spending and investment control in 2017, compared with 26% last year. These results suggest that European companies are preparing to seize the growth opportunities now available to them in light of improving economic fundamentals—even if the prevailing sentiment is less than upbeat.

In line with this overall shift in spending and investment approach, more companies plan to increase spending in 2017 compared with 2016. The proportion of all respondents anticipating an outright decrease in spending and investment shrank in 2017 compared with 2016 (only 1% of respondents in 2017, compared with 4% in 2016). Meanwhile, the percentage of all respondents anticipating a net increase in spending and investment of any magnitude grew in 2017, compared with 2016; those anticipating a net increase in spending and investment over 2% grew even more. (See Figure 5.) At the same time, however, the proportion of respondents anticipating the largest spending and investment increases fell year on year, leading to a decline in the overall weighted average spending and investment forecast from an 11.9% expected increase last year to an 8.6% expected increase this year.

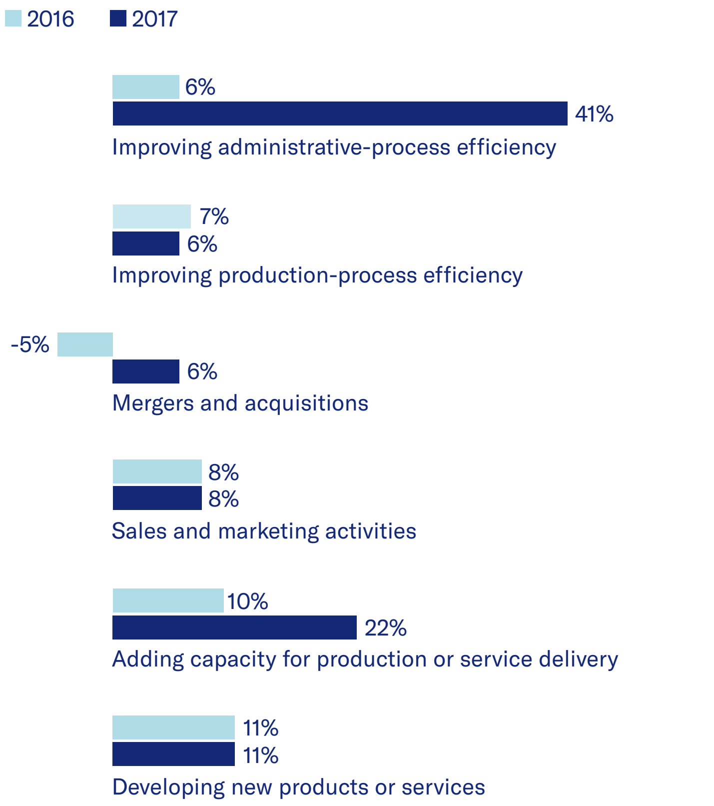
Taken together, these results suggest that while companies around the world will open their coffers to some extent in order to take advantage of growth opportunities, they continue to be mindful of bottom-line profitability. This means that companies will continue to be value- and return-minded when it comes to spending and investment—focused on working through any excess capacity and optimizing their use of existing resources, while continuing to evaluate potential outlays carefully in the coming year.

Plans and priorities for capital investment

Although survey results indicate that companies are poised to invest in both organic and inorganic paths to growth, they also show that—in a departure from recent years—companies are ready to fund investment geared toward improving back office administrative efficiency. The net percentage of respondents planning to increase investment in administrative efficiency this year is 41%, compared with only 6% last year, a difference of 35 percentage points. (See Figure 6, following page.)

