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Methodology

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Overview
The CFO Survey is a quarterly survey of U.S. financial professionals designed to elicit the financial outlook for their firms, the challenges they face, and their expectations for the U.S. economy. The CFO Survey—which is conducted as a partnership among Duke University’s Fuqua School of Business and the Federal Reserve Banks of Richmond and Atlanta—is a continuation of the Duke Global Business Outlook, which has been one of the most comprehensive surveys of financial decision-makers for almost 25 years.

The objectives of the CFO Survey are basically threefold: to offer a reliable measure of business sentiment, elicit the foremost concerns that influence business sentiment, and provide a basis for determining how changes in business sentiment correlate with changes in expectations regarding own-firm performance and general macroeconomic conditions.

To broaden the applicability of the survey across firm types, reduce cognitive burden for respondents, and continue to enhance data quality, the Federal Reserve Banks of Richmond and Atlanta, along with John Graham from Duke University, engaged in a thorough methodological review. The result was a redesigned core questionnaire, which we describe in detail below.

As a result of the methodological review, we chose to depart from the repeated cross-section sampling method in favor of a panel arrangement, and we present details of this new approach and sample design here.

Although previously the Duke Global Business Outlook also surveyed financial professionals abroad, the CFO Survey now focuses only on those headquartered in the United States.

Redesigned core questionnaire
The core of the Duke Global Business Outlook questionnaire contained four sections: firm optimism, most pressing concerns, firm expectations, and expectations for macroeconomic variables. We have maintained all of these sections in the CFO Survey. We discuss the methodological changes below.

Firm optimism: Own-firm and the U.S. economy
For each survey participant, we elicit a respondent’s optimism about the overall U.S. economy and the financial prospects for their own company on a scale from 0 to 100 (see figures 1a and 1b). The new panel design enables us to present the respondent’s responses from the previous quarter below the text of each optimism question. This depiction of their previous optimism ratings should help ensure that any change in these ratings represent a meaningful change in sentiment.
This design also streamlines the optimism portion of the survey by eliminating the need for the question formerly presented before each of the optimism rating questions: “Are you more or less optimistic about [your country’s economy/the financial prospects for your own company] compared to last quarter?” With the presentation of a previous period’s ratings, we can determine whether the new ratings represent a change in optimism without asking this explicitly.
Eliciting the “most pressing concerns”
Following firms’ optimism ratings, we attempt to elicit their “most pressing concerns” to better understand what may be contributing to changes in their level of optimism over time. This question was asked in a different form in the Duke Global Business Outlook.

Based on experience with this question topic in the Federal Reserve Bank of Atlanta’s Business Inflation Expectations (BIE) survey and Survey of Business Uncertainty (SBU), we changed the format of the question from multiple selection to an open-text-response question (see figures 2a and 2b).

Figure 2a: Most pressing concerns (prior question design)

![Figure 2a](image)

Figure 2b: Most pressing concerns (current question design)

![Figure 2b](image)

The revised question design eliminates the backward-looking reference period of the original question (“during the past quarter”), thus allowing respondents to provide their most pressing concerns regardless of the time period.

The open-text response format permits the introduction of novel concerns during unusual economic conditions (such as the COVID-19 pandemic) and allows respondents to elaborate.
Although this sort of flexibility is the primary reason for the choice of question design, the open-text format also eliminates any bias that could result from satisficing behavior of respondents and the wording of the multiple-selection-response options.

We use standard text analytics to evaluate responses to this question. This procedure groups responses based on keywords and phrases, facilitated by a dictionary constructed using several thousand responses to a similar question fielded over several years in both the Federal Reserve Bank of Atlanta’s BIE survey and its SBU. The dictionary will be updated continuously to include new topics and then applied to previous quarters’ responses to allow for a consistent comparison of the frequency at which a given topic is mentioned.

**Firm-level expectations**

Because one of the goals of The CFO Survey is to elicit expectations from firms of all sizes and across all private industries, we have refined the set of concepts in the expectations section to include only those relevant to the broadest spectrum of firms (see figures 3a and 3b). For example, “research and development spending” is likely applicable only to a subset of respondents.

**Figure 3a: Firm-level expectations (prior question design)**
**Figure 3b: Firm-level expectations (current question design)**

What *year-over-year percentage change* do you expect for each of the following variables?

<table>
<thead>
<tr>
<th>Variable</th>
<th>Expected year-over-year percentage change for calendar year 2020</th>
<th>Expected year-over-year percentage change for calendar year 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price of the product/product line or service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total wage and salary costs (including bonuses)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-wage compensation (healthcare costs, 401K contributions, pension contributions)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What is your *current* number of employees?

