CORPORATE GOVERNANCE

THE ROLE OF THE CFO AND THE BOARD IN DRIVING GROWTH

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BOARD INTELLIGENCE

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EXECUTIVE SUMMARY

Our interviews with more than a dozen CFOs, CEOs and board members suggest that geopolitics, capricious consumer preferences and government policy are creating significant uncertainty for businesses trying to pursue long-term strategies, resulting in shorter planning cycles.

The pace of technological change can also make it harder to plan ahead. The long-term economic effects of AI range from utopian to apocalyptic, while the proliferation of data makes it harder to extract signals from the noise.

A successful long-term strategy more than ever involves a sharp focus on the long-term fundamentals and mission of a business, combined with operational agility and the ability to distinguish between fads and deeper trends.

Leaders need to apply instinct in the absence of complete information, with the CFO being ‘in the business’ as well as in finance. They can also enable agility throughout the organisation by applying a more open set of rules around budgeting and financial controls.

The CFO’s role in managing risk, preventing bad decisions and enabling good decisions – as part of an effective CEO-CFO partnership – is becoming more important. AI represents a new kind of risk, in some cases resembling a ‘bet’ rather than a structured investment case.

Reporting is changing to meet the new conditions. Faster decision making under uncertainty requires a faster cadence of reporting, alongside more informal information-gathering channels, but without encouraging information overload. The CFO is increasingly becoming ‘the chief storyteller’, with their commentary and insights carrying significant weight with the board and the broader business. Doing this well requires learning how to talk about numbers with people from non-finance backgrounds.

Sustainability, which is an essential part of long-term thinking, should be built into strategy rather than tacked on. By seeing it as an opportunity as well as a cost and risk, leaders can make the case for investing in sustainability. Leveraging their expertise, CFOs can also push for robust and consistent industry data to help tackle systemic sustainability issues.

HOW TO PLAY THE LONG GAME AND WIN – LESSONS FROM CEOS, CFOS AND BOARDS

Approaching his 80th birthday in 1952, philosopher Bertrand Russell reflected on how much the world had changed. Those born after 1914, he said, could hardly imagine how different things were in his youth.

> *"The change has been almost unbelievable. I try as best I can, despite my years, to get used to living in a world of atom bombs, a world where ancient empires vanish like morning mist… all kinds of things have now disappeared that were thought to have been going to last forever. It didn't dawn on people that they might cease."*

Change, clearly, is not new. Yet after the relative calm of the post-Cold War era, the 2020s have been unusually turbulent, making it harder for businesses to plan ahead.

"Wars have unfortunately become part of our daily discussion," says Andreas Theocharides, commercial director for Greece and Cyprus at PepsiCo, which he joined as Cyprus CFO during the early Covid months. *"The ongoing conflicts in Gaza and Israel, as well as in Ukraine and Russia, continue to create disruption for our business,"* he says, affecting direct operations, wider supply chains and cost management.

Several interviewees discussed how the unpredictability of trade tariffs and domestic policy affected their ability to make decisions. *"Business planning is particularly challenging at the moment,"* says one CFO, who prefers to remain anonymous.

> *"For example, in the 2024 autumn statement, many expected an increase in National Insurance, but the government's decision to change the National Insurance bands was unexpected and had a much greater financial impact for companies with a large part-time workforce."*

Geopolitics isn't the only source of uncertainty. Consumer preferences are also evolving at an unprecedented rate. *"Trends can emerge and fade very quickly,"* Theocharides notes. *"Shifts toward gluten-free, vegetarian, or organic products demonstrate how dynamic the market has become."*

Adnams CEO Jenny Hanlon agrees: with the impact of social media, *"The consumer decision cycle is now about minus three seconds."*

The pace of technological change can make it harder to plan ahead

Even supposedly stable long-term trends are proving less reliable than many would like. Take digital technology. On one level, its advance is predictable and accelerating. The PC took nearly 20 years to reach half of US homes after 1981; smartphones took under six years after 2007. Within two years of ChatGPT's launch, generative AI use had already reached 40%.

Yet AI also brings massive macroeconomic uncertainty, its 20-year impact ranging from utopian to downright apocalyptic.

Stuart Green, CEO of Macquarie Bank believes we should resist the temptation for doom-mongering.

