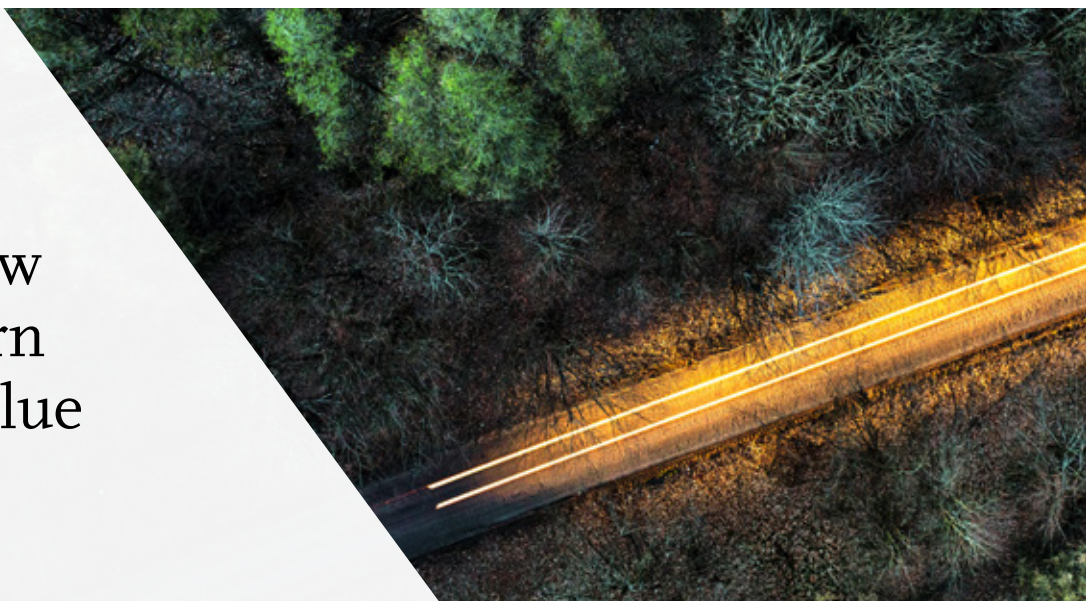


Sustainability Stocktake: How CEOs Can Turn Vision into Value



CEOs and boards have increasingly given chief sustainability officers (CSOs) a license to transform their companies. This shift has been driven not only by the ambition to make them fit for the future, but also by the desire to play their part in making the future fit for humanity. The rapidly changing role of CSOs from mandate to vision is a testament to the continued importance of sustainability to the overall business strategy.

Where CEOs and CSOs have worked together, pioneering companies have already secured some remarkable achievements, but there remains significant work to be done. There are roughly **2,000 days left until 2030 arrives**, by which time emissions need to have almost been halved, among a host of other seismic changes in order to avoid the worst impacts of climate change. This year's [United Nations Global Stocktake](#) on climate progress identified a significant and persistent “emissions gap” between current net zero commitments and a 1.5°C pathway. CSOs and business leaders will be hoping that COP28 identifies what

more is required for them to play their part in the global transition to a sustainable economy and the momentum to sustain the transformation.

Our own CSO stocktake suggests that even with increased clarity, it will not be smooth sailing. For many CSOs, the list of easy wins is shortening, and the regulatory and consumer environment is growing ever more complicated. While some businesses are seeing increasing value from their sustainability investments, for many others, going much further requires more fundamental transformations, right down to the core of the business. While there is increasing evidence of real value creation from sustainability, such chinks of light appear out of reach for many leaders.

Against this rapidly evolving context, we have once again surveyed a range of sustainability leaders to explore their ambitions and priorities and find out where they need extra support.

Here are five key takeaways for CEOs.

