



Management
& Technology
Consultants

STRATEGY LETTER

Watch out, protected species emerging

*or
the Chief Sustainability
Officer, future CEO*



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The Chief Sustainability Officer (CSO), future CEO

*“Your task is not to foresee the future but to enable it”
(Antoine de Saint-Exupéry)*

The ambition of a sustainable future is not new despite the fact that today, sustainability encompasses ever more complex and numerous issues. Sustainability is a hot topic, both in the economic sphere and elsewhere, but is still considered as a difficult subject to deal with.

Sustainable Development and Corporate Social Responsibility (CSR) concepts are multidimensional (environmental, social, societal, economic), changing and diffuse. For a company executive, it's not just about introducing new norms, systems or certifications but also changing the way things are done, rethinking product and service portfolios, as well as business models to make them sustainable from every point of view.

Before the concept of Sustainable Development was born and then definitively recognized as a factor of both performance and acceptability for companies, the best strategy professors were already stressing the importance for business leaders to adopt a long-term vision for their industries. It is only by looking into the horizon that one can anticipate and circumvent potential obstacles and identify then grasp tomorrow's opportunities.

In real life, it however appears extremely difficult to avoid using quarterly indicator-based logic, which is closely followed by financial markets and then stripped down on a quarterly and then annual basis in Annual General Meetings.

As an outcome of these quarterly-practices, companies have developed remarkable abilities to deliver superb results against these short-term goals. However, financial markets frequently *shake-up* even the best performers in this field, and this tends to encourage businesses to think beyond short-term performance.

In addition, a number of investors have widened their analytical lens to include the Principles for Responsible Investment (PRI). When the UN launched the initiative in 2006, there were 20 signatories and today they are more than 900, managing more than 30,000 billion US dollars (2011) almost 20% of worldwide assets. The Norwegian sovereign fund, the biggest “socially responsible investor – SRI” in the world in terms of assets, occasionally makes huge investment moves in line with non-financial criteria which have a notable impact on the share value of the companies concerned by these moves. It just proves that CSR is not just all about image anymore.

Long-term performance that doesn't exclude short-term gain, performance that respects people and the planet are the only guarantee that a company's efforts will be embraced with collective pride: these are the issues that legal entities have to deal with. The route to this Grail is a slope that becomes steeper by the day as new regulations from China or the EU on substances and their traceability enter into the equation, natural resources become scarcer or more expensive and civil society becomes increasingly watchful and demanding of brands to ensure that their behavior is exemplary in every way.

To climb these steep slopes, scouts and lead climbers able to decipher weak signals and climb unexplored summits are going to be essential. Among these scouts are the Chief Sustainability Officers or “CSR Heads” who are both visionaries, change agents and communicators and still considered an emerging species. They have already been around for a number of years but today have gravitated to the ranks of protected species.

CEOs with a very “green” agenda

The increasingly critical role of “sustainable development intelligence” in companies is very clear. A number of CEOs are invested in the challenge and positioned as visionary artisans of a combined formula for profitability and durability.

The extent of the transformations underway means that we are talking about something much wider than purely simple, cynical external communication. When Marks & Spencer was faced with a number of challenges in its markets, Sir Stuart Rose set up “Plan A”, which he named this way because “there is no other way of doing business, no “plan B”, and no second planet from where we can replenish our resources”. He has become the zealous ambassador of this plan. The dynamism this 360° transformation brought about played an important role in M&S consecutive successes. More recently, Paul Polman, CEO of Unilever announced “Between now and 2020 we will have doubled revenue while reducing our impact on the environment” thanks to the “Sustainable Living Plan” which meant a profound innovation strategy for the group.

In France, for more than five years now, CEO of Schneider Electric, Jean-Pascal Tricoire, has put energy efficiency and the fight against global warming at the heart of his business and innovation strategies as well as his marketing efforts.

This was also the case for Lee Scott, then CEO of Wal-Mart, when he announced his “Company of the Future” plan, like Jeffrey R Immelt (General Electric) and his “Ecomagination” that now generates considerable revenue through sales of greener energy solutions. As for Indra Nooyi, CEO of PepsiCo, she recognizes that the clients and talents of her company both today and tomorrow, are the young who will become increasingly mindful of how responsible their brands and employers are. Her company has made a number of steps towards this which contribute to the continued power of seduction that PepsiCo brands have.

Is the Chief Sustainability Officer a briefcase carrier or a rare bird?

If such impressive CEOs have already grasped the problem, what is the point of having dedicated Sustainable Development or CSR Directors? And who are they in fact? Mere carbon technicians? Societal engineering specialists a little sharper than their peers? Or change agents with essential value added?

