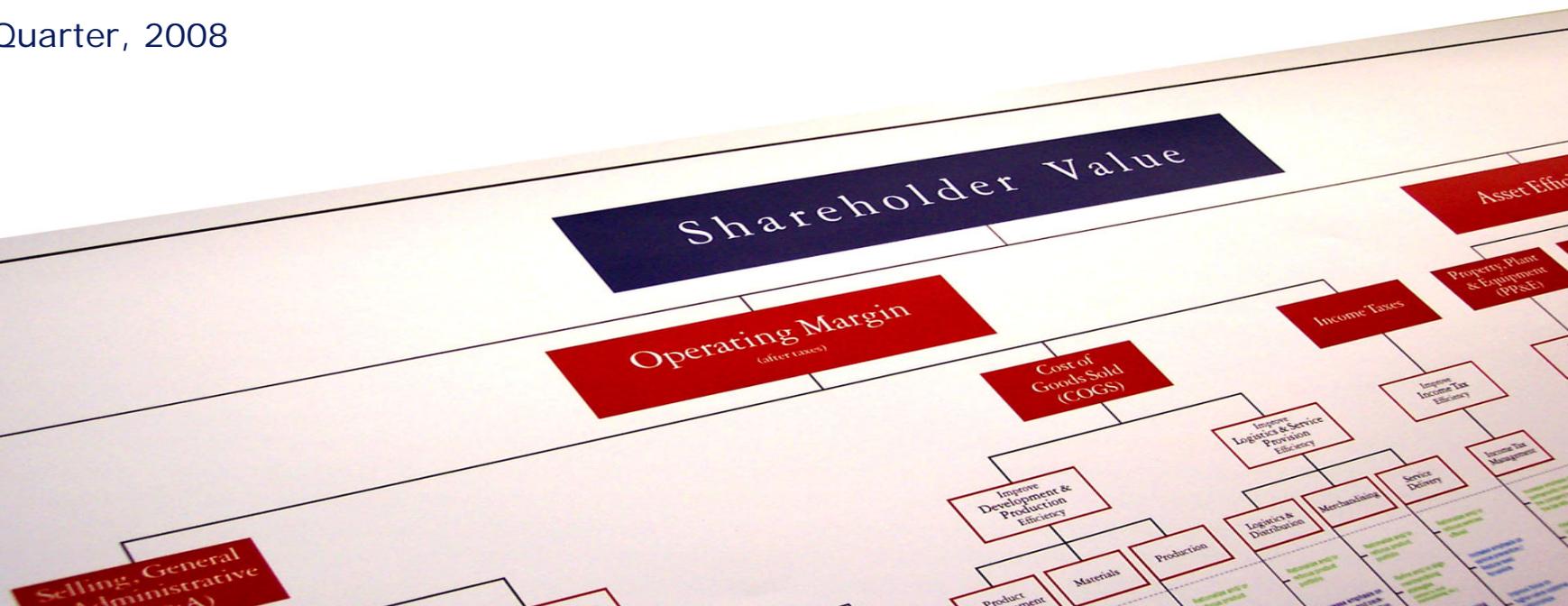


The Impact of the Economy on Corporate Priorities, Concerns and Strategic Focus

Industry-centered analysis of selected results from the Duke University / CFO Magazine Global Business Outlook Survey

3rd Quarter, 2008



Executive Summary

What is on the mind of US executives?

Deloitte's Value Initiative worked with Duke University and CFO Magazine to understand the impact of the current economy on company priorities, concerns and strategic focus

The *Duke University / CFO Magazine Global Business Outlook Survey* is a quarterly survey of approximately 1,300 financial executives from a broad range of public and private companies. For 50 consecutive quarters, the survey has revealed CFO expectations and sentiments across a broad range of business issues.

For the 3Q2008 survey, the survey team worked with Deloitte to add a question around companies' strategic focus for 2009 and to look at results through an industry lens. "Our hypothesis was that adding this question and analysis would generate additional insights around what companies are actually doing based on their concerns and expectations – providing a sense of how internal and external concerns are translated into action," explains Greg Dickinson, Director, Deloitte Services LP. John Graham, survey director and finance professor at Duke's Fuqua School of Business added, "This new analysis provided deeper insights around the strategic priorities of companies, and also allowed us to see differences across industries."

Analysis focused on US company responses to four questions – three original survey questions, plus the new question about strategic focus.

1. Impact of current economic conditions on investment plans, hiring plans and cost-cutting efforts
2. Top external concerns facing companies
3. Top internal concerns facing companies
4. Strategic focus for 2009.

Key findings include:

- **Approximately half of companies plan to delay, reduce or cancel investment and hiring plans**, and a little over half plan to establish substantial cost cutting programs. Only 21.6% and 9.8% of companies plan to initiate or accelerate investment and hiring, respectively.
- **Consumer demand dominated external concerns** with 58% of respondents naming it in their top three and 31% naming it as their top concern. Credit markets and interest rates were second with fuel costs third (fuel costs were #1 last quarter).
- **Attracting and retaining qualified employees was the dominant internal concern** with nearly 64% of respondents naming it in their top three and over 27% naming it their top concern. It was the top internal concern for six of the nine industries. Manufacturing was the anomaly with a very dominant concern around supply-chain risks.
- **Revenue growth was the dominant strategic focus for all industries** at 44% of the total focus. The services/consulting and retail/wholesale industries had the highest focus on revenue with 55% and 50%, respectively. Margins were second with a 32% strategic focus, split between direct costs (17%) and overhead costs (15%). Not surprisingly, manufacturing and retail/wholesale had the highest focus on asset efficiency (15% and 13%, respectively). The highest strategic focus on capability development (a proxy for employee acquisition/retention) was in the mining/construction and healthcare/pharmaceutical industries, both of which exceeded a 14% focus.
- **External concerns frequently dominated internal concerns** when it came to strategic focus. For example, the comms/media industry identified employee issues as their dominant internal concern, but it had the lowest strategic focus on capability development of any industry. Instead, this industry had the largest strategic focus on cost cutting of any industry, consistent with its need to maintain profitability in the face of waning consumer demand – its top external concern.

Background

The Duke University / CFO Magazine Global Business Outlook Survey

- Quarterly survey of approximately 1,300 financial executives (primarily CFOs) from a broad range of public and private companies (demographic information is provided at the end of this document)
- Sent to financial executives from *CFO Magazine*'s subscriber base and from Duke/Fuqua's own list of CFO contacts
- Conducted for 50 consecutive quarters
- Primary focus is uncovering CFO expectations and sentiments across a range of companies
- Survey director is John Graham, finance professor at Duke/Fuqua

Analytical Scope and Framework

- Deloitte's "Value Initiative" worked with the Duke/CFO Survey team to add a question to the survey around the strategic focus of companies (based on expectations and sentiments already captured in the survey). The hypothesis was that this question would generate additional insights around what companies are actually planning to do based on their concerns and expectations, providing a sense of how internal/external concerns translate into action.
- Deloitte's "Enterprise Value Map" provided the framework for strategic focus options presented in the new survey question (question 13). The framework was subsequently used to depict and analyze the survey data produced by Duke University and *CFO Magazine*.
- Because this is the first time the "strategic focus" question was asked, we do not yet have the ability to understand baseline answers or trends – but we are able to compare industry responses to one another.
- The analysis in this deck focuses only on a subset of questions from the survey, and only on the results from US-based companies (about 525 of the 1,300). Data for other questions and regions is available on the survey website (www.cfosurvey.org), as are the data underlying the analysis presented here.
- The Deloitte team also conducted industry-centered analysis of survey questions 3, 4 and 9 to provide additional insights around the similarities and differences of priorities and concerns across industries.