> *"Whole new industries will arise. In a sense, we're back to the shifts seen in the Industrial Revolution, combined with the creative opportunities of the Italian Renaissance. This is an amazing time."*

Danny Ho, CFO of Hong Kong telecoms firm SmarTone, sounds a more cautious note: *"Replace the letters 'AI' with 'IT' and it's essentially the same: a technology change."* While a firm believer in investing in technology, Ho says that radical transformation from AI *"is a long way off. I don't see that many companies that have implanted it in a meaningful fashion. Many have yet to catch up with previous technologies like data visualisation or robotic process automation."*

Many are trying of course, but because of the speed and uncertainty around AI, this can be challenging. *"Our clients are expecting to see efficiencies from AI, which means they expect their fee to also decrease year on year,"* says one anonymous director at a professional services company.

> *"We're trying to switch the narrative in the industry on its head, because although AI creates efficiencies, it is powered by technology that is increasing in cost and we have to continuously innovate. As a client, surely you will want products and services that are not just more efficient but better and more effective? The latter will mean getting more value which doesn't necessarily mean a downward trajectory on fees,"* the director explains.

"What we're grappling with at the moment is how do you build the commercials around that. What do you charge? We would like to move to real outcomes-based models, but that means sharing the risk and reward with clients, and most don't want to do that. Or they will want to share the risk but not the reward in equal measures."

Tech indirectly creates another challenge for executive teams looking to make long-term plans: the proliferation of noise. CFOs have access to more data than ever, not just internally but from the endless torrent of news and social media. Much of the latter is meaningless or misinformation, but it can't be ignored: within the noise are signals that may materially affect an organisation.

> *"The amount of information that we all receive daily makes it harder to be clear what really matters. You can get distracted by things so easily, and today's environment creates a sense of urgency to make decisions and respond so much more quickly,"* says Candida Davies, CFO of content solutions company RWS.

Another CFO, who has worked across tech and professional services and who prefers to remain anonymous, puts it more starkly: *"I sit there trying to do my three-year plan. Earlier in my career, we used to talk about five-year plans. Thank God nobody's asking for five years now, because a three-year plan is hard enough."*

What does a successful long game look like today?

Many executives have shortened planning horizons as a direct consequence of uncertainty and the rising pace of change. One interviewee said it was difficult even to look three months ahead.

None see that as a reason to abandon long-term thinking, however – quite the contrary.

> *"It makes you even more belligerent about doing the right thing long term," says Hanlon. "If you know you have to travel a mile, the fact that the 15 cars ahead of you are chopping and changing is irrelevant. You know where you're going."*

Call it a mission, purpose or true north – successful long-term strategy depends on remembering what you're there for. *"It's not about grabbing the next fad,"* Hanlon says. *"It's appealing across all the fads by focusing on fundamentals. We provide fun and memories for people. That is never going out of fashion."*

Short-term pressures can still derail plans, and businesses do not always have the luxury of ignoring the next quarter. *"The skill is to make sure that your short-term decisions don't deviate from your medium- to longer-term strategic direction,"* Davies says.

Agility also emerged as a core theme for how companies are adapting to change and uncertainty, alongside long-term strategy. The challenge is in doing the two things simultaneously: adapting in unexpected ways when required, but without losing sight of the ultimate destination, and without changing too much, too often.

> *"It takes 3-5 years to bring about meaningful change," Ho says, because culture doesn't change as fast as targets or strategy. "If you're not careful and clear about the long-term strategy, what feels like agility can turn into aimless opportunism."*

Leaders therefore need to distinguish between a passing fashion and a structural shift, cutting through the noise to know whether their strategy is working.

"If things aren't working, it doesn't necessarily mean you're doing something wrong. If we take the current climate, we've never had a more difficult time in terms of planning for the long term, because things can suddenly happen in geopolitics that are out of your control," says Aleen Gulvanessian, chair of Macfarlane Group plc.

If it becomes clear that the assumptions behind your long-term strategy no longer hold, then you need to make adjustments. *"No matter how much you plan – and you do have to plan – you have to constantly revisit those plans,"* Gulvanessian says.

At the centre of this balancing act stands the CFO, who is in a privileged position to understand the company's trade-offs, influence decision making through their interpretation of events and build the capabilities to execute. Specifically, our research identified four ways in which CFOs – alongside CEOs and boards more broadly – can most effectively guide their organisations toward sustainable long-term success.

