



“True” and Profitable Sustainability Management *How Supply Management Is Key to Fulfilling A Promise*

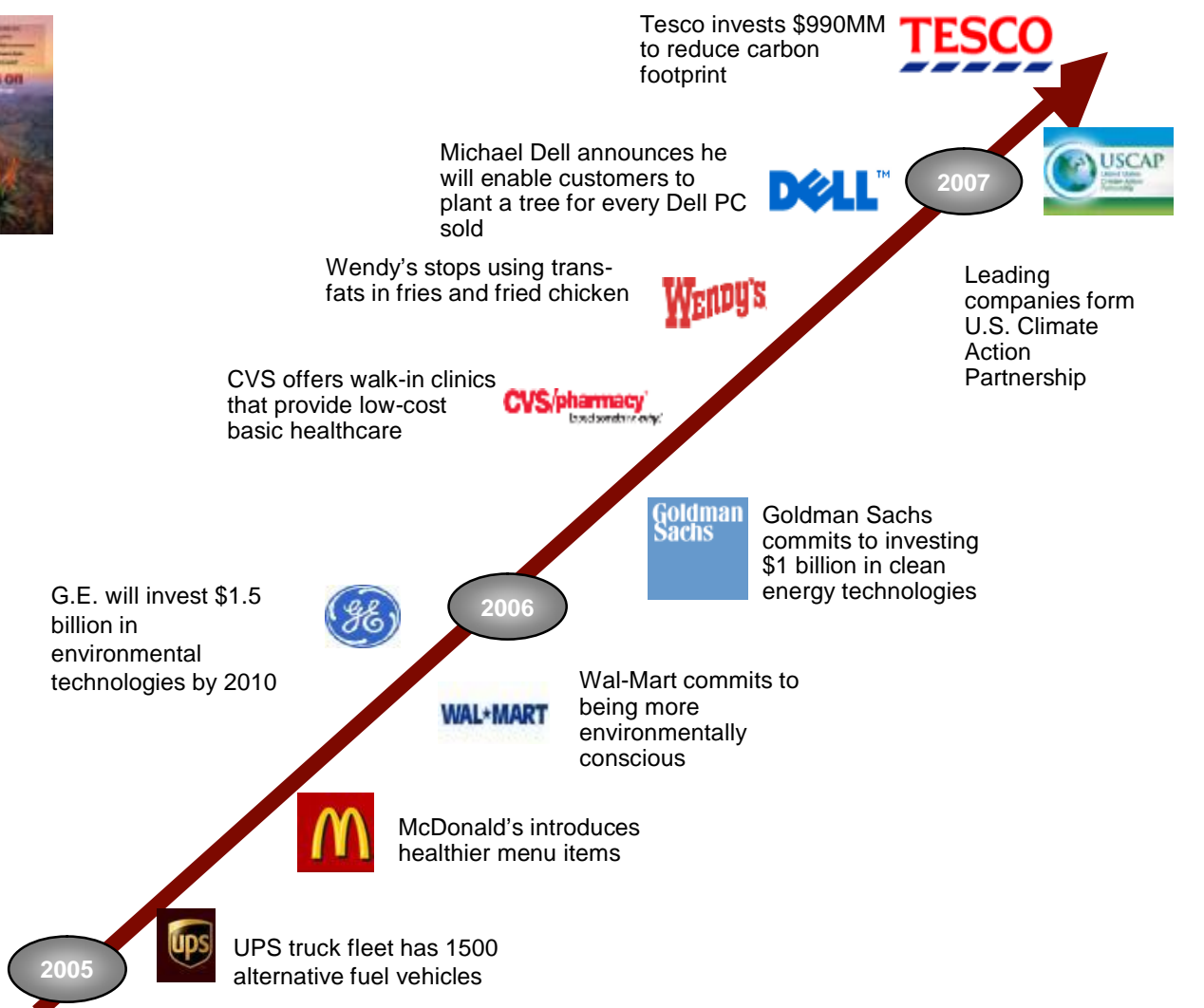
*Findings from an A.T. Kearney and
Institute for Supply Management™ (ISM)
Survey of 25 North American
Fortune 100 Companies*

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ATKEARNEY

Corporate America has engaged in a flurry of activities around “Sustainability”

Examples




But -- Companies must deliver on their promises or be exposed by savvy activist groups



One Year Later, How is Wal-Mart Doing?
Learn about Wal-Mart's methodical implementation of the secret memo's controversial proposals.

Betty v. Goliath:
1.6 Million Women say "No!" to Wal-Mart
Get the story behind the largest discrimination lawsuit ever.