*We will assume a value of "0" if left blank.*

- domestic, **full-time** employees
- domestic, **part-time** employees
- domestic, **temporary** and **contract** workers
The reduction in the number of measured concepts should help reduce the overall cognitive burden for respondents, leading to lower panel attrition and potentially improving data quality.

We’ve chosen to ask about employment expectations in terms of the level of employment, necessitating the inclusion of separate questions following the main expectations block. Cognitive interviews and other interactions with firms led to the understanding that employment changes are more easily considered in terms of levels than in rates of change.

We have also changed the reference period for these expectations from a rolling year-ahead ("12 months ahead") format to a calendar year time frame, eliciting a current calendar year and a next calendar year expectation for each concept. This change was motivated by findings from cognitive interviews that suggest a calendar year format is a more natural time frame for firms to consider when answering forward-looking questions related to their budgets or forecasts.

Eliciting calendar year expectations allows us to relate changes in firms’ expectations directly to changes in those of professional forecasters and the Federal Open Market Committee’s Summary of Economic Projections. Perhaps more importantly, asking the question over two discrete time frames allows us to observe which economic shocks firms expect will be fleeting and which they view as more durable (that is, affecting the next calendar year projection). This type of insight should prove useful for monetary policymakers.

**Macroeconomic expectations**

The CFO Survey maintains the Duke Global Business Outlook’s tradition of eliciting firms’ expectations about macroeconomic variables. We elicit firms’ probabilistic expectations about year-ahead growth in real gross domestic product (GDP) as well as their expectations for the return in the S&P 500 over the next 12 months and the next 10 years.
Without question, firm decision-makers hold expectations for how their firms might perform or change in various areas like, for example, revenue and their level of employment. But it is less clear that firm decision-makers hold similar expectations for macro-level outcomes like real gross domestic product and S&P 500 returns.

Recognizing this ambiguity, we first assess the relevance of macroeconomic variables before asking respondents to provide their expectations (see figures 4a and 4b). We pose these filter questions the first time we administer the survey, and we ask respondents to update their views regarding the relevance of these variables annually, as they may become more or less relevant in response to economic events.

Figure 4a: Familiarity with real GDP

Figure 4b: Familiarity with the S&P 500 Stock Market Index
Respondents providing responses of anything other than “I do not follow [GDP growth/the stock market]” are then asked to provide their [GDP growth/the stock market] expectations. Other response options rank the level of familiarity with the macro variable and the impact that variable has on firm-level decision-making. These response options will be useful controls when considering the influence of these expectations in the current period and when examining the influence of these expectations on firm-level outcomes in longer-term research.

Real GDP growth
The Global Business Outlook did not elicit real GDP growth expectations but instead focused on respondents’ recession expectations, asking, “In which quarter do you expect a downturn (recession) will occur?” Although recession expectations are indeed of interest, we opted, for various reasons, to include a probabilistic real GDP growth expectation question (see Figure 5).

**Figure 5: Real GDP growth expectations**

Please indicate what probabilities you would attach to the various possible year-ahead percentage changes in U.S. economic output (Real Gross Domestic Product).

*Results should sum to 100%.*

<table>
<thead>
<tr>
<th>Probability Range</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>+16 percent or more</td>
<td>0</td>
</tr>
<tr>
<td>+10.0 to +15.9 percent</td>
<td>0</td>
</tr>
<tr>
<td>+7.0 to +9.9 percent</td>
<td>0</td>
</tr>
<tr>
<td>+4.0 to +8.9 percent</td>
<td>0</td>
</tr>
<tr>
<td>+2.5 to +3.9 percent</td>
<td>0</td>
</tr>
<tr>
<td>+1.5 to +2.4 percent</td>
<td>0</td>
</tr>
<tr>
<td>+0.0 to +1.4 percent</td>
<td>0</td>
</tr>
<tr>
<td>-3.0 to -0.1 percent</td>
<td>0</td>
</tr>
<tr>
<td>-6.0 to -3.1 percent</td>
<td>0</td>
</tr>
<tr>
<td>-12.0 to -6.1 percent</td>
<td>0</td>
</tr>
<tr>
<td>Less than -12.0 percent</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
</tr>
</tbody>
</table>
This question format gives us a richer snapshot of firms’ expectations regarding downturns by capturing the numerical probability of negative growth while also allowing firms to express changes in their expectations for the growth rate of real GDP. In addition, the current format applies to all states of the economy—expansion as well as contraction—in a way that the previous format did not. The subjective probability format of the real GDP growth question has proven effective in a variety of long-term research studies using business survey data (see Altig et al. 2020) and was first popularized in research published by Charles Manksi (2004).

The response option format of this question mirrors that of the Federal Reserve Bank of Philadelphia’s Survey of Professional Forecasters and facilitates comparisons between the expectations of business leaders and those of professional forecasters.

