

SUSTAINABILITY AND THE MODERN CMO:

A New Ball to Juggle—or a Key to Juggling Smarter?


CORPORATE
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EXECUTIVE SUMMARY

Sustainability Shapes Top CMOs' Decisions

The role of the Chief Marketing Officer (CMO) is currently experiencing a major transformation—a shift in focus from products and sales to the development of innovation-based growth strategies.¹ As part of this transition, CMOs are performing an increasingly important role in shaping and implementing sustainability strategies.

A new report by the World Environment Center and the Corporate Eco Forum documents the thinking and actions of a group of select CMOs and senior marketing executives at leading global enterprises. These leaders share a common goal: to develop higher performance businesses in the midst of unprecedented disruption and opportunity, by delivering business solutions and meaningful experiences to current and future customers.

The bottom line? CMOs describe the emergence of a new marketing “juggle,” one that involves balancing social changes, global megatrends and technological innovations with new brand promises.

Sustainability provides a critical lens through which CMOs can evaluate how well their company performs against external expectations, while at the same time contributing business relevant data and practices for current priorities and objectives. Here's why:

- There is a shift within the marketing function from being the final leg in the journey from supply chain to consumer demand, to one where marketing is more valuably focused on aligning the interests of multiple stakeholders across the value chain.
- Thinking and practice about sustainability has matured to a point where it can integrate the needs of various consumers in ways that are business relevant and brand enhancing.

- Sustainability is gaining considerable momentum as a proof point in a company's quest for greater authenticity. As marketing executives and companies seek to expand their authenticity with consumers and business customers, they are searching for additional strategies and tools that enable them to further their competitive advantage.
- Sustainability is also emerging as a major portal through which to manage brand reputation for both products and companies and for defining the business purpose. In a growing number of markets, the sustainability value proposition helps expand market access and enable sales.
- Sustainability has increasingly become a validation point for attracting and retaining top talent.

The disruptions and opportunities discussed in this report provide important insights to essential key competencies that are redefining the modern CMO. To further align sustainability with marketing strategies, today's CMOs must determine how sustainability enhances product or service experiences of customers. This requires a reconceptualization of “authenticity” and the application of sustainable business principles and practices that reflect customers' values.

The need for such authenticity is propelled by the fact that a number of business sectors—agriculture, fossil fuel production, and transportation based on the internal combustion engine—are experiencing a declining social license to operate manifested by newer purchasing patterns, community or consumer opposition, higher capital costs and increased regulation. The creation of new marketing strategies that account for all the above factors and which repositions brands for the future is a central challenge for CMOs, one that is currently unresolved and undergoing much experimentation.

MARKET DYNAMICS: The Rapidly Evolving CMO Role

Perhaps no major business position has experienced so much change in recent years as the Chief Marketing Officer (CMO). This is understandable given that so many global trends reshaping the business landscape touch the marketing function directly—digitization, the decline of traditional advertising, growth of social media, radical transparency and traceability, growing pressure on business to reduce negative social and environmental harm (and do more good), and rising expectations from more empowered business customers and consumers.

These trends pose a wealth of new opportunities—including exciting ways to attract and engage customers in highly targeted ways. However, they also bring new vulnerabilities and exposures: brand risks are originating from activities in extended parts of the supply chain not transparent to corporate purchasers or to downstream customers and, even more importantly, social license to operate is declining in many business sectors ranging from food and beverage products to extractive industries.

Today's CMOs face the challenge of managing an unparalleled pace of change in their profession and their businesses. The sources of such change include a globe-spanning digital revolution, ever-expanding modes of transparency, global megatrends that reshape the environmental, economic and social landscapes, and rising expectations for the role of business in society. These and other developments require more tailored strategies to reach increasingly differentiated business-to-business (B2B) and business-to-consumer (B2C) customers. They also necessitate that CMOs learn and become more directly engaged in the process of technological and social innovation, and accelerate the process of marketing to future customers and not merely those within today's marketplace. To achieve these outcomes requires new and different types of market-scale collaboration with value chain partners and those in civil society.

Over the past five years, a rapidly growing number of the world's largest companies have turned to "sustainability" as a strategic lens to help anticipate and navigate the complexity associated with these intersecting challenges. PwC's 19th Annual Global CEO Survey, drawing upon responses from over 1,400 CEOs across 83 countries, found that CEOs acknowledge their customers and other stakeholders increasingly expect them to do more to address important problems. Fifty-two percent of surveyed CEOs asserted that creating value for wider stakeholders helps profitability, while 44 percent believe their customers in five years will "put a premium on the way companies conduct themselves in global society" and seek relationships with companies "that address wider stakeholder needs." Today, half of CEOs see climate change and environmental damage as a threat to their company's growth prospects.² Another proof point for these CEO perspectives emerges from the World Economic Forum's 2016 list of "Top 10 Global Risks to Business." These included several sustainability-related threats new to business radar screens including: "extreme weather events," "failure of climate change adaptation," and "water crises."³

WHAT IS "SUSTAINABILITY?"