Wal-Mart and the Environment
Hold Wal-Mart Accountable for its Environmental Promises




FAILED POLICIES EXPOSED!
ExxonMobil is making record-breaking profits because of high-gas prices but refuses to invest that windfall in renewable energy to ease America's oil dependence. [Read more.](#)

BROKEN PROMISES EXPOSED!
Despite its record profits, ExxonMobil refuses to pay \$4.5 billion it owes in punitive damages to fishermen, natives, and others harmed by the 1989 Exxon Valdez spill. [Read more.](#)

THREATS TO OUR NATURAL HERITAGE EXPOSED!
ExxonMobil is the only oil company remaining in Arctic Power, the single issue lobbying group determined to open the Arctic National Wildlife Refuge to destructive oil drilling. [Read more.](#)

GLOBAL WARMING CHARADE EXPOSED!
ExxonMobil actively opposes efforts to cut global warming pollution and is the only oil company funding junk science by "global warming skeptics" to cloud the facts about this urgent problem. [Read more.](#)



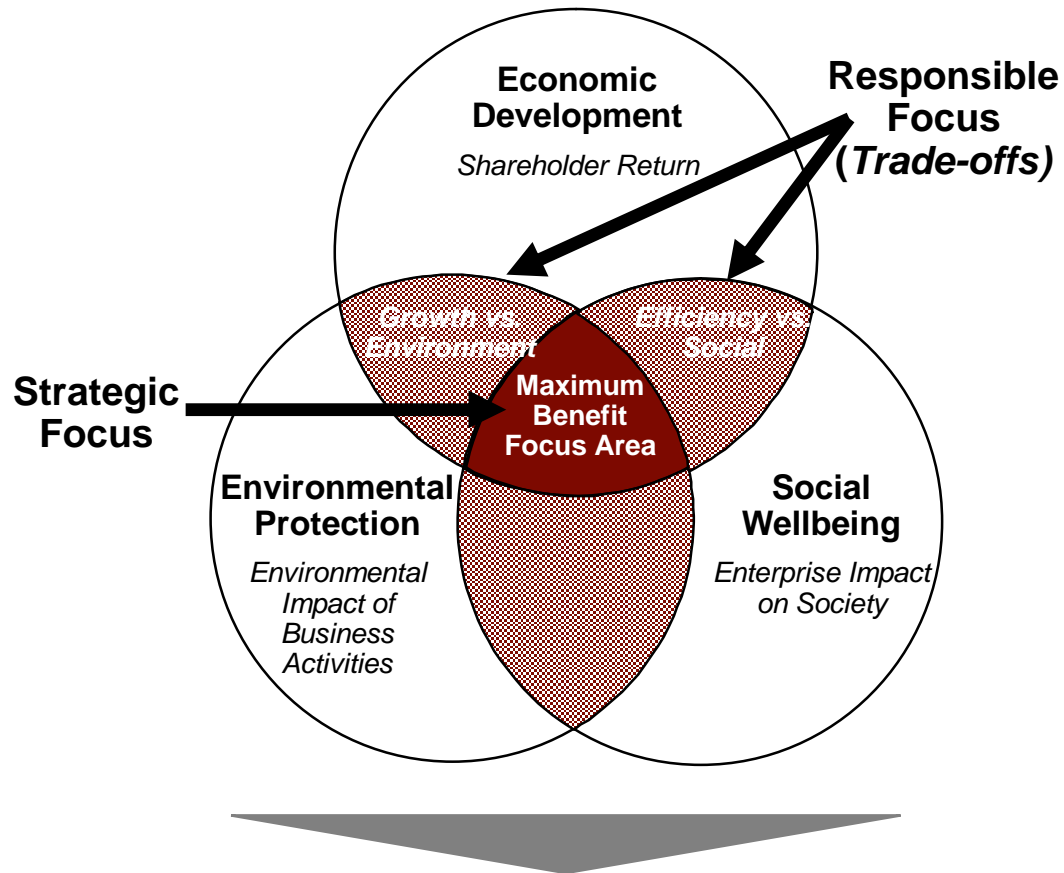
| Company | Country | Industry |
|----------|-------------|-------------|
| ABN Amro | Netherlands | Financials |
| Accor | France | Consumer |
| Alcoa | U.S. | Materials |
| BASF | Germany | Industrials |

Annual audit by a leading SRI group

Activist groups today enabled by technology and armed with information from global networks are extremely effective at communicating with consumers and investors

So -- what is Sustainability Management anyway?

