

Six Degree People
Thought Leadership



THE 5 STAGES TO A SUSTAINABLE BUSINESS





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Six Degree People is a leading executive search firm with expertise in the area of sustainable business. We completed our first board level assignment in this area in 1997.

Sustainability is no longer simply an environmental issue. It now impacts every aspect of your organisation - economic, social and cultural.

Over the last 12 years we've seen the profile and skill sets required in the lead sustainability role change, as the focus of the organisation changes. There are many titles given to this role, but for the purposes of our ongoing study we refer to a Chief Sustainability Officer (CSO).

'The 5 Stages to a Sustainable Business' is unique in that it combines specific experience of profiling and interviewing over a thousand of the very best of what we now term Profile 1 to 4 sustainability leaders, globally. We've combined this with specific research from business leaders, experts in organisational change and talent development, as well as leading NGO's and business schools to test our hypothesis on how to transition to become a fully sustainable business.

We've highlighted what we feel are the key skill sets of a CSO leader and what they might be doing right now, because in reality this leader is often already in the organisation but operating in a completely different business area.

In addition to delivering on executive search mandates, Six Degree People helps clients identify or develop the right sustainable business leadership internally.

The 5 Stages

We've identified that there are five broad, often subconscious stages that a business goes through on the way to embedding sustainable business thinking at the heart of all decision making:

Stage 1: Environmental focus

Stage 2: Corporate responsibility and/or issue focus

Stage 3: Embedding sustainably across key functional areas

Stage 4: Sustainability at the core of business strategy

Stage 5: Re-engineering leadership development programmes



Our study looks in detail, at the experience and leadership skill sets (Profiles) required for Stages 1-4.

Stage 5 is focused on organisational change, and we've identified an organisation's future leader or talent development programme as the right vehicle to be able to transition from Stage 4 to Stage 5 results.

Stages 1-4: Addressing them simultaneously

The whole sustainability agenda has moved on so rapidly that most organisations are addressing aspects of Stages 1-4 simultaneously. Whatever their views on carbon or climate change, most large businesses now recognise the need to operate at what we define as Stage 3, even if it's simply to meet future compliance.

The majority of these companies aspire to operate at Stage 4, but this might involve the transformation of their strategy and potentially the need to develop whole new product lines. This journey is a challenging one, where leadership is key.

The 4 Profiles of a CSO Leader

We've identified four basic leadership profiles in terms of business experience of CSO's in the world's largest companies:

Profile 1: A Profile 1 leader will generally have one of two backgrounds. They will be either in SHE (Safety Health and Environment), or be an environmental generalist where the organisation has separated this function. A profile 1 leader will probably not have worked at a senior level within a core function or have extensive P&L experience.

Profile 2: A Profile 2 leader was originally an 'issue' appointment, possibly around ethics or labour rights, but certainly an appointment made to solve a key corporate responsibility concern which could seriously damage the business. These are almost always external appointments, often from a high profile NGO or from an organisation with a strong reputation in this area. As with a Profile 1 leader, they generally will not have worked at a senior level within a core function or have extensive P&L experience.

Profile 3: A Profile 3 leader will be a senior manager with a track record of significant achievement in one of the core functions. Their experience is likely to be centred around the function that the organisation feels has been most affected by the sustainability agenda e.g. Head of Supply Chain or Head of Product Development. Their reputation for business results will give them the credibility and leverage to develop the business case for sustainability. They may have limited experience of the technical area of sustainable business and other core functions within the organisation.



Profile 4: A Profile 4 appointment will already be on the board or part of the senior leadership team. The common denominator here is that they will have a track record of achievement across multiple core functions and markets, and will have had a variety of P&L responsibility. Ideally they will have led a major change or business transformation project, perhaps around a new product line.

A Profile 4 leader has a slight 'maverick' streak, the confidence to challenge the 'sacred cows' of the business as opposed to a leader who always delivers against conventional business criteria.

Can Stage 4 results be achieved by CSO's with Profiles 1 or 2?

In our experience, nearly all organisations are striving for Stage 3 and aspire to Stage 4 results, however our research identifies that as many as 90% of CSO's are still drawn from a Profile 1 or 2 skill set.

Our findings support the theory that it is highly unlikely that an organisation will achieve Stage 4 results without appointing a Profile 4 leader.

CSO Leaders with Profiles 1 or 2, do not have the breadth of P&L experience or track record of success within a core function. Whilst this is not the only criteria required to succeed, these two experience gaps are the biggest barriers to internal credibility. Something rarely voiced internally but, in essence, is a subconscious pre-requisite.

Where we have been able to identify a small percentage of Profile 1 and 2 leaders achieving Stage 4 results, we've drawn together the success factors of both these individuals and their organisations. Our evidence shows that companies striving to reach Stage 4 results with Profile 1 and 2 leaders in the CSO role will rarely succeed.

In addition, we agree that it's essential to have your CEO engaged on the sustainability agenda and to send the right message to all stakeholders, but simply creating a reporting line to the CEO without developing the business skills and P&L experience of these early stage leaders is a short cut that rarely works.

Despite having the required profile and skill set, it can still be a bold move for a Profile 4 leader to step away from a conventional career path to take up a CSO role, but more and more individuals and businesses are beginning to recognise the need for change.



Stage 5: Re-engineering future leader programmes

We've identified the leadership skills required to embed sustainable business thinking as a core issue, but the right leadership isn't enough to take an organisation from Stage 4 to Stage 5.