Questions Included in this Analysis

- | | | | |
|---|--|--|--|
| <p>#9 Do you anticipate that economic conditions will cause your company to take any of the following actions over the next six months?</p> <ul style="list-style-type: none">• Delay, reduce or cancel new investment plans• Delay, reduce or cancel hiring plans• Establish a substantial cost cutting program• Initiate or accelerate new investment plans• Initiate or accelerate new hiring | <p>#3 What are the top three EXTERNAL concerns facing your corporation?</p> <ul style="list-style-type: none">• Consumer demand• Credit markets / Interest rates• Cost of fuel• Cost of non-fuel commodities• Housing market fallout• Upcoming change in US administration• Value of the dollar• Financial regulation• Foreign competition• International political instability• Environmental regulation• Trade policies and trade agreements• Other | <p>#4 What are the top three INTERNAL concerns facing your corporation?</p> <ul style="list-style-type: none">• Attracting and retaining qualified employees• Ability to forecast results• Cost of health care• Supply Chain risk• Managing IT systems• Balance sheet weakness• Protection of intellectual property• Data Security• Other | <p>#13 What is your company's strategic focus for 2009?</p> <ul style="list-style-type: none">• Revenue Growth: Pursue new customers, increase business with existing customers, etc.• Direct Cost Reduction: Improve cost efficiency of sourcing, manufacturing, distribution, service delivery, etc.• Overhead Cost Reduction: Improve efficiency of shared services, SG&A• Asset Efficiency: Improve management of inventory, PP&E, receivables/payables, etc.• Capability Development: Improve long-term performance by strengthening managerial and operational capabilities |
|---|--|--|--|

Survey Highlights – Cross-Industry Themes

- **State of US Economy:** Forty-two percent of CFOs are more pessimistic about the U.S. economy this quarter, which is an improvement from last quarter when 53 percent were more pessimistic. Twenty-nine percent are more optimistic this quarter.
 - John R. Graham, director of the survey and a finance professor at Duke's Fuqua School of Business: "The U.S. economy is struggling, but there are signs that we are bottoming out. Pessimistic CFOs outnumber optimists, capital spending will be weak, employment will fall and the credit crisis continues to affect the economy. However, there are signs that the economy will not deteriorate further; the ratio of optimists to pessimists has improved. In addition, CFOs expect the economic downturn to end by next summer, the same timing they forecast in June's survey. This is important because it indicates the end of the difficult period is in reach -- the end is not moving farther away like a mirage in the desert, staying forever out of reach."
 - Campbell Harvey, Duke international business professor and founding director of the survey: "Our results are consistent with a business cycle shaped like a bathtub, with a gradual slide into an extended slowdown followed by a gradual slope upward. The halt in capital spending and the evidence of a slash in employment are consistent with a prolonged period of lethargic growth."
- **Economic Recovery - Consumers, Jobs and Investment:** Half of CFOs say the U.S. economic recovery will begin by mid-2009. Only 12 percent expect recovery to begin in 2008.
 - Executives say prices of their own products will rise by 3.6 percent over the next 12 months
 - Earnings are expected to grow modestly at 5.5 percent, an improvement over last quarter's 3 percent expectation
 - The poor consumer outlook is compounded by capital spending that is expected to increase by only 0.6 percent. "U.S. companies will continue to constrain capital spending and expansion plans until they see signs the economy is improving," said Kate O'Sullivan, senior writer at CFO Magazine. "They are particularly worried about weak consumer demand. Unfortunately, the export growth that has propped up the U.S. economy may wane going forward, given a strengthening dollar and a worsening outlook overseas. Therefore, in the near term, we do not expect to see the business sector rush to the economy's aid."
 - CFOs expect to reduce domestic workforces by 1.6 percent
- **Top Concerns:** Consumer demand, credit markets and attracting high-quality employees
 - Weak consumer demand is the top corporate concern this quarter
 - CFOs continue to worry about credit markets, which are devastating lower-rated firms. Nearly 70 percent of these companies have been hurt directly by the credit crunch, with the cost of credit increasing by 110 basis points among firms rated B or lower. Among firms directly hurt by the credit crunch, 60 percent say credit is hard to find, 53 percent say their borrowing costs have increased (by 102 basis points on average) and 29 percent have had difficulty arranging a line of credit. Among these same firms, more than 60 percent say they will reduce investment or hiring in response to the adverse economic conditions.
 - Difficulty in attracting and retaining high-quality employees is the top concern CFOs have about their own companies' operations, followed by the difficulty of planning in the uncertain economic environment.
 - Fuel costs are less of a concern than they were last quarter, when they were the top concern.

Survey Highlights – Industry Insights (1 of 2)

• Retail / Wholesale

- Generally more pessimistic than the industry average - most likely industry to delay/cancel investment plans. Second most likely to pursue cost cutting at some point, but cost cutting not indicated as the major strategic focus right now – revenues a bigger focus.
- Consumer demand is dominant external concern – 76% named it in their top three; 44% named it as top issue. Forecasting results and attracting talent are top internal concerns, although capability development is only a minor strategic focus.
- Strong strategic focus on revenues – second-highest of industries with most consistent answers. Focus seems to be first on selling their way to better performance (address revenues and working capital), then pursuing cost cutting later. Strong strategic focus on asset efficiency likely due to pent-up inventories from waning customer demand.

• Mining / Construction

- Generally more optimistic than average. Least likely to pursue cost cutting and second-least to delay/cancel hiring plans. Reinforced by heaviest strategic focus on capability development of any industry.
- No truly dominant external concerns, but top three are housing market fallout, credit/interest and fuel costs. Attracting talent is the dominant internal concern – again backed by a comparatively heavy strategic focus on capability development.
- Strategic focus balanced across revenues, margins and asset efficiency; heaviest focus on capability development.
- Mixture of mining and construction companies in this category may hide significant differences between the two.

• Manufacturing

- Average optimism/pessimism overall. Most pessimistic around investment plans and new investment opportunities, but in line with cross industry averages.
- Consumer demand and cost of nonfuel commodities are dominant external concerns. Supply chain risk is the dominant internal concern, far eclipsing concerns in all other industries. Forecasting results and attracting talent are a distant second and third, respectively.
- Lowest strategic focus on revenues of any industry, with heavier comparative focus on asset efficiency – highest of all industries (likely due to finished goods/raw materials inventories and heavy assets). Second-highest focus of industries on cost reduction, especially around direct costs – predictable given typical industry cost structures.

• Transportation / Energy

- Generally more optimistic than average. Unusually high optimism around new investment and new hiring, far eclipsing other industries. Likely driven by perception of growth opportunities in the energy sector, which may be overshadowing the sentiments of the transportation sector.
- Fuel cost is the dominant external concern, considerably higher than for any other industry – could be driven by a combination of worries on the part of the transportation sector and pricing upside for the energy sector. Attracting talent is the dominant internal concern and leads all industries, although below-average strategic focus on capability development does not back up this assertion – could be overwhelmed by external concerns.
- Revenue focus slightly above average, but relatively heavy focus on asset efficiency and direct cost reduction – among top three industries for both. Results might be muddled by the lumping of transportation companies and energy companies into the same category.

