

# Chief Sustainability Officers: Symbolic or Substantial?

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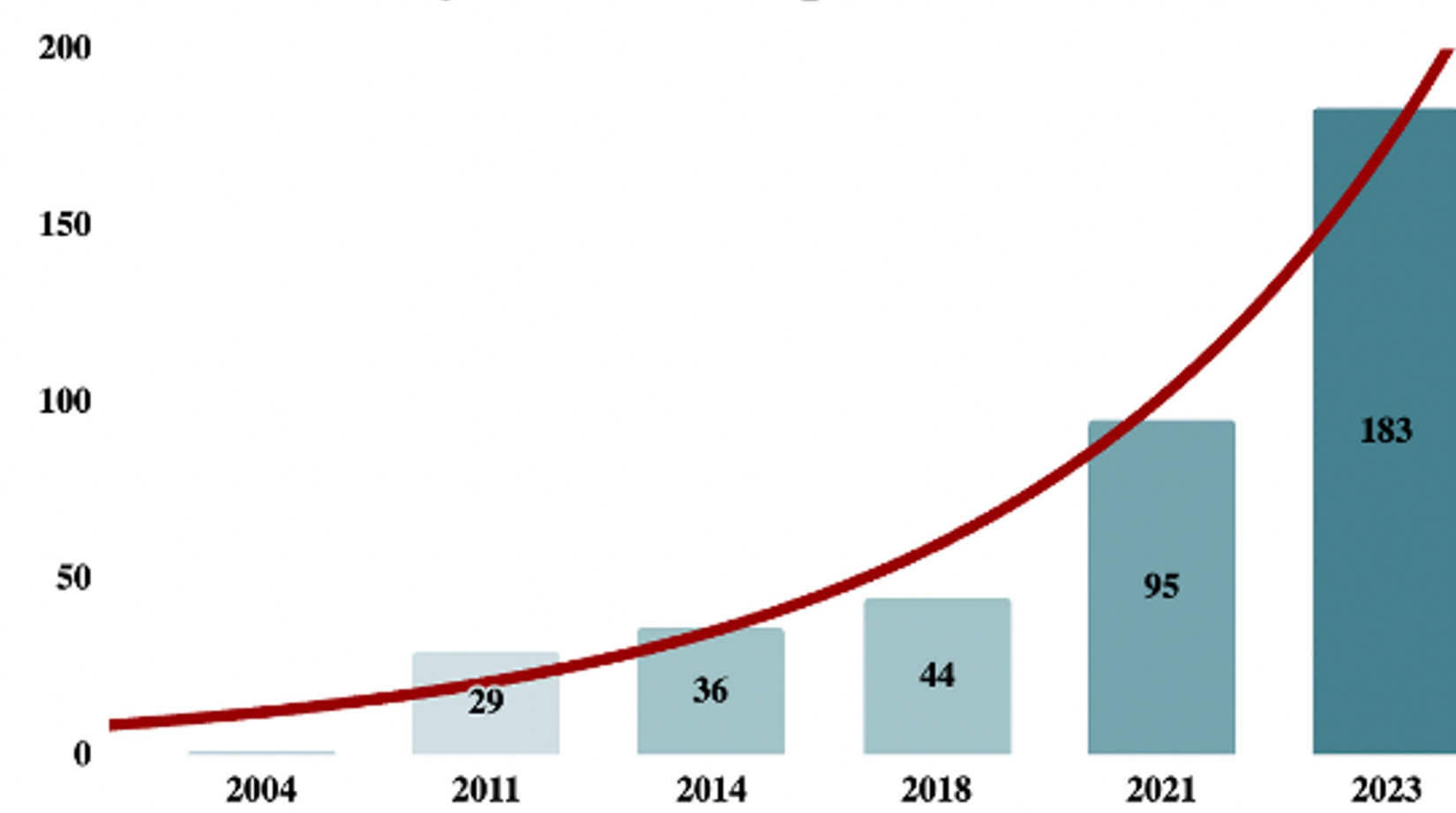
## Abstract