Strategic Focus and Trade-offs of Sustainable Management



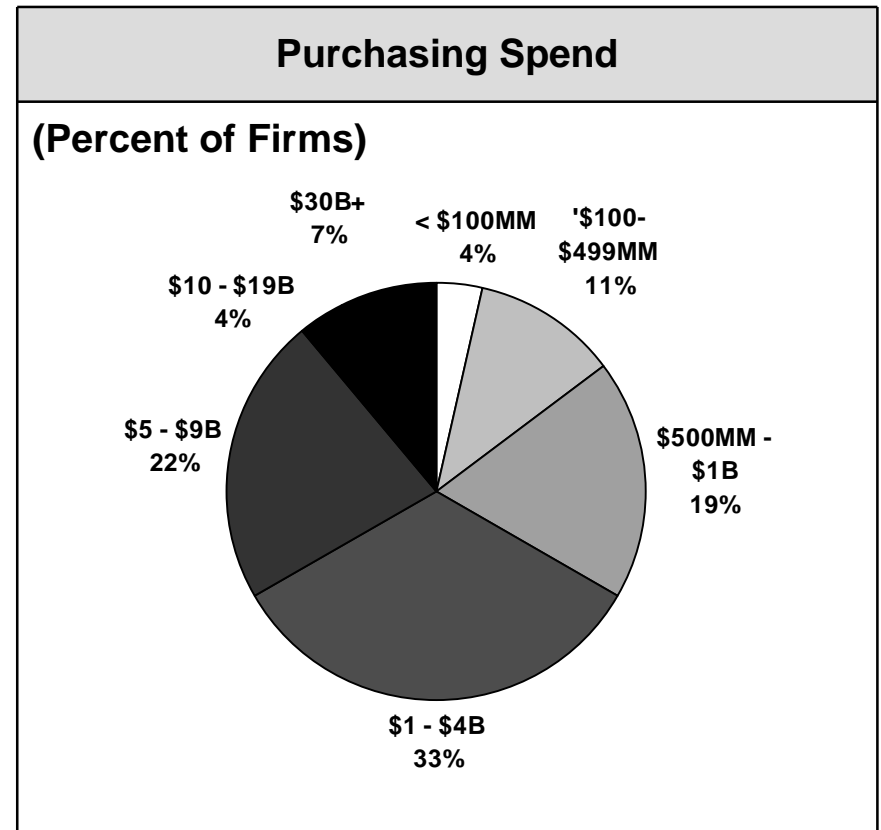
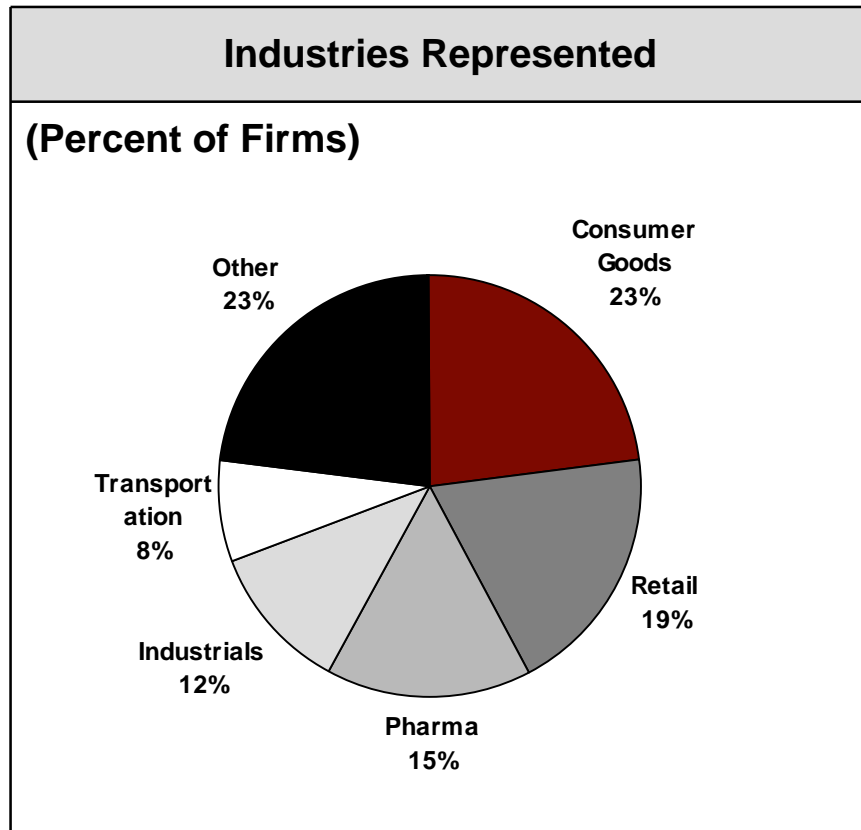
Definition of Sustainable Development

“For the **business enterprise**, sustainable development means adopting **business strategies** and activities that **meet the needs of the enterprise** and its **stakeholders** today while **protecting, sustaining** and **enhancing the human and natural resources** that will be needed in the future.”⁽¹⁾

Notes: (1) Book: Business Strategies for Sustainable Development: Leadership and Accountability
Source: A.T. Kearney Analysis