• Communications / Media

- Generally more pessimistic than average with a very heavy expectation of cost cutting – almost 20 points below the industry average. This sentiment is reinforced by a strategic focus on both direct and indirect costs exceeding all other industries.
- Consumer demand is by far the dominant external concern, and the level of concern exceeds that of all other industries. All other external concerns are distant. The top internal concerns are forecasting results (likely tied to pessimism around consumer demand) and attracting/retaining employees.
- While revenue growth is slightly above average as a strategic focus, the dominant focus is clearly cost reduction across the board – more than for any other industry. Asset efficiency is a below-average focus, and capability development is the lowest across industries.

Survey Highlights – Industry Insights (2 of 2)

• Tech / Software / Biotech

- Mixed. The most pessimistic industry when it comes to hiring plans, but among the most optimistic around new investment and cost-cutting (second-least likely to pursue).
- Consumer demand is by far the dominant external concern (among top three industries), with credit markets/interest rates a fairly distant second. Attracting/retaining employees and forecasting results are the top internal concerns with other concerns relatively distant.
- Relatively balanced strategic focus – third-highest on revenues, overhead costs and capability development. A comparatively high strategic focus on capability development combined with the selection of employee attraction/retention as the top internal focus seems to be at odds with current pessimism around hiring plans. One possible explanation is that, although attracting/retaining employees is a top concern, this concern may be primarily around particular types of employees (scientists, for example) and longer-term recruiting/retention success.

• Banking / Finance / Insurance

- Unclear optimism/pessimism, with expectations clustered around cross-industry averages. Some pessimism around hiring plans and third most likely to pursue cost cutting. A bit more optimistic than average about current investment plans and new investment.
- Credit markets/interest rates are clearly the dominant external concern with fallout from the housing market a somewhat distant second. Attracting talent and forecasting results are the top internal concerns. Balance sheet weakness was third. It is important to note that external and internal concerns might have been different had this survey been conducted during more recent weeks of financial market turmoil.
- Relatively balanced strategic focus with slightly above average focus on revenue and overhead costs, and slightly below-average focus on direct costs. There was a relatively high selection of “other,” which may have reflected a focus on financial/liquidity issues – topics not well addressed by the answers presented as options in the survey.

• Service / Consulting

- Most pessimistic overall, with highest industry pessimism around new investment and second-most pessimism around hiring plans.
- Consumer demand and credit markets/interest are the leading external concerns but are not overly dominant. Change in the US administration is third. Attracting talent is the dominant internal concern with health care costs and forecasting results a distant second and third, respectively.
- Highest focus on revenue growth across industries and comparatively high focus on overhead cost reduction. Lowest focus on direct costs and asset efficiency. If revenues falter substantially, it seems likely there will be increased focus on direct cost reduction – which essentially means layoffs for services companies. This may be consistent with a below-average strategic focus on capability development in spite of attracting/retaining employees being the dominant internal concern.

• Healthcare / Pharma

- Most optimistic overall with above-average optimism around investment, cost cutting and hiring. Highest industry optimism around hiring plans and existing investment plans.
- The upcoming change in the US administration is the top external concern (much more than for any other industry), likely driven by expected differences in candidates’ health care policies. Consumer demand is second but rated lower than the cross-industry average. Attracting talent is the dominant internal concern with forecasting results and IT systems second and third, respectively.
- Below average focus on revenue growth and asset efficiency. Above average focus on direct costs, and second-highest industry focus on capability development - consistent with the top internal concerns expressed above. The heavy focus on talent and capability development may reflect the need to develop IP and research competencies.

Survey Highlights – Issue Insights

• Impact of economy on investment, hiring and cost cutting

- Overall, there was a fairly even split when it came to delaying, reducing or canceling both investment hiring plans - 47.4% of respondents plan to reduce investment plans and 52.7% plan to reduce hiring plans.
- Only 21.6% and 9.8% plan to initiate/accelerate investment and hiring, respectively.
- A little over half (52.7%) plan to establish substantial cost cutting programs

• Top external concerns

- Consumer demand dominated external concerns, with 58% of respondents naming it in their top 3 and 31.3% naming it as their #1.
- Credit markets/interest rates and fuel costs were next with 42% and 40.6% naming them in their top 3, respectively.
- Cost of non-fuel commodities and housing market fallout were 4th and 5th.

• Top internal concerns

- Attracting and retaining qualified employees was the dominant internal concern with nearly 64% of respondents naming in their top three and 27.3% naming it their top concern. It was the top concern for 6 of the 9 industries. This high ranking, however, did not necessarily translate into an increased strategic focus on “capability development” (our proxy for development and acquisition of talent); several industries that cited employees as a top concern placed their strategic focus more heavily on external issues (especially consumer demand/sales and cost reduction).
- Ability to forecast results was second with nearly 23% naming it their top concern - 55.3% put it in their top 3.
- Manufacturing was the anomaly with a dominant concern about supply chain risk.

• Strategic focus

- Revenue growth was the dominant focus for all industries with 44.2% focus.
- The heavy focus on revenues is consistent with “consumer demand” being the dominant external concern.
- Margins were second with 32.2%, split between direct costs (17.4%) and overhead costs (14.8%).
- While employee attraction/retention was the top internal concern, capability development received only 10.8% of strategic focus.
- The survey results for this question will come into better perspective as we measure strategic focus over time.

• Cross-issue observations

- **External concerns appear to dominate internal concerns in this economy**, as indicated by the tendency for companies’ strategic focus to be more reflective of external concerns than of internal concerns. For example, Comms/Media indicated attraction/retention of employees as a pressing internal concern, but it had the lowest strategic focus on capability development of any industry. Instead, it had the largest strategic focus on cost cutting of any industry, consistent with its dominant top external concern – consumer demand. The Transportation/Energy industry showed a similar pattern: high concern about employees, but a strategic focus on revenues, direct costs and asset efficiency.

Survey Highlights – Other Insights

- **Company size correlated with strategic focus**

- The smallest three classes of companies (less than \$500 million) had the heaviest focus on revenues/growth.
- The largest three classes of companies (more than \$1 billion) had the heaviest focus on costs and on asset efficiency.

- **Ownership type correlated with strategic focus**

- NYSE, government and nonprofit enterprises tended to have the highest focus on costs
- NYSE, and nonprofit enterprises tended to have the highest focus on asset efficiency; government had the lowest focus on asset efficiency
- NASDAQ and private companies tended to have the highest focus on growth and lowest focus on costs
- Government, private and nonprofit enterprises tended to have the highest focus on capability development – considerably higher than that of public companies

Charts / Analysis

Findings Summary

(By industry and issue)

