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The CFO's role in the pursuit of growth

As CFOs play a bigger role in strategy, their influence may bring renewed focus on organic growth.

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The more CFOs contribute to strategy, the more relevant their perceptions of growth may become. That's a key finding from a recent McKinsey Global Survey,[1] which asked C-level and senior managers to identify their companies' biggest strategic challenges—and how effective their CFOs are at driving growth.

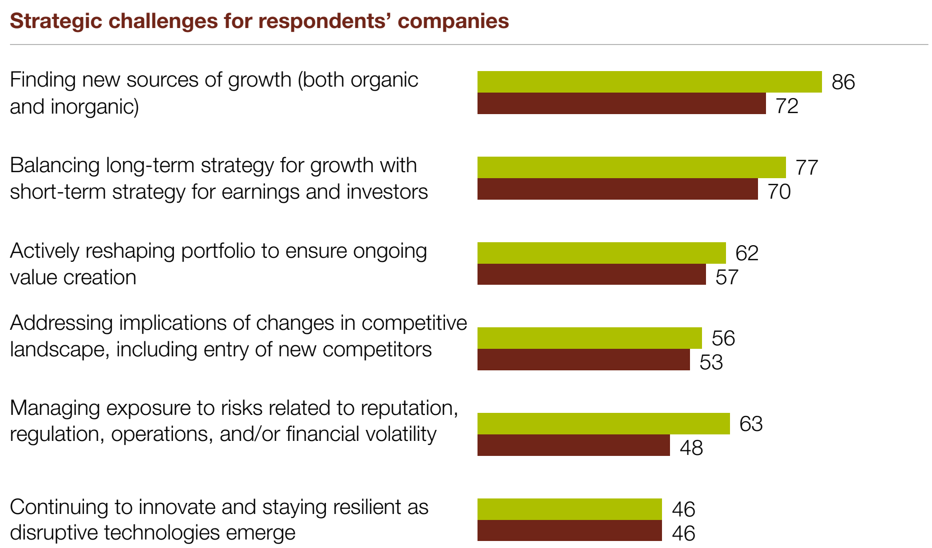
Respondents largely agree that achieving sustainable growth is the most pressing strategic challenge their companies face (Exhibit 1). Among CFOs, 86 percent report finding new sources of growth (both organic and inorganic) is a challenge, while 77 percent cite balancing long-term growth with short-term investor pressures as a challenge. Other executives agree: 72 percent and 70 percent of them cite these, respectively, as their companies' strategic challenges. When asked what the most important drivers of this growth might be over the next five years, the largest share of CFOs (45 percent) cite organic growth, compared with 36 percent of non-CFO respondents; CFOs are also less likely to see shifting of resources within the portfolio as the most important driver. These results indicate no real consensus on a single best path to growth or on the actual value of organic growth relative to M&A. They do, however, characterize the perception of CFOs relative to other executives at a time when the influence of CFOs may increase along with their role in strategy. The differences among them suggest at least the

Exhibit 1

Sustainable growth is a pressing challenge.

% of respondents[1]

CFOs, n = 72 All others, n = 552



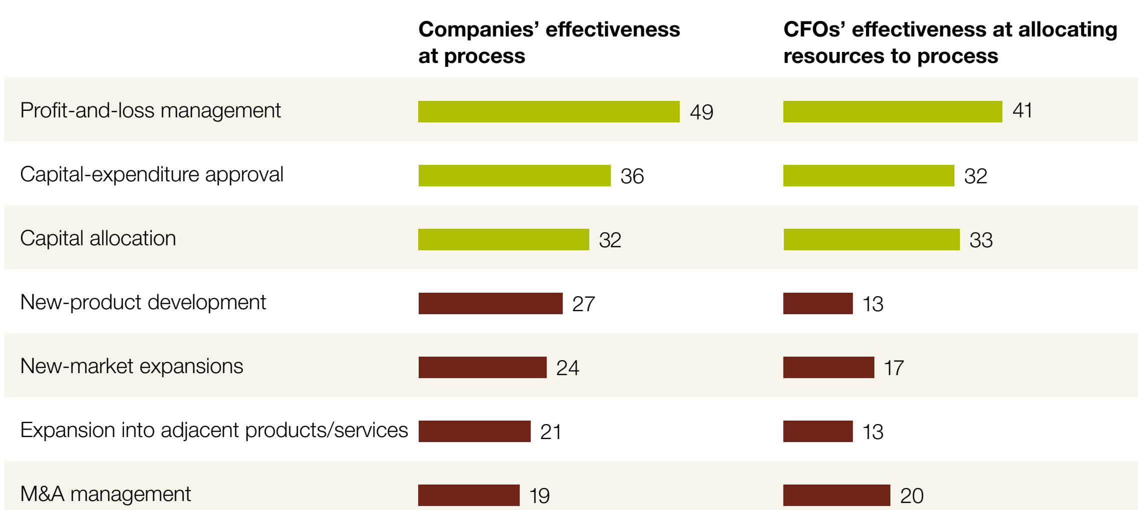
[1] Respondents who answered "don't know" are not shown.

Exhibit 2

Companies and CFOs are most effective at managing the portfolio.

% of respondents who say "extremely" or "very," n = 624

Portfolio-management activities



likelihood of healthy debate on the sources and sustainability of growth.

Regardless of which sources of growth their companies pursue, the results indicate that, in the coming years, CFOs will need to up their game in a wide range of growth-related activities. Among several processes linked to these growth drivers, executives are most likely to say they are extremely or very satisfied with their companies' effectiveness—and their CFOs' resource-allocation role—in processes related to portfolio management, including capital allocation, capital-expenditure approval, and profit-and-loss management (Exhibit 2).

Yet nearly half of non-CFO executives report less satisfaction with their companies' effectiveness at processes that drive M&A, as well as expansion into new markets and organic growth (such as new-product development and expansion to adjacent products and services). Not surprisingly, these are the same areas where non-CFO respondents think CFOs could more effectively spend their time. o

[1] The online survey was in the field from October 23 to November 2, 2012, and was refielded from December 3 to December 10, 2012. In total, it received responses from 72 CFOs, 204 other finance executives, and 348 other C-level and senior executives representing the full range of regions and industries. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

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