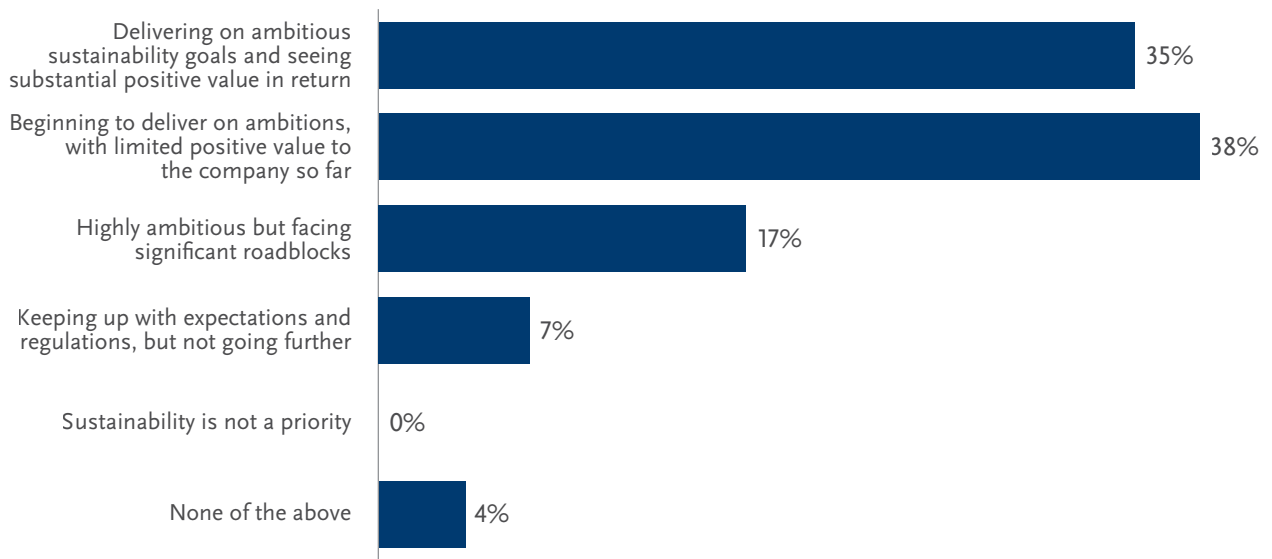
1. Some companies are already adding significant value from sustainability

For many leaders, the need for sustainability is not in doubt; the big question is when (or if) sustainability efforts will deliver value for their businesses.

There are signs that this critical milestone is already here for some. Just over one in three sustainability leaders surveyed said that their companies were delivering on ambitious commitments and seeing substantial value in return.

Around one in three respondents say they are delivering and seeing value from sustainability. Almost one in four say they are delivering on their ambitions but not yet seeing much return.

Q: Which of these descriptions best fits your organization's approach to sustainability today? [Select one] [N = 84]



Sustainability leaders are most likely to say they're seeing substantial or "quite a lot" of positive value in aspects such as talent attraction (77%) and brand and customer perception (61%). Only 24% say the same about increasing revenue.

Although this lack of financial return on investment might be because this isn't what sustainability leaders are currently focused on, respondents indicate that it is a growing priority in the near future. While only 55% of leaders said they were prioritizing commercial value opportunities from their sustainability strategy today, 42% said they planned to focus more on this area within the next 12 months.

Questions for the CEO

- » Where in your business do you expect sustainability to deliver value today?
- » Do you have a sense of when your sustainability investments will return value for the core business?
- » Are you able to identify where sustainability is providing value using existing metrics?