		Impact of economy on investment, hiring and cost cutting (over next 6 months)	Top external concerns	Top internal concerns	Strategic focus (for 2009)
Overall (Cross-Industry)	524 100%	Overall, there was a fairly even split when it came to delaying, reducing or canceling both investment hiring plans - 47.4% of respondents plan to reduce investment plans and 52.7% plan to reduce hiring plans. Only 21.6% and 9.8% plan to initiate/accelerate investment and hiring, respectively. A little over half (52.7%) plan to establish substantial cost cutting programs.	Consumer demand dominated the list of external concerns, with 58% of respondents naming it in their top 3 and 31.3% naming it as their #1. Credit markets/interest rates and fuel costs were next with 42% and 40.6% naming them in their top 3, respectively. Cost of non-fuel commodities and housing market fallout were 4th and 5th.	Attracting and retaining qualified employees was the dominant internal concern with nearly 64% of respondents naming it in their top three and 27.3% naming it their top concern. It was the top concern for 6 of the 9 industries. Ability to forecast results was second with nearly 23% naming it their top concern - 55.3% in their top 3. Manufacturing was the anomaly with a heavy focus on supply chain risk.	Revenue growth was the dominant focus for all industries with 44.2% focus. Margins were second with 32.2%, split between direct costs (17.4%) and overhead costs (14.8%). The heavy focus on revenues is consistent with "consumer demand" being the dominant external concern. While employee attraction/retention was the top internal concern, capability development received only 10.8% of strategic focus. These numbers will come into better perspective as we measure strategic focus over time.
Retail / Wholesale	63 12.2%	Generally more pessimistic than cross-industry average. Most likely to delay/cancel investment plans and second most likely to pursue cost cutting.	Consumer demand is dominant concern; 76% named consumer demand in their top 3 - 44% named it as their #1. Fuel cost is #2 overall.	Ability to forecast results and attract/retain talent are top two concerns, although there is significant variability across companies.	Second-highest focus on both revenues and asset efficiency - consistent with demand concerns and likely inventory issues. Low focus on capability development and lowest comparative focus on cost reduction.
Mining / Construction	26 5.0%	Generally more optimistic than average. Least likely to pursue cost cutting and strong optimism about new hiring and existing hiring plans.	Relatively balanced concerns, but top three are housing market fallout, credit market/interest, and fuel costs.	Attracting talent is the dominant concern. Distant second and third are forecasting results and health care costs.	Middle of the pack on revenue growth, costs and asset efficiency, but very heavy (heaviest) focus on capability development.
Manufacturing	139 26.8%	Generally in line with cross-industry averages. Investments (current and new) show greatest pessimism relative to the average.	Consumer demand and cost of nonfuel commodities are dominant concerns with fuel costs third. Highest industry concern around nonfuel commodities.	Supply chain risk is dominant (highest across industries) with forecasting results and attracting talent a distant second and third, respectively.	Highest overall focus on asset efficiency, likely driven by PP&E and inventories. Second-highest focus on cost reduction, primarily around direct costs. Lowest focus on revenue growth.
Transportation / Energy	21 4.1%	Generally more optimistic than average. Remarkably high focus on new investment, likely driven by perceived opportunities in the energy sector. Most optimistic about new hiring.	Fuel cost is dominant concern - more so than for any other industry. Credit markets/interest and consumer demand are the next two (distant) concerns.	Attracting talent is the dominant concern - higher than for any other industry. Forecasting results and health care costs are a distant second and third, respectively.	Among the top three in focus on both direct cost reduction and asset efficiency. Focus on attracting talent (as indicated to left) not evident in low focus on capability development. Mix of trans/energy may cloud results.
Communications / Media	18 3.5%	Generally more pessimistic than average with a very heavy focus on cost cutting, although has the second-highest focus on new investment.	Consumer demand is by far the dominant concern - highest of all industries. All other concerns relatively distant.	Top concerns are forecasting results and attracting talent, with IT systems and health care costs third and fourth.	Consistent with economic implications to left. Very high focus on cost reduction (highest for both direct and overhead costs) eclipses top internal concern (attracting talent) - lowest overall focus on capability development.
Tech / Software / Biotech	22 4.2%	Mixed. By far the most likely to cut/delay hiring plans, but second least likely to pursue cost cutting and second most optimistic about new investment.	Consumer demand is by far the dominant concern - among highest of all industries. Credit markets/interest and the value of the dollar are next but distant.	Attracting talent and forecasting results are the top two concerns, far ahead of all other concerns.	Relatively balanced focus with third-highest focus on revenues, overhead costs and capability development. Direct costs and asset efficiency not major concerns, probably due to comparatively low production costs and heavy assets and low/cheap inventory.
Banking / Finance / Insurance	88 17.0%	No strong consensus, but tends to be a pessimism around hiring plans and the need for cost cutting. Still some willingness to pursue new investments and preserve current investment plans.	Credit markets and interest rates are clearly the dominant concerns with housing fallout second. Financial regulation is third but relatively distant - probably different now in light of more recent regulatory events.	Attracting talent and forecasting results are the top two concerns. Balance sheet weakness was third, but more recent developments in the sector are not likely reflected in this result. Even so, 26 of 88 firms named this in their top 2.	Relatively balanced focus with slightly above average focus on revenue and overhead costs and slightly below average focus on direct costs. Relatively high selection of "other," indicating focus on financing (not captured by value map framework).
Service / Consulting	41 7.9%	Most pessimistic overall, with highest industry pessimism around new investment and second-most around hiring plans.	Consumer demand and credit markets/interest are the leading concerns but not overly dominant. Changes in the US administration and housing fallout are third and fourth.	Attracting talent is the dominant concern with health care costs and forecasting results a distant second and third, respectively.	Highest focus on revenue growth across industries with lowest focus on direct cost reduction (since revenues are typically tied directly to the people who generate the direct costs). Comparatively high focus on overhead costs.
Healthcare / Pharma	43 8.3%	Most optimistic overall with all areas above the industry average. Highest industry optimism around hiring plans and existing investment plans.	The change in the US administration is the leading concern given perceived policy differences, but not overly dominant. Consumer demand is second.	Attracting talent is the dominant concern with forecasting results and IT systems second and third, respectively.	Below average focus on revenue growth and asset efficiency. Above average focus on direct costs. Second-highest industry focus on capability development, likely reflecting the need to develop IP and research competencies.

Data provided by Duke University/CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. Analysis framework provided by Deloitte.

What is the anticipated impact of the economy on investment, hiring and cost cutting for US companies?

Source of Data: Duke University / CFO Magazine
Global Business Outlook Survey, 3rd Quarter, 2008.
www.cfosurvey.org