1. APPLY INSTINCT

"As a traditional finance professional, you're trained to be conservative, but by the time you've done a formal analysis, the window of opportunity for a decision may be gone. One of the key lessons from my years in the corporate world is to make judgement calls without full information," says SmarTone CFO Danny Ho. *"It's about finding the minimum amount of information to make that judgement call."*

To be sufficiently agile to respond to today's conditions, CFOs therefore increasingly need to apply their instincts as well as their capability for rigorous analysis. Jake Storey, CFO of Harwich Haven Authority, a statutory body that oversees independent ports including Felixstowe and Harwich, talks about the need for the CFO to be 'in the business', not just in finance.

> *"I have a very good team and together we have a lot of industry knowledge and experience. It's easier to say, 'well, that doesn't look right' and go and investigate, because we're not in the weeds,"* Storey says.

The CFO's and CEO's instincts alone are often not enough. For real agility, decision making must be widely distributed and rapidly escalated, which means other people need to apply their instinct too.

This may involve taking a different approach to budgeting and financial controls, which – while necessary – can slow decision making. *"To be able to move faster, you need instinct within a rule set that's open enough to be agile,"* Jackson explains.

He describes the early days of Octopus's expansion into Germany. *"For a long time there would be this difficult dynamic where I'd ask why growth was looking soft, and they'd say it was because we put prices up, because last time you said margins were looking soft. We went into this cycle that left them increasingly frustrated – what do you want, growth or margin? Of course, it was both, but I wanted them to be smart and very agile about how they did it,"* Jackson says.

In practice, this meant treating the energy market more like a grocer, listening to market price movements and customer feedback. If there's a glut in tomatoes, grocers put promotions on tomatoes, and for Jackson the same principle applies to energy contracts.

This wasn't something he could put in a rule book.

> *"I knew as soon as I tried to codify it – because they wanted a rule set – that they would optimise to the growth number. You normally do that in the budget, but a year is a long time in a scale-up. You need much more agility through the year."*

There are still guidelines and controls but, *"Years in, we're confident that all our teams really understand it. It's intuitive to them now. But it's not intuitive at the outset,"* Jackson says.

2. GET COMFORTABLE WITH RISK

Increasingly, the need for quicker decision making amid uncertainty calls for CFOs who are more comfortable managing higher levels of risk.

"The role of the CFO is badly misunderstood. Often what we're doing is preventing bad decisions being made, and facilitating good decisions," explains Joel Ripley, CFO of Schroders Personal Wealth.

For RWS CFO Davies, this makes the CFO an essential counterweight to the CEO. *"A CEO is usually ambitious and visionary, which is essential for driving bold initiatives and meaningful change. In contrast, CFOs tend to spend more time looking to balance risks. That combination generally results in a more robust and implementable strategy,"* Davies says.

For the long-termist CFO, that means ensuring the business has the necessary people, technology and cash reserves to take calculated risks, and to recover if they fail. "*It is incredibly helpful to have cash to invest if you need to get off an unhappy path,"* Davies explains.

AI presents a new kind of risk, however, which may require a new kind of response. Ripley says that most boards know it is important – like a high-speed industrial revolution – but don't know what to do with it. The technology moves too quickly, and deep expertise is too rare and expensive at board level.

Practically, Ripley says, this means most companies need to rely on their AI vendors to help them understand use cases. In the financial advice sector for example, it could be automating the recommendation report writing process, using a financial-advisory-trained large language model, to reduce costs and free advisors to spend more time with clients.

Although it may be disconcerting to rely on third parties to make these business cases, this is not what makes AI a new kind of risk for him. *"That aspect of AI isn't scary at all,"* Ripley says, because it still involves an orthodox, structured approach of building a business case for investment, with a clear projected payoff.

> *"The bit that is difficult is that nowadays we're having to create business cases for taking bets, where we're making an investment, but have no idea what the payoff looks like."*

It is not an option to ignore AI, he says, given its likely disruptive effects, so the bet is often on the long-term value of developing 'AI muscles'. If that's the case, Ripley advises, be clear about that with the board: *"A bet is a bet: no amount of tweaking assumptions on a spreadsheet is going to change that. It will either come off or it won't."*

3. RETHINK REPORTING

CFOs, CEOs and boards are also changing how they approach reporting. For Jackson, the cadence of reporting needs to match the pace of decision making. Each Sunday senior leadership at Octopus Energy receive two packs of 70-80 pages and 100 pages, for the global and UK businesses respectively. It's not a data dump – it is well-organised, with clear KPIs, commentary and interpretation – but it is detailed.

