The CFO's first hundred days:
A McKinsey Global Survey

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A survey of chief financial officers shows that they may not be spending their time where it's most needed during the first hundred days.

Many CFOs around the world say they received guidance and mentorship from the CEO, who generally wants the CFO to be a full partner in the leadership team and a contributor to company strategy.

CFOs also tell us that they communicate with the core finance team and finance staff primarily in person.

The CFO's first hundred days: **A McKinsey Global Survey**

Chief financial officers around the world describe their first hundred days on the job as a time when most received guidance, but many had difficulty devoting enough time to their top priorities.

New chief financial officers may not be spending their time where it's most needed, according to a new McKinsey survey of CFOs.[1] Finance chiefs, globally and across industries, report spending most of the first hundred days on budgeting, management reporting, and financial reporting. By contrast, they think that the most crucial activities during that time are understanding the drivers of the business, providing input into corporate strategy, and building the finance team.

Why are there such differences between what they do and what they regard as important? A possible answer was suggested by one CFO's response to a question about what, in hindsight, respondents would have done more or less of. This CFO pointed out, "There is no simple answer to this. One cannot put the clock back. Every day the situation changes, and the responses and actions will have to be tuned to the situation. CFO[s] must be able to assess the business needs and act."

Fortunately for new CFOs, as they respond to their fluid situations most have strong support from the CEO. More than three-quarters of the respondents say that they received explicit guidance from the CEO in the first hundred days on the job, and 46 percent say that the CEO was a mentor. CFOs also are more likely to name the CEO than anyone else as having been helpful in making big decisions early on. Almost twice as many CFOs credit the CEO with playing that role as credit their finance staffs.

A majority of CEOs strongly support the CFO's involvement in strategy; more than half of our CFOs say that the CEO expects them to challenge the company's strategy, though CEOs see other activities as more important. Nearly 90 percent of CEOs encourage the CFO to be an active member of the senior-management team. This is good news for CFOs, given the ongoing evolution of their role, the increasing visibility of their statutory responsibilities, and their considerable interest in corporate-wide strategic initiatives. Indeed, nearly three-quarters of the CFOs reported that they would like to be involved in strategy, and those who wished they had spent more time with the CEO say that they wanted to talk about strategy more than anything else.

Finally, relatively few CFOs say that the finance staff would explicitly articulate its expectations to a new CFO. However, when staff members did provide explicit guidance, the CFOs say, their priorities differed from those of CFOs and CEOs. This makes a CFO's communications with the finance team all the more crucial. A CFO is likelier to communicate with the team ad hoc and in person than in any other way.

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[1] *The McKinsey Quarterly* conducted the survey in October 2007 and received responses from 164 current or former CFOs across industries, geographies, revenue categories, and ownership structures.

Alignment of expectations

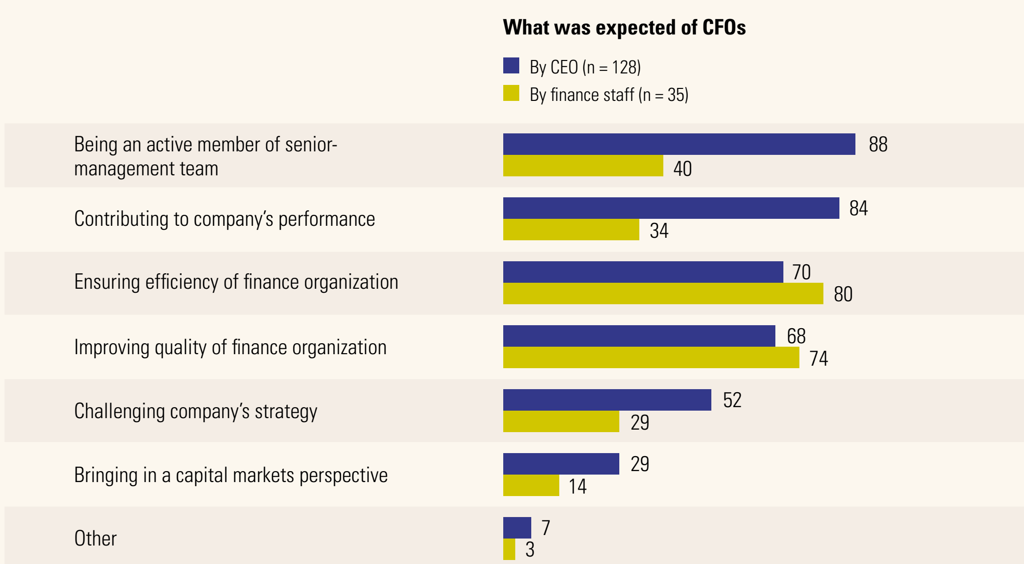
Nearly four-fifths of the CFOs report that the CEO provided explicit guidance about expectations of the new CFO; CFOs at private companies were significantly more likely to report getting such guidance than those at public ones. CFOs overall say that the activities the CEO most often describes as important are being an active member of the senior-management team, contributing to the company's performance, and ensuring that the finance organization is efficient (Exhibit 1). Furthermore, more than two-thirds of CFOs say that the CEO expected them to improve the quality of the finance organization, and more than half that the CEO expected them to challenge the company's strategy.