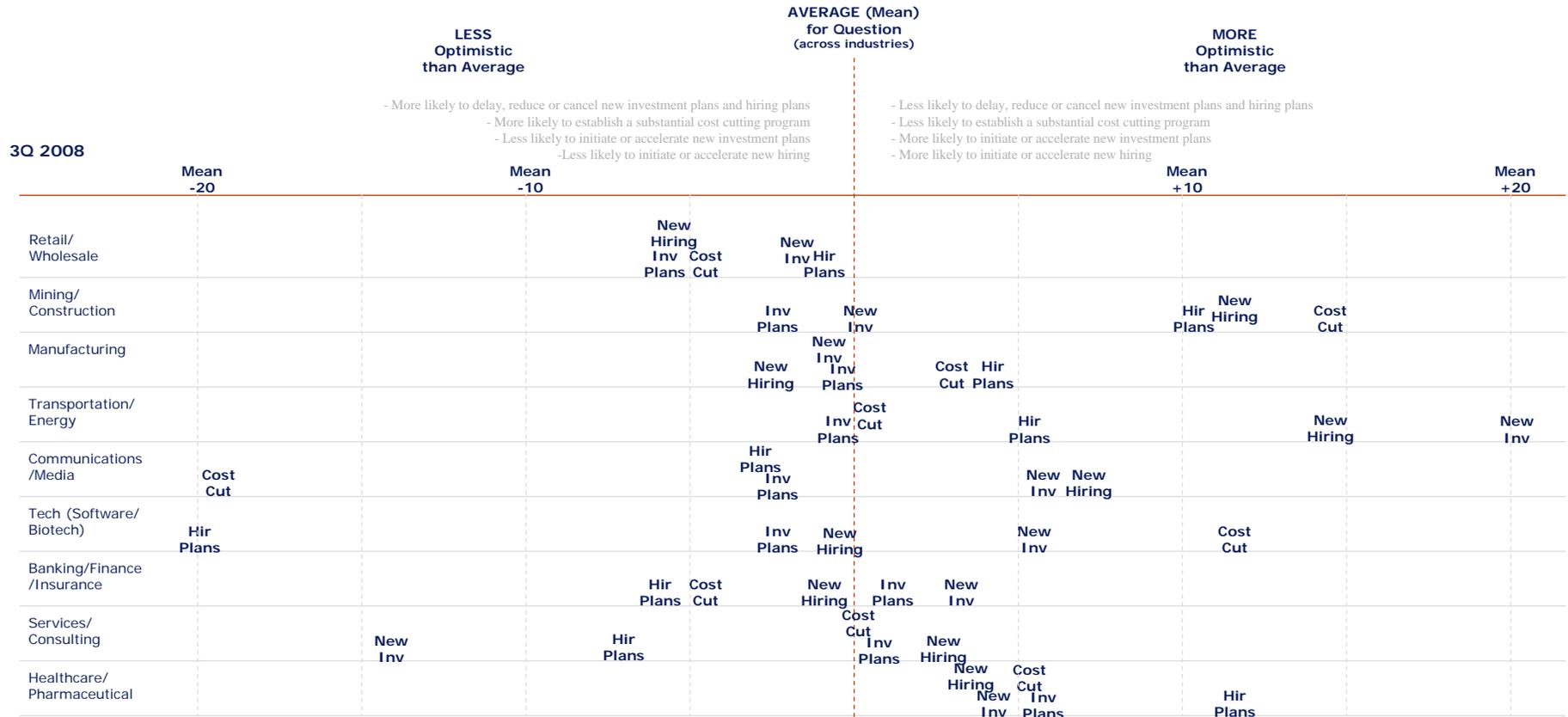
Results by Industry

Actual Question Asked:

Do you anticipate that economic conditions will cause your company to take any of the following actions over the next six months?

- Delay, reduce or cancel new investment plans (**Inv Plans**)
- Delay, reduce or cancel hiring plans (**Hir Plans**)
- Establish a substantial cost cutting program (**Cost Cut**)
- Initiate or accelerate new investment plans (**New Inv**)
- Initiate or accelerate new hiring (**New Hiring**)

Mean = 45.7% Yes
Mean = 52.7% Yes
Mean = 52.7% Yes
Mean = 21.6% Yes
Mean = 9.8% Yes



Data provided by Duke University/CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. Analysis framework provided by Deloitte.

What are the top EXTERNAL concerns for US companies?

Source of Data: Duke University / CFO Magazine
Global Business Outlook Survey, 3rd Quarter, 2008.
www.cfosurvey.org

Results by Industry

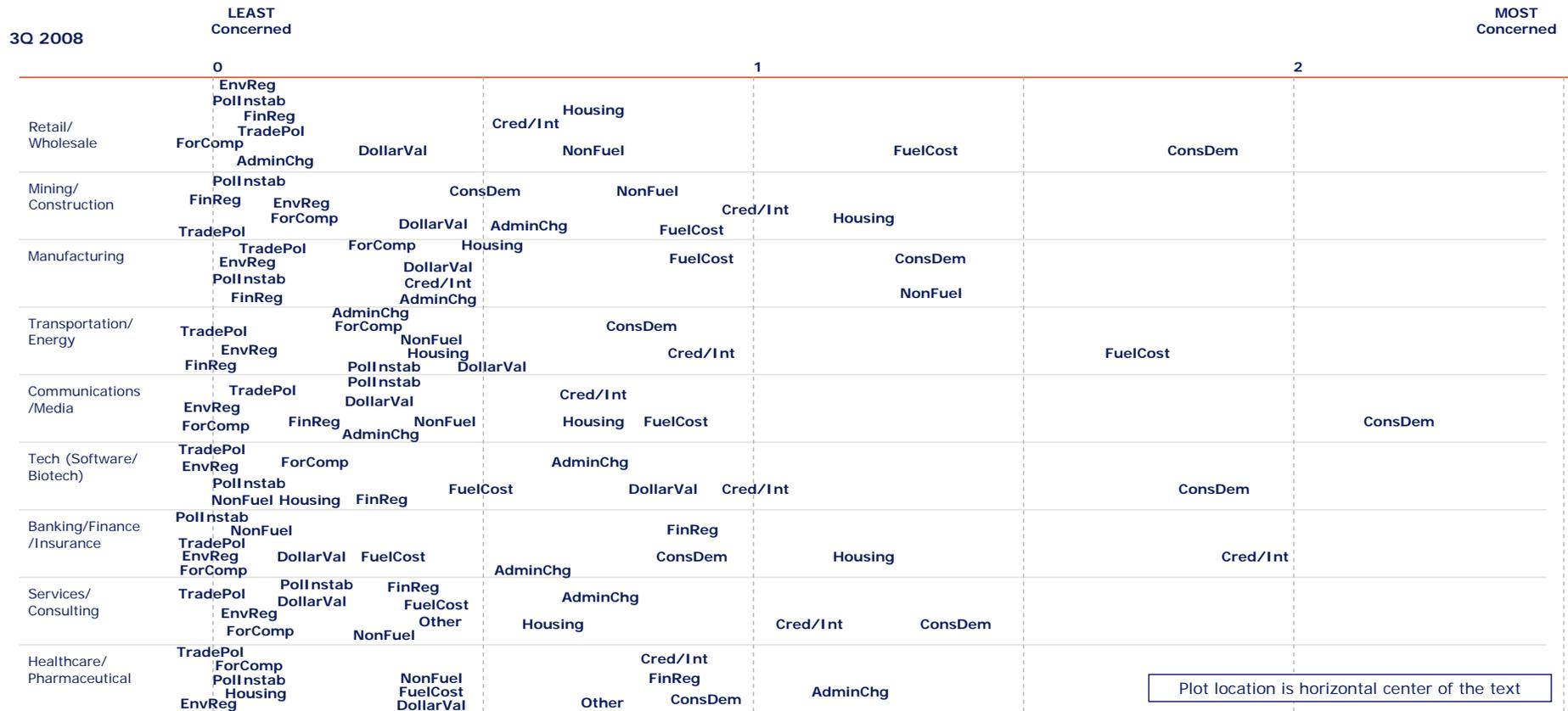
Actual Question Asked:

What are the top three EXTERNAL concerns facing your corporation?

- Consumer demand (**ConsDem**) Mean = 1.3
- Credit markets / Interest rates (**Cred/Int**) Mean = 0.9
- Cost of fuel (**FuelCost**) Mean = 0.8
- Cost of non-fuel commodities (**NonFuel**) Mean = 0.6
- Housing market fallout (**Housing**) Mean = 0.6
- Upcoming change in US administration (**AdminChg**) Mean = 0.5
- Value of the dollar (**DollarVal**) Mean = 0.3
- Financial regulation (**FinReg**) Mean = 0.3
- Other (**Other**)* Mean = 0.2
- Foreign competition (**ForComp**) Mean = 0.2
- International political instability (**PollInstab**) Mean = 0.1
- Environmental regulation (**EnvReg**) Mean = 0.1
- Trade policies and trade agreements (**TradePol**) Mean = 0.1

Reverse Scale,
Weighted by Number
of Respondents
(Higher number =
greater weighted
importance)

* "Other" only noted on chart if it was material (only on Tech Software/Biotech)



Data provided by Duke University/CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. Analysis framework provided by Deloitte.

What are the top INTERNAL concerns for US companies?