Businesses have begun to realize the environmental, social, and economic benefits that they can unleash by integrating sustainability into business strategy. As a result, firms have elevated sustainability responsibilities to senior leadership with the introduction of the Chief Sustainability Officer (CSO). However, many companies are still hesitant to adopt a CSO. Critics believe that the decision is symbolic rather than substantive. Further, my research seeks to understand the symbolic vs. substantial impact of CSO equivalents at large companies relative to climate-related measures. I use a mixed methods design, employing both statistical and qualitative analyses. My quantitative findings reveal that CSO presence is associated with target setting and temperature alignment, and CSO sustainability related expertise is a statistically significant factor in decarbonization target variation. My qualitative results indicate that CSOs are most impactful when they have a mix of technical, strategic, and soft skills, along with board support and ample resources. These factors allow CSOs to communicate across many internal and external stakeholders. Given my findings, along with evidence from prior literature, I argue that companies can maximize the substantive impact of their CSO through hiring and placement decisions that prioritize collaboration across all stakeholder groups.

## Introduction

The presence of CSOs at large companies has steadily increased in recent years. The Weinreb group tracked the rise of the CSO at publicly traded firms, finding 29 in 2011, 36 in 2014, 95 in 2021, and 183 in 2023. (Weinreb Group, 2023). The figure below depicts this timeline.

CSOs at Publicly Traded Companies



\*Adapted from the 2023 Weinreb Group CSO Report

Despite its growing popularity, companies are still hesitant to appoint a CSO. Some have attributed their hesitation to hire a CSO to its symbolic rather than substantial impact (Singh, 2023). Critics note that "many companies have taken the step of hiring a Chief Sustainability Officer, but that is where it ended" (Schumacher, 2023).

