

Strategy & Corporate Finance Practice

# Into the storm: CFOs pivot to managing financial headwinds

The latest McKinsey Global Survey shows that CFOs have been reshuffling priorities as the global economy grapples with a slew of financial risks.



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**With a potential economic slowdown** looming, the latest results from our first McKinsey CFO Pulse survey<sup>1</sup> show that CFOs have sharpened their focus this year on managing the inflation that has stifled economic growth around the world. Supply chain disruptions and interest rate hikes also have commanded their attention, leaving financial leaders less time to focus on building capabilities and organizational growth. Separately, financial officers appear to set priorities that are somewhat different

from those of their organizations, especially when it comes to strategic planning and cash management.

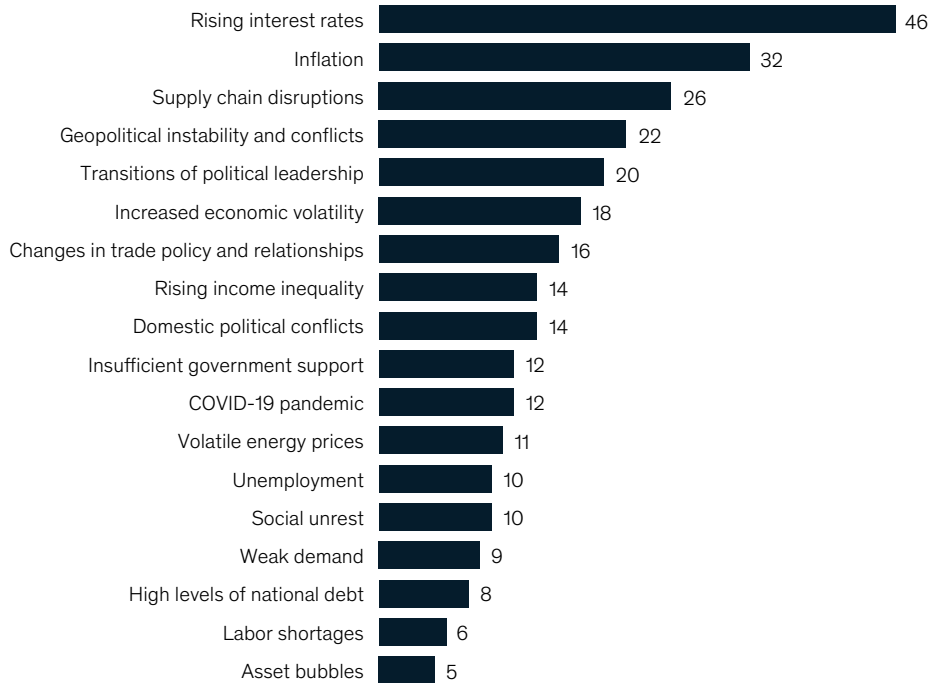
### The COVID-19 pandemic's impacts still dominate the landscape

Financial leaders say the biggest risks to future growth are centered around a trio of concerns that rattled markets during the COVID-19 pandemic: rising interest rates, inflation, and supply chain disruptions (Exhibit 1).

Exhibit 1

## Interest rates and inflation top surveyed financial leaders' list of potential risks to company growth.

Financial leaders' top impediments to company growth in next 12 months,<sup>1</sup> % of respondents



<sup>1</sup>Question: "What, if anything, do you see as the biggest potential risks to your company's growth over the next 12 months?" Respondents were asked to select up to three answers. To adjust for differences in response rates, data are weighted by contribution of each respondent's nation to global GDP. Source: McKinsey Global Survey on the role of the CFO, 215 company financial leaders (including 155 company and unit CFOs) in 34 countries, July 21–Sept 9, 2022

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<sup>1</sup> The online and by telephone survey was in the field from July 21, 2022, to September 9, 2022, and garnered responses from 215 company financial leaders, including 155 company and unit CFOs, in 34 countries. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

According to the survey results, 46 percent of respondents say rising interest rates pose the biggest potential risk to their company's growth over the next 12 months.<sup>2</sup> Thirty-two percent say the same for inflation, and 26 percent cite supply chain disruptions as the top risk.

Only 12 percent of respondents say the pandemic itself is as prominent of a risk to company growth. And around one in ten say they are similarly concerned about unemployment, social unrest, or weak demand. The respondents' top priorities are

similar to those seen in recent McKinsey surveys of general business executives, indicating that financial leaders are somewhat aligned with other leaders when it comes to their top concerns.