**S&P 500 expectations**

The CFO Survey elicits respondents’ S&P 500 return expectations over the next 12 months and next 10 years using the exact language used in the Global Business Outlook Survey (see figure 6).

**Figure 6: S&P 500 expectations**

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Semiannual questions

The CFO Survey will ask two additional modules of questions on a rotating, semiannual basis. The first module (the “credit module”) will elicit firms’ requests for credit, sources of credit, and perceived access to credit. The second module (the “investment module”) will engage participants in an in-depth inquiry of their recent structures and equipment investment decisions. Thus far, we have fielded only the credit module (see figure 7). We are currently testing the investment module and will field it in the survey for the third quarter of 2020.

Figure 7: Credit module

In the last 6 months, did your business apply for new credit (for example, a new credit card, loan, line of credit, trade financing, etc.)?

- Yes
- No
- Don't know

For the credit your business applied for in the last 6 months, how much of the total amount requested did your business receive?

- None
- 0–25%
- 26–50%
- 51–75%
- 76–100%
- Unsure
For the credit your business applied for in the last 6 months, from what lender(s) did your business apply for new credit?

Select all that apply.

- **Finance Company** (company that provides loans or leases but unlike a bank does not accept deposits or offer banking services. Examples include mortgage companies, equipment dealers, and auto finance companies)

- **Fintech/Online Lender** (type of finance company that operates exclusively online and/or by phone to issue loans or lines of credit, usually with no collateral requirements. Includes payments companies that offer loans and cash advances to merchants)

- **Community Development Financial Institution (CDFI)** (financial institution certified by the U.S. Department of the Treasury that provides credit, financial services, and technical assistance to underserved people or places)

- **Credit Union** (non-profit financial institution that provides banking services, including loans, to its members)

- **Government** (SBA loans; Federal, state and local government programs)

- **Bank** (financial institution that accepts deposits and extends credit, either in person or online)

- **Other (please specify below):**

Overall, do you feel obtaining credit for this business has become more difficult, less difficult, or has remained the same over the last 6 months?

- It is more difficult to obtain credit

- Remained the same

- It is less difficult to obtain credit
If the response to the previous question is “more difficult,” the respondent is presented with this question:

Which of the following might explain why it was more difficult to obtain credit for your business in the last 6 months?

- This business’s credit worthiness has changed
- Lending standards have become more stringent
- Other (please specify below):

If the response to the previous question is “less difficult,” the respondent is presented with this question:

Which of the following might explain why it was less difficult to obtain credit for your business in the last 6 months?

- This business’s credit worthiness has changed
- Lending standards have become less stringent
- Other (please specify in box below):

**Special questions**
The CFO Survey will typically include, at the end of the questionnaire, questions exploring topics of current relevance to policymakers or for use in academic research.

**Firm characteristics**
In a panel member’s first survey, they’re presented with a set of questions about their firm’s characteristics (see figure 8). To ensure that this information remains accurate, panel members are again presented with this question set in the first-quarter survey each year.
**Figure 8: Firm characteristics**

What was your total revenue for fiscal year 2019?

*An estimate is acceptable.*

$ 

Which one of the following groups currently accounts for the **largest share** of your revenue?

- [ ] Consumers/Households
- [ ] Businesses
- [ ] Government/Institutions

Roughly what percent of revenues from your firm's U.S. operations are due to foreign sales?

%
Sampling methodology
The CFO Survey panel aims for broad representation geographically (in the United States) and sectorally, and with regard to firm size (defined here as the number of employees). Ongoing panel recruitment efforts are conducted primarily out of the Federal Reserve Bank of Atlanta’s Economic Survey Research Center’s (ESRC) outreach lab. Current panel members, however, came to the survey via the following channels.

Duke Global Business Outlook participants
In May 2020, everyone on the Duke Global Business Outlook distribution lists received a request to join the new CFO Survey panel. Those interested in joining the panel completed a registration form and were then added. Several hundred survey participants moved to the new CFO Survey panel.

Regional liaison groups
Members of regional liaison groups at the Federal Reserve Banks of Atlanta and Richmond have recruited business contacts to join the panel. However, the number of panel members added through this channel represents a small share. This form of recruitment will continue, although we don’t expect it to contribute significantly to panel membership.

Telephone recruitment via the ESRC’s outreach lab (primary method of recruitment)
We purchased lists of eligible firms from suppliers of business contact data such as Dun & Bradstreet and determined the composition of these lists using their sectoral contribution to GDP at the two-digit NAICS level. Among eligible firms (those with at least one employee), we select panelists using a hierarchy of job functions, prioritizing financial executives, financial professionals, owners, and other C-suite executives at U.S.-based firms.