CFOs say that members of the finance function were much less likely to give explicit guidance about their expectations but that those who did had expectations strikingly different from those of the CEO. The finance function staff, for example, was less than half as likely as the CEO to see the CFO as an active member of the management team, contributing to the performance of the company or challenging its strategy. CFOs say that finance staffers were most likely to expect the CFO to play a more traditional role: ensuring the finance function's efficiency.

Exhibit 1

Diverse expectations

% of respondents who said CEO or finance staff gave them explicit guidance on expectations[1]



[1]Respondents could select more than 1 answer.

Source: 2007 *McKinsey Quarterly* survey on the first hundred days of CFOs

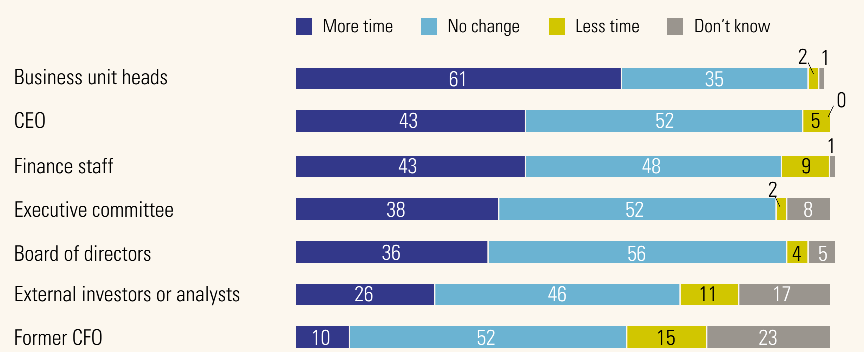
CFOs seem to think they generally received enough advice during the first hundred days. Business unit heads are the only group that a majority of CFOs wish they had spent more time with during that period (Exhibit 2). Several respondents commented that they would like a better understanding of the needs and priorities of this group. CFOs of private companies are significantly less likely to say that business unit heads gave explicit guidance on their expectations of the CFO role—and also the most likely to want more time with these managers during the first hundred days.

Exhibit 2

Wanted: more time with the right people

% of respondents,[1] n = 164

If you could change the amount of time you spent with each of the following individuals or groups during your first 100 days as CFO, what changes would you make?



[1]Figures may not sum to 100%, because of rounding.

Source: 2007 *McKinsey Quarterly* survey on the first hundred days of CFOs

Notably, while relatively few CFOs were involved in strategic initiatives so early in their tenure (Exhibit 3), those who were are more likely to say that they are satisfied with their performance during that time. A large majority of CFOs say that they would now like to be engaged in corporate-wide strategic initiatives, as opposed to more traditional CFO activities.

Exhibit 3

Craving connection to strategy

% of respondents,[1] n = 164

[1]Respondents who answered "other" are not shown.

Source: 2007 *McKinsey Quarterly* survey on the first hundred days of CFOs

Key activities

Aside from understanding the company's business drivers, CFOs generally report that their most critical activities during the first hundred days were functional, such as providing input into the business strategy, and organizational, such as setting up the core finance team and upgrading capabilities (Exhibit 4).

Only half of the CFOs responding to this survey recall being required to come up with a formal plan of action during the first hundred days. The priorities of those who did have a plan were the inverse of those without one: providing input to business strategy was the most crucial of their top three priorities, while understanding the company's business drivers came in third. Setting up the core finance team was the second most crucial priority for both groups. Not surprisingly, CFOs hired during or just after a turnaround were more likely to have been required to create a formal plan of action than those hired in other circumstances.

Exhibit 4

100 critical days

% of respondents,[1] n = 164

[1]Respondents could select more than 1 answer.