Source of Data: Duke University / CFO Magazine
Global Business Outlook Survey, 3rd Quarter, 2008.
www.cfosurvey.org

Results by Industry

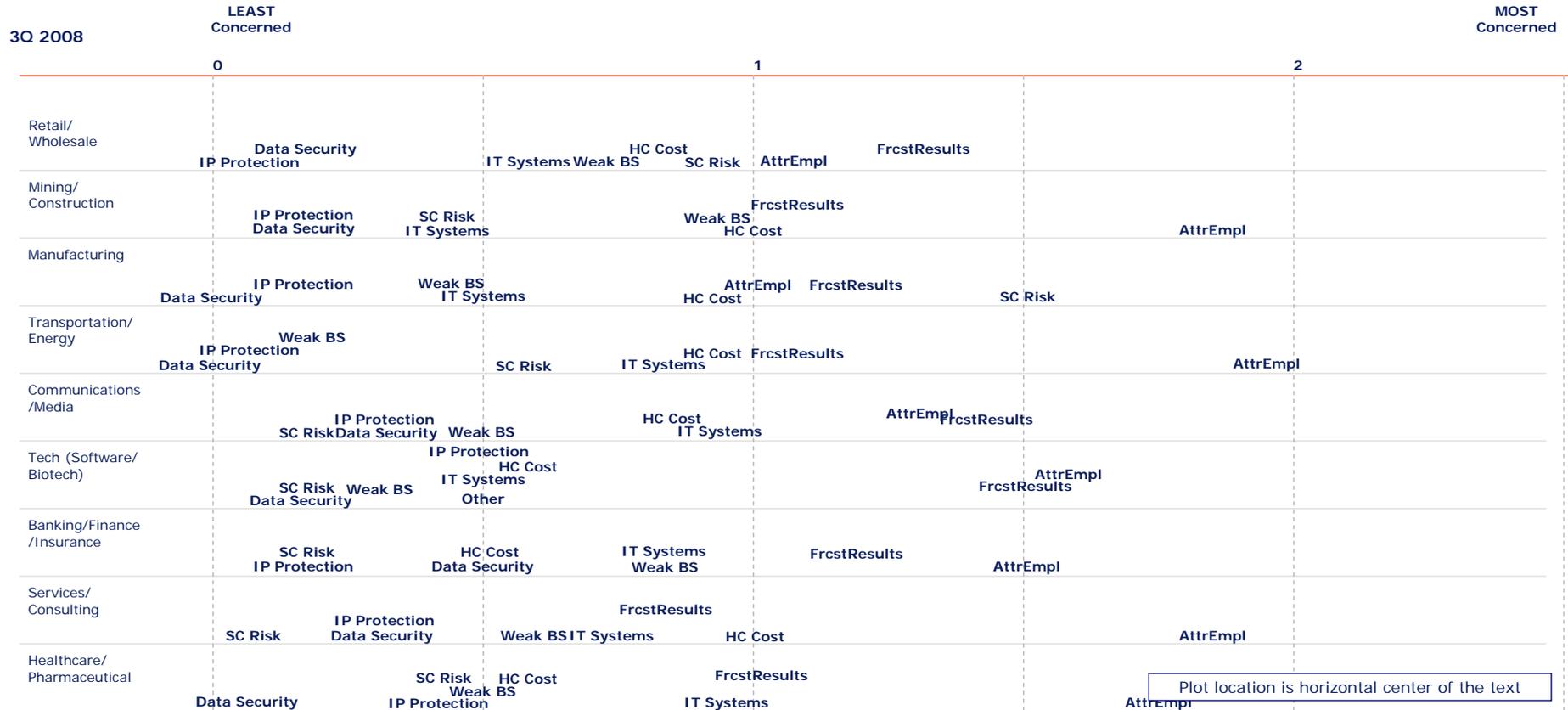
Actual Question Asked:

What are the top three INTERNAL concerns facing your corporation?

- Attracting and retaining qualified employees (**AttrEmpl**) Mean = 1.4
- Ability to forecast results (**FrcstResults**) Mean = 1.2
- Cost of health care (**HC Cost**) Mean = 0.8
- Supply Chain risk (**SC Risk**) Mean = 0.7
- Managing IT systems (**IT Systems**) Mean = 0.6
- Balance sheet weakness (**Weak BS**) Mean = 0.6
- Other (**Other**)* Mean = 0.3
- Protection of intellectual property (**IP Protection**) Mean = 0.2
- Data Security (**Data Security**) Mean = 0.2

Reverse Scale,
Weighted by Number
of Respondents
(Higher number =
greater weighted
importance)

* "Other" only noted on chart if it was material (only on Tech Software Biotech)



Data provided by Duke University/CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. Analysis framework provided by Deloitte.

Operational and Financial Impact of External/Internal Concerns Addressed in Survey (U.S. Companies)

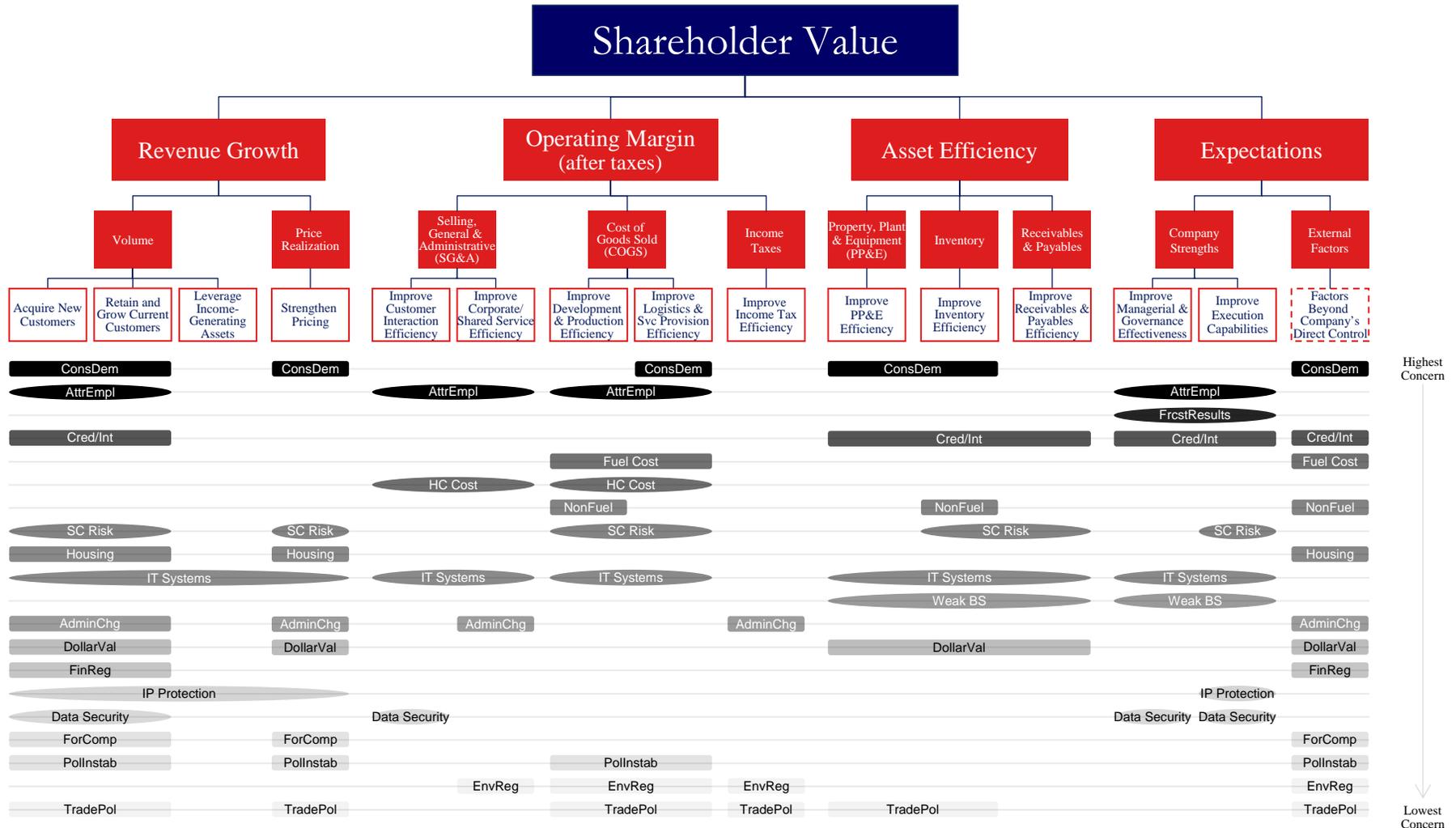
Source of Data: Duke University / CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. www.cfosurvey.org