> *"It's a religion. We expect everyone to have read it by 8.30am on Monday, which is frankly quite burdensome, but it creates this incredible drum beat. If there are issues, you pick them up quickly. By 10am, we're pushing things out into the team,"* Jackson explains.

Not everyone agrees that weekly is the right approach – Davies says over-reporting can consume valuable time, compound the problem of noise and potentially lead to analysis paralysis. It is important to find the right cadence for the individual business.

But doesn't the kind of reporting that supports agile decision making naturally tend towards the short term? Where does long-term thinking come in a weekly management pack?

"You have to pull up from the detail," Jackson says, which requires being alert to the central themes of the long-term strategy, and what the data might say about them. In Octopus's case, these include expanding its services and international businesses, and installing heat pumps, smart meters, solar panels and batteries to support its ability to manage flexible electricity load.

Another change is where leaders get their information from. Several talked about how informal channels helped them scan the horizon and make sense of what they were seeing.

Adnams CEO Hanlon encourages informal input through 'Jot to Jenny', where anyone in the business can raise ideas with her directly. She and the team also regularly discuss trends and strategy in ad hoc conversations. Too much process and formality, she says, *"doesn't encourage the right sort of thinking. Long term decisions are made in the short term all the time. It's important that when something pops up, you can just talk about it."*

Then there's how executives communicate the information that they have when reporting. Hard numbers have weight in a business – and with the board – in a way that words alone do not. This puts the CFO in a unique position to make the long-term direction of the business compelling, and to show whether the long-term strategy is working.

"The CFO is a storyteller. In some respects, the CFO is the chief storyteller," says Ripley. "The CFO needs to paint the picture of where we're going to, how we're going to get there, and what's going to happen along the way. The way you craft the narrative, and the way you deliver it, is what differentiates impactful CFOs."

Ho agrees but adds that the CFO needs to know how to tell the story in a language that others will understand. "Most people don't understand us very well. It's so important that we understand how non-finance people talk about numbers, because if we don't, inevitably the communication is ineffective," he says.

It's also important not to throw data at people and assume that it speaks for itself. Indeed, many a board pack is so clogged with extraneous data that it can be very difficult for even seasoned non-executive directors to get to the nub, making it more difficult for them to do their job and wasting precious board meeting time with clarification questions.

"People don't really digest numbers. They digest the story. It's difficult for finance people, especially audit-trained finance people, as we're trained to tell you everything out of risk aversion. But if you give them everything, then you may have lost the key message. It's about having the confidence to distil the key thing that you want them to know and that will enable an informed discussion," Ho says.

4. MAKE SUSTAINABILITY PART OF THE STRATEGY

To endure, a business must be sustainable, by definition. Yet many firms still treat sustainability as a compliance cost rather than a strategic necessity, partly because risk registers rarely extend far enough into the future to adequately capture existential threats, and markets often punish efforts to be sustainable if they add too heavily to costs.

One anonymous executive director says that it's hard to push an ESG agenda at board level because there is rarely a financial benefit beyond basic risk mitigation. They point to MSCI ratings, a common tool to measure a company's ESG performance. *"It may look better to have an A in your MSCI rating than a B, but once you have that rating, there's no financial benefit in taking it further."*

Burger King UK CFO Tim Doubleday sees a different way of approaching it. *"We don't just look at sustainability legislation as a risk and a cost, but also as an opportunity,"* says Doubleday, who is also chair of the Hospitality Sector Council's sustainability committee.

Reducing those costs and risks can be an investment against future increases, for example. Few expect the regulatory burden around greenhouse gas (GHG) emissions or plastic pollution to be lower in 2030 than today, so the long-term costs of inaction outweigh the cost of action.

In practical terms, Doubleday has three pieces of advice for CFOs looking to ensure their long-term plans are sustainable. The first is a classic: start by making the business case for the low-hanging fruit. For instance, LED light bulbs pay for themselves within a year. *"The beauty of changes like that is they give you the mandate to pursue more challenging sustainability changes with longer payback periods,"* Doubleday says.

His second piece of advice is that sustainability efforts are much more likely to succeed if they're congruent with the organisation's long-term direction, rather than being an add-on, because it means that you and your successors are much more likely to pursue them consistently.

> *"Whenever we set a sustainability target, it starts with what we are doing as a business. We don't have a separate sustainability agenda and business strategy – they need to be linked,"* Doubleday explains.