The job description is dense and the talents needed to accomplish this mission, numerous. Multilingual interpreters can speak “CO₂” as well as “Euros and Dollars”, they try to reconcile multiple dimensions while others become discouraged by the complexity of the equation.

We expect these gold diggers to find nuggets of “Bottom of the Pyramid” innovation that will bring companies closer to new markets where clients are considered less solvent. As agile jugglers they have to organize and then encourage companies to uncouple revenues from natural resources intensity – energy, water, metals, rare materials – more often than not without an ounce of hierarchical authority over those in the company who consume these resources. The CSOs, who make timely alerts, transform with only small teams, set the course and persuade their peers to follow a new trajectory without being their boss..., are bound to be people with extraordinary leadership skills !

Today these skills are increasingly sought after and recognized: “Innovation and Sustainability”, “Strategy and Sustainability”, and “Strategy, Innovation and Sustainability” departments are all blossoming, and within them the challenges of sustainable development and business performance are more naturally interwoven. So tomorrow, where should the CSO be positioned in the organizational chart? Why couldn’t they be members of the Executive Committee? Why not at the heart of strategic decision making to give direction to the future of the company? The person who comes with both a knowledge from previous operational leadership positions and multidimensional intelligence gained from having dealt with sustainable development issues, this person will be first in line for a CEO position. Competitors for this position are going to have watch out!

And for those who are still doubtful about a CSO aspiring to become CEO, remember that nominations might not happen as expected...

When CEOs are promoted to the rank of Chief Sustainability Officers

For those who can't see future company bosses in a CSO profile, or who would never imagine that a CEO could wish for anything other than another CEO position, the example of PPR sheds an interesting light on the question. Jochen Zeitz was nominated CEO of the Executive Board of PUMA at the age of 30, becoming the youngest CEO of a quoted company in German history. He eventually became an administrator and member of the Executive Committee of PPR and 18 years later he was nominated Chief Sustainability Officer (CSO) having been the mind behind Puma's long-term strategy. For someone who had received numerous distinctions throughout his career "Entrepreneur of the Year", "Strategist of the Year", "Trendsetter of the Year", etc., it appeared that the vast territories of exploration and innovation that sustainable development represents was a source of renewed motivation and a new field of work for this pragmatic businessman.

Other leading French companies are also adopting this approach. Groups from the CAC40, SBF120, or even non listed companies have appointed experienced directors to head their Sustainability, "Environment" or CSR teams. They are well heeled in management and have the 360° vision required for this position. They are passionate, visionary change agents who are, in a word, quite brilliant executives.

Sustainability issues need to be dealt with by exceptional executives

Through a well explained sustainable development plan, some brands manage more easily than others to gain access to new resources or markets, or obtain new authorizations to develop their business (commercial real estate, resources extraction, access to local supply chains). Elsewhere ambitions of “resources frugality” mean being able to lower costs by between 20 to 30%. Or better still, reducing certain critical resources companies have become dependent upon. And finally, certain “paradigm changes”, for example moving from a *volume logic* to a *value and service logic*, do produce results. We can already observe and expect more profound transformations in sectors like energy, industry, mobility, water, waste, retail and consumer products....

On the other hand, if insufficient importance is given to these topics, companies will pay a high price. There are numerous examples of disastrous consequences for brands in terms of either image or results, when light was shed on activities that were disrespectful to the environment or on social practices well below expectations, as well as troubled relationships with local stakeholders. A company’s behavior can be its path to glory just as easily as it can leave a long-lasting stain on its image. Today it is all in a click, through group activism on a social network or from an unfavorable article repeatedly picked up by different media. Anyone capable of ensuring a smooth passage through these troubled waters is, without a doubt, extremely valuable.


Whether they are CEO, ex-CEO or future CEO, it is the place these rare birds are given within the company that is important. The coming decades of transition to more virtuous business models, do confirm the critical importance of these profiles. This will most likely remain so until sustainability has been embedded into each business function. Everyone will have to take ownership of these issues, and integrate the fact that the world is finite, its resources are limited, information flows are immediate and extremely transparent, images are volatile and regulations change before our very eyes.

In the meantime, in these increasingly uncertain economic waters, considering the eligibility of these scouts for positions of responsibility seems an inspired course of action. The professional destiny of Chief Sustainability Officers or CSR Directors, and their hierarchical position must reflect their eminently strategic role: their rank as a protected species.

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**“If we don’t take change by
the hand, it will take us by
the throat.”**

(Winston Churchill)

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