While precise definitions vary widely, at the core sustainability is quite simply about protecting and strengthening foundations for long-term success—whether for individuals, communities, companies, or future generations.

In the corporate realm, it's about being farsighted and planning ahead so companies can make smart decisions today that avert problems tomorrow. It also generally refers to the ability of companies to do business in ways that minimize social and environmental harm, while maximizing business opportunities associated with rising market demands for solutions to sustainability-related challenges including climate change, resource scarcities, the collapse of critical natural ecosystems, rising global demands for food, water, energy, housing, transportation, and health care, and greater urban resilience.

INSIGHT: CMOs Race to Adapt

The World Environment Center and Corporate Eco Forum set out to learn more about the current mindset of today's CMOs. This research initiative conducted in-depth interviews with current and former executives from 3M, BASF, Dow Chemical, General Electric, Hewlett Packard, IBM, Johnson Controls, Kaiser Permanente, Marks & Spencer and Unilever. The report also draws insight from not-for attribution conversations with members of the Corporate Eco Forum and World Environment Center and other thought leaders.

The findings confirm a shifting role for today's top marketing executive. CMO interviewees said they are experiencing not just a faster pace of change than ever, but an acceleration in the qualitative nature of change. CMOs identified five major drivers of transformational changes washing across the marketing landscape:

"It is difficult to grasp the lightning speed and avalanche of change."

Gabi Zedlmayer
Former Vice President & Chief Progress Officer
Hewlett Packard

- **A global digital revolution:** Marked by the rapid adoption of Internet, mobile and social technologies. In the marketing function, this phenomenon has accelerated during the past half-decade, driven by very rapid adoption of mobile technologies in the developing world, expanding broadband penetration and hours spent online in the developed world, and the increasing central role of the world's biggest digital companies in both business and society at large.
- **The all-encompassing nature of transparency:** The acceleration in the usage of social media around the world has changed the balance of power between companies, their customers and other interested stakeholders. This expansion has happened at the same time as a widening popular understanding of the unprecedented global reach and economic influence of the world's biggest corporations. This dual development has led to an expectation among consumers and society at large for complete corporate transparency. This is impacting every aspect of marketing, from what companies say about the products in advertising to how they manage their own supply chains. More fundamentally, it is resulting in a major redistribution of power between customers and the companies providing products and services. Greater transparency also means the obsolescence of traditional messaging strategies. Companies can no longer assume that they "control" the message about their products or reputation, as alternative credible institutions and voices often serve as trusted information sources.
- **Global megatrends reshaping the socio-economic landscape:** There are massive underlying trends in motion, including population growth; the expansion of the middle class around the world and an associated consumer culture; climate change and related natural resource constraints; urbanization; and greater geographic mobility. Companies have begun to evaluate the potentially disruptive implications of these and other megatrends on strategy, operations, innovation portfolios, and even business models, along with potential opportunities.

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- ***Rising expectations for the role of business in society:*** Together, the above factors are generating pressures to develop new business strategies that deliver financial growth as well as environmental sustainability and social equity. The Unilever Sustainable Living Plan (USLP) and the “Creating Shared Value” approaches being implemented by Nestlé, Walmart, Dow Chemical, McDonald’s, Schneider Electric and other companies are the best known of these strategies, but there will likely be widespread experimentation around these and related clusters of issues in the coming years. Additionally, companies are frequently expected to provide critical services (e.g., education, health care) when governments in the regions where they are operating fail to perform effectively.
 - ***The search for greater authenticity:*** “Purchasing on the basis of conforming to self-image,” is how authors⁴ James H. Gilmore and B. Joseph Pine II define the concept of authenticity. “When people create their own offerings to meet their individual needs—designing them, shaping them, touching them (even if only virtually), and causing them to come into being on their own behalf—the results automatically come off as authentic, whatever the offering.” Such authenticity can no longer be created solely by a company through factual statements, advertising or public relations but has to emerge from collaborations with customers and stakeholders as well as through internal partnerships across multiple business functions.
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INSIGHT:

New CMO Responsibilities Emerge

Considering the massive market trends underway, the authors sought to understand how the resulting “avalanche of change” is changing the role of the modern CMO. What are the new “balls” they are now expected to “keep in the air?”

The CMOs interviewed described these new and/or enhanced top-line responsibilities:

Shape and Implement Sustainability Strategies

CMOs will perform an increasingly important role in creating sustainability initiatives for their respective corporations, in partnership with peers leading other business functions. However, examining the CMO role in sustainability decision-making is further complicated, as their relationships and responsibilities with other business executives in their companies are also in flux. Since the research on CMOs and sustainability is still at an early phase, our evaluation should be regarded as exploratory in nature, with a recognition that the sustainability-CMO relationship will evolve in different ways across individual industry sectors and companies. As enterprises respond to both powerful external factors and changing internal dynamics, there will be a continuing process of experimentation among leaders in marketing, sustainability and other business functions.