Lastly, set ambitious targets and report transparently on progress and challenges. Complex sustainability issues – such as balancing single-use plastics reduction with food waste, or higher animal welfare standards with GHG emissions – require ongoing evaluation and may call for adjustments to approaches to ensure continued progress.

CFOs are also well placed to help tackle systemic sustainability challenges that are too big for any one company to solve. Jackson talks about the value of experimental data from a community energy project, where Octopus Energy installed wind turbines in communities at a time of opposition to onshore wind, and offered a special energy tariff that was lower when the wind was blowing.

> *"We surveyed before and after, and there was an incredible transformation. When people had a vested interest in the turbine, it really changed how they felt about it. That real consumer data was very influential politically,"* Jackson explains.

Transparency and consistency of data can help industries to work together on common problems, says Doubleday, by allowing better benchmarking and reducing the risk of being accused of greenwashing. *"If we are talking about targets, then we all need to measure them in the same way, so that we don't have some businesses saying they've achieved a target because they've got a firm of accountants who are using a different methodology to another,"* he says.

CFOs, CEOs and even boards may not dictate how long-termist their organisation should be, but they all play an important part in the conversation of how to get there – increasingly by helping the business to move faster and more purposefully in times of uncertainty and change.

SHOULD GROWTH BE THE GOAL?

But what does long-term success actually mean, and does it need to involve getting bigger? Is long-term growth a means to an end, an end in itself, or a dead end?

When you're a venture-backed start-up, growth is a non-negotiable goal, not just to provide a necessary return to reward risk-taking investors, but also because scale is central to many of our models of success. Amazon and Walmart command column inches, not the local corner store.

But as companies mature, as all must eventually, the pursuit of long-term growth becomes more of a choice.

At first glance, it may not seem much of a choice. There are obvious advantages to increasing revenues – at least in the short term, with all other things being equal – including making it easier to raise capital and retain employees by offering better career prospects. In some cases, when companies have high levels of fixed costs, revenue growth also directly leads to growth in profits.

The long-term alternatives to growth aren't exactly appealing either. Under inflationary conditions, standing still effectively means shrinking. As former 3M CEO Sir George Buckley put it, *"the core of every business is decaying"* – it needs to innovate with new products and services if it's to survive.

But where does growth take you? Growing companies, by definition, get bigger – and bigger is not always better.

You can have large revenues and barely break-even; you can be the best in your field, generating a healthy return, but remain small. Scale is not always a viable goal for many companies – you won't find a funeral director or florist in the FTSE 100 or Fortune 500, no matter how brilliantly run.

There are also other ways of looking at success. Does size matter more than longevity, for example? The same family ran Nishiyama Onsen Keiunkan as a hot spring and inn at the foothills of Japan's Akaishi mountains from 705 to 2017 – 52 generations – without much expansion. It's hard to argue it was less successful than Enron, all too briefly one of the world's largest companies.

Besides, the choice for mature businesses isn't as simple as whether bigger is better or even whether growth itself is good. The choice is really about how aggressively to pursue growth, how much of a priority it should be, what role it plays within the company's strategy, and over what time horizon.

How hard should you chase growth?

Stuart Jackson has been Octopus Energy CFO since it began in 2015; the firm now has revenues over £12 billion – an experience that has left him with an appreciation for the virtues of actively targeting growth. *"Growth brings an incredible dynamism to the organisation. It stimulates a culture and a desire for people to drive harder,"* Jackson explains.

It's not always best to push for growth – sometimes markets or products aren't quite ready, he says, while other times the business needs to consolidate earlier expansion. *"But at its core, growth is important. Sometimes you have to push for growth more than seems sensible, just to get that dynamism."*

Jackson talks about how pursuing growth over the long term can help mission-driven companies like Octopus – its mission is to power the renewable energy transition – achieve that mission faster.

At the same time however, pushing for growth can have unintended consequences. Candida Davies, CFO at enterprise-ready content solutions business RWS, cautions against pursuing growth as an end in itself or assuming all growth is 'good'.

'Bad growth' – pursued in the wrong way, for the wrong reasons or at the wrong time – can destroy value, particularly if higher sales come at the expense of a healthy margin or balance sheet. Even if it seems like a short-term win, it can make a firm more vulnerable over the long term, by leaving it overexposed and under-focused.