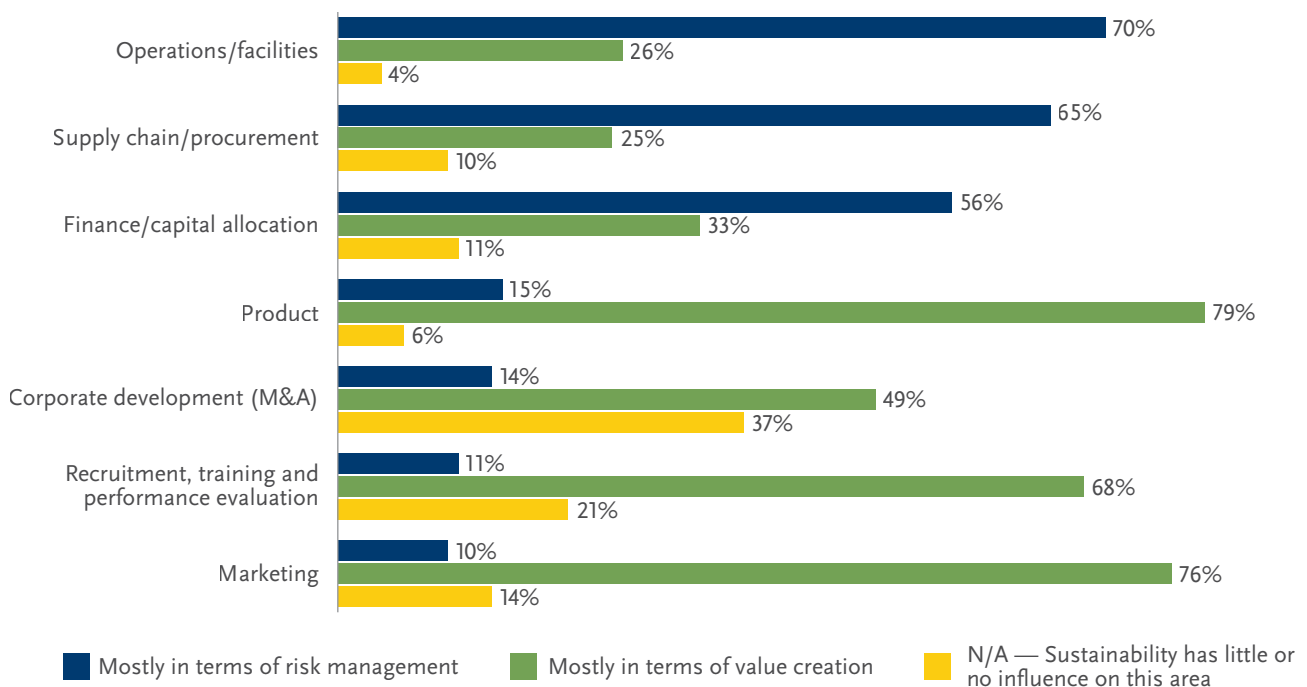
2. The value that sustainability offers depends on where you stand (in your business and in the economy)

Most CSOs (64%) say that sustainability is seen as a commercial and value creation exercise for their organizations, rather than a risk reduction exercise (26%). However, this perception varies by industry. Sustainability leaders from consumer goods companies for example, are split 50-50 on this question.

The purpose of sustainability also differs within business. For certain functions that can enhance competitive advantage — particularly marketing, product and HR — sustainability is seen as a value creation exercise. In others focused more often on efficiency or enablement — such as finance, operations and procurement — it is seen to be rooted in risk management.

For one group of functions, sustainability is seen as a value creator, for another it's seen as a risk manager.

Q: How does sustainability impact each of the following business functions? [Please select one option for each strategic area] [N = 84]



For most functions and industries, sustainability can both create value and mitigate risk. CEOs and boards, who sustainability leaders generally credit with a very strong understanding of sustainability today, can help functions recognize these dual opportunities for their part of the business.

Questions for the CEO

- » Are you clear with your leadership team and organization regarding sustainability as a driver of value creation or as primarily a risk mitigation approach?
- » Are you losing out on potential opportunities because sustainability is primarily seen in terms of risk mitigation?
- » How can you better balance both risk reduction and value creation opportunities from sustainability efforts?

