



The rise of the Chief Sustainability Officer

How sustainability leadership can
unlock business resilience, innovation
and future performance

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Introduction

Sustainability leadership is at a turning point. The systemic nature of climate change is clear to see and with it the realisation that the global economy faces an existential threat.

The shift to net zero is accelerating, with an emphasis on a just transition that delivers a more resilient and prosperous future. The role and purpose of business in society also is evolving at pace. Customers, investors, and employees are demanding that companies play a more active role in progressing social change and provide a sustainable and values-oriented market system. One that looks beyond profit alone.

Sustainability leadership and the role of the Chief Sustainability Officer has never been more important.

The global response to the COVID-19 pandemic showed just how quickly organisations can mobilise and collaborate in the face of systemic risks. The crisis itself may be seen as “a dress rehearsal”¹ for potential climate disruptions to come – but it also emphasised the important role of Chief Sustainability Officers (CSOs) and their teams. Their responsibilities focus on resilience as a core part of business strategy and

embedding positive social impact within the organisation’s purpose.

We interviewed more than 50 CEOs and CSOs in organisations around the world, to understand the role sustainability now plays in their operations, strategy, culture and leadership. There was a shared conviction that 2020 has become a tipping point for sustainability as a business imperative.

As Steve Howard, Chief Sustainability Officer, Temasek and Co-Chair of ‘We Mean Business Coalition’ told us,

“Asset managers and shareholders like stability and growth. Neither are certain in the current environment, nor going forward – so for the first time in history the sustainability agenda has become a material determinant of success, and perhaps even survival, for companies.”

¹ Climate Leadership Now, the new bar for business action on climate change, We Mean Business Coalition, September 2020

Re-imagine the role of the Chief Sustainability Officer, as expectations for change accelerate

When the Paris Agreement was adopted in December 2015, it became the first universal, legally-binding global climate change agreement. Formalising a commitment to limit global warming to well below 2°C, it also aimed to strengthen the ability of countries to deal with the impacts of climate change. By early 2021, more than 12,000 companies from 160 countries had signed up to the UN Global Compact – pledging to play their part in keeping global warming below 1.5°C.²

There is increased pressure from investors, customers, and employees to make positive contributions to change, as well as regulatory and policy shifts. And this growing movement makes ESG goals core to business strategy.

COVID-19 has only accelerated this understanding. As another CSO said to us,

“you are either part of the solution, or part of the problem.”

ESG and commercial agendas are now coming closer together – signalling a shift from ‘shareholder capitalism’ to ‘stakeholder capitalism’ – where companies are expected to create long-term value for customers, employees, society and the planet.

The global response to COVID has shown what can be achieved collectively, with a sense of urgency, when crisis strikes. And with climate change, the risks may be irreversible. This is the moment for leaders to innovate and re-imagine the role of the Chief Sustainability Officer in their organisation.

Fundamental to future growth

There is no longer a tension between sustainability and profit – the only tension is one of timeframe. Sustainability requires investment and commitment today, to build future resilience. When executed well, the benefits are far-reaching – impacting the entire business.

In 2019, almost 200 leading CEOs challenged the long-standing assumption that corporates exist to ‘advance the interests of shareholders’. “We share a fundamental commitment to all of our stakeholders,” the Business Roundtable group said – explaining that this includes investing in their employees, protecting the environment and dealing fairly and ethically with suppliers.³

Yet for some leaders, sustainability can be a polarising and much misunderstood word, seen as a silo within environmental, supply chain, or risk and compliance, rather than core strategy.

² United Nations Global Compact – See who’s involved, UN Global Compact, January 14 2021

³ Shareholder Value Is No Longer Everything, Top C.E.O.s Say, New York Times, August 19 2019


Strategic direction and counsel

The CSO role has evolved rapidly over the last 20 years. By 2014, 90 of the S&P 500 companies had a CSO, and numbers have grown steadily from there.

Through our interviews and research, we certainly see sustainability leaders increasingly operating at C-suite level. To provide credible and trusted guidance, these CSOs are able to talk the language of business, effectively manage and persuade stakeholders, and show acumen outside the 'sustainability bubble'.