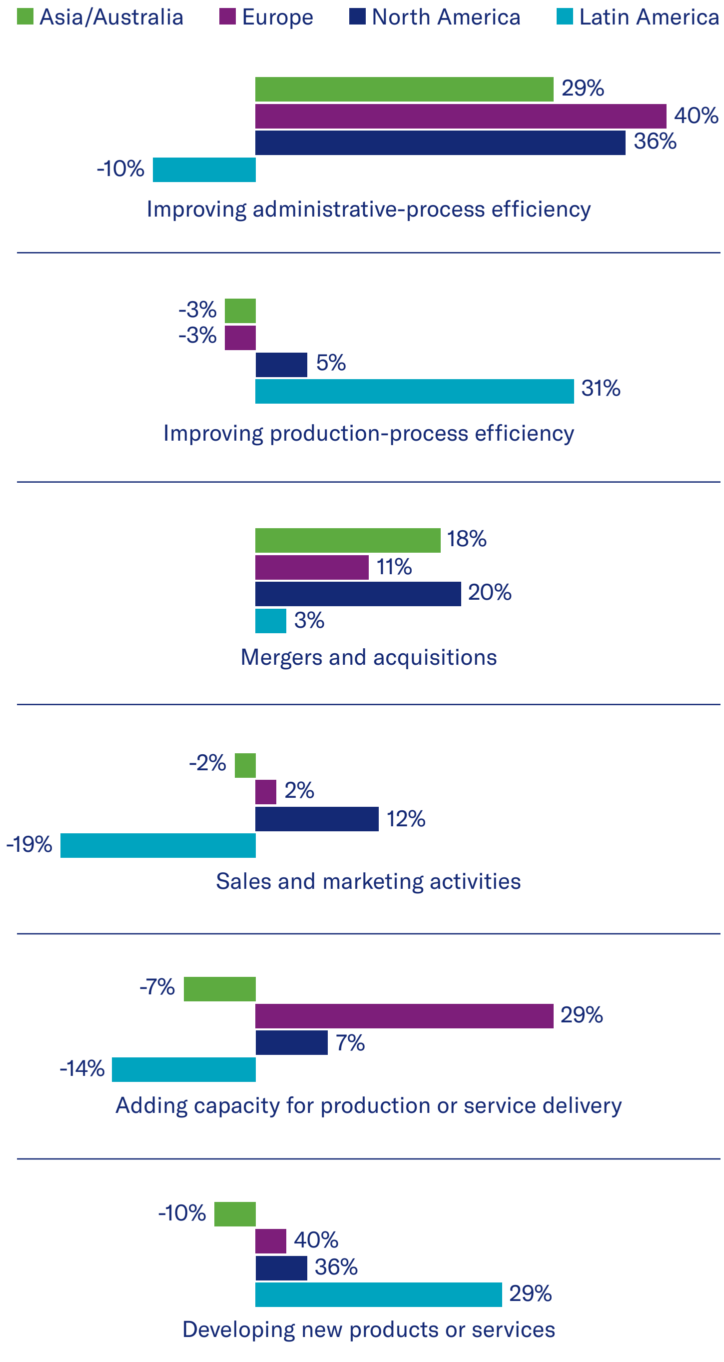
In a sign that companies are working through excess production capacity and looking forward to more expansive growth prospects in the coming year, the net percentage of all respondents around the world who anticipate increasing investment to add capacity for production and service delivery went up this year (22% this year compared with only 10% last year). The net percentage of respondents anticipating increased investment in M&A also increased.

Figure 6. Net percentage of all respondents anticipating increased capital investment in each category



Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

Figure 7. Difference in percentage points between net percentage of respondents in each region anticipating increased capital investment (2017 versus 2016)