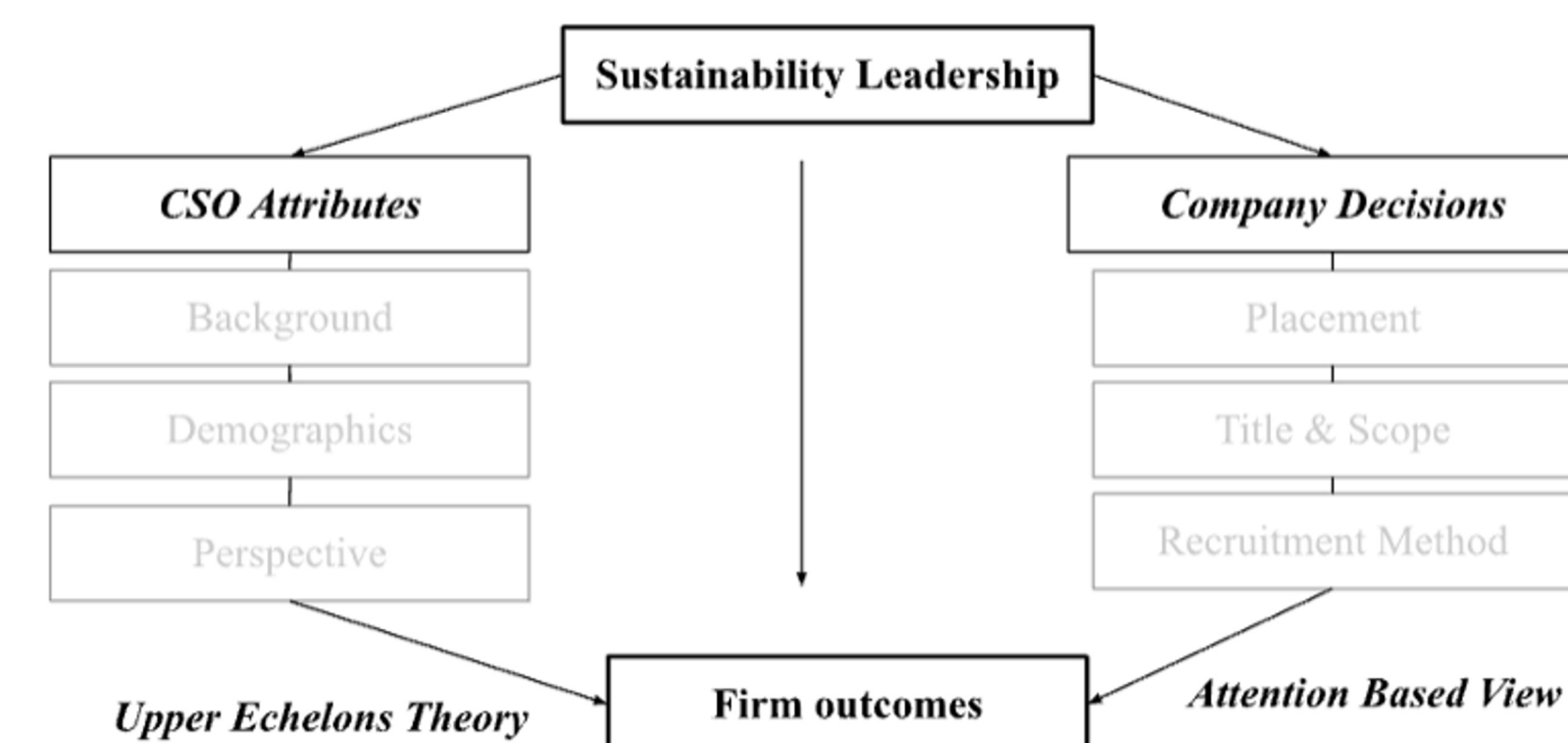
### Key Questions

- How do climate-related metrics compare across firms with and without a CSO equivalent?
- Is the CSO position symbolic or substantial?
- How do various CSO and firm characteristics affect CSO impact?

## Methodology

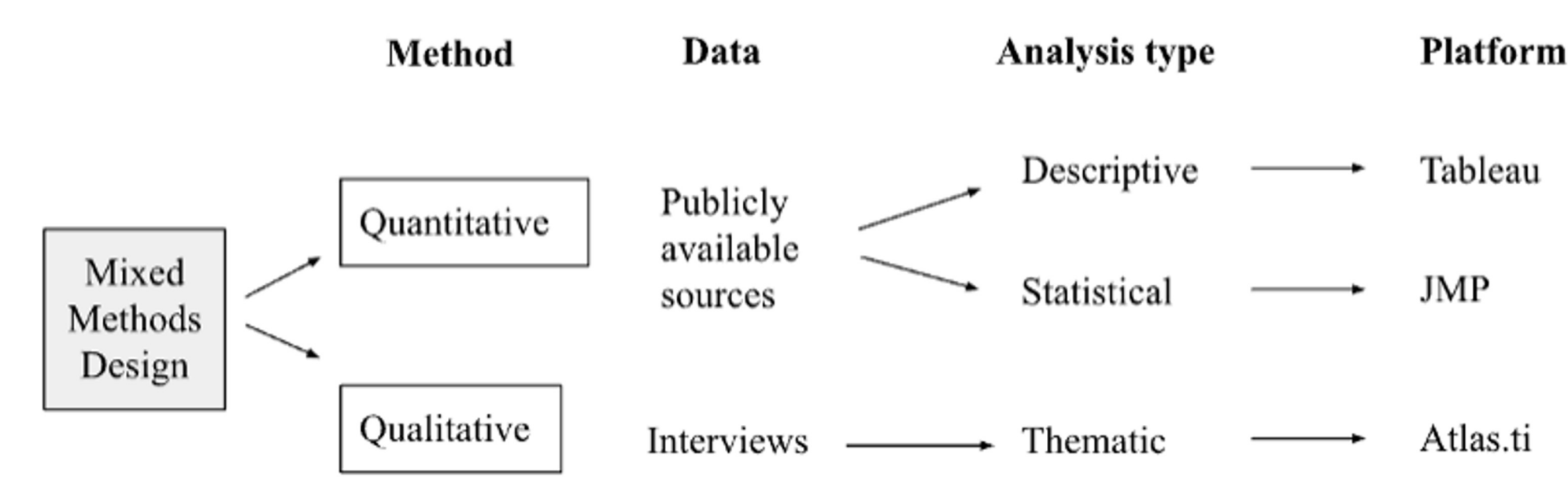
### Rationale: Upper Echelons & Attention Based View

