Live Green or Die” is how a recent BusinessWeek cover story describes General Motors Corp.’s current challenge.¹ The automaker is hardly alone in confronting the need to integrate sustainability into its products and culture: A Chief Responsibility Officer magazine survey indicated that 25 percent of Fortune 500 companies expected to appoint Chief Sustainability Officers (CSOs) as of January 1, 2008.² And that figure is quickly rising.

Who are these leaders? Where do they come from? What skills do they possess? And what are their most formidable challenges? This paper examines these questions and identifies:

- Common “trigger points” that launch formal sustainability programs;
- Where the capability resides in the organization, how its performance is managed and measured; and
- What types of leaders are selected to lead these initiatives.

The reporting and analyses in this paper are based on interviews with the leaders of formal sustainability programs, CEOs and other executives involved with these efforts among a dozen leading companies in North America and Europe.
What Triggers Corporate Sustainability?

Business leaders face mounting pressure to define and execute sustainability agendas. This demand has given rise to corporate sustainability offices, and business leaders are asking two important questions:

1. When does my company need a CSO?
2. What skills and qualities describe the best CSOs?

Globally, there is no single, universal trigger point that motivates companies to create a formal sustainability program or the CSO position. In North America and Asia Pacific, customer push and supplier pull (i.e., scarcity of raw materials) have equally propelled the drive. In Europe, regulatory requirements have served as a strong catalyst. That said, customer demand marks the most common sustainability trigger point among companies with formal initiatives.

In many cases, this demand originates in a single business unit, which responds independently to the demand for sustainable products, services or even internal processes. Demand for sustainability occurs in other business units as well, and these business units also respond independently.

Soon thereafter, the company’s CEO or other executive leadership recognizes that the demand for sustainability is occurring faster and more broadly. Continuing to respond in a disparate manner to this growing demand creates operational inefficiencies. The CEO then proactively creates an umbrella organization to formalize and centralize the company’s sustainability message and effort (see “Four Steps to Sustainability” sidebar on page 4).

There are exceptions to formal sustainability programs’ customer-driven origins. Some products-based companies, particularly those whose manufacturing processes depend on a steady supply of natural resources, have created sustainability programs in response to their long-term need for affordable raw materials or due to government and community pressure. Yet, most respondents express a strategic desire to “get ahead of any future legislation” and help shape it.

Where and How Sustainability Works

While customer demand and, to a lesser extent, regulatory
requirements and access to natural resources help launch formal corporate sustainability programs, the business benefits of sustainability efforts fuel the programs once their structure is in place.

Marc Epstein is the author of “Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental and Economic Impacts” (Berrett-Koehler Publishers, 2008). Epstein reports that “companies are currently looking to get past the regulatory and compliance aspect of this. The companies that get it are beginning to look at the growth that can come about as a result of sustainability.”3

Several executives indicate that their sustainability programs have delivered revenue growth, significant cost reductions, brand benefits and even recruiting benefits. GE’s “ecomagination” commitment was launched in 2005. Since then, the company has increased its ecomagination portfolio from 17 to 60 products. Revenues from these products reached $14 billion in 2007, and GE recently raised its annual revenue target for this product line in 2010 from $20 billion to $25 billion.4

Operating Approach
Internal visibility is important because the majority of sustainability programs feature lean staffs. CSOs assert the importance of establishing a clear mission with very specific objectives and plans. However, the successful execution of those plans relies heavily on the development of effective working relationships with their partners in operations, marketing, regulatory and other parts of the business.

For this reason, many CSOs connect their initiatives to existing change efforts, such as Six Sigma, capital request allocations or supply chain efficiency improvements. One company has made sustainability initiatives a part of its continuous improvement model. In addition to communicating the program’s mission and objectives, one of the function’s primary roles is to provide guidance on the “planet and people” impact of initiatives business partners are executing.

Measuring Value
Evaluating the success of the program and the return on individual sustainability initiatives represents another important aspect of the CSO position. Sustainability initiatives within certain companies (as GE demonstrates) can be measured by tracking product revenue and other relatively straightforward metrics.
However, because the nature of sustainability initiatives varies significantly – from creating more energy efficient buildings, to working with suppliers to reduce the weight of their products (to lower transportation-related emissions), to reducing a company’s own “carbon footprint” and more – measuring sustainability’s benefits can be a complex undertaking.

That said, all CSOs emphasize the importance of developing methods of quantifying the impact of sustainability initiatives. Some of the metrics commonly used to do so include the following:

- Revenue per sustainable product;
- Environmental liability reduction;
- Energy efficiency improvement;
- R&D spending (on sustainable products);
- Carbon footprint (reduction in greenhouse gasses);
- Suppliers’ sustainability capabilities; and
- Citizenship/reputation.

### Four Steps to Sustainability

Customer demand frequently triggers corporate sustainability programs. The table below describes the four steps that typically occur as customer demand transforms into a formal program:

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Customer Demand</strong>&lt;br&gt;Customer demand for sustainability products, services and/or processes typically enters company through individual business units.</td>
</tr>
<tr>
<td>2</td>
<td><strong>Business Unit Response</strong>&lt;br&gt;Individual business units respond to customer demand independently and soon roll up sustainability initiatives into their individual strategies.</td>
</tr>
<tr>
<td>3</td>
<td><strong>Executive “Aha!”</strong>&lt;br&gt;The CEO or another member of the executive team recognizes the push for sustainability in different parts of the business.</td>
</tr>
<tr>
<td>4</td>
<td><strong>Sustainability Program</strong>&lt;br&gt;In response, the CEO/executive team creates an umbrella organization and appoints a chief sustainability officer to more effectively manage and leverage disparate sustainability messages and efforts across the enterprise.</td>
</tr>
</tbody>
</table>
One company, for example, measures “citizenship” by calculating the number of lives in its communities positively affected per dollar that the company invests in sustainability initiatives. CSOs also report that their sustainability programs have strengthened their company’s recruiting allure as an employer of choice and helped create or improve relationships with valuable suppliers and customers. The purpose of the “lives-touched” measure is to help understand and manage the way in which sustainability programs can influence key relationships and increase the value of the company’s brand.