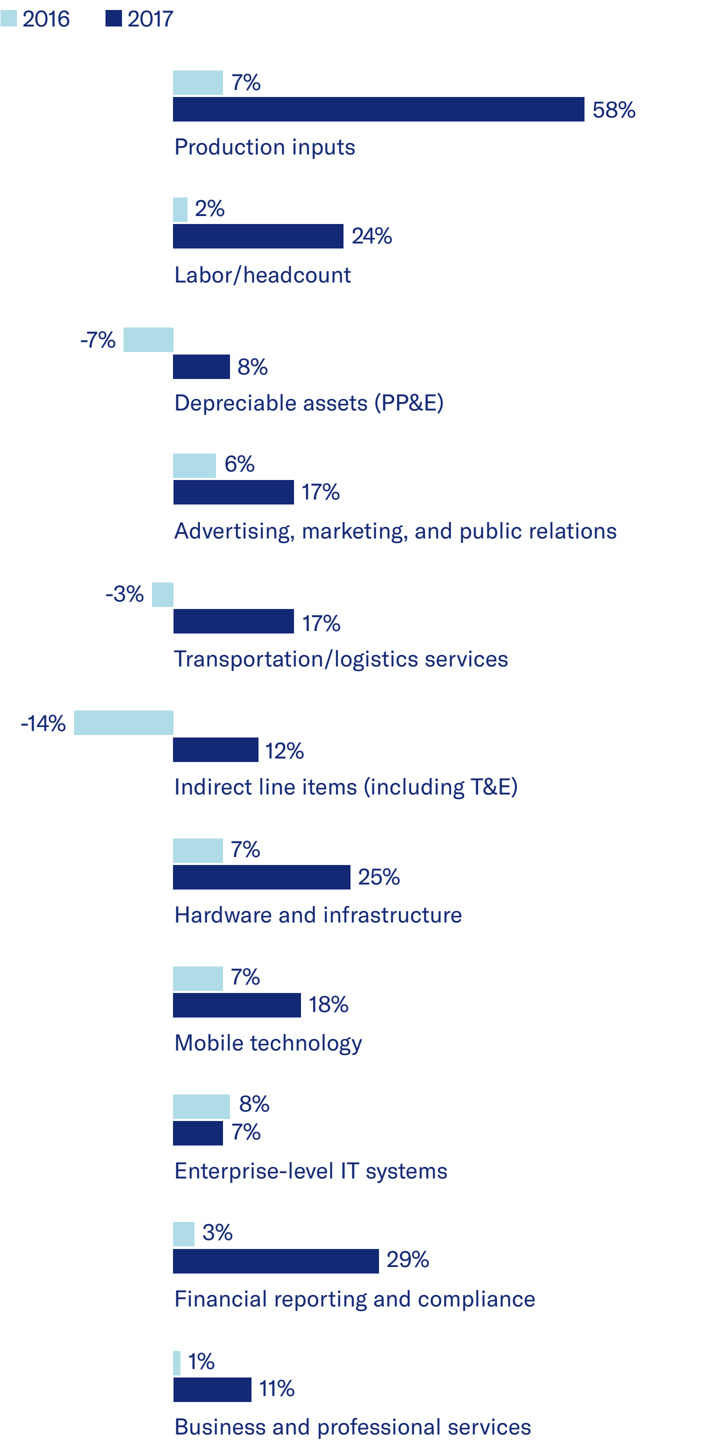


Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

Most striking, however, was the uptick in the net proportion of respondents anticipating increased investment to improve administrative efficiency. These results are consistent with other survey findings that demonstrate companies' willingness this year to spend and invest not just to support top-line growth, but more generally to support bottom-line profitability.

A regional breakdown of this analysis shows that companies in Latin America are especially keen to invest in developing new products and services—perhaps to expand and diversify their offerings to reduce exposure to commodities-price volatility. (See Figure 7.) Respondents in Europe are particularly likely to predict increased investment in production and service-delivery capacity, which may be a response to stronger growth signals in the Eurozone. At the same time, respondents in Europe and in North America are especially likely to anticipate increased investment in administrative-process efficiency. This uptick in interest may be tied to greater availability of resources—in light of stronger business performance and brightening growth prospects—to fund administrative and support functions that have been running very leanly since the onset of the 2008 financial crisis. Finally, respondents based in

Figure 8. Net percentage of respondents anticipating increased business spending in each category



Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

Asia/Australia are somewhat less likely than their peers this year to say they plan to increase investment in production capacity, suggesting that many companies in the region have adequate capacity to realize their growth plans over the coming year.

