

License to Transform

A Guide for CEOs on the State of Sustainability Leadership

In 2016, Spencer Stuart conducted a study of sustainability leaders in global companies. Our aim was to help CEOs illuminate the current state, and future, of the CSO role and function. Earlier this year, we repeated this research with the same aim, albeit in a very different world.

Six years ago, sustainability still only felt like an emergent trend. Today, it's firmly embedded in board and CEO agendas, with more chief sustainability officers (CSOs) appointed in 2021 alone than between 2016 and 2020.¹ And yet, major sustainability challenges, from climate change to living standards, are still miles away from being solved.

We are living in the “decade of delivery”; a time when sustainability has become not only a core strategic consideration and direction for businesses, but a driver of innovation and attractor of talent. Sustainability leaders have newfound prominence and an expanded mandate.

But what is the nature of this mandate today? How are sustainability leaders and their teams interacting and connecting with the rest of their organization? Do they have access to the necessary resources, and the license to influence mindsets and culture? In a nutshell, what drives success for today's sustainability leaders, and what is getting in the way? How can CEOs help?

About the research

In partnership with Kite Insights we surveyed sustainability leaders from a range of sectors in the summer of 2022, receiving 95 responses from around the world. In parallel, we interviewed nine sustainability leaders at the forefront of change, adding insights from our own advisory work to build a picture of their reality. Read the full report [here](#).

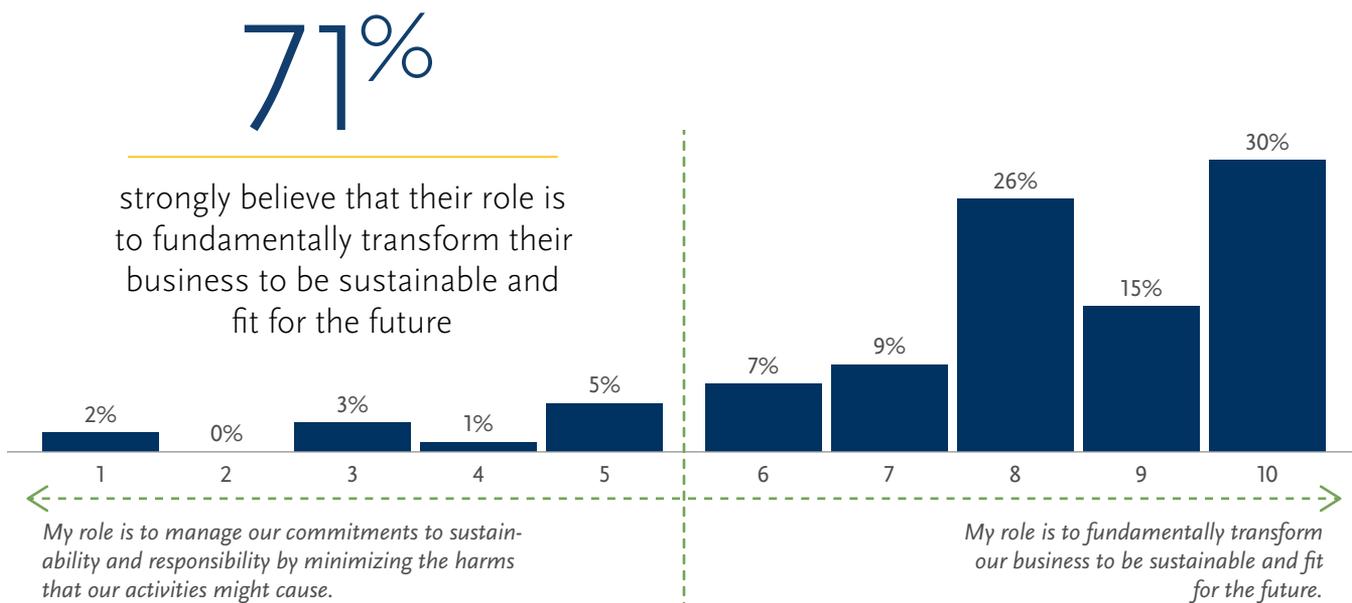
Five things CEOs need to know

1. For sustainability leaders, success means transforming their business for long-term success

Ask a CSO today and they'll tell you that their remit is to transform their business. Almost half (47%) of leaders said that their sustainability strategy is already "very" embedded in the overall business strategy of their organization.