In this paper, we outline Korn Ferry's Executive Success Profile for the CSO - a perspective of the capabilities and attributes organisations will need to seek in their future CSO. And we discuss ways to make change happen, capitalising on the momentum within organisations and economies around the world.



A man in a blue suit and striped tie is walking on a paved path in a park. The background is filled with lush green trees. A large, dark green graphic overlay covers the right side of the image, featuring a white outline of a tree trunk and branches. Inside this graphic, a quote is written in white text.

“There is no longer a tension between sustainability and profit – the only tension is one of timeframe.”



Part

The ideal CSO

Sustainability leaders have had to adapt to growing demands and pressures on their function. But this can create differing priorities and expectations across the organisation - which may lead to inefficiencies, duplication, or even chaos. As one CSO put it,

“despite being a strategic pillar for us, the word sustainability is much misunderstood and there is a prevailing sense of ‘where exactly do I fit?’”

These inconsistencies mean CSOs are often called on to break down siloes. As another CSO says, you need to


“be a tempered radical, with a healthy disregard for rules and the status quo.”

Sustainability is systemic - it touches everything. Typically, we see it sitting between strategy and the CEO's office. CSOs are then highly dependent on building relationships to deliver change, internal and external, by working across multiple business areas such as strategy, risk, finance, corporate affairs, R&D and commercial functions.


The impatient optimist

To take calculated risks - seizing any opportunity, large or small - a combination of passion, risk tolerance and resilience is essential. “Be the spider in the web - know how to get traction at the highest levels. Shape but don't deliver,” suggested a CSO.

CSOs are also perceived as the ‘Chief Translation Officer’, simplifying complex ideas and communicating the correlation between risk, trust, growth and cost. Getting buy-in means articulating value for the business - an ability to “meet the business where it is at.” They may not be the one making the decisions, but CSOs can achieve those goals through others with an ability to engage and inspire, and a willingness to fail fast and often.



“Be the spider in the web – know how to get traction at the highest levels. Shape but don’t deliver.”





Balancing resilience with passion

According to our interviewees, it can take time to deliver success. In their experience, sustainability professionals can be derailed if they exhibit any of the following tendencies:



Altruism
over
Business acumen



Ego or over-confidence
over
Exploring possibilities



Rigidity
over
Tolerance for
ambiguity



Thinking too small
over
A world view of the
business in society



Inauthenticity
over
Ability to influence
at every level.

In defining an Executive Success Profile for the CSO role, Korn Ferry has identified three functional accountabilities.

01

Executive committee membership

Typically, the CSO reports directly to the CEO, with the mandate and perception that comes with it. Alternative homes include Strategy or Corporate Affairs, with a small, lean central team within a 'hub and spoke model'.

02

Address material sustainability impacts

The CSO must deeply understand the material impact of sustainability risks to create positive impact and unlock value. Sustainable Development Goals (SDGs) provide additional reference points to measure business impact, but materiality should guide focus.

03

Partnership approach

The business delivers – the CSO is the guide. The capabilities to achieve SDGs must come from across the organisation. To make the business case, CSOs need to anticipate business trends, and understand how sustainability relates back to the business with shared accountability.

It's important to note that investment in this role has grown exponentially in recent years. Although some budgets have been reigned back due to the economic impact of COVID-19, these cost controls are perceived as temporary – because sustainability is now accepted as an investment in future survival.

“In some ways COVID has cleared the fog and scrutinised the ‘just in time’ system – proving the need for a more resilient one.”

Eric Soubeiran, Vice-President
Nature and Cycles (CSO)



The sustainability team

While we are seeing CSOs receive additional support with specialist capabilities, the central sustainability teams remain lean. Instead, the mantra remains 'empower the business'. The sustainability function works closely with a broad internal ecosystem, including the CEO, CFO and HR, as well as strategy, risk, R&D/innovation and corporate affairs functions.