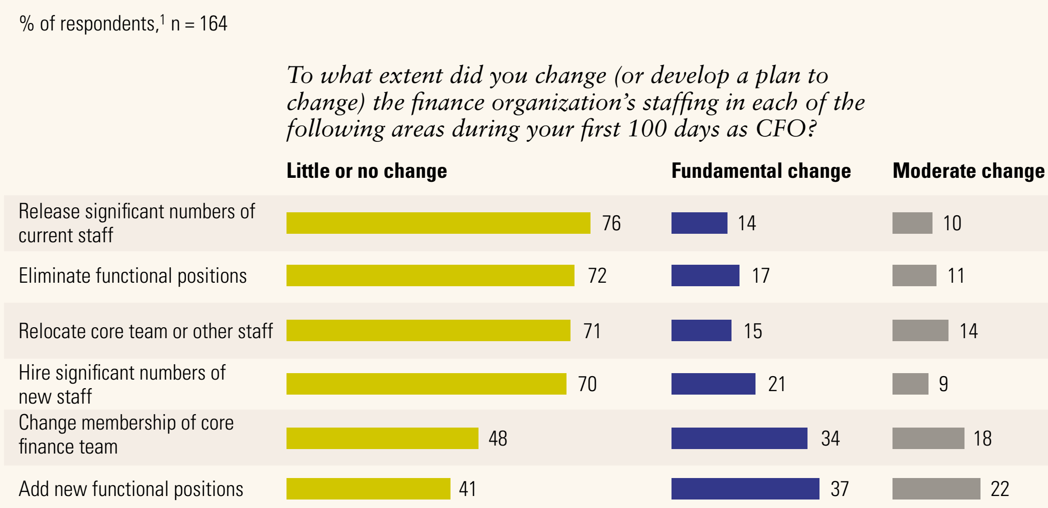
Source: 2007 *McKinsey Quarterly* survey on the first hundred days of CFOs

CFOs overall showed little propensity to make fundamental staffing changes during the first hundred days (Exhibit 5), though CFOs of private companies were more likely to do so than their counterparts at public ones. (CFOs of private companies are also significantly more likely to have fewer than 50 people employed in the finance organization.) CFOs who planned fundamental changes in financial accounting and reporting or financial planning, budgeting, and analysis (FP&A) were significantly more likely than not to have had formal plans to do so.

Overall, FP&A and accounting are two out of the three areas that demand most of a new CFO's time, as well as the areas where CFOs made the most fundamental changes (Exhibit 6). CFOs hired during or after a turnaround are more likely to report that redesigning the finance organization was crucial.

Exhibit 5

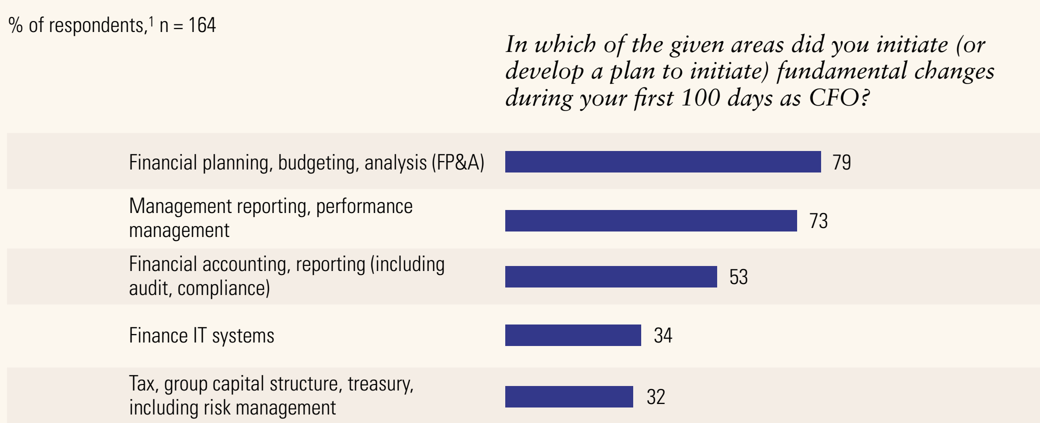
Holding course



[1]Respondents could select more than 1 answer.

Exhibit 6

Taking action



[1]Respondents could select more than 1 answer; those who answered "none of these" are not shown.

Source: 2007 *McKinsey Quarterly* survey on the first hundred days of CFOs

Building relationships

Most CFOs tell us they communicated widely during the first hundred days, holding regular in-person meetings with the core finance team and the broader finance staff and (in many cases) making themselves available for ad hoc discussions as well. Interestingly, CFOs who report being satisfied with their performance during the first hundred days are far more likely than those who are not satisfied to report having held in-person meetings with both the core finance team and the broader finance staff. They also report having more communications overall. CFOs at large companies[2] tend to report communicating across every channel (except broadcast e-mail) more than CFOs at smaller companies do.[3] CFOs hired at companies during or just after a turnaround are much more likely to report having used ad hoc communications—probably a result of the fast pace and high uncertainty common in such situations. These CFOs are also more likely to have held in-person meetings with the finance staff.

Relatively few CFOs—just over a quarter—report not having enough resources and support to make the transition a success. However, that figure rises to a third among CFOs of public companies. CFOs who wanted more help most often said they would have liked three things: better access to internal information, more time with the CEO or the board, and the ability to bring new people into the finance organization. Also, more than 60 percent of CFOs overall report that they would have liked to spend more time with business unit heads.

Of the two-thirds of respondents who were external candidates for the CFO role, a majority report that the major challenges during the first hundred days were building credibility and understanding processes.

[2] CFOs at companies with revenues greater than $1 billion.
[3] CFOs at companies with revenues less than $1 billion.

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Contributors to the development and analysis of the survey include
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Source: 2007 *McKinsey Quarterly* survey on the first hundred days of CFOs