The large majority of sustainability leaders say that their role is to transform and future-proof the business.

Q. Please position yourself on this scale. [Place yourself on this 1 to 10 scale according to how reflective the statements are of your role.] N = 94.



The modern mandate of CSOs calls for a wide range of skills. Not only does sustainability today encompass a vast range of issues from climate change to human rights to living standards, it also requires working across the whole organization to transform the business and embed these concepts in the ways people work.

The success of this transformation process depends on CSOs having a deep understanding of the "nuts and bolts" of their organizations: a familiarity with the business model, operations and practices that underpin it. They also need emotional intelligence to be able to interact and collaborate with a range of leaders and functions.

Questions for the CEO

- » Is the definition of success for your CSO aligned with a transformation mandate?
- » Do other parts of your business recognize the role of the CSO as transformation-oriented?
- » Would your CSO benefit from a deeper understanding of the business model and the operations that underpin it?

2. CSOs need their bosses to do more than support their agenda

Today, 91% of sustainability leaders say their CEOs are actively supporting their sustainability strategy — a significant change since 2016, when only 49% of them said so. Back then, 25% of CSOs cited a lack of engagement from leadership as one of the main barriers to the implementation of the sustainability strategy. That figure has since dropped to 6%.

Support from the CEO is still important — CSOs who report directly to the CEO (46%) are more likely to declare their strategy as “very ambitious” and to say that they are “very well positioned” to deliver it. But support alone is not enough.

To achieve such a fundamental mandate as business transformation, sustainability leaders must have the commensurate authority and resources. And they need others to share their ambition. When asked what CEOs could do to help them get their job done, sustainability leaders highlighted the continued need to integrate sustainability into their company’s core business strategy. The other most common answers centered on spreading accountability for sustainability.

Sustainability leaders want their bosses to do more to put sustainability at the core of the business, including by using it to define responsibility and success.

Q. What are the top three ways leadership could help you get your job done? [Please select exactly three responses.] N = 94. Other options offered in this question have been excluded from this chart.



Questions for the CEO

- » How is responsibility for sustainability shared across your leadership team?
- » Beyond advocacy and endorsement, how else can you give your support to the sustainability agenda?
- » Are there opportunities to integrate sustainability into other aspects of your decision-making?

3. Some parts of the business are used to working with sustainability — others are not

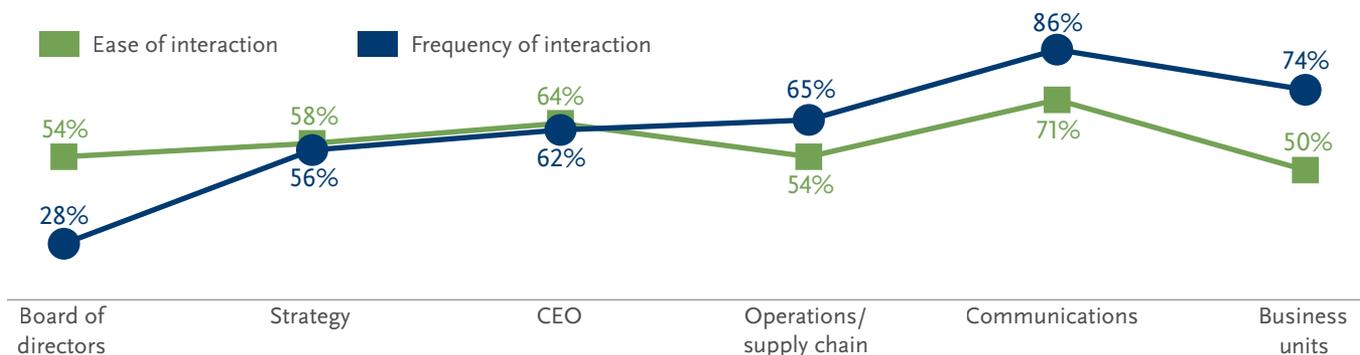
Given the significant cultural and operational transformation involved in embedding sustainability, sustainability leaders need to be interacting with the rest of the business.

Our results show that progress is still very unequal in terms of buy-in and cooperation from other parts of the business. Sustainability leaders are working well and frequently with communications teams, for example. What’s more, 40% say that their sustainability strategy has had a substantial positive influence on attracting talent, and 29% say the same about building positive customer perception.