3. All businesses have levers which can ignite transformation, including leadership, finance and business units

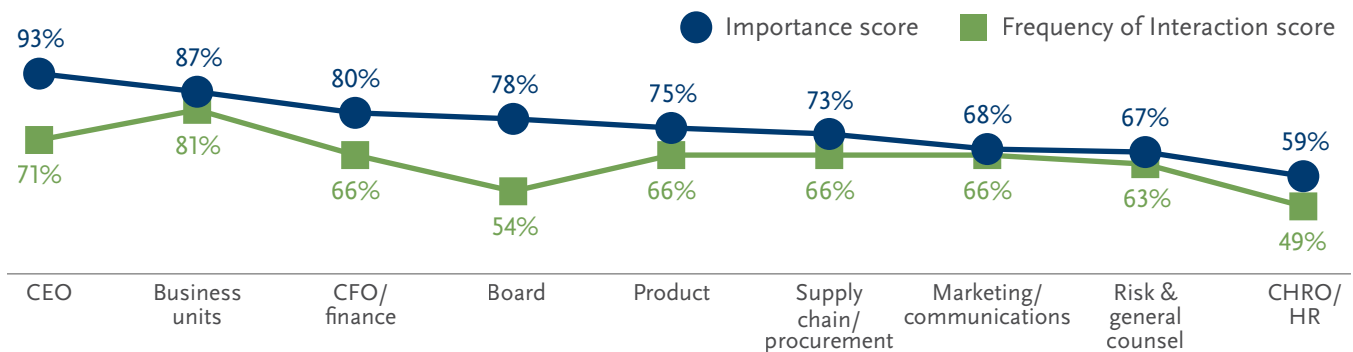
On average, sustainability leaders in our survey said they spent a quarter of their time interacting with other business units and functions in their companies, with another 17% of their time spent interacting with C-suite members. These are also the stakeholders they say are most important to achieving their sustainability goals.

Among core functions, the CFO and finance team are seen as the most important (80% importance score). This reflects the increasing role of sustainability in strategy, and in conversations with investors and other sources of finance as outlined in a [recent HBR article](#) on the evolving nature of the CSO role. In our survey, CSOs said they were spending an average of 7% of their time interacting with investors in any given week.

Working with business units in particular is seen as critical to the “next stage” of sustainability transformation. With many quick wins dealt with and strategies and goals in place for 2030, attention is now turning to more challenging and complex questions, such as how to make core products and services truly sustainable. This includes, for example, implementing circular models and defining new approaches to growth that are compatible with sustainability commitments.

The functions that sustainability leaders see as most important to their goals are those they interact with more frequently. The exception is the board, and the gap between importance and time spent is larger for the CEO than for other stakeholders.

Q: How important are the following functions / parts of your business to achieving your sustainability goals? + Q: What level of interaction and coordination is required with each of these functions to deliver your sustainability goals? [Score calculation: 100% score if everyone selected “4 — Essential” or “4 — Very frequently”]



Interestingly, functions such as marketing and HR, for which most CSOs say sustainability is delivering greater value today, are seen as less important to achieving sustainability priorities and actually spend less time with sustainability leaders. Perhaps they see their job there as done.

Questions for the CEO

- » Is your CSO able to access the teams they need to advance your sustainability strategy?
- » How might you encourage different parts of your business, like the CFO or business units, to interact and work more with your CSO?
- » Do other C-suite leaders have clear sustainability accountability?
- » Do you have a vision of what a truly sustainable product or service means for your company?

4. Sustainability leaders are less alone than a year ago

Sustainability leaders say that there has been a substantial shift in how sustainability is perceived by the rest of the business. With other senior leaders more engaged and more informed, it has become easier to deliver change across their companies. On average, they are spending 25% of their time interacting with other business units, more than they spend managing their own team.

“In almost every functional area there is a better understanding of the need to integrate sustainability priorities into our day-to-day business processes.”

“There has been a noticeable sense that more people are keen to be part of owning and delivering the strategy.”

“There is general excitement and acknowledgement that more focus on sustainability is a good thing, but this had yet to be backed up with more direct support for my work.”