Plans and priorities for company spending

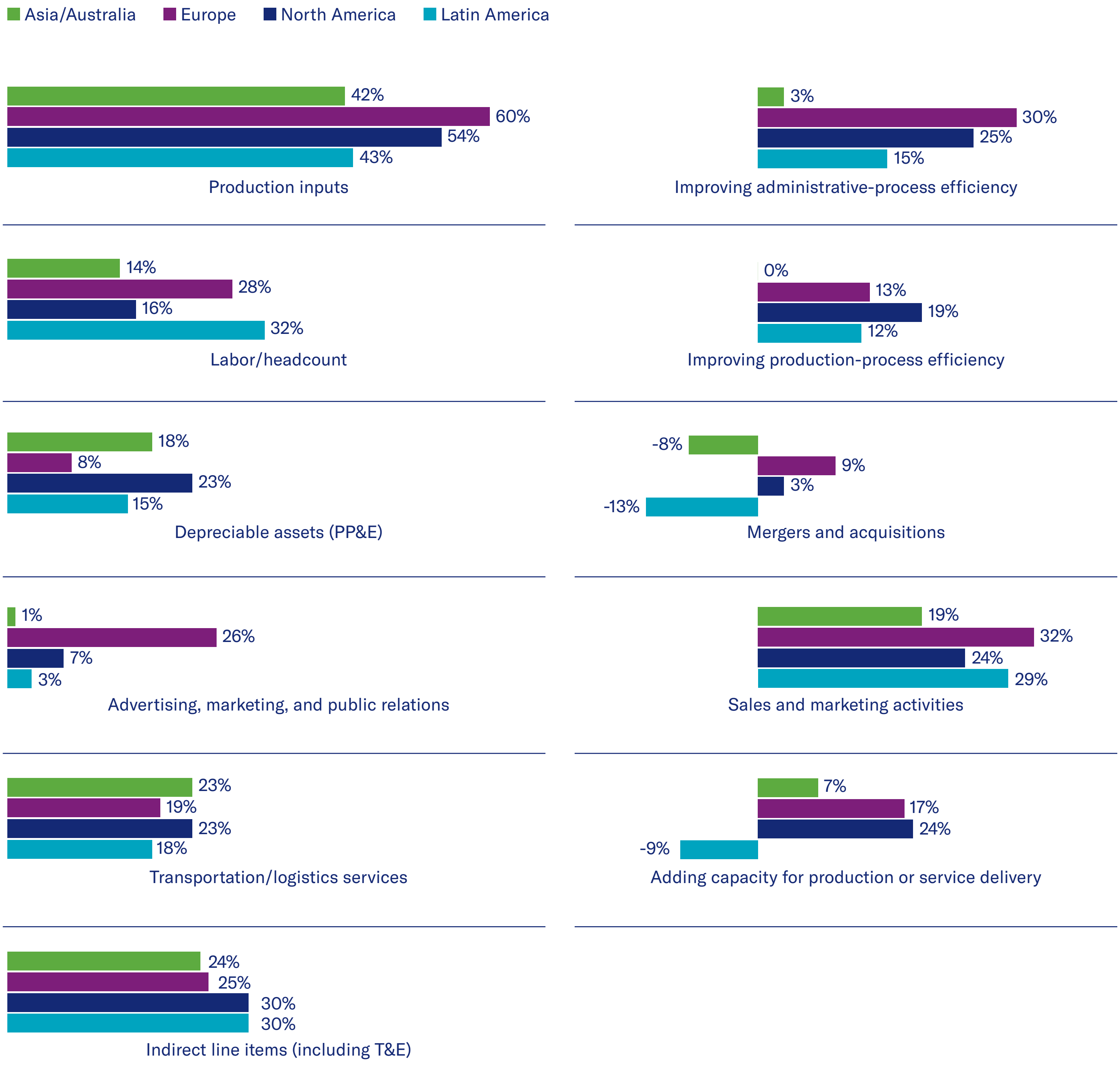
In general, survey results suggest that company spending is likely to increase in the coming year. Across nearly all spending categories, survey respondents around the world anticipate increased spending substantially more often than they did last year. (See Figure 8.)

Among spending categories, survey results indicate that spending on production inputs is most likely to increase: The net percentage of respondents anticipating increased spending on production inputs this year is 58%—a substantially larger proportion of the survey population compared with last year (only 7%). Other spending categories tied closely to the production and delivery of goods and services, such as transportation and logistics services and labor/headcount, are also expected to increase. These results are consistent with a more robust economic and business outlook, as companies prepare to meet increased demand for their goods and services. In a further sign of improving business prospects, survey results indicate that spending among large companies is likely to increase not just in core categories tied to production and delivery, but also in discretionary categories such as indirect spending (including travel and entertainment).

A regional breakdown shows that European and North American respondents are particularly likely to predict an increase in spending on production inputs. (See Figure 9, following page.) Despite wage pressure, respondents based in Asia/Australia are less likely than their peers elsewhere to predict increased spending on technology and automation, including hardware, mobile technology and enterprise-level IT. Respondents based in Latin America predict increased spending on labor more frequently than their peers in other regions. And European respondents—whose companies are often subject to a wide and varied range of regulations within the Eurozone—are more likely than their peers to anticipate increased spending on financial reporting and compliance.