As a minimum, the team requires expertise in non-financial reporting, data, insights and trends analysis, advocacy, environment (climate) and social purpose. Some businesses may also require expertise in areas such as supply chain due diligence, or have operational execution teams that can work within the business across multiple workstreams.

We are also seeing the rise of Sustainability Champions within the business. Their goal is to accelerate change, increase a sense of agency and accountability, and provide a vital two-way flow of information. As one CSO said,

“I don't make the distinction between the function and the business. Sustainability is part of our core purpose, and so our sustainability teams are the enablers and catalyst.”

Alexandra Brand – Chief Sustainability Officer, Syngenta

CSO success profile

This pivotal leadership role is constantly evolving, so rather than defining skills and attributes Korn Ferry has created a talent and leadership blueprint – the success profile – which is a future-focused view of what success looks like in the CSO role.

Built on our proprietary KF4D model, this success profile positions the CSO more as an ‘enterprise leader’ in mindset and skillset than a functional expert with a narrow experience set.



“Sustainability has to be part of the value proposition – demonstrating at least one of growth, building trust, reducing risk or lowering cost. In this way, you show the direct link to the business case.”

Rebecca Marmot
– Chief Sustainability Officer,
Unilever

Competencies

There may be momentum today, but the CSO needs grit and persistence to capitalise on this and drive meaningful change.

- Strategic thinking
- Resilience through a long 'arc of change'
- Customer focus and a broad global perspective
- The ability to persuade and influence to navigate multiple stakeholder agendas
- Ability to demonstrate impact and results
- Navigates internal and external networks – you need partners to tackle challenge on this scale

Experiences

For success at the pinnacle of the function, CSOs need to be seen as a credible and trusted advisor. Possessing a strong degree of business acumen, they are future-focused thought leaders with the ability to communicate with impact.

- Intuition and anticipation honed through experience in strategic leadership roles
- Proven ability to communicate in a way that inspires and drives change, and contributes to the global debate
- Expertise across the sustainability spectrum in a range of industry sectors and geographic markets
- Leadership capability and strong business acumen, capable of managing multiple workstreams and driving transformation in a complex matrix environment
- Track record of working in partnership with external organisations

Traits

With a strong sense of agency, successful CSOs believe they have the ability to drive change and secure a more sustainable future.

- Ability to build relationships and social capital
- Authenticity and self-awareness
- Comfortable with change; navigating ambiguity and providing clarity to others
- Intellectual curiosity and open to other views.

Drivers

CSOs are almost universally driven by their mission and will increasingly act as the 'purveyor of purpose'.

- Sustainability is core to their identity and purpose in life
- Energised by partnerships and the complexity of such significant challenges
- Desire to operationalise the sustainability agenda – building processes and structures
- Limited need for power and recognition, although comfortable with openly speaking out and challenging the status quo.



Part

Making change happen

Successfully implementing sustainable strategies may require fundamental transformation of an organisation, grounded in its purpose. By shifting perceptions and building employee advocacy, the CSO can make sustainability part of everyone's responsibility. When it's embedded in the culture, business as usual activities are more likely to contribute to sustainability goals.

This is about 'good growth', rather than 'growth for growth's sake' – and it takes the whole organisation to achieve it.

Shaping culture transformation

First and foremost, leading CSOs recognise culture change has to be human-centric. People are their primary focus in driving change – uniting and empowering everyone behind a bold purpose. People need the right mindset to move past how things were, to how things need to be.

That may begin with fellow members of the leadership team and board.

During disruptive change, the CEO has to be the 'chief culture officer', a visible champion and architect for the necessary shift in beliefs and behaviours to underpin a transition to sustainable principles and practices. Culture change has to be bottom up and middle out as well as top down, and so the CSO can help by making it easy and appealing for influencers in the engine room and the front line to engage in the movement and promote change.

To create change with momentum, CSOs need to first build a culture of trust and understanding. This may mean going against the prevailing mindset and to facilitate meaningful change

CSOs need to change mindset at scale – across the entire organisation. There is often long-held resistance to change, and a lack of broader commitment can hinder progress.