This research project identified a number of innovative CMOs who are implementing marketing-sustainability strategies at leading companies. All of them possess *a common goal: to develop higher performance businesses in the midst of unprecedented disruption and opportunity, whose ultimate measure of success is the seamless delivery of business solutions to current and future customers.* Individual companies and CMOs may address this goal differently—a reflection of their culture, strategies and competencies—but their approaches broadly reflect the diversity of choices available in today’s marketplace. (See appendix for examples of marketing-sustainability integration at interviewed companies.)

Craft Tailored Strategies for More Numerous and Diverse Customers

CMOs must market effectively to a larger number of people and to different kinds of people. Demographic trends are combining to expand and diversify customer bases. These trends include rising incomes in the developing world; escalating income inequality in much of the developed and developing worlds; increasing life expectancy and loosening of cultural expectations around life stages; and the hyper-fragmentation and personalization of the media landscape. Marketing leaders are finding ways to use technologies to reach more customers and turn audience fragmentation into business opportunities. Nevertheless, this is a rapidly evolving field which CMOs are expected to lead with no historical reference map.

Stay on the Cutting Edge of Technology Innovation

CMOs are expected to be masters of every new technology that changes the customer experience, in addition to their go-to-market strategies and any other aspect of their companies' marketing operations. What's more, they should be conversant with the emerging technologies that have disruptive potential for marketing, given the speed at which new technologies are being adopted. One such emerging area is the Internet of Things (IoT)—the network of physical objects, or “things,” that contain electronics, software, sensors and network connectivity with capabilities to collect and communicate data. The IoT is already disrupting industries as diverse as automotive, retail and healthcare, and promises to bring more disruption as the number of sensors and smart systems is expected to grow exponentially over the coming years.⁵ But it is only one of the many emerging innovations with which CMOs are contending. As one example, changing information technologies integrated with robotics now enables Ford's River Rouge complex to produce 600,000 variations of its bestselling F-150 truck, thus enabling consumers to customize their made-to-order purchase.⁶ Similar developments can be observed in other business sectors, e.g., choices that consumers can make to substitute renewable energy for coal-fired electricity on the utility grid for their home energy source, greater investments in green chemistry as an alternative to hydrocarbon-based chemical manufacturing, and use of natural, plant-based materials in packaging. Across the value chain, CMOs face a new requirement to not only identify and understand such developments, but apply them for their company's business advantage.

“As a business strategy we have to evolve with, or ahead of, the company. Right now we are laser focused on defining the energy, water and efficiency opportunities that society will gain from digital analytics in industrial applications.”

Debora Frodl
General Electric

Market to Tomorrow's Customers, Not Just Today's

Modern CMOs can no longer focus on just “selling.” They need to be part of the leadership team that anticipates tomorrow's customer needs and stakeholder expectations, while adjusting strategy to position the company to thrive for decades to come. As Keith Weed of Unilever noted: “CFOs show where the dollars have gone; CMOs should show where the dollars are going to come from. Serving tomorrow's consumer will future proof the company.” This kind of work is enabled by business creativity, intuition and science. It requires an ever-expanding set of skills. Modern CMOs must draw upon a deep understanding of specific markets, and effectively integrate data analytics with the latest social and behavioral science insights to evaluate demographic trends, the evolution of individual and collective values and aspirations, and changing roles and responsibilities within families and societies as a whole. “CMOs have to focus on systems thinking and have a holistic view on what it means to be ‘a citizen of the world,’” concludes IBM's Jon Iwata.

Mastering Strategic Collaboration

The CMO's expanding portfolio of responsibilities is driving the need for ever broader collaboration, both internally and externally. Internally, CMOs are forging closer interactions with Chief Innovation Officers, Chief Sustainability Officers and other business peers. The CMO-CIO relationship has become especially important, given

the need for continuing innovation and the importance of avoiding “islands of technology.” Externally, a growing number of CMOs are leading collaborations between corporations and NGOs, government and business federations. While this broader range of collaborations is welcomed by CMOs, it nonetheless represents a considerable expansion in the range of competencies and relationships CMOs are expected to build and manage.

Gaining New Skill Sets

Because leading CMOs possess a keen realization not only about how rapidly their role and profession is changing, they also acknowledge that additional skill sets will be urgently required for them and their successors to achieve future success. “Now we have to teach behavioral sciences in marketing to understand how and why decisions are made and acted upon,” concludes IBM’s Jon Iwata. “We must get to know people, foster critical thinkers through classical liberal arts education. I personally follow the epidemiological profession as a source of marketing knowledge.”