Despite some regional variances, the spending outlook around the world is positive, as companies move to support revenue growth and meet increased demand by buying materials and inputs, employing additional labor, and making greater use of transportation and logistics services for distribution. At the same time, survey results show that many companies are likely to pursue greater efficiency and improved performance by, for example, improving technology hardware and infrastructure, making more use of mobile technologies, and drawing on the expertise of outside business and professional service providers. Overall, the survey confirms that strengthening business results and positive future prospects are allowing more companies to apply resources to a broader range of spending and investment priorities, as they seek to maintain and improve their competitive positions. ●

Figure 9. Difference in percentage points between net percentage of respondents in each region anticipating increased spending (2017 versus 2016)



Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

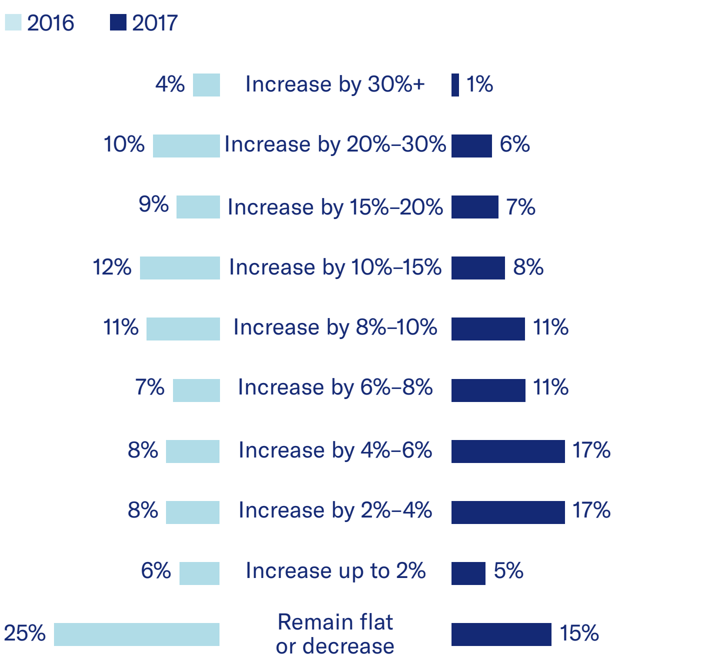
Employment Prospects and Labor Sourcing

Companies are set to increase hiring, shifting labor markets further in favor of workers

Companies that are preparing to deliver more goods and services generally seek to expand hiring in order to increase capacity. In the aftermath of the financial crisis, however, companies relied heavily on automation, process improvement and temporary hiring to resource production and delivery requirements with maximum efficiency and minimal waste. While they certainly have not abandoned those tactics, the results of this year's *2017 Global Business & Spending Outlook* confirm that global labor-market conditions continue to shift in favor of workers in 2017, as businesses look forward to accelerating growth.

In general, large companies' approach to hiring this year mirrors their approach to spending and investment, as a greater proportion seek to hire more workers compared with last year—but a smaller proportion seek to dramatically expand their workforces. Eighty-five percent of all respondents to this year's survey anticipate an increase in their number of employees in the coming year (compared with 75% of respondents to last year's survey). (See Figure 10.) The percentage of respondents anticipating that their companies' employees will stay the same or decrease has correspondingly dropped, from 25% last year to only 15% this year. Although a larger proportion of respondents in 2017 anticipate a workforce increase of 6% or more, a smaller percentage of respondents anticipate very large increases of 10% or more compared with 2016, leading to an overall decline in the weighted average hiring forecast from an 8.7% increase in the number of employees last year to a 7.2% increase this year. These results are consistent with other survey findings anticipating measured, disciplined spending increases, undertaken with an eye toward maintaining sustained and profitable growth.

Figure 10. Expected change in number of employees at respondents' companies in the next 12 months



Source: CFO Publishing (2016); Institutional Investor Custom Research Lab (2017)

Regionally, respondents based in North America are more likely than their peers elsewhere to expect the largest workforce increases. Thirty-one percent of North American respondents say they expect their companies' number of employees will increase by 10% or more, compared with 19% of respondents in Asia/Australia and 14% of respondents in Latin America. Despite their more pessimistic economic outlook, 24% of respondents based in Europe anticipate workforce increases of more than 10%, ahead of both Asia/Australia and Latin America. Regional weighted average forecasts for workforce expansion exhibit the same trend: The weighted average forecast for North American respondents is an 8.6% increase in the number of workers, followed by Europe (average 7.3% increase), Latin America (average 6.6% increase), and Asia/Australia (average 6.3% increase).