I utilized common theoretical frameworks used by previous researchers in the space to assess impact. Upper echelons research focuses on how the individual characteristics of executives in top management teams impact firm outcomes (Hambrick & Mason, 1984).. Research on attention-based view establishes that firm behaviors are a result of the distribution of managerial attention from decision makers (Ocasio, 1997)..



### Mixed Methods Approach

My methodology comprised four distinct steps: CSO and company data collection, quantitative descriptive and statistical analysis, interviews, and qualitative analysis. The figure below contains a visualization of the methodological components of my thesis.



## Quantitative Results

### Adoption by Industry

Although 291 of 500 companies in my sample have a CSO equivalent, adoption varies by industry. The industry breakdown on the high and low end includes:

- >70%: Media, Hotels, Restaurants, Leisure, Chemicals, Business Services, Motor Vehicles & Parts, and Transportation
- <50%: Healthcare, Retailing, Wholesalers, and Engineering & Construction

### Climate Related Metrics Comparison

Both the statistical and descriptive parts of my analysis indicate that CSO presence is correlated with 1.5 degree alignment and decarbonization target adoption. The table below details variation in decarbonization target adoption.

Decarbonization Target	Non-CSO	CSO	Total
N	31.13%	11.07%	18.4%
Y	68.87%	88.93%	81.6%

I found no significant difference in the MSCI ESG ratings of firms with and without a CSO.

### Factors in Decarbonization Target Variation

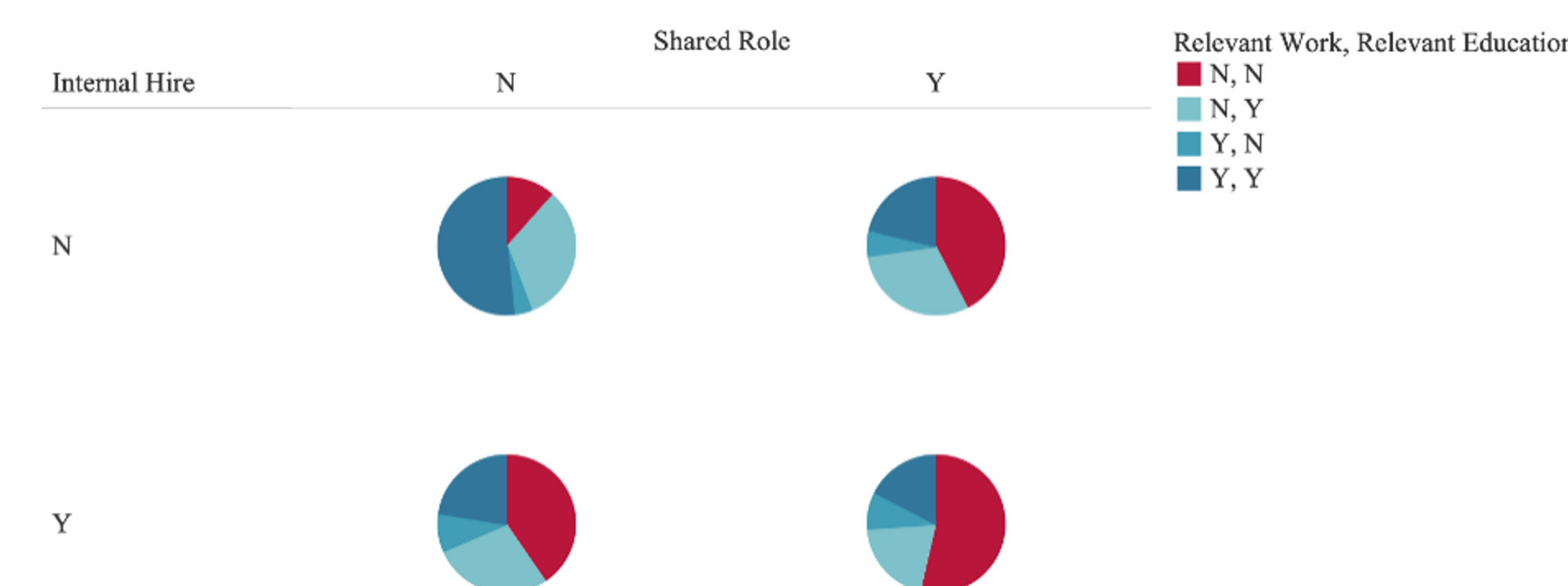
The results of a logistic regression indicate that CSO sustainability related expertise is a significant source of variation in decarbonization target adoption at the 5% level. Gender, recruitment method, and role scope are not statistically significant factors when assessing whether an organization has set decarbonization targets.