To better understand the implications for Supply Management A.T. Kearney and ISM conducted a survey of 25 North American Companies

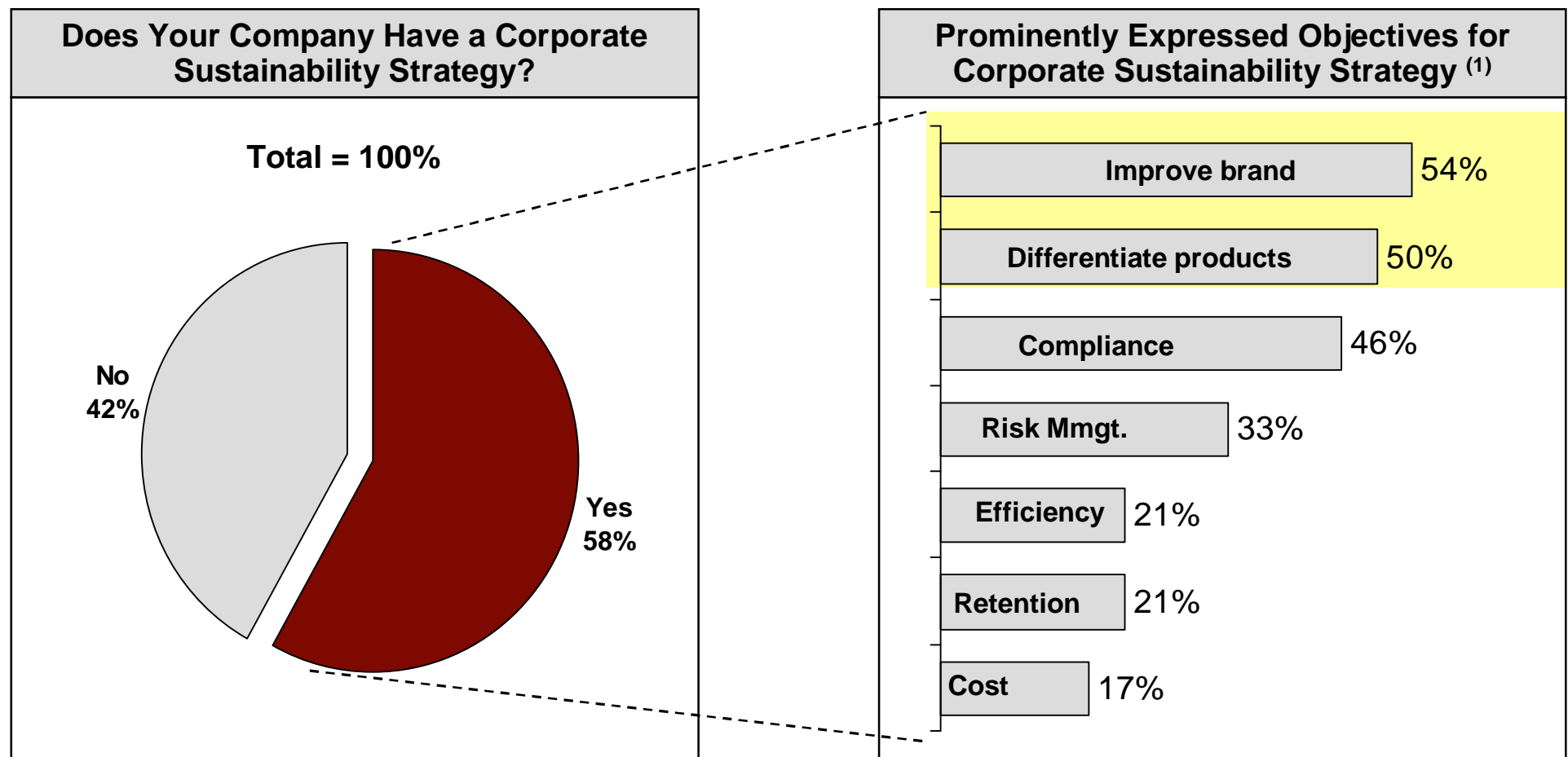
Survey Profile (December 2006 - January 2007)



Key Findings

- n CEOs and the Boardrooms have discovered sustainability as a “top line” opportunity to enhance brand promises
- n The supply chain as a key source of value creation becomes the litmus test for the “promise”... and supply management is the enabler
- n Being “green and ethical” will no longer be an option, it will be a necessity for all participants in the supply chain
- n However, most firms lack both the formal direction and processes to fulfill sustainability commitments
- n Within the next 12 months many companies will significantly change how they engage with their suppliers on this issue
- n Today, many lack a comprehensive and robust way to track their own and suppliers’ sustainability performance