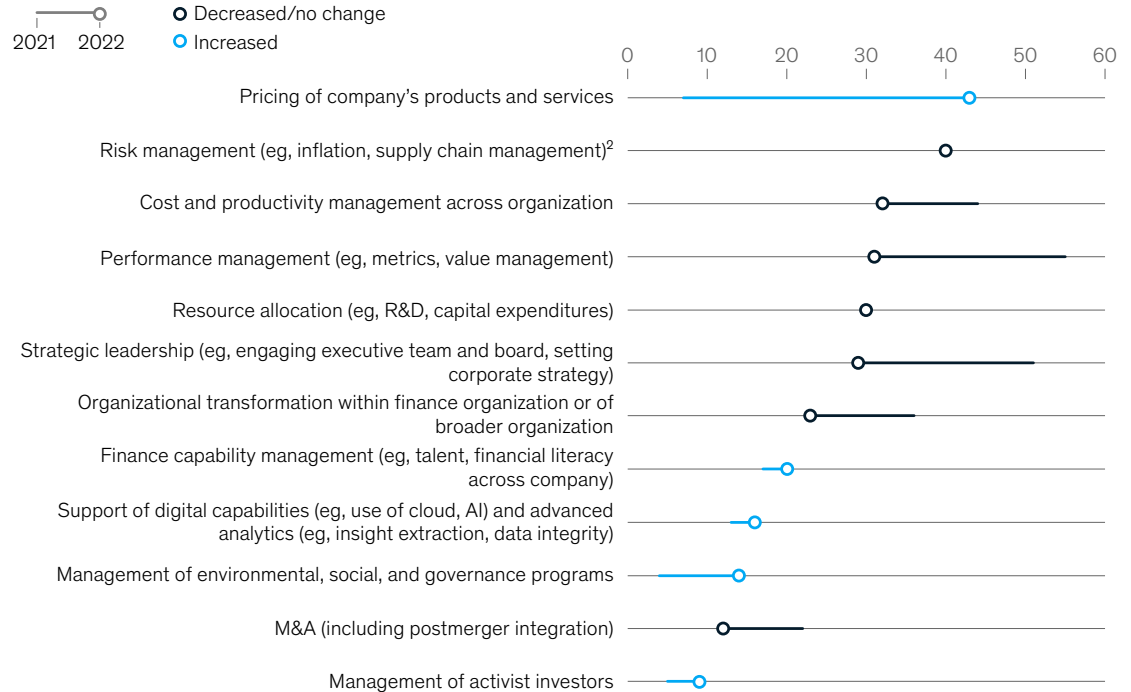
### Financial officers' priorities have shifted accordingly

As CFOs focus on pricing, interest rates, and inflation, they appear to be spending less time on long-term strategic goals (Exhibit 2). Results from a similar McKinsey survey in 2021 showed that financial

Exhibit 2

## Over the past year, surveyed financial leaders' priorities show a big shift toward pricing, away from M&A and strategic leadership.

CFOs' areas of time spent during previous 12 months,<sup>1</sup> % of respondents



<sup>1</sup>Includes company and business unit CFOs; in 2022, n = 155; in 2021, n = 187. Question: "In the past 12 months, on which of the following activities or functional areas did you spend most of your time as a financial officer at your company?" Respondents were asked to select up to three answers. To adjust for differences in response rates, data are weighted by contribution of each respondent's nation to global GDP.

<sup>2</sup>Option not included in 2021 survey.

Source: McKinsey Global Survey on the role of the CFO, 215 company financial leaders (including 155 company and unit CFOs) in 34 countries, July 21–Sept 9, 2022

<sup>2</sup> Respondents were allowed to pick more than one choice for this question.

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leaders were engaged more often with the setting of corporate strategy, large-scale transformation, and M&A than they have been in the past 12 months.

### Financial leaders and companies have some differing views on priorities

In some cases, surveyed financial leaders say they prioritize goals differently from the way their organizations do (Exhibit 3). Respondents report that while their organizations prioritize strategic planning, for example, they are personally more

concerned with improving the management of financial risk, liquidity, and resource allocation.

The results suggest that many CFOs are prioritizing the areas that they can affect directly. While proper strategic planning is important for the entire organization to manage uncertainty, financial leaders may not see it as a top priority as they very often don't solely lead that process. As for the misalignment on budgeting and forecasting, CFOs may view them as areas that are well under control and don't need as much of their focus.

Exhibit 3

### Surveyed CFOs and other financial leaders set priorities differently from the way their organizations do.

Priority of company improvement in next 12 months,<sup>1</sup> ranking by respondents (1 = top priority; 8 = lowest priority)

	Organization ranking	Financial leader ranking	
Strategic planning	1	5	■ Top priorities
Financial risk management	2	1	■ Other priorities
Long-term planning and resource allocation	3	2	
Short-term budgeting and forecasting	4	8	
Scenario planning	5	4	
Cash management and capital structure	6	3	
Operational value drivers and management of KPIs	7	7	
Reporting, dashboards, and performance reviews	8	6	

<sup>1</sup>Questions: "What are your organization's top functional priorities for the next 12 months?" "How important is it to you, if at all, that your company improves in the following areas?" Response rates were converted to rankings. To adjust for differences in response rates, data are weighted by contribution of each respondent's nation to global GDP.  
Source: McKinsey Global Survey on the role of the CFO, 215 company financial leaders (including 155 company and unit CFOs) in 34 countries, July 21–Sept 9, 2022

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