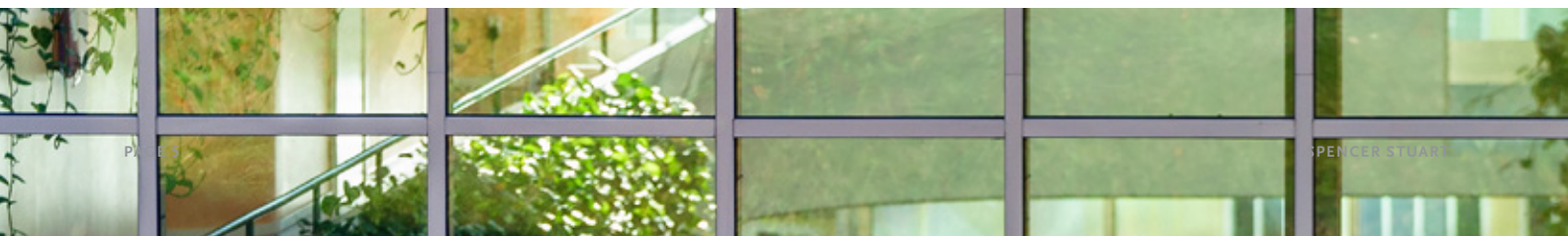
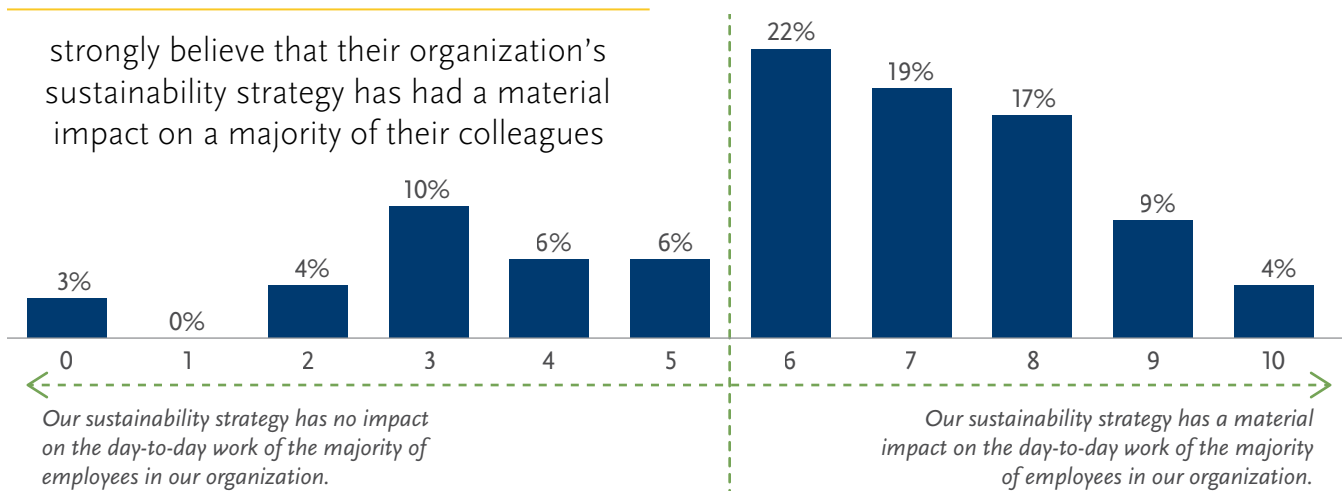
This is a welcome change for CSOs looking to further embed their strategy across the organization. Most sustainability leaders believe that the sustainability strategy has material implications for the majority of employees in their business. With an increasingly long list of leaders and managers engaged, supporting employees to play their part in driving sustainability will be much easier.

Most sustainability leaders believe that the sustainability strategy has material implications for the majority of employees in their business.