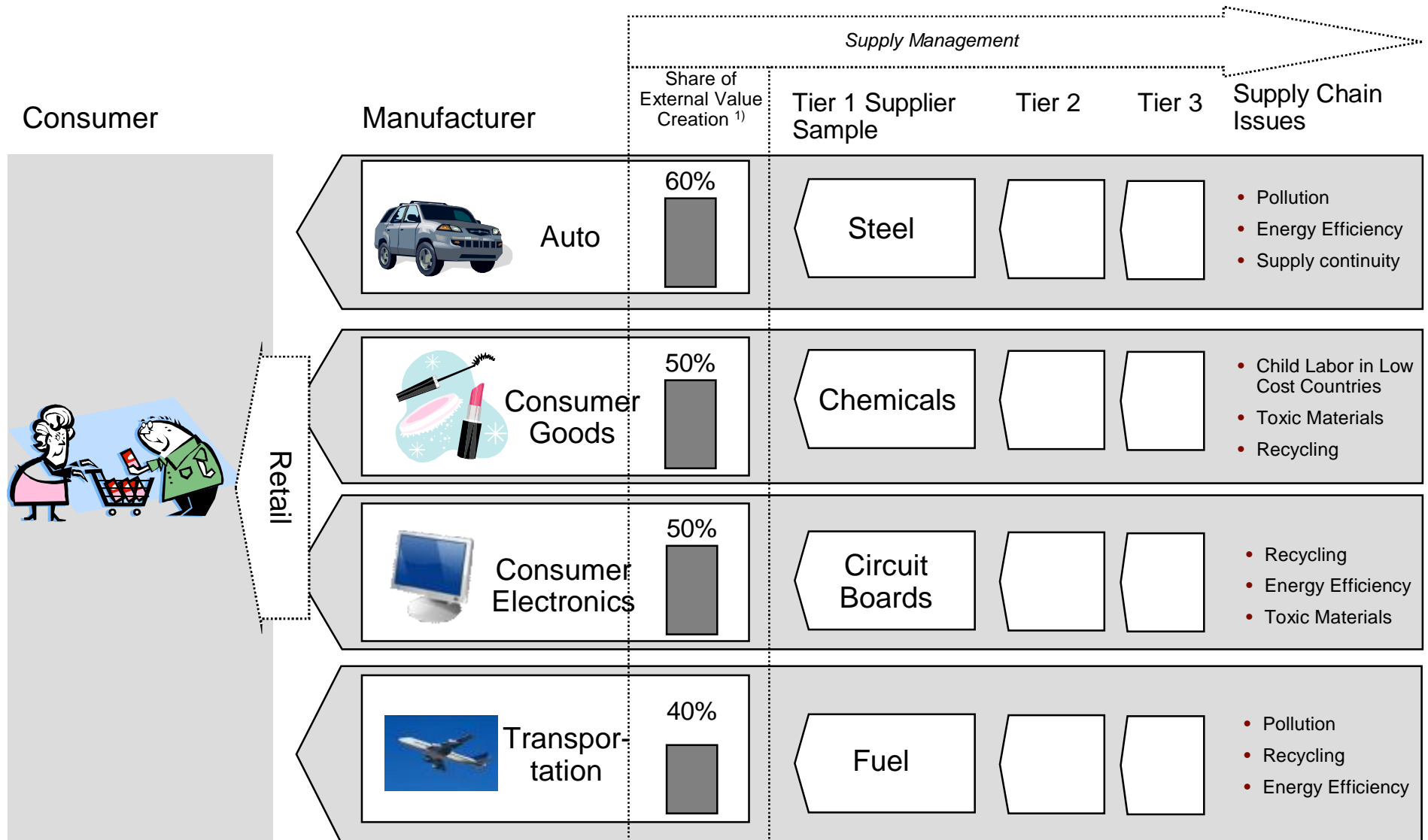
Firstly, the results confirm that CEOs and the Boardrooms have discovered sustainability as a “top line” opportunity



Source: A.T. Kearney and Institute for Supply Management™ (ISM) Sustainability Management Survey, January 2007