The CMOs interviewed for this evaluation identified a variety of important competencies that need to be developed, including:

- Acquiring more digital skills and enhanced understanding of how digitization will change markets, relationships with suppliers and customers, and branding.
- Building marketing strategies from insights obtained from Big Data on such issues as customer values and preferences, and creating new networks to engage customers.
- Becoming more knowledgeable of sustainability and its applicability as a source of value creation and connection to the values of some consumers.
- Working more directly through partnerships, both internally (e.g., CMO-CSO, CMO-CIO) and externally (with NGOs or business partners).
- Establishing a greater understanding of the processes of disruption, ambiguity and change; learning to make more rapid decisions; and continuing to simplify the complex.
- Investigating new sources of expertise for marketing to expand critical thinking skills. These include recruitment from the behavioral sciences to better understand decision making models and actions, and using public health sciences as a source of marketing knowledge.
- Urging business schools to focus more on the major trends that are reshaping global enterprises and markets. This includes greater emphasis on data analytics and digital competencies, building collaborative relationships at market scale, managing disruptive change and other transformational business drivers, and learning how to integrate knowledge from other professions (e.g., behavioral sciences, public health) and the acquisition of sustainability knowledge.

“We no longer sell ingredients or even individual products... The focus is on providing integrated packages of customer solutions.”

Teresa Szelest-Shah
President, Market & Customer Development
North America, BASF Corporation

INSIGHT:

Sustainability Illuminates Opportunities

As CMOs contend with unprecedented change and broadening responsibilities, they face an increasingly complex juggling act—both in terms of strategic analysis and execution.

The CMO interviews revealed an important trend in the making: innovative CMOs at some of the world's most powerful companies are finding the lens of "sustainability" to be a powerful tool to help master the growing complexity of their role. They see sustainability as a business approach—a way of thinking that can help illuminate tomorrow's top risks and opportunities and point to strategies that position companies, and their brands and products, for enduring success. In short: **they see embracing sustainability as a means to juggling smarter—not an extra ball to juggle.**

"Sustainability is one zip code where both IBM's and society's purposes meet."

Jon Iwata
Chief Marketing Officer
IBM

Every CMO interviewed stressed the importance of viewing sustainability as part of an integrated way of thinking and a critical source of value for strengthening brands, customer relationships and the general reputation of their companies. In contrast to many CFOs, who tend to assess sustainability's value mainly through a risk management lens, the CMOs interviewed for this initiative apply a wider-ranging perspective.⁷ That said, sustainability has not yet become a central focus in the wider CMO community. As Kim Metcalf-Kupres, Chief Marketing Officer of Johnson Controls, noted, "I don't hear enough about sustainability in the peer community." As a larger number of companies adapt their business and marketing strategies to respond to global megatrends, changing customer needs, emerging public policy frameworks and stakeholder expectations, the sustainability conversation in the marketing profession can be expected to expand.

This shift in thinking reflects a growing recognition of sustainability's value proposition to marketing in four critical areas:

1. Managing Brand Reputation

In a world where citizens and consumers have more access than ever to information about companies, CMOs are working even harder to understand the risks faced by their brands. To some extent, CMOs engage with sustainability because part of their role is to be the brand stewards in the C-suite. As such, it is their responsibility to be on the lookout for brand reputation risks, and widespread consumer perception of environmental negligence is certainly among them.

CMOs' brand-related interest in sustainability, however, goes beyond brand risk management. A growing number of customers expect sustainability to be incorporated into products and services. Furthermore, an interest in sustainability is, in the words of IBM's Jon Iwata, "a signal of being a particular kind of company." His belief is that customers do not just engage with companies based solely on what they have to sell—they also care about what companies stand for and believe. Several of the CMOs interviewed agreed: when sustainability values are core to a brand's identity, it can be an important differentiator in the marketplace.

Today's informed consumers increasingly expect large global corporations to deliver social and environmental as well as economic value. For this reason, purpose-driven branding is increasingly viewed as a powerful way of building relationships with consumers, businesses, governments and society at large. IBM CMO Iwata believes that through its links to everything from the cities where we live, to our health care, to our education systems, "sustainability is one zip code where both IBM's and society's purposes meet." Likewise, Unilever's Keith Weed talks of sustainability as a part of building deeper brand relationships in "a social media powered world where it's not enough to claim that your washing powder washes whiter than white."

2. Enabling Sales

If, as Unilever's Weed states, the job of the CMO is to show "where the dollars are going to come from," then finding ways in which sustainability can help to enable market access and sales will be central to CMOs' thinking. The interviews found that sustainability is a valuable proposition for both B2B and B2C marketers. However, there are differences in the extent to which CMOs believe that sustainability credentials can directly drive business growth. B2B company CMOs largely find that sustainability is an important factor in opening up new business relationships and opportunities. 3M's Jesse Singh noted that already existing work with suppliers to provide recycled content for retailers or greenhouse gas reductions for other firms is becoming increasingly compelling for 3M's customers. "From a positioning standpoint," he notes, "the more we can enable our customers to be sustainable themselves, the better position that puts us in."