Our hypothesis is that embedding sustainability at the core of your business should in fact take away the need for a Profile 4 leader as we describe it.

The future leader programme is the right vehicle to embed Stage 5 principles throughout the business. It's not a quick fix solution, as future leader programmes might have a 7-10 year cycle, and therefore expectations across the business need to be managed accordingly. There is rarely a short term solution to a long term goal.

Two key reasons for using the future leader programme are:

- The individuals concerned are of a generation where they want to make a difference, and the concept of sustainable business will more readily be embraced.
- Future leader programmes usually involve experience in a variety of operational and strategic roles and across a variety of P&L's. In principle, it should be possible to re-engineer the programme to encompass a number of profit-focused sustainability roles as a pre-requisite to career progression.

Focusing on your future leaders does not mean ignoring current leadership. Our head of sustainability network tells us that struggling to engage with their senior business leadership is one of their biggest challenges.

For a Heads of IT, Procurement or Operations to have sustainability at the core of their business thinking, you need to communicate with them in a business language they understand, hence the reason why a Profile 4 leader in the head of sustainability role is often key. They also need exposure to sustainability initiatives that impact directly upon their KPI's.

A reasonable proportion of your current leadership will not be receptive to this, perhaps because of the conflict between the mid-long term nature of sustainability objectives and the short term quarterly reporting structures of publicly quoted businesses.

Those organisations which combine the appointment of a Profile 4 leader in order to engage with the existing business leadership, whilst re-engineering their future leader programme, are best positioned to meet sustainable business objectives in the short, medium and long term.



Recommendations/ Action Points

1. **Stage assessment:** Carry out an assessment of where your business is with regard to our 5 Stages model and decide on where your business aspires to be.
2. **Leadership assessment:** Identify where you may have a mismatch of sustainable business leadership and aspirations e.g. a Profile 1 leader striving for Stage 4 results.
3. **Profile 4 leader:** Look to appoint the right Profile 4 leader to engage with your current business leadership in a language they understand.
4. **KPI alignment:** Align your current functional and business leaders KPI's with long term Stage 5 aspirations.
5. **Leadership support:** As organisations often look to effect Stage 1-4 changes simultaneously, ensure your organisation has the right blend of Profile 1-3 leaders to work alongside your Profile 4 leader.
6. **Future leader programme:** Re-engineer your future leader programme to create the right development roles to impact both business and sustainability objectives. Sustainable business thinking becomes a prerequisite to promotion.
7. **Expectations:** Create the proper expectations across the organisation of a 7-10 year journey toward becoming a full Stage 5 business.



Market Feedback

"The 5-Stage concept is well thought through and very much reflects my personal experience within the corporate sustainability world. The role and skills profile of a company's CSO will doubtlessly have to develop and shift focus as the maturity of the company's approach to sustainability grows. Just the same, I'm convinced that any company aiming to achieve Stage 5 will have to have sustainability experts with Profiles 1-4 skill sets in their teams to support the Stage 5 CSO"

Winfried Haeser, VP Environmental Strategy & Policy
Deutsche Post World Net AG

"The importance of business credibility cannot be underestimated, for at Stage 4 you have to reinvent both traditional business and established approaches to sustainability in order to deliver the transformation required "

Richard Gillies, Director of Plan A
Marks & Spencer Group PLC

"The 5 Stages paper's recommendations around the mixture of profiles and experiences required to embed sustainable business are insightful and a fair reflection of what we see in the business world"

Jim Walker, Co-Founder & COO
The Climate Group

"As the world recovers from recession and begins the transformation to a low carbon economy, Stage 4 will be the minimum for future business success. The sustainability leaders will already have embarked on Stage 5"

Chris Tuppen, Chief Sustainability Officer
BT Group PLC

"I have read the document and find the thesis very interesting and relevant to the challenge's business and leaders face today"

Kirsten Herde, **HR Director**
E.ON AG

"The 5 Stage to a Sustainable Business gives me a lot of inspiration, not least around the leadership profiles where I believe strongly that experience in developing truly sustainable business initiatives is crucial to success - for the individual and the organisation."

Thomas Bergmark, Sustainability Manager
IKEA Group

"Through our client work and based on the KPMG International Survey of Corporate Responsibility Reporting 2008, we are finding there is an upsurge in the number of senior-level professionals now being assigned. The 5-Stage concept reflects what we are seeing in the business world. It will be interesting to see how this plays out over the next few years"

Barend van Bergen, Associate Partner
KPMG



About Us

Six Degree People offer two main services:

Leadership Consulting:

We apply our 5 Stages methodology to benchmark current leadership against the aspirations of the organisation. We help the organisation identify the right sustainability leadership internally, conducting an internal search to fully validate the appointment and then provide a framework for them to succeed.

We also help clients to re-engineer future leader programmes to help move towards a Stage 5 business, specifically around mentoring and identifying the right sustainable business roles for development of both the individual and the organisation.

Executive Search:

In the event that no suitable internal candidates exist to lead sustainable business strategy within the organisation, we identify and attract the very best sustainability leaders of any Profile externally through our substantial global network.

For more detailed analysis of our work or to discuss how Six Degree People can help with the implementation of the 7 action points critical to embedding Stage 5 principles, please contact one of our Directors:

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The Author

Andy James is the Managing Director of Six Degree People. He completed his first board level search mandate in the area of sustainable business in 1997 and has helped to strengthen management teams globally ever since.