When it comes to the nature of this workforce expansion—that is, the types of workers that will be most in demand in the coming year—survey results indicate that sourcing and retaining sales and marketing talent will be the biggest recruiting challenge by far in 2017. Respondents around the world are most likely to identify difficulty with hiring and retaining sales and marketing staff as an impediment to their ability to meet performance goals (93% of all respondents), followed by difficulty sourcing administrative and support staff (outside of finance and IT) (75%). The current challenge in filling administrative and support roles may be exacerbated by the post-financial crisis "do-more-with-less" mandate that left many back office and support functions sorely understaffed.

Although nearly all respondents this year say that filling sales and marketing roles will be crucial to meeting their companies' performance goals, relatively few respondents (5%) say that sourcing sales

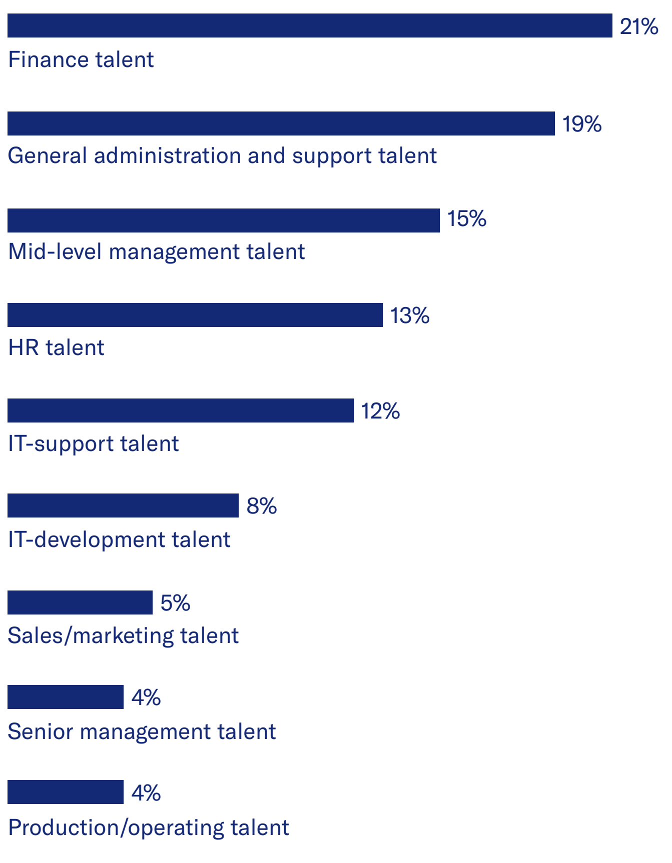
The "gig economy" continues to be a major force in the labor market, according to survey results. When asked to choose among the alternative staffing arrangements their companies are most likely to employ to meet their staffing needs in the coming year, 63% of all respondents say they're likely to make greater use of temporary or contract workers.

and marketing talent is their companies' highest priority for hiring and retention. (See Figure 11.) Instead, finance talent (21% of all respondents) and general administration and support talent (19% of all respondents) are the most oft-cited top priorities for hiring. This apparent disconnect between urgent requirements and hiring priorities makes sense in light of the dominant spending strategy this year—a relatively conservative approach aimed at boosting efficiency in addition to supporting growth. Since sales roles are expensive to fill, and administrative and support functions are currently under-resourced and relatively less costly to staff, it makes sense that companies would prioritize administrative and support hiring in order to optimize their labor outlays overall.

Hiring is, of course, only one side of the enterprise-labor equation; retention is the other. Just as survey respondents recognize that an expanding range of competitive factors will determine their success in attracting customers, they also recognize that an expanding range of benefits will influence their success in attracting talent. Survey results show that, around the world, companies are increasingly likely to rely on non-monetary "soft" benefits such as improvements to the work environment (56% of all respondents) and permitting flexible work arrangements (53%) than on raising wages (39%), improving retirement benefits (41%), or improving medical benefits (32%). As competition for talent heats up, these results suggest that workers are drawing on an increasingly broad range of pecuniary and non-pecuniary criteria to evaluate potential employers—and companies are taking steps to respond.