But elsewhere, in operations and supply chain, sustainability leaders are struggling to turn their ambition into a reality. This challenge is currently exacerbated by the absence of the skill sets in the business needed to implement their sustainability strategy (41% of sustainability leaders highlighted this as one of their most pressing challenges).

Sustainability leaders interact frequently with many parts of the business. However, sustainability leaders find it far easier to achieve positive outcomes with functions like communications and strategy with which they have old ties. Interacting with the wider business is harder.

Q: How frequently do you interact with the following functions/parts of your business? [On a scale of 1 to 4 where 1 = “Never or almost never” and 4 = “Very frequently,” or select “No opinion”] and Q: How easy do you find it to achieve good outcomes when interacting with each of the following functions/parts of your business (e.g., get the information you need, have a material influence on decision-making, get support for a certain initiative, etc.)? [On a scale of 1 to 4 where 1 = “Very difficult” and 4 = “Very easy,” or select “No opinion”]. N = 92. Responses converted to a weighted score. A score of 100 is equivalent to all respondents having selected “Very frequently” or “Very easy.”



The challenge leaders face in integrating sustainability into the core business is reflected in the fact that only a small proportion of CSOs say that sustainability strategy is having a substantial positive influence on revenue or cost reduction (18% and 7%, respectively). Achieving such an impact on the bottom line will require CSOs to succeed in working with more central functions of the business.

Questions for the CEO

- » Are there particular functions or parts of your business that are blocking progress?
- » What do business leaders and teams need to know to be able to work better with sustainability?
- » How frequently should your CSO interact with each part of your business?

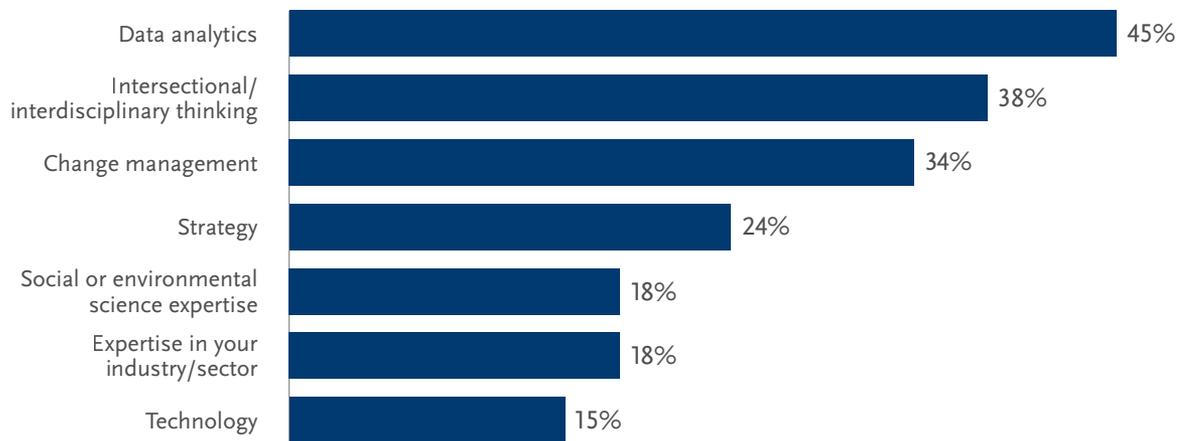
4. The modern sustainability function requires a new and diverse set of skills

While they don't necessarily expect their teams to grow in size, sustainability leaders are focused on securing the right skills to support their work and mandate. In 2016, 46% of sustainability leaders said they were most in need of communications skills; today only 8% say the same.

Instead, data analytics (45%), interdisciplinary/intersectional thinking (38%) and change management (34%) were highlighted as the most in-demand skills for the sustainability function, illustrating the diverse skills needs of shifting focus toward transformation.

Sustainability leaders see a greater need for skills that will support reporting demands and efforts to embed a nuanced understanding of sustainability across business.

Q. Which of the following skills will your sustainability team need more of in the future? [Please select up to three.] N = 94. Other options offered in this question have been excluded from this chart.