Altruism alone doesn't build the case for change. A commitment to sustainability needs to be woven through the entire organisation as a core value and a way of working. Anything less, and customers, investors and other stakeholders will see it as insincere greenwashing.

So how do you achieve this conscious buy-in?

First, be mindful of potential roadblocks. “The tyranny of middle management could not be more true in this case, **You need to mobilise mid-level leaders and change their mindset.** Excitement from the troops and the CEO are not enough. You need to meet the business managers where they are and use sustainability to help them drive their current strategy, build the trust, then collaborate on a vision to expand their market and deliver new value.”

Curtis D. Ravenel - Founder & Former Global Head, Sustainable Business & Finance Group, Bloomberg LP and Senior Advisor to Mark Carney, COP 26 Finance Adviser and UN Special Envoy

One way to get mid-level buy in and behaviour change is to show the commercial business case, and then help them align on strategy.

“Sustainability has to be part of the value proposition – demonstrating at least one of growth, building trust, reducing risk or lowering cost. In this way, you show the direct link to the business case.”

Rebecca Marmot – Chief Sustainability Officer, Unilever

By shifting the focus from ‘doing less bad’ to ‘doing more good’, sustainability is perceived as an enabler or even creator of business, rather than a cost or reporting function.

The 2020 Edelman Trust Barometer found ethical drivers such as purpose or integrity are three times more important to company trust than competence. 74% of respondents believe CEOs should take the lead on change, and 73% say it’s important their leaders speak out on climate change.⁴

Determine where your organisation sits on the sustainability maturity model, from ‘lagging’ to ‘pioneering’. Then work out how you could move through it, by focusing on growth, risk, cost or trust.

⁴ 2020 Edelman Trust Barometer, January 19, 2020





*“Sustainability needs
to be integral to
your strategy, your
business model,
your value proposition
and your culture”*

*Olivier Blum -
Chief Strategy & Sustainability Officer,
Schneider Electric*

Businesses must decide where they want to be on the 'Sustainability Maturity Model'

Businesses need to decide how they will address sustainability through the lenses of growth, risk, costs and trust, asking themselves where they want to play and how they want to play.

01

Lagging

- Regulatory enforcement
- Adherence to social, health and environmental standards
- Linear take-make-waste model

02

Keeping up

- Operational eco-efficiencies
- Resource conservation, reduced carbon foot-print and waste management
- Maximising reputation and shareholder value
- Continuous learning

03

Transforming

- Sustainability embedded in company values and practices
- Cleaner and eco-effective products (competitive edge)
- Sustainable borrow-use-return (circular economy)

04

Pioneering

- Industry disruption and transformation
- Alliances and partnerships
- Ecological re-design and biomimicry (societal impact)
- Business focus on profit, people and planet (triple bottom line)

Be ambitious, stay committed and accountable

With sustainability defined as a core part of the strategy and embedded within existing KPIs, CSOs can dial up the level of ambition – leaving no room for indifference or half-hearted efforts. The strategy must be clear and ‘all in’, or it is immediately undermined. It also needs to have a long-term horizon.

“There can be myopia about what value looks like,” said one CSO. Commercial opportunities can also create additional value – such as market share or differentiation from peers.

A common theme from our interviews was the importance of progress over perfection.

“Be bold and learn by doing was the best lesson learned on the journey for us,”

said one CSO. Another noted the importance of getting comfortable with vulnerability.

“Avoid paralysis by analysis. Set challenging targets, and do not be nervous over being held to account for failure. Embrace the mistakes, be courageous and confident in an authentic purpose.”

Dorothee D’Herde – Head of Sustainable Business, Vodafone Group

There is also general consensus that business needs to lead the charge, and not wait for governments to step in. “Don’t wait to be regulated! Expectations for progress, measurement and transparency have changed, and investors are getting a lot hotter on the data,” suggested a CSO.

Governance is a critical part of the sustainability function, and our interviewees noted that disclosure requirements are “significant and increasing.” There are high levels of scrutiny – and risk – and some assessments can be complex, and subjective.