### Functional Background Across Role Type

I concluded that functional background is related to recruitment type and role scope through an assessment of individuals that meet the following classifications: External/Internal hire, sole role/shared role. The largest percentage of the expertise of each combination include:

- Greatest** relevant expertise: External hire, sole role
- Least** relevant expertise: Internal hire, shared role

The figure below details the breakdown by category.



A statistical test confirmed this difference in sustainability expertise by recruitment type and hiring method.

## Qualitative Results

I outline the six main themes from my interviews below.

### Sustainability Work Motivations

CSOs commonly cited value alignment and the business case as reasons for pursuing this work. The table below includes a breakdown of priority by CSO.

	CSO 1	CSO 2	CSO 3	CSO 4	CSO 5	CSO 6	CSO 7	CSO 8
Value Alignment	3	3	3	2	1		2	3
Business Case	2	2	2	3	2	3	1	
Environmental Case			1		1		2	2
General Excitement	1	1			3	2		

### Recruitment Methods

Four participants were recruited internally, either by hand raising or approached by a colleague. Four were approached externally, or applied and interviewed. One was promoted from being a consultant.

### Scope of CSO Role

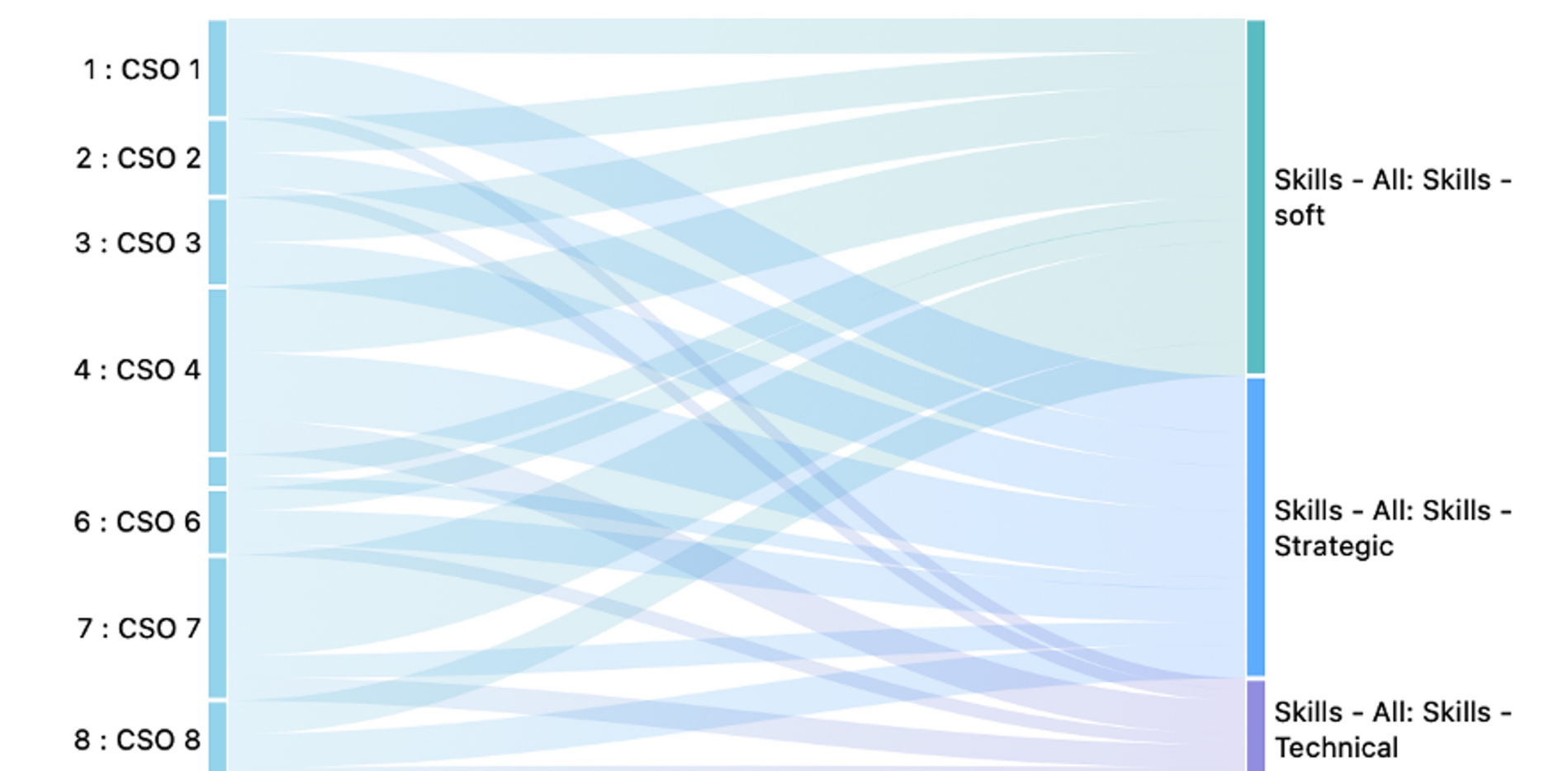
I found that strategy building is the focal responsibility of CSOs today. Accordingly, several CSOs mentioned being the "connective tissue" of the organization, working with each functional area to implement sustainability initiatives.

### Placement within Organization

While three participants had a strong, direct relationship to the CEO, others had little to no interaction. Two had quarterly meetings, and one had no regular contact.