Panel coordinators contact potential firms from their assigned contact lists and engage in telephone recruitment. Each panel coordinator’s contacts are sorted by a random variable, and coordinators call contacts in that order to eliminate bias in the selection process and ensure an equal probability of selection for each contact.

Panel composition
As previously stated, recruitment efforts for the CFO Survey panel are ongoing. The map below illustrates the panel’s composition as of September 25, 2020. We will update this graphic with quarterly data releases to provide an updated snapshot of panel characteristics.
CFO Survey Panel Characteristics  
(as of November 30, 2020)  

Geographic Distribution of Panel Members

Number of Panel Members
734

Sector
- Construction
- Durable goods manufacturing
- Educational services
- Finance and insurance
- Health care and social assistance
- Information
- Leisure and hospitality
- Mining and utilities
- Nondurable goods manufacturing
- Other services except government
- Professional and business services
- Real estate and rental and leasing
- Retail and wholesale trade
- Transportation and warehousing

Composition by Firm Size  
(number of employees)
- 1-4 employees
- 5-9 employees
- 10-19 employees
- 20-49 employees
- 50-99 employees
- 100-249 employees
- 250-499 employees
- 500-999 employees
- 1000 or more employees

% of Total Number of Records

Percentage of panel members


**Data collection**

The CFO Survey is conducted quarterly within a two-week fielding period (running from Monday of the first week through Friday of the second week) during the last calendar month of each quarter. Typically, the survey is in the field during the middle weeks of that month. For example, the fielding period for the survey during the second quarter of 2020 was June 15–26, 2020.

Panel members receive an email with a web link to the CFO Survey questionnaire by noon (ET) on the first day of the fielding period. During the two-week fielding period, we send three periodic reminder emails to panel members who have not yet responded.

During the second week of the fielding period, all new panel members who have yet to respond receive a follow-up call to ensure that email delivery failure is not the reason for nonresponse. In addition, panel members who did not respond in either of the two prior quarters also receive a follow-up call. If a respondent does not respond in any of the three previous quarters and cannot be reached after two follow-up call attempts, we remove that panel member.

Upon conclusion of the fielding period, we tabulate responses and code them for analysis using STATA statistical software.

**Data cleaning and weighting**

The CFO Survey questionnaire was designed to minimize the potential for data entry and processing errors. However, some automatic and manual data-cleaning procedures are necessary to maintain overall data quality.

For panel members recruited via the outreach lab, we check user-supplied demographic information against the information provided by Dun & Bradstreet. Outliers are then subject to a manual review. We also determine outliers by regressing firm size (revenue) on revenue (firm size) and using a set of controls (including industrial classification).

Data cells are automatically cleaned of extraneous characters (such as % and $ symbols). We identify and correct for obvious response errors that fit certain patterns. For optimism questions, we flag values outside the 0–100 range for manual review.

With regard to the real GDP growth expectations question and questions of a similar nature (such as the S&P 500 return expectations questions), we make no effort within the survey tool to force respondents’ values to sum to 100. We’ve chosen not to pursue this sort of prompting because it is important to understand whether the question is well understood, and responses that do not sum properly are a useful indication of this.

In some cases, respondents may make small mathematical errors. If the probabilities sum to a value in [95,105], responses are then rescaled to sum to 100 percent. Responses outside that range are checked and cleaned for obvious response errors, such as probabilities that sum to 1 instead of 100 percent. Those responses are rescaled. Other responses are ignored.

Firm-level expectations and S&P 500 expectations data are winsorized at 2.5 and 97.5 percent. Where applicable, data are weighted by industry, firm size, or revenue, and we use demographic
responses to firm size and revenue questions in the construction of weights (see the table). Both variables are top-coded at the 85th percentile to prevent the fluctuations in the responses of the largest firms from dominating overall changes.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Weighting Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own-firm optimism</td>
<td>Unweighted</td>
</tr>
<tr>
<td>U.S. economy optimism</td>
<td>Unweighted</td>
</tr>
<tr>
<td>Most pressing concerns</td>
<td>Unweighted</td>
</tr>
<tr>
<td>Revenue expectations</td>
<td>Activity weighting</td>
</tr>
<tr>
<td>Price growth expectations</td>
<td>Activity weighting</td>
</tr>
<tr>
<td>Operating income expectations</td>
<td>Activity weighting</td>
</tr>
<tr>
<td>Full-time employment expectations</td>
<td>Activity weighting</td>
</tr>
<tr>
<td>Wage bill expectations</td>
<td>Firm-size weighting</td>
</tr>
<tr>
<td>Nonwage compensation</td>
<td>Firm-size weighting</td>
</tr>
<tr>
<td>Macro expectations</td>
<td>Activity weighting</td>
</tr>
</tbody>
</table>