CMOs working for B2C companies tend to exhibit more circumspection in assessing the extent to which sustainability factors are a direct motivator for consumers to buy from them. Weed holds the view that sustainability can assist the decisions made by "swing voters". But overall, while some surveys continue to conclude that customers are willing to pay more for sustainability enhancements, this viewpoint is not supported by the interviewed CMOs. "People talk and behave differently on sustainability," concludes Rob Weston, Marks & Spencer's Global Brand and Marketing Director.

A commitment to sustainability can be a sales enabler in another context: it can help to build a presence in emerging markets. In Marks & Spencer's food business, for example, consumers in China and India are typically younger than they are in western markets, and issues such as food safety are hugely important. Marks & Spencer's food safety strategy, itself an aspect of its sustainability thinking, is therefore helping to build its brand in those crucial new markets. From the other end of the food value chain, Dow Chemical's Chief Commercial Officer Joe Harlan sees a similar opportunity. "Dow provides solutions that reconcile people's aspirations for a middle class lifestyle with sustainability. To address the food waste challenge requires a systems and cross technology solutions approach inclusive of water, packaging, agricultural productivity and consumer education," he noted. "This is a big opportunity to harmonize the needs of the consumer, market and industry through sustainability and collaboration partnerships." While seeing these opportunities through a different, yet complimentary business lens, both Marks & Spencer and Dow Chemical are engaged in seeking a value chain wide approach on a spectrum of food-related issues.

3. Stoking the Innovation Pipeline

The CMO role is widely understood to cover responsibilities such as branding, communications, and pricing. What's less widely understood is the role played by CMOs in product innovation and development. A number of the CMOs interviewed were keen to emphasize that sustainability considerations are central to product innovation at their company. At General Electric, sustainability and their product innovation pipeline intersect in the form

of their Ecomagination initiative. IBM's technology-based solutions help its clients and society at-large succeed economically while also addressing environmental impacts in areas as diverse as urban air quality, energy production, freshwater resource management, transportation, and the built environment. At Johnson Controls (JCI), sustainability considerations are also embedded in product development. But in marketing these products, rather than foregrounding "sustainability," JCI focuses on a more immediate customer benefit by, for instance, making buildings more energy efficient.

4. Attracting and Retaining Top Talent

Companies as varied as Dow Chemical, Marks & Spencer and Unilever have observed direct evidence of how sustainability stimulates interest among younger professionals to work for them. For example, Unilever receives the third highest number of job applications on LinkedIn, an outcome which CMO Weed believes is attributable in part to their prioritization of sustainability.

The millennial generation (born approximately between the early 1980s and the early years of the 21st century) exhibits strong interest in sustainability and wants to work for companies that reflect its own values. Whereas in years past companies such as Dow Chemical were concerned about their ability to attract talented scientists and engineers to work in the chemical industry, their sustainability performance and transparency has enabled them to establish a number of strategic partnerships and other relationships to assure their continuing competitiveness through their ability to recruit top talent.⁸ General Electric's expanded commitment to open innovation has involved the participation of a growing number of university students around the world. These students, in learning about GE's business needs and sustainability approach, contribute ideas for solving important societal challenges, thereby enabling the company to gain access to talented young professionals in many nations.

Employee engagement and retention is another major benefit of sustainability. Such internal branding is expressed in a number of ways ranging from community voluntary programs, organization of green teams and systemization of sustainability in product design, supply chain management, manufacturing, distribution and logistics, marketing and facility management. The development of metrics and scorecards has helped formalize the branding of sustainability internally, while also enabling greater transparency, allowing companies to achieve a more seamless process across internal and external branding.

As an example, Hewlett Packard maintained high employee engagement levels (as measured by an annual survey) while navigating a complex company separation in 2015. This was due in large part to the company's Living Progress sustainability strategy and an inventive, company-wide partnership with the Kiva microloan platform. The Kiva partnership enabled all employees to make \$25 loans to entrepreneurs. "We created evergreen philanthropy," said Chris Librie, former Acting Vice President, Corporate Affairs, at Hewlett Packard Enterprise. "The original \$7 million foundation grant was multiplied as the microloans were repaid, and employees were encouraged to make new loans. Nearly \$10 million has been distributed in just over two years."

INSIGHT: Authenticity is Critical

“Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view.”⁹

—Peter Drucker

In 1954, Peter Drucker famously proclaimed that any business enterprise “has two—and only these two—basic functions: marketing and innovation.” If Drucker was right, **today’s CMO faces more pressure than ever to devise a new marketing road map that helps companies drive strategy and execution effectively in light of considerable change and uncertainty—one which bridges social changes, global megatrends and technological innovations with new brand promises that can be customized or scaled depending on the need.** The leaders interviewed suggest that sustainability may help CMOs and senior marketing professionals do just that—helping them navigate into the future by making more effective choices about products and services they will develop, consumers they will serve, and the purpose that propels companies forward.