Q: For each of the following statements, please place yourself according to which statement is more reflective of your experience / your company. [Please place yourself on this scale of 0 to 10 according to which statement is more reflective of your experience / viewpoint, where the closer you are to one statement the more reflective of your reality it is.] [N = 69]

71%

strongly believe that their organization’s sustainability strategy has had a material impact on a majority of their colleagues



However, enthusiasm doesn't always equate to resource and action. Some CSOs shared frustrations about their colleagues' engagement with sustainability and that other leaders did not appreciate the true extent of change that it requires. Others also expressed concerns that colleagues were trying to label products and practices as sustainable when they weren't.

“There is an arrogant misconception that the company is already fully sustainable and that the market should compensate this, with very low willingness to truthfully assess impacts and make changes.”

Questions for the CEO

- » What knowledge and skills do your leaders need in order to play their part in sustainability?
- » Do all areas of your business know what it really means to be sustainable?
- » How much are different parts of the business working together on sustainability goals?

5. Sustainability leaders can be pulled in different directions (often away from impact or revenue generating activities)

With increasing sustainability regulation and policy interventions from governments, many CSOs are having to spend an increasing amount of time and resources on data, reporting and compliance.

After engaging with senior leaders about their sustainability strategy (83%), the second most common focus (79%) for sustainability leaders today is investing in improved sustainability-related data-collection and reporting tools and practices. At the same time, CSOs have the end goal of accelerating the impact of their initiatives, while increasingly being pressured internally to demonstrate financial return on their strategy.



Alongside financial challenges and constraints, the most common challenges that sustainability leaders are facing relate to collecting data and reporting on progress.

Top five answers for Q: Which of the following challenges have you faced most often in implementing your sustainability strategy?
[Please select up to 3] [N = 74]



While most sustainability leaders are positive about increasing government engagement on sustainability — with some calling for still more — they are also concerned that responding to new mandatory standards such as the [EU's CSRD](#), the SEC's proposed [climate disclosure rule](#) in the US, or the upcoming wave of [voluntary Transition Plan disclosures](#), will distract them from the more strategic and transformational activities which will drive impact.

Indeed, sustainability leaders said that they spent twice as much time focused on reporting- and measurement-related activities (11% of their week, on average) compared to revenue generation-related activities (5%). Some are spending up to 40% of their week on reporting and compliance. While many are increasingly using digital tools, and some are beginning to explore applications of AI to support analysis and reporting, this work remains a heavy burden for many sustainability functions.

The vision vs the reality...

"Today the CSO's role is all about leading a transformation effort — seeing new risks/opportunities over the horizon, then incubating and working with the business to embed solutions that embrace sustainability."

"The move from voluntary to regulatory reporting has fundamentally changed the discussion about sustainability strategy."

Questions for the CEO

- » Does your CSO have what they need to respond to today's regulatory environment?
- » How are you leveraging technologies to support analysis and reporting for sustainability?
- » How might you create time for strategic thinking about sustainability in the midst of short-term pressures?

Transformation in turbulent times

Political backlash, economic downturn, conflict and the increasing impact of climate change are all pushing back against the rapid progress that sustainability leaders are seeking to make.

And while many celebrate the increased attention governments are paying to regulation and policy, the resulting requirements are also creating a complex tapestry of resource-intensive tasks for CSOs to manage alongside strategic transformation activities.

But the pioneering CSOs and sustainable business leaders are telling us that there is reason to keep driving progress. They are increasingly seeing a range of positive returns in their commitment to change their business for the better.

Much like the UN's Global Stocktake, our study shows there is work still to be done, but also promising signals of change which can help fuel further progress. CEOs must now set up their CSOs for resiliency and success in the context of likely continuing turbulence, so that sustainability can become a major source of value creation embedded deeply into the organization.





About the research

In partnership with Kite Insights we surveyed sustainability leaders from a range of sectors in the fall of 2023, receiving 84 detailed responses. In parallel, we interviewed sustainability leaders at the forefront of change, adding insights from our own advisory work to build a picture of their reality.

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