Notes: (1) Multiple responses allowed

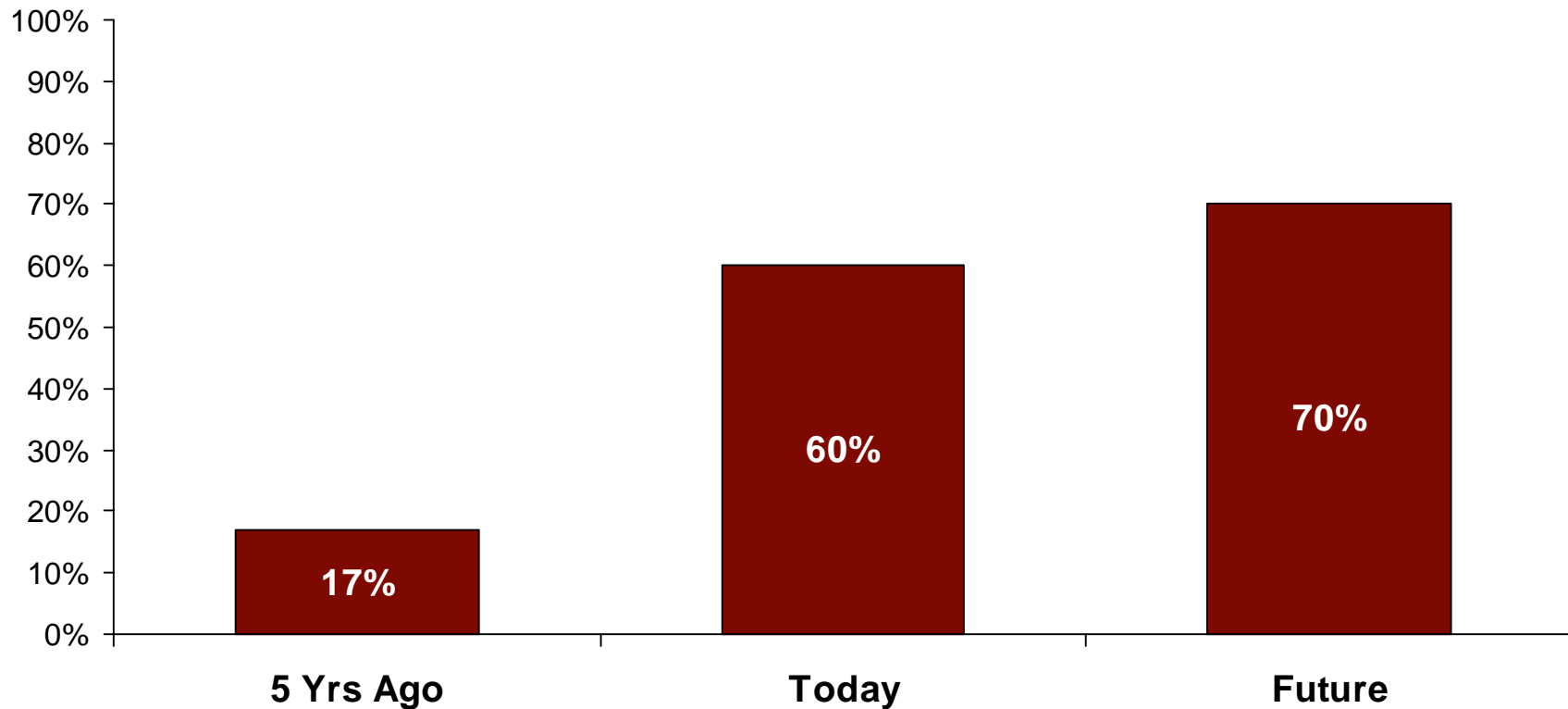
The supply chain as a key source of value creation becomes the litmus test for the “promise”... and supply management is the enabler



1) Procurement Spend as % of total cost base. Directional Data based on A.T. Kearney AEP study 2004

Being “green and ethical” will no longer be an option, it will be a necessity for all participants in the supply chain

Companies deselecting suppliers for failing to meet sustainability criteria ⁽¹⁾
 (% of respondents)