Sustainability is already helping to drive innovation and generate business value at scores of global companies. It is increasingly being seen as a critical proof point for smart leadership, good governance, and authentic relationships with key stakeholders—from employees and customers to government authorities and civil society. As the business case for sustainability continues to strengthen, it is expected that more companies will tap sustainability to differentiate their brands, products and services in an increasingly crowded marketing space.

Marketing leaders finding success along these lines strongly caution, however, that **sustainability can only be an effective value-add to marketing if it is authentically embedded in core business strategy and corporate values.** If not, sustainability risks not only being an extra “ball to juggle,” but potentially a detraction if it lends an impression of “greenwashing.” The winning frames and messages will align with values and stories relevant to the target audiences, whether they are employees, customers, or other stakeholders.

Similarly, as with any other marketing pursuit, **language and framing matter a great deal** – and ironically, the word “sustainability” may be more of a hindrance than a help. Johnson Controls, for example, does not use the term sustainability in marketing its products, but it finds value in using it for corporate branding, employee engagement, talent acquisition (including emerging markets) and in communicating how its products and services support sustainable outcomes. In using terminology such as “Smarter Planet” or “Smarter Cities,” IBM is, at its core, referring to sustainability. However, it also wants to use these brands as platforms to integrate a series of concepts, technologies and words that best position its business with customers.

APPENDIX 1: Cases of Marketing-Sustainability Integration

During the interviews with CMOs at leading companies, respondents detailed the general approach that their firms are taking to integrate sustainability into marketing in practice. The summaries below reflect the diversity of experiments currently underway, as well as the growing set of practical insights.

3M

3M's long-term commitment to innovation has created a strong foundation of support for investment in science. CMO Jesse Singh summarizes the relationship of sustainability to science as follows: "Sustainability uses science to improve the world." As a result, sustainability aids in building authenticity with the external world even while it is embedded more organically in day-to-day research and development and operations. In addition, 3M is finding that its own customers are increasingly being asked by partners to play a role in minimizing environmental impact. In this way, sustainability is embedded into 3M's marketing strategy since it is an important consideration for their customers.

BASF

For BASF, sustainability continues to evolve as a profitable growth-driver and core element of customer experience. As customers seek to differentiate their businesses through sustainability, new laws and standards in many value chains emerge, and societal and business environments change, it is prompting demand for more sustainable products and solutions. BASF has integrated its corporate purpose—"We create chemistry for a sustainable future"—into its business strategy, innovation and core processes and targets, and how it collaborates with customers to drive opportunities and reduce risk. In practice, this has resulted in the evaluation of portfolio and product benefits, and customer partnerships

designed to reduce costs, decrease environmental impacts, identify innovation opportunities, and deliver improved performance. The company has assessed over 60,000 product solutions across the value chain. In 2014, 23 percent of BASF's sales consisted of solutions that provide substantial sustainability contributions, with a target of 28 percent by 2020. These solutions promote downstream benefits including cost savings, resource efficiency, waste and emissions reductions, and safer handling and use. Overall, the value proposition for chemicals continues to migrate from selling individual chemical products to providing innovative customer solutions.

Dow Chemical

Dow's 2025 Sustainability Goals demonstrate its legacy of innovation and leadership in sustainability. "Our customers are increasingly looking for opportunities to meet consumers' sustainability and specified performance needs which requires market and in-depth value chain knowledge to unlock the requirements of technology development," according to Dow's Joe Harlan. "Marketing serves as the integrator between the customer/market insight and the innovation pathway to more sustainable solutions." Dow's sustainability goals mark its twenty-year evolution: where the company once focused on its own operations' footprint, it now develops technologies that enable positive impact and sustainable development for their customers' diverse applications and help to redefine the role of business in society. At Dow, the new role of marketing is to contribute to value chain and systems redesign in a way that delivers value by enabling customers to do more with less. Sustainability has been a catalyst in Dow's transformation from a supplier of chemicals to a provider of market-driven materials science solutions.

General Electric

At General Electric, Ecomagination is the company's approach to sustainability. It is an enterprise-wide initiative that embeds innovation and technology, business integration, and customer relations as part of the company's commitment of providing integrated business solutions. Historically, GE has been a highly diversified company with businesses in such sectors as finance, media plastics, lighting, rail engine and aircraft engine manufacturing. More recently, it is becoming more B2B focused and sees its future as a digital industrial company in which Ecomagination continues to play a leading role. Ecomagination is "both a commitment and a strategy," says the company's Debora Frodl, in which "you don't have to have a trade-off between economic and environmental impact."

Hewlett-Packard

At Hewlett Packard sustainability and marketing have intersected in a number of places. Among these, the Living Progress program (now at Hewlett Packard Enterprise) constitutes a framework for integrating sustainability and marketing through storytelling in a manner that makes complex issues simpler and relatable to both employees and communities. One feature of the program is a global Living Progress Challenge that solicits proposals for digitally enabled solutions to important social issues.