That’s why operationalising sustainability – giving it structure – is necessary. You need metrics to back change – such as aligned drivers with production, supply chain and logistics, or customer or investment assessments.

And finally, rewards should also be linked to sustainability goals or it’s too easy to fall back into a short-term revenue focus.

Re-imagining leadership

To make lasting change happen, CSOs need to be able to inspire a movement. Sustainability professionals are often technically able, but creating change at scale is difficult and much of the role is about creating a sense of agency and enabling others.

Being able to deliver through others was a consistent 'must have' in our interviews, although this is not about micro-management. Leaders are able to anchor sustainability in the organisation, then learn to let go. They can also resolve dynamic tension between accelerating the speed of change, and leading through consensus. And while they can manage with ambiguity, they do not work in a constant state of grey – as they need to provide clarity to enable progress through others.

In essence, the CSO should drive strategy and change, or as one interviewee put it “perform ‘institutional acupuncture’ and find the areas to unlock.” Their team can then focus on enablement, implementation and measurement.

Dorothee D’Herde, Head of Sustainable Business, Vodafone Group described this skill as “demonstrating collective vulnerability.” Listening to all stakeholders with an open mind because “you can’t have all the answers – and empathy can build bridges.”

This can help you identify where the business can make a real difference – and set ambitious targets. “The best goals are the ones we have no clue how to get to,” one CSO told us.



Be ambitious

set absolute goals



Understand

all points of view



Identify opportunities

then enable



Lead

through consensus –
learn to let go



Develop the momentum

for change.

Measuring impact

We have defined the traits and characteristics of a successful CSO in this paper. But how are organisations measuring that success? Our interviewees share a broad range of success metrics, including:

Executive buy in

“Success means a mandate from leadership, such as the CEO or Chair, and a strategic approach instead of a firefighting function.”

Tangible value

Sustainability targets can be linked to growth, brand transformation, top line revenue, share price, or other financial measures.

For example, INSEAD research has found firms that appointed a CSO registered a higher Tobin's Q a year later - a measure of the market's long term valuation of the firm.⁵

Organisation-wide buy in

“Success is when you have made sustainability everyone's job. It should sit at the highest corporate level and be integrated in executive leadership.”

Eric Soubeiran, Vice-President Nature and Cycles (CSO), Danone

“We manage the resiliency risks that investors care about, avoid SDG box-ticking, and use proof points to measure against targets. Our goal is to be the best version of ourselves - pragmatism not fantasy.”

“Others delivering on my agenda!”

“Success is having future-proofed the business and engaged employees.”

⁵ How to Make the Most of a Chief Sustainability Officer, Guoli Chen, INSEAD Associate Professor of Strategy, August 18, 2020

2021 and beyond

With a growing urgency for change and heightened expectations across all stakeholders, sustainability has been given board-level priority. It is now a standing item on board agendas for all companies regardless of industry, geography, size and scale.

Sustainability is more than an individual or function, it is a strategy with purpose. Its mandate is to make the business take ownership of the agenda, shift operating models and ways of working, and can ultimately provide a competitive advantage in the market through product or service innovation, improved trust, cost reduction and resilience.

As the focus on sustainability increases exponentially, so does the demand for talent in this field. At the same time, organisations have traditionally under-invested in this function - limiting the leadership pipeline. Because recruitment draws on a wide range of backgrounds by necessity, we find some professionals are underprepared for the highest levels of leadership.

As we've outlined, the pressures on sustainability leaders are immense. They need to be able to navigate the conflicting needs of multiple stakeholders, influence at every level, demonstrate business acumen, and show courage and resilience. Rewards should be linked to their ability to show value and measurable success within short-term and long-term horizons.

And as the CSO's role becomes more vital to the future success - or even survival - of the organisation, it's also increasingly likely the function may become a stepping stone to CEO leadership.

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“The best goals
are the ones we
have no clue
how to get to.”

Steve Howard –
Chief Sustainability Officer, Temasek and
Co-Chair of We Mean Business Coalition

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