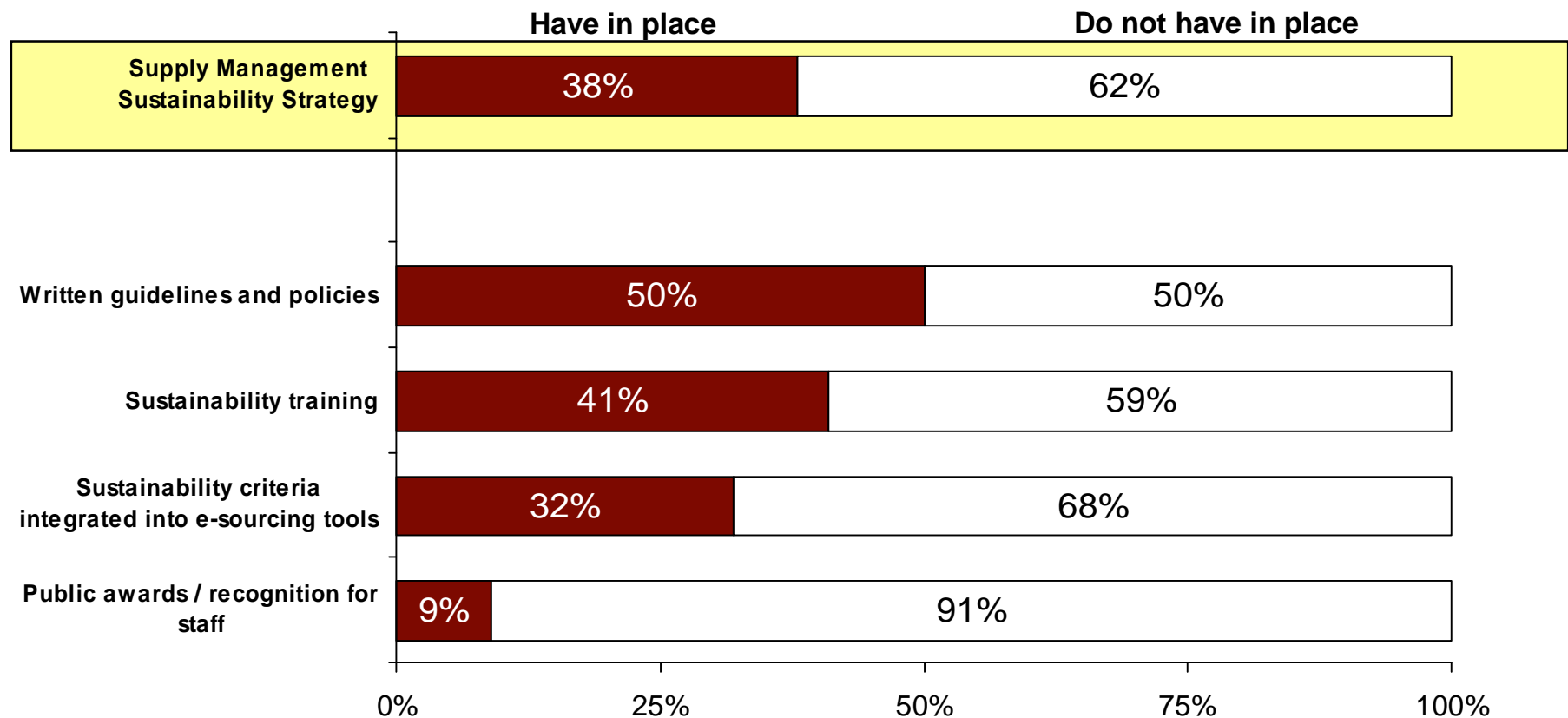


Notes: (1) For more than 5% of sourcing events

Source: A.T. Kearney and Institute for Supply Management TM (ISM) Sustainability Management Survey, January 2007

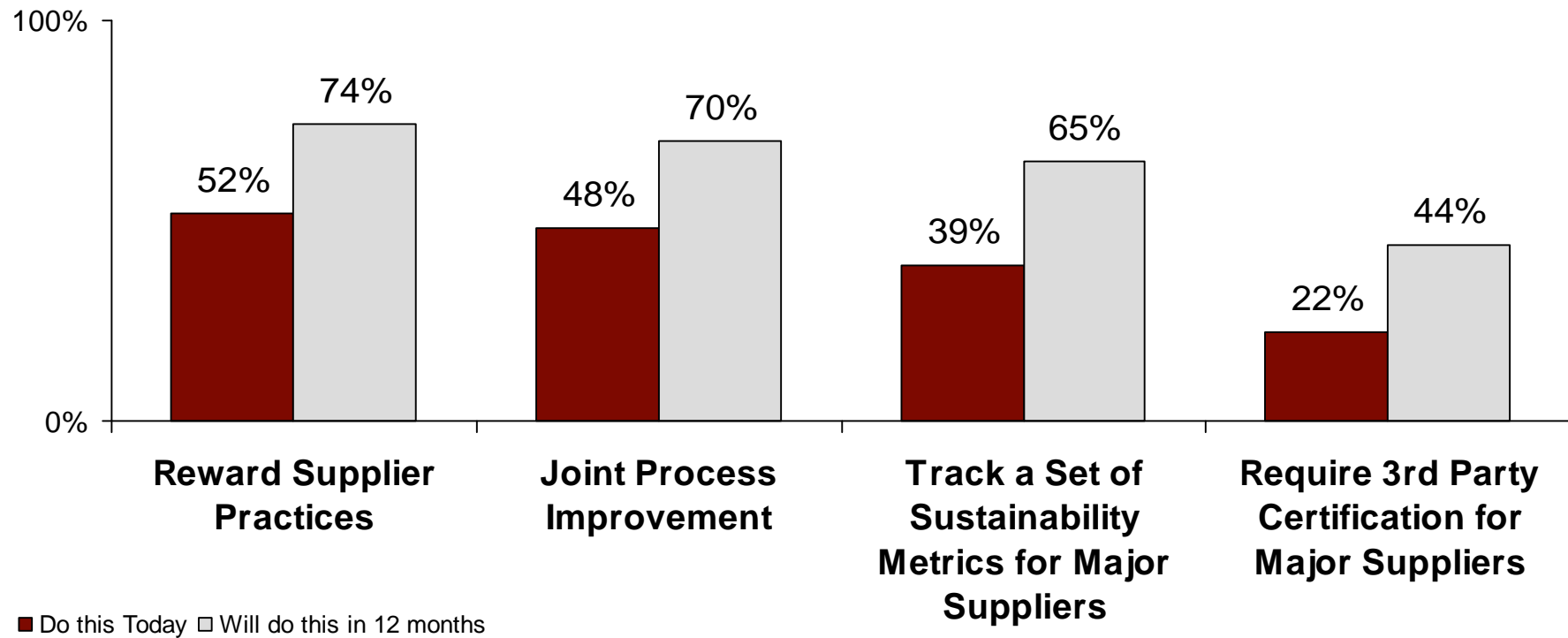
Our survey revealed that most firms lack both the formal direction and processes to fulfill sustainability commitments