In addition to the Living Progress Challenge, sustainability is core to HP's strategy in a number of other ways including the design of environmentally advantageous data centers, a longstanding commitment to recycling stewardship, and efforts to transparently disclose the environmental impact of their own products and operations. HP was one of the first companies to disclose its complete carbon and water footprints, and to create carbon reduction goals for all parts of its value chain. Both HP and Hewlett-Packard Enterprise plan to continue this transparency leadership.

IBM

Sustainability is embedded into IBM's strategy as a corporation and, therefore, into the marketing across all initiatives. CMO Jon Iwata explained that IBM's thought-leadership as an integrator of sustainability and strategy improves relationships with all the constituents that matter to IBM—from clients to employees to government leaders and beyond. In addition, IBM's own innovation pipeline leans into the environmental and business challenges the world is facing. This defines the solutions IBM sells today, while guiding the solutions it will sell tomorrow.

Johnson Controls

Johnson Controls, a global multi-industrial company, has a long history of commitment to sustainability. In CMO Kim Metcalf-Kupres' words, sustainability is about being "authentic... accountable... transparent." While sustainability is a consideration in how Johnson Controls markets customer solutions, in this context "sustainability" is not the way in which the benefits of such solutions are framed. Rather, they focus on foregrounding a more immediate customer benefit, such as energy efficiency, which may also have a sustainability upside. According to Metcalf-Kupres, sustainability is about striking the "the balance between today and tomorrow."

Kaiser Permanente

Kaiser Permanente is re-examining the integration of sustainability in its marketing strategy. In general, the interrelated trends of consumerism and sustainability are impacting the health care sector at a later stage than many other businesses. In part, this is because health care companies work through brokers and consultants who are less familiar with sustainability. The greatest near-term opportunities to apply sustainability practices in the industry lie in working through supply chains and hospitals and related infrastructure. For Kaiser, this has

led to a greater focus on removing chemicals of concern from products it buys, investing in renewable energy and designing resilient and green facilities. The company's advertising has focused on a campaign called "Thrive," and it has connected sustainability to this concept.

Marks & Spencer

Marks & Spencer launched its Plan A 2020 strategy in 2007. Plan A aims to shift thinking "from improving today's business model to imagining what a very different, truly sustainable M&S might look like in the future". The plan aims to engage Marks & Spencer's staff of 86,000 employees, its thousands of suppliers, and its millions of customers. The plan consists of four pillars: Inspiration, which aims to inspire customers to live a more sustainable lifestyle; In Touch, which seeks to connect M&S employers and suppliers with local communities; Integrity, which comprises a number of commitments to help Marks & Spencer lead the retail sector in sustainable consumption and production; and Innovation, through which Marks & Spencer is investing in products, services and operations of the future. As Plan A 2020 enters its third phase, Marks & Spencer is able to look back on a number of notable achievements. Among them is the fact that the company's entire global operations were carbon neutral as of 2014.

Unilever

At Unilever, Keith Weed's CMO position encompasses marketing, communications, and sustainability, and he performs an important role in overseeing brand development and building. Within this structure, the role of Chief Sustainability Officer has been redesigned to focus on external engagement in order to stimulate system-level changes at a global scale to achieve outcomes such as net zero deforestation in collaboration with other companies, governments and non-governmental institutions. These and other transitions are indicators that Unilever's concepts of marketing and sustainability have moved beyond "product functionality" and towards innovations in both product and collaboration strategies that recognize the nascent emergence of a "sustainable consumer." While behavior change and a willingness to pay more for sustainable product improvements are not characteristic of such consumers, their engagement in social media is a major turning point for marketing innovation.

APPENDIX 2: Methodology and Contributors

The Corporate Eco Forum and the World Environment Center collaborated to interview a select group of leading CMOs and other senior marketing executives representing major global companies in diverse business sectors on the impact of sustainability on the CMO role.

The authors gratefully acknowledge the participation of the following CMO interviewees for their authoritative comments and insights:

- **Peter Andrade**, Senior Vice President of Sales and Accounting, California, Kaiser Permanente Health Plan
- **Debora Frodl**, Global Executive Director, Ecomagination, General Electric
- **Joseph Harlan**, Chief Commercial Officer, The Dow Chemical Company
- **Jon Iwata**, Chief Marketing Officer, IBM
- **Kim Metcalf-Kupres**, Chief Marketing Officer, Johnson Controls
- **Jesse Singh**, Chief Marketing Officer, 3M
- **Teresa Szelest-Shah**, President, Market and Customer Development North America, BASF Corporation
- **Keith Weed**, Chief Marketing Officer, Unilever
- **Rob Weston**, Global Brand and Marketing Director, Marks & Spencer
- **Gabi Zedlmayer**, former Vice President & Chief Progress Officer, Hewlett Packard

Supporting insight was also gained from not-for attribution conversations with members of the Corporate Eco Forum and World Environment Center and other thought leaders. Specifically, the authors would like to acknowledge Peter Bryant, Managing Partner at Clareo, and Senior Fellow at the Kellogg Innovation Network, and Kevin B. Kramer, Chief Commercial and Marketing Officer at Allegheny Technologies, Inc. for their counsel and incisive comments on the manuscript.