**Leadership Qualities**
Who are these leaders? Where do they come from? What skills do they possess? And what are their most formidable challenges?

The nature of the Chief Sustainability Officer position is evolving and will continue to do so. The role requires results orientation, functional depth and interpersonal agility.

As CSOs shape and define policy and practices, they must develop a specific point of view regarding where and how the sustainability program can improve operational efficiencies and increase profits. For this reason, expertise related to sustainability’s underlying issues – environmental consequences, human factors, resource availability, community impact, financial payoff, etc. – qualify as critical. There is a foundational need for functional depth, in combination with strategic vision.

The CSO must also possess leadership fortitude and exceptional verbal communication skills to transfer the message and the results orientation. An ability to clearly define and promote the goals and benefits of the sustainability program is mandatory. Further, leading CSOs offer a global perspective to define corporate-wide and execute locally, as well as the ability to manage “virtual teams” and indirect resources.

CSOs typically manage small, far-flung teams. Many of the individuals on their teams maintain other job titles and responsibilities. The ability to influence and manage across functions and business units is crucial.

Perhaps the most accurate account of the skills and capabilities a CSO should possess comes from CSOs themselves. Those interviewed for this research offer the following insights about their responsibilities and activities:
Lean, Green and Credible
One CSO reports that his team consists of 90 employees around the world who spend 90 percent of their time on sustainability-related projects. “But they don’t report to me,” he points out, “and I like it that way.” The reason, the CSO asserts, is that this dotted-line reporting structure enhances the credibility of his sustainability function throughout the global company on two counts.

First, the sustainability effort largely takes place at the operational level, so it is perceived as much more integrated into the company’s businesses. Second, the lack of formally dedicated full-time employees sends the message that the company’s executive leadership does not intend the sustainability program to add significant cost to the system.

Most CSOs identify credibility as a crucial quality of their programs, and they seek to foster credibility by relying on a lean, highly dispersed workforce that they manage in a largely virtual manner. Having 90 employees dedicated to the effort on a near full-time basis is extremely uncommon. An average range of five to eight full-time employees is far more typical, according to the executives interviewed as part of this research.

■ “This is a translation function. The goal is to take complex problems and far-reaching goals and then simplify them in a way that can be translated into solutions and action plans.”
■ “The ability to manage virtually is vital.”
■ “It’s all about balance and influence: I balance business metrics with our objectives. I work with external advocacy groups and build internal relationships as well.”

Locating a Leader
What do CEOs look for in their sustainability executives? Primarily, they want a combination of internal credibility and deep business experience.

Those twin desires commonly lead to the pairing of external and internal appointments at the top of the sustainability ranks.

The internal executive brings an extensive network of relations and organizational knowledge to the table. The external executive often possesses experience in working with key external constituencies, such as governmental agencies, non-governmental organizations (NGOs) and other public and private organizations. The CSO can be an insider or a newly hired external executive. Regardless, a critical success factor for newly created corporate sustainability offices is an ability to pair inside know-how and credibility with external credibility (see “Lean, Green and Credible” sidebar across).

To date, CSO talent has grown more out of a passion for the discipline and issues and less from formal functional training. However, this passion is fueled by results. Consequently, most CSOs bring extensive operating experience and the ability to drive results by direct impact. Many current CSOs have completed stints in other areas of the company, such as corporate communications, legal, research and development and information technology. The phrase “strategic generalist” is frequently used by companies conducting CSO searches to describe the type of skills they seek.

Challenges Ahead
One of the primary challenges the CSO faces is transforming a broad, often controversial, sometimes abstract and still emerging discipline into a formal business function with hard measures and quantifiable results.
It can be done. Consulting firm Kurt Salmon Associates (KSA) has developed a “sustainability index” for client companies. The five-to seven-point scales are designed to help companies track and manage their program’s progression from basic regulatory compliance to more sophisticated levels.5

In the near term, the most important sustainability level to achieve is “initiation.” The best way to start a new sustainability program off on the right foot is by cultivating a practical understanding of sustainability, including when it makes sense to initiate a program, who to hire to lead the effort and how to structure the program. This is particularly useful at a time when the issue generates significant hype and hyperbole.

Despite what magazine covers warn, sustainability now appears central to thriving, and not merely surviving in the 21st century.

Endnotes

1 “GM’s Challenge: Live Green or Die” by David Welch, BusinessWeek. May 26, 2008
2 “Executive Chief Sustainability Officer Appointments on the Rise,” ERS Global Newsletter, Fall 2007
Lisa L. Walker is a Senior Client Partner in the Chicago office of Korn/Ferry and leads the Firm’s Sustainability Initiative.

Ronald Wintéus is a Client Partner in the Brussels office of Korn/Ferry and a member of the firm’s Global Industrial Market.

About The Korn/Ferry Institute
The Korn/Ferry Institute was founded to serve as a premier global voice on a range of talent management and leadership issues. The Institute commissions, originates and publishes groundbreaking research utilizing Korn/Ferry’s unparalleled expertise in executive recruitment and talent development combined with its preeminent behavioral research library. The Institute is dedicated to improving the state of global human capital for businesses of all sizes around the world.

About Korn/Ferry International
Korn/Ferry International, with more than 90 offices in 39 countries, is a premier global provider of talent management solutions. Based in Los Angeles, the firm delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent.

For more information on the Korn/Ferry International family of companies, visit www.kornferry.com.