> *"You have to find your niche. If you try to dominate all areas, you risk excelling at none and lose the ability to offer a differentiated service,"* says Davies. *"From a resource and investment prioritisation perspective, it's incredibly difficult to make the right choices if you're trying to be all things to all people."*

Revenue growth should also not be considered in isolation. RWS's strategy involves transforming the core business while cultivating smaller with high growth potential, so for Davies, growing the bottom line now is more important for the long term than growing sales, because it pays for the company to stay ahead of its transformation.

Danny Ho, CFO of leading Hong Kong telecoms company SmarTone, similarly warns against pursuing sales growth targets too aggressively: *"The danger of getting fixated on numbers, even over three or five years, is that you end up doing things you shouldn't."*

Telecoms was a growth market 15 years ago, Ho says, but those days ended as smartphone ownership plateaued. Today the market is saturated, and SmarTone has responded by positioning as a premium provider, with superior service quality and data security for families.

> *"It won't necessarily translate into profits or growth, because there's strong competition in a crowded marketplace and prices are coming down. We're not the cheapest but if it was only about price then people would have left us by now. If we hold onto that upper-tier value proposition, then we'll still be here long term so long as we're able to deliver the perceived value, while others that are just focused on financials today will struggle,"* Ho explains.

Another, anonymous CFO concurs, recalling the experience of being rotated into new roles at a multinational: *"We were given three-year plans to deliver and we made damn sure we delivered them because our bonuses were tied to them. We spent the first year cleaning up the last person's mess, had a good second year and then spent the third year creating a mess for the next person."*

This experience reveals a paradox: even when growth is desirable, incentivising it too strongly can directly lead to short-termism that destroys value and undermines growth prospects in the long-term.

The tension between short-term and long-term growth

The solution, as with many things, is balance. *"You can't run a company without looking at long-term growth. That would be disastrous, quite frankly,"* says Aleen Gulvanessian, chair of packaging company Macfarlane Group plc. *"You do have to… not prioritise it, because growth and profits go hand in hand, but make it part of what you're doing, all the time."*

Partly this is because growth is too important in the short term to ignore – those that do are unlikely to reach the long term. But partly, it is because of what long-term growth tells you about the company's underlying performance and trajectory.

"When you're developing your strategy, you're trying to look as far ahead as you can, but day-to-day you need a benchmark for where you're going," Gulvanessian says. If long-term growth isn't coming, it could tell you that your long-term strategy or transformation isn't working.

Macquarie Bank CEO Stuart Green talks about growth in terms of the long-term evolution of the business: *"We're big believers in creative destruction. If you don't change and evolve, given that the world is changing and evolving quite significantly, then you won't survive."*

Long-term growth, in that sense, can be an outcome and a measure of successful evolution, or indeed whatever else the company is trying to achieve in the long term. If it does a good job, it will grow, and that will be a good thing, so long as revenue growth doesn't become the point of the business.

The challenge of achieving sustainable growth

There is a clear case for business growth. It rewards excellence and innovation in competitive markets, resulting in better products and services, better jobs, and higher taxation revenues to pay for public services. When taken together, it directly powers economic growth, which has delivered vast social benefits, not least taking much of the world out of deprivation.

But this argument only goes so far, particularly when looked at over the long term, because of the inherent tension between macroeconomic growth and the environmental cost: the pursuit of ever more growth must eventually hit a wall in a world of finite, shared resources.

For Patrick Butcher, former CFO at Capita plc, Network Rail and Go Ahead, and now a non-executive at a portfolio of companies including Endava and Restore plc, this tension seems to be irresolvable.

"The important question is why is economic growth important? The answer to which is, it probably isn't. We've made it important because we've created a world where GDP growth has become a proxy for good. Growing by 2% every year for 1,000 years is an impossibility without a fundamental change to the amount of resources consumed," Butcher says.

The moral question therefore revolves around what businesses do to make their growth sustainable. One solution – pursued by the energy industry – is to continue the same activities but try to reduce the associated harms, though Butcher is doubtful that the same good can be delivered through the same activity with no harm at all.

Others are more optimistic about the prospect of sustainable growth. For Green, Macquarie's long-term business growth is fundamentally linked to its social function. *"We are custodians of other people's money, so we need to be careful with it and deliver an appropriate return, so they can have the resources to live the life that they want, particularly in their retirement. If we're not earning an appropriate return for them, then whole societies struggle and suffer,"* Green says.