APPENDIX 3: About the Authors

Terry F. Yosie joined the World Environment Center in October 2006 as the President & CEO. Dr. Yosie has held senior-level management positions at the U.S. Environmental Protection Agency, and the chemical and petroleum sectors and the consulting profession. He served in 2014 on the U.S. National Academies' Committee on Scientific Tools and Approaches for Sustainability to advise the U.S. Environmental Protection Agency and was appointed in 2016 as a member of the United Nations Environmental Programme's High Level Advisory Group for its Global Environmental Outlook. He is the author of more than seventy professional publications. He received his Doctorate in Humanities and Social Sciences from Carnegie Mellon University in 1981. In 2013, he received Carnegie Mellon's Alumni Achievement Award and, in 2016, he was the recipient of the Distinguished Alumni Achievement Award from Indiana University of Pennsylvania.

P.J. Simmons has worked for over two decades as a sustainability analyst, strategist, and bridge-builder. After serving as a researcher on environmental affairs at the National Security Council (1993-1994), he founded and directed the Environmental Change & Security Program (ECSP) at the Woodrow Wilson International Center for Scholars and subsequently held senior positions at the Carnegie Endowment for International Peace and the Rockefeller Brothers Fund. P.J. is author (with Dan Esty) of *The Green to Gold Business Playbook* (2011). He served twice as the Clinton Global Initiative (CGI) Deputy Chair for Energy & Climate Change. He received his B.A. in political science (summa cum laude, Phi Beta Kappa) from Tufts University, his M.A. from Johns Hopkins SAIS, and was a Fulbright scholar. P.J. is a member of the Council on Foreign Relations.

Sam Ashken is a strategic marketing planner who has spent over a decade working at the intersection of technology, innovation and marketing. In that time, he has worked with many of the world's biggest brands, as well as launching new brands which have ultimately achieved annual revenue in the hundreds of millions of dollars. He has contributed to projects at the intersection of marketing and sustainability for a number of brands, including General Electric and IBM. He writes on marketing and technology on topics ranging from the circular economy to the role of data in marketing. In his current role at computer vision start-up Blippar he is helping major brands foreground their sustainability credentials to consumers using emerging mobile technologies.

ENDNOTES

- ¹ Peter Bryant and Robert C. Wolcott, "The B-To-B CMO: The Time Has Come," *Forbes*, October 7, 2015.
- ² PWC, 19th Annual Global CEO Survey: Redefining business success in a changing world (January 2016) <https://www.pwc.com/gx/en/ceo-survey/2016/landing-page/pwc-19th-annual-global-ceo-survey.pdf>
- ³ World Economic Forum, The Global Risks Report 2016 http://www3.weforum.org/docs/GRR/WEF_GRR16.pdf
- ⁴ James H. Gilmore and B. Joseph Pine II, *Authenticity: What Consumers Really Want* (Harvard Business School Press, 2007), p. 65.
- ⁵ Samuel Greengard, *The Internet of Things* (MIT Press, 2015).
- ⁶ Jacob Bogage, "Is That a Robot in the Driver's Seat at Ford's F-150 Plant?" *Washington Post*, April 15, 2016.
- ⁷ Ram Nidumolu, P.J. Simmons and Terry F. Yosie, *Sustainability and the CFO: Challenges, Opportunities and Next Practices* (Corporate Eco Forum and World Environment Center publication), April 2015.
- ⁸ Conversation with former Dow Chemical Chairman and CEO William Stavropoulos and Terry F. Yosie, June 1999. In recent years, Dow has established direct collaboration with approximately 35 major universities that provides a talent pipeline to address its business needs.
- ⁹ Peter Drucker, *The Practice of Management* (New York: Harper & Row, 1954), pp. 37-39.



Corporate Eco Forum (CEF) is an invitation-only membership organization for large companies that demonstrate a serious commitment to environment as a business strategy issue. CEF's mission is to help accelerate sustainable business innovation by creating the best neutral space for business leaders to strategize and exchange best-practice insights. Members represent 18 industries and have combined revenues exceeding \$3 trillion.

www.corporateecoforum.com



World Environment Center (WEC) is an independent, global non-profit, non-advocacy organization that advances sustainable development through the business strategies and practices of its member companies and in partnership with governments, multi-lateral institutions, non-governmental organizations, universities and other stakeholders. WEC's mission is to promote business and societal value by advancing solutions to sustainable development-related challenges.

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