### Necessary Skill Sets

The CSO position requires a mix of soft, strategic, and technical skills. The figure below depicts the breakdown of skills mentioned by each interview participant.



CSOs who mentioned relationships explained the importance of building both horizontal and vertical relationships with internal and external stakeholder groups.

### Future of the CSO Position

Common thoughts on the CSO position's future included increased attention to technical skills and big data, more consistency in the functional backgrounds, greater presence in C-suite, and more integration into the business.

## Conclusion

My findings indicate that firm decisions, including hiring, placement, and resource allocation, can affect a CSOs substantive rather than symbolic impact. Substantive CSOs have the background knowledge and expertise while also containing the support and resources to enact their strategies. Notable quotes from interviews include:

- "It matters not much where you report as long as you have [C-Suite] buy in for the work... If they want to make it happen, it'll happen. If they don't, it doesn't matter where you report"
- "The biggest question and uncertainty I have is always whether I have pushed hard and aggressive enough... I feel like anybody that's successful in this position should always be asking themselves that question."
- "There's an owner for everything you're working on and it's not you. So, it's leading without authority. It's inspiring people. It's being able to manage up, across, down."
- "The best attribute you can bring to the table isn't necessarily a very specific expertise in a narrow field... It's flexibility. A desire to constantly learn. A dislike of being bored."

## Acknowledgements

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