Earning that return need not be at odds with environmental or social goals. *"Communities, and the people who provide you with your capital, expect you to work within certain standards. We don't exist in a vacuum from the communities and economies where we operate and many of the solutions we provide contribute to unmet community need. We are part of them, and we have to play our role within them,"* Green says.

For Macquarie, part of that role could be to support societies in building essential infrastructure that governments would struggle to finance without private capital, including relating to the energy transition itself.

"There are two words in 'energy transition' and most of the attention goes on the first word. We're very much focused on the transition, which will necessarily play out over a long period of time. We're all on a journey and need to try to achieve clear outcomes in a reasonable timeframe, but it's not simple," Green says.

Adnams CEO Jenny Hanlon shares a similar view, at a smaller scale. Just looking at the operations of her brewery, pubs and hotels, Hanlon believes financial performance – particularly profitable growth – should not be seen as antithetical to the health of societies and the environment.

"Profit isn't a swear word," she says from Adnams' HQ, a site noted for its distribution centre's sedum roof and rainwater toilets, not far from the Suffolk coast. *"You can be sustainably profitable and sustainable for the planet. In fact, to be a sustainable business you have to make profits, because it's with those profits that you enable yourself to be sustainable in other ways."*

Essentially, business activities as carried out today may not need to be indefinitely sustainable, so long as they enable the transition to a future economy that is sustainable.

Getting stakeholder support for long term, sustainable growth

Leaders may believe that growth is compatible with running their business in a sustainable, responsible way. They may not. But how free are they to make that choice?

After all, competitors may not share their values, and the market sometimes rewards those aggressively pursuing short-term profits over those prioritising long-term returns. Butcher believes that certain industries are inherently more short-term oriented – *"if you're doing more harm than good, you can, by definition, only have a short-term agenda"* – but that others can become captured by this mindset.

Clothing, and the rise of fast fashion, draw his particular ire: "The average quality of clothing has declined, the price has come down, the environmental destruction as a consequence of clothing has gone up. The jobs created have typically been outsourced far away where pay is low and conditions are poor.

The problem is particularly acute where international competition encourages a race to the bottom. Some clothing firms do pursue a more sustainable long-term strategy, and this can become a competitive advantage, Butcher notes – Barbour, for example, will repair its jackets for life. But he says that many that have tried are no longer with us, because doing things the right way often makes products more expensive.

Even if a more sustainable, long-term approach to growth is possible competitively, management rarely gets the final say. After all, capitalism is built around investors and owners of companies getting a return for their investment.

Alignment between management and owners is therefore essential. For Hanlon, this is made easier by the fact that the majority of Adnams' shares are held by founding family members, or others with equally long-term commitments: if owners see themselves as generational stewards, it gives management license to prioritise longevity and sustainability.

As a chair, Gulvanessian acts as a bridge between investors and the board, alongside Macfarlane's CEO.

> *"You have to take into account what shareholders want, because if you don't, then you will lose them, at your peril. But equally, if you have a strategy that in the short term might mean taking a hit, you have to be very clear about where it's going, what the timing is and why you're doing it. If you can explain that to them, and they see the sense of it, then I think most will support you,"* she says.

Regularity of contact, and above all honesty, are essential. "**If shareholders stop believing in you, because you haven't been honest, then they will not stay loyal. In a sense you get the shareholders you deserve,"** Gulvanessian says.

The CFO has a particular role here, as a source of both hard facts and incisive financial commentary: by communicating these clearly and impactfully with the board, they can help establish a more honest and open dialogue.

Shared purpose

But what if shareholders and the board just cannot agree whether the company should prioritise long term sustainable growth over short term results?

The limits of C-suite power were displayed in several high-profile revolts against sustainability focussed growth strategies at companies like BP, Unilever and Danone.

> *"Every business has a purpose. It's the job of the senior executives and the board to understand that purpose. If they're uncomfortable with it, then either they've got to leave, or they've got to work to change it,"* Butcher says, flatly.

That might seem easier said than done, he admits, but sometimes actions speak louder than words. *"Purpose is determined by actions, and the people who determine most of the actions are the senior executives,"* Butcher says.

Management has agency, then, but not control. They can make the case, through their actions as well as their words, for a more long-term, sustainable view of growth, or for a more short-term view, but it is not entirely up to them.

It may never be clear cut what the best route to long-term, sustainable growth is or how much growth is good – for the business or the planet. But bigger may not always be better.

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