As companies prepare to compete for talent—and workers evaluate their own employment options—the "gig economy" continues to be a major force in the labor market, according to survey results. When asked to choose among the alternative staffing arrangements their companies are most likely to employ to meet their staffing needs in the coming year, 63% of all respondents say they're likely to make greater use of temporary or contract workers, followed rather distantly by on-shoring positions from overseas to domestic locations (49%). Seventy percent of all respondents confirm that the use of independent contractors or temporary workers is "central to" or an "important part" of their company's employment practices; this represents an increase of 10 percentage points compared with last year's survey. For both employers and employees around the world, survey results demonstrate that flexibility in working arrangements—from compensation structure, to office configurations, to remote work, to team members—is increasingly the norm, not the exception. ●

Figure 11. Priorities for hiring and retention in 2017
Percentage of respondents; respondents were allowed to choose one response



Source: Institutional Investor Custom Research Lab.

Success Factors for 2017—and Beyond

Analytical savvy will be essential

"Competing on analytics" was once a leading-edge path to creating value and gaining competitive advantage. This year's survey results make clear that analytics-based decision-making, once on the cutting edge, is becoming another business norm: a primary basis not just for tactical, day-to-day adjustments, but also for the highest-order strategic decision-making.

Company managers across functions are under pressure to adapt to an environment in which understanding, interpreting and applying sophisticated analytics is a more important and valued basis for their contribution than their experienced managerial judgment. Ninety percent of all respondents agree that sophisticated data analytics have become a more important basis for decision-making at their companies over the past two years; 40% of respondents "strongly" agree with that statement. Furthermore, two-thirds of all respondents (67%) agree that sophisticated data analytics will be a more important basis for decision making than management intuition and experience within the next five years (more than a quarter of all respondents—28%—agree "strongly").

Companies are set to increase the resources they devote to sophisticated analytics capabilities. The vast majority of all respondents—89%—say they will spend at least "somewhat more" time, attention, and money on improving analytics capabilities in the next year. More than half of all respondents (58%) say their companies will spend "much more" of these resources on improving analytics capabilities over the next year. As the basis for decision-making shifts, the ability to understand the strengths and weaknesses of analytical models, place those models in a broader business context, communicate their output to internal and external stakeholders, and put the decisions into action effectively will be key markers of enterprise leadership—and important determinants of managers' performance.

The CFO as pilot—not just co-pilot

Few enterprise leaders are as well positioned to excel in this environment as the CFO. The influence of the office of the CFO has been steadily on the rise in recent years, as CFOs and their teams have taken on a broader organizational mandate—partnering with sales and operations leaders to review and improve the underlying drivers of financial performance, working closely with IT and other support functions to develop enterprise-wide strategies to boost capacity while improving efficiency, and more. Finance leaders are comfortable with data and analysis and have increasingly become key company spokespeople, charged with explaining complex, information and analytics-based decisions to investors, analysts and the media.

The emphasis on fact-based decision-making and on documentable return on spending and investment also mean that CFOs now hold great sway over resource-allocation decisions. Without the CFOs' backing, few expenditures of significance can move forward at most companies.

This union of analytical savvy, organizational scope and the power of the purse will continue to fuel the CFO's rise. Respondents to this year's survey recognize that the CFO's role is growing in scope and influence: Eighty-nine percent of all respondents, for example, agree that the most senior financial officer in their company ultimately wields more influence over strategic decision-making than their CEO. (It is worth noting that 59% of respondents admit that their colleagues outside of finance are less likely than they are to agree with that statement.)

Other results suggest that finance executives sense an opportunity to take a leading role in propelling their companies to success in a fiercely competitive, analytics-driven business environment. Survey responses indicate that the most leading-edge technical skills in data mining and analytics are highly valued within the finance function, while conventional business modeling and financial forecasting are currently more valued outside of finance. The career-development area most often cited as likely to contribute to success and advancement within finance is "improving data mining and big-data analytics skills" (25% of all respondents). The career development area most often cited as likely to contribute to advancement from finance to the broader C-suite, however, is "improving conventional business-modeling and financial-forecasting skills" (29% of all respondents).

Although the value of mastering business modeling and analytically sound decision-making is a consistent theme, these results suggest that many finance leaders see a role for themselves in exploring and advancing the most sophisticated analytics capabilities at their companies. In an environment in which the ability to harness powerful information gathering and analytical technologies will increasingly determine competitive position, finance executives' ability to master analytics-based decision-making will be crucial not just to their individual advancement, but ultimately to the success of their enterprises. ●

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