Data analytics are essential to companies trying to understand and report on complex sustainability issues in their supply chain. This task is all the more challenging since ESG standards and frameworks are still very diffuse.² A quarter of CSOs highlight complex and/or onerous reporting demands and practical difficulties in measuring impact as frequent challenges today.

At the same time, intersectional and interdisciplinary thinking and change management are also essential to considering the multiple facets of ESG in a cohesive and strategic manner, and to be able to bring that thinking into the rest of the business.

Questions for the CEO

- » Does your sustainability function have the right blend of skills to deliver transformation?
- » What systems and tools are you using to support the collection and analysis of sustainability data?
- » Should your CSO be someone with deep understanding and influence inside the business, or an externally hired subject matter expert who can bring in new skills?

5. The sustainability function can guide the rest of your business into the future

If the ultimate goal is for sustainability to become embedded in a business, some might ask if the role of the CSO might eventually disappear, just as the chief digital officer role has mostly faded away with widespread adoption of digital skills across the enterprise. But the leaders we spoke to reject this idea, on the premise that there will always be a need for a center of excellence that acts as a central hub and shares a deep understanding of sustainability and its latest developments, and provides guidance and input into the development of company strategy.

In the immediate term, sustainability leaders are focused on delivery: 70% of sustainability leaders said that they were focused on developing more detailed implementation plans, and more than half are planning to invest in them further over this coming year.

A delivery focus doesn't necessarily mean a big team. While the vast majority (80%) of sustainability leaders say that they expect the budget of their function to increase in the coming two years, only 35% expect their headcount to grow in the same period.

Sustainability leaders are focused on delivery of their strategies. They intend to build on those existing plans with further detail, and bring in more skills and talent to support them.

Q. Which activities are you focused on today, and what activities are you most likely to increase your investment in in the next 12 months?
[Please select up to three.] N = 92.

	Focused on today	Further investment in the next 12 months
Developing more detailed implementation plans to deliver our existing goals	70%	57%
Further engagement with senior leadership teams about our climate strategy	34%	31%
Establishing or joining partnerships with other organizations	32%	24%
Training of employees about sustainability and the skills they need to support our strategy	29%	29%
Establishing means for employees to contribute to our sustainability strategy	25%	18%
External communications to profile our commitments and achievements	23%	21%
Revisiting or adding specificity to our existing commitments and implementation plans	22%	30%
Hiring new skill sets into the sustainability function	20%	29%
Restructuring to focus the business on sustainability goals/strategy	15%	18%
Internal communications to socialize our goals and strategy	9%	5%
Focusing our activities on certain key functions/parts of the business	9%	9%

Questions for the CEO

- » Does your company have a detailed plan for how it will achieve its sustainability goals?
- » Do you understand what budgets your sustainability function will require in the future?
- » How might the remit of your CSO evolve as you progress toward your sustainability goals?

Leading change

The role of the sustainability leader continues to evolve in a world pressed by urgent climate and social challenges. Sustainability leaders now have more executive support than ever before and a mandate to fundamentally transform the business by influencing new business models and driving innovation and new products. Although this transformation is being executed with varying success, sustainability leaders will also need to work with their CEOs to drive a profound culture change and embed a sustainability mindset across the enterprise.

In this crucial decade of delivery in which so much must change, Spencer Stuart will be checking in with sustainability leaders more often by repeating this study on a regular basis. We'll be tracking their efforts to further embed sustainability in the business and drive progress, unpacking the new challenges and new drivers of success that emerge.



This article highlights a selection of findings from [Spencer Stuart's 2022 Survey of Sustainability Leaders](#). If you would like to learn more about this research and contribute to its future iterations, please [contact us](#).

¹ Strategy&. [Empowered Chief Sustainability Officers](#). 2022.

² Berg, F., Koelbel, J.F. and Rigobon, R., 2019. [Aggregate confusion: The divergence of ESG ratings](#). Forthcoming Review of Finance.



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About Spencer Stuart

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We draw on our unique insights to help boards and executive teams to catalyze the change needed in addressing the world's major societal and environmental challenges.

Our global and cross-sector expertise allows us to understand the pressing and emerging issues, identify the character and capabilities leaders will require and find the people with the right attributes to deliver progress. We then stay alongside those individuals to help them maximize their impact, while preparing boards to navigate the conflicts inherent in this changing landscape.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit www.spencerstuart.com.

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