EXTERNAL Concerns

- Consumer demand
- Credit markets / Interest rates
- Cost of fuel
- Cost of non-fuel commodities
- Housing market fallout
- Upcoming change in US admin.
- Value of the dollar
- Financial regulation
- Foreign competition
- International political instab.
- Environmental regulation
- Trade policies & agreements

INTERNAL Concerns

- Attracting/retaining qualified empl.
- Ability to forecast results
- Cost of health care
- Supply Chain risk
- Managing IT systems
- Balance sheet weakness
- Protection of intellectual property
- Data Security



What is the strategic focus of US companies for 2009?

Source of Data: Duke University / CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. www.cfosurvey.org

Results by Industry

Actual Question Asked:
What is your company's strategic focus for 2009? To answer this question, distribute 100 points among the various choices. For example, if half of your strategic focus is revenue growth, enter 50 in the top box and distribute the remaining 50 points to reflect the relative importance of the other categories. (should add to 100)

Shareholder Value

Revenue Growth

Pursue new customers, increase business with existing customers, etc.

Operating Margin (after taxes)

Direct Cost Reduction

Improve cost efficiency of sourcing, manufacturing, distribution, service delivery, etc.

Overhead Cost Reduction

Improve efficiency of shared services, SG&A

Asset Efficiency

Improve management of inventory, PP&E, receivables/payables, etc.

Expectations

Capability Development
Improve long-term performance by strengthening managerial and operational capabilities

3Q 2008

		SD		SE													
Totals	524 100%	20.3 0.9	44.2%	12.8 0.6	17.4%	32.2%	14.8%	12.2 0.5	10.9%	11.5 0.5	10.8%	11.6 0.5					
Retail/ Wholesale	63 12.2%	16.9 2.1	49.9%	10.0 1.3	15.6%	28.2%	12.6%	10.0 1.3	13.3%	13.7 1.7	7.9%	9.4 1.2					
Mining/ Construction	26 5.0%	22.1 4.4	44.3%	9.9 2.0	15.5%	30.1%	14.6%	9.0 1.8	10.3%	10.9 2.2	14.5%	16.9 3.4					
Manufacturing	139 26.8%	18.6 1.6	39.2%	12.2 1.0	20.3%	34.3%	14.0%	11.1 0.9	14.8%	12.9 1.1	10.3%	10.0 0.9					
Transportation/ Energy	21 4.1%	24.2 5.3	46.4%	14.5 3.2	19.3%	31.9%	12.6%	16.2 3.5	12.4%	12.3 2.7	9.3%	12.5 2.7					
Communications /Media	18 3.5%	18.9 4.6	45.6%	16.2 3.9	21.8%	40.3%	18.5%	8.4 2.0	7.8%	8.5 2.1	5.7%	7.2 1.7					
Tech (Software/ Biotech)	22 4.2%	19.4 4.1	47.7%	16.2 3.4	16.1%	32.5%	16.4%	14.0 3.0	6.3%	8.2 1.8	12.1%	10.8 2.3					
Banking/Finance /Insurance	88 17.0%	23.7 2.6	45.6%	11.9 1.3	16.2%	31.8%	15.6%	13.0 1.4	7.9%	10.0 1.1	10.7%	10.9 1.2					
Services/ Consulting	41 7.9%	18.4 2.9	55.2%	9.7 1.5	13.0%	28.5%	15.5%	8.6 1.3	4.6%	7.9 1.2	10.3%	11.6 1.8					
Healthcare/ Pharmaceutical	43 8.3%	17.8 2.7	42.2%	15.2 2.3	18.0%	32.7%	14.7%	16.5 2.5	9.9%	8.5 1.3	14.3%	13.5 2.1					
Other	57 11.0%	19.3 2.6	40.1%	13.0 1.7	15.3%	32.3%	17.0%	14.1 1.9	11.8%	9.8 1.3	12.1%	13.7 1.8					

Data provided by Duke University/CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. Analysis framework provided by Deloitte.

What is the strategic focus of US companies for 2009?

Source of Data: Duke University / CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. www.cfosurvey.org

Results by Sales Revenue

Actual Question Asked:
What is your company's strategic focus for 2009? To answer this question, distribute 100 points among the various choices. For example, if half of your strategic focus is revenue growth, enter 50 in the top box and distribute the remaining 50 points to reflect the relative importance of the other categories. (should add to 100)

Shareholder Value

Revenue Growth

Pursue new customers, increase business with existing customers, etc.

Operating Margin (after taxes)

Direct Cost Reduction

Improve cost efficiency of sourcing, manufacturing, distribution, service delivery, etc.

Overhead Cost Reduction

Improve efficiency of shared services, SG&A

Asset Efficiency

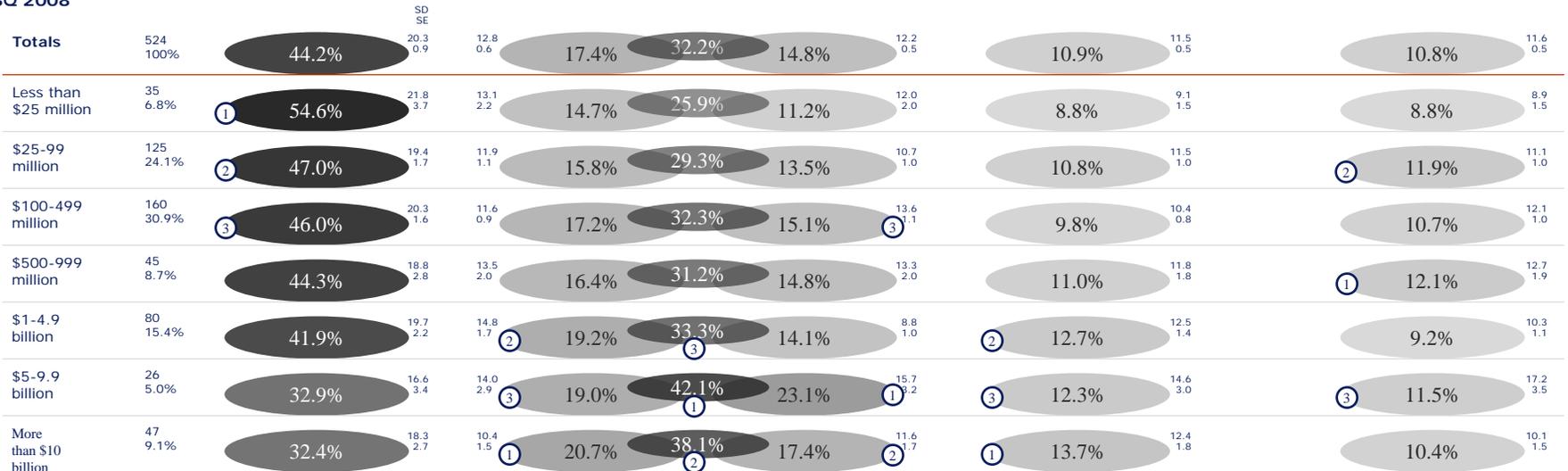
Improve management of inventory, PP&E, receivables/payables, etc.

Expectations

Capability Development

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3Q 2008



Data provided by Duke University/CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. Analysis framework provided by Deloitte.

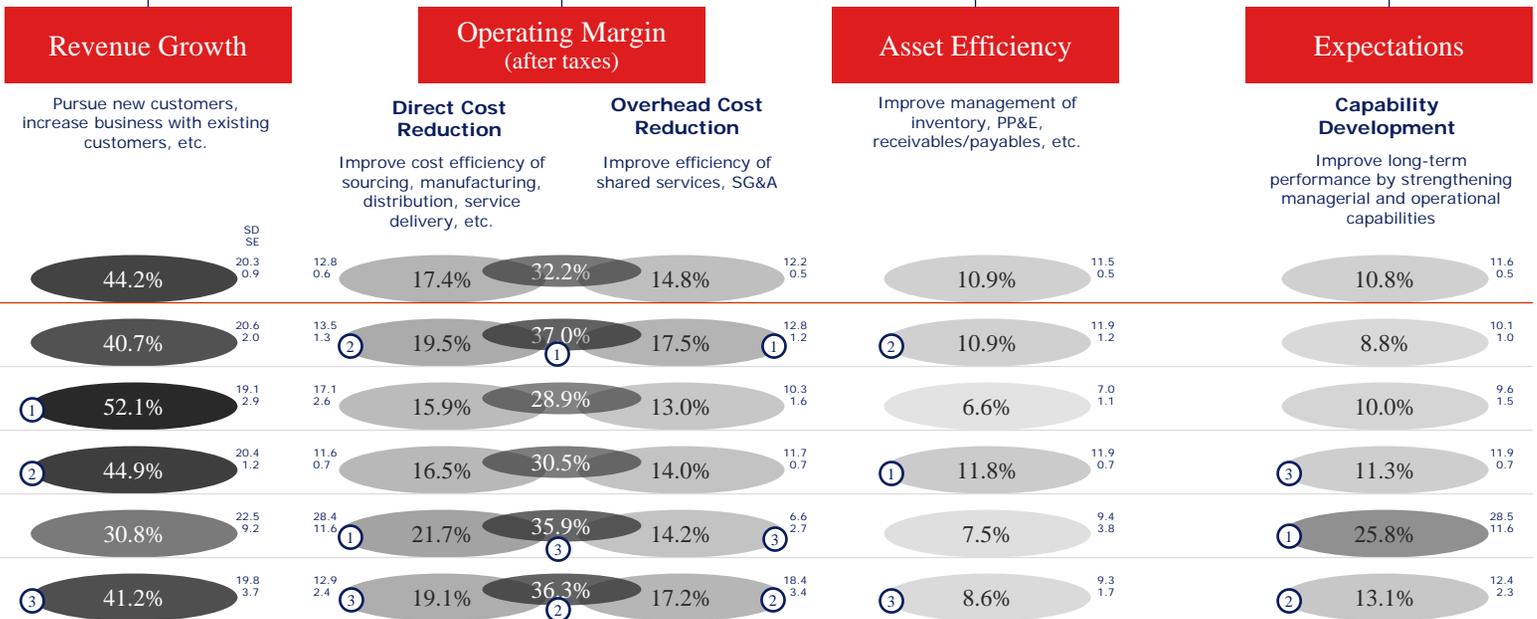
What is the strategic focus of US companies for 2009?

Source of Data: Duke University / CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. www.cfosurvey.org

Results by Ownership

Actual Question Asked:
What is your company's strategic focus for 2009? To answer this question, distribute 100 points among the various choices. For example, if half of your strategic focus is revenue growth, enter 50 in the top box and distribute the remaining 50 points to reflect the relative importance of the other categories. (should add to 100)

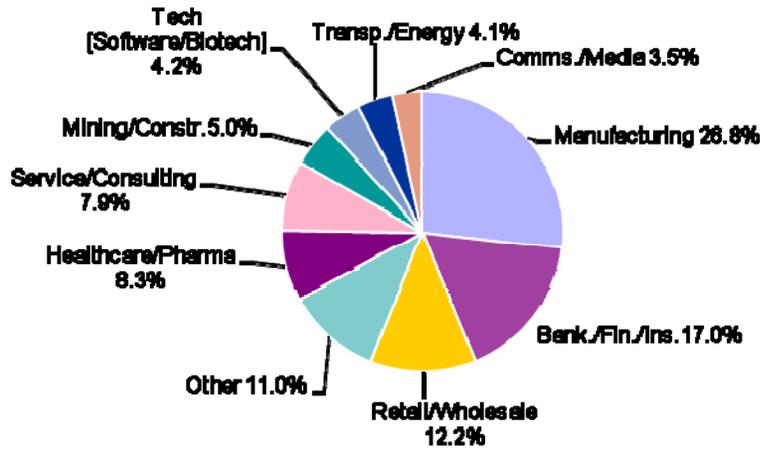
Shareholder Value



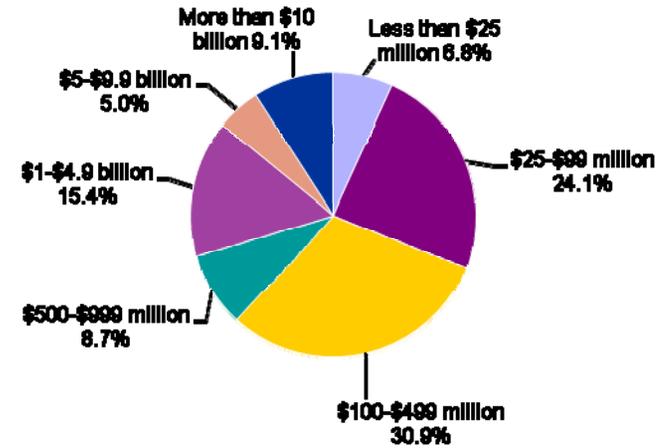
Data provided by Duke University/CFO Magazine Global Business Outlook Survey, 3rd Quarter, 2008. Analysis framework provided by Deloitte.

Respondent Demographics

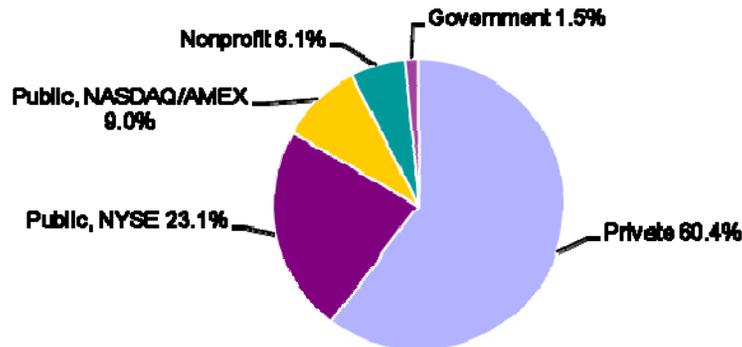
Industry



Sales Revenue



Ownership



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