Organizational Procedures (% of respondents)



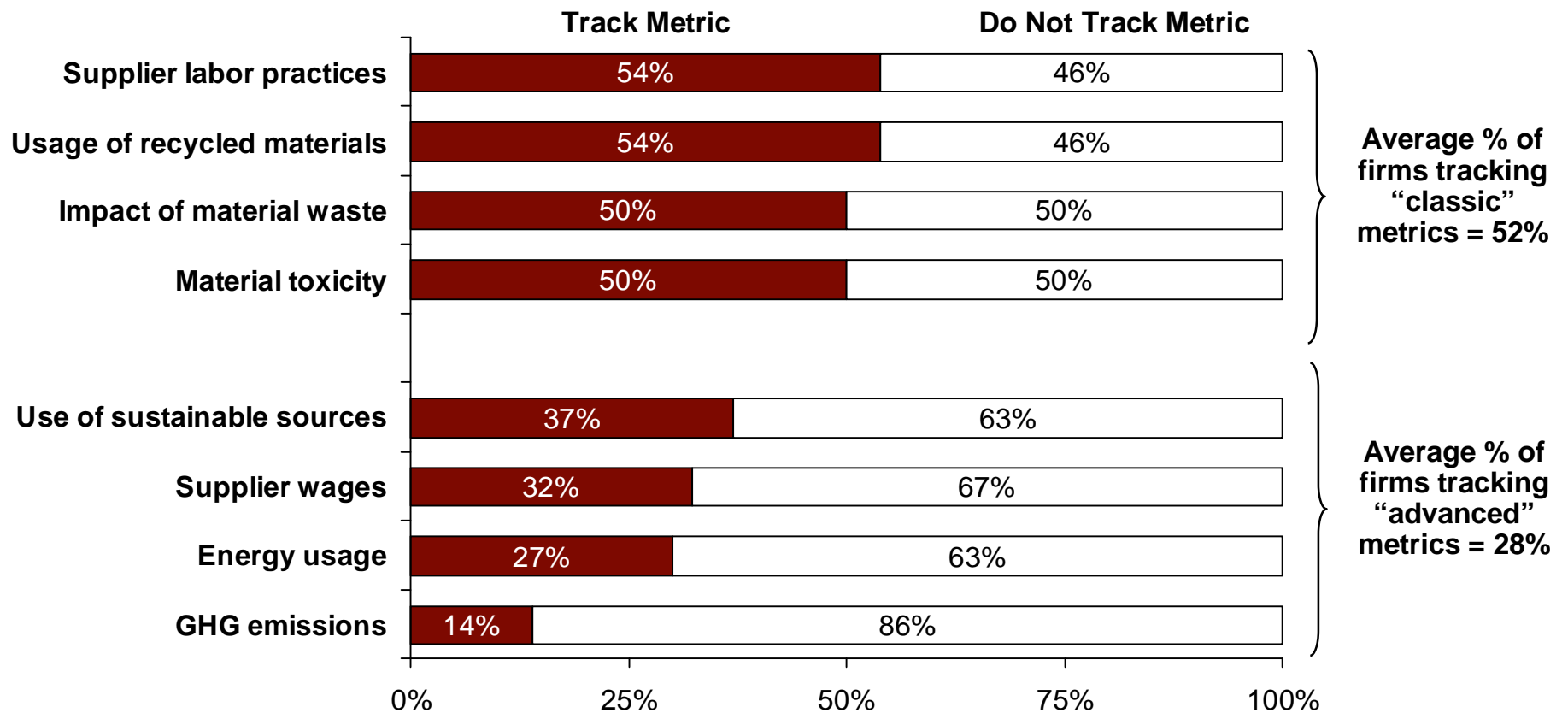
However, within the next 12 months many companies will change how they engage with their suppliers

Usage of Supplier Relationship Management Processes
(% of Respondents)



Many lack a comprehensive and robust way to track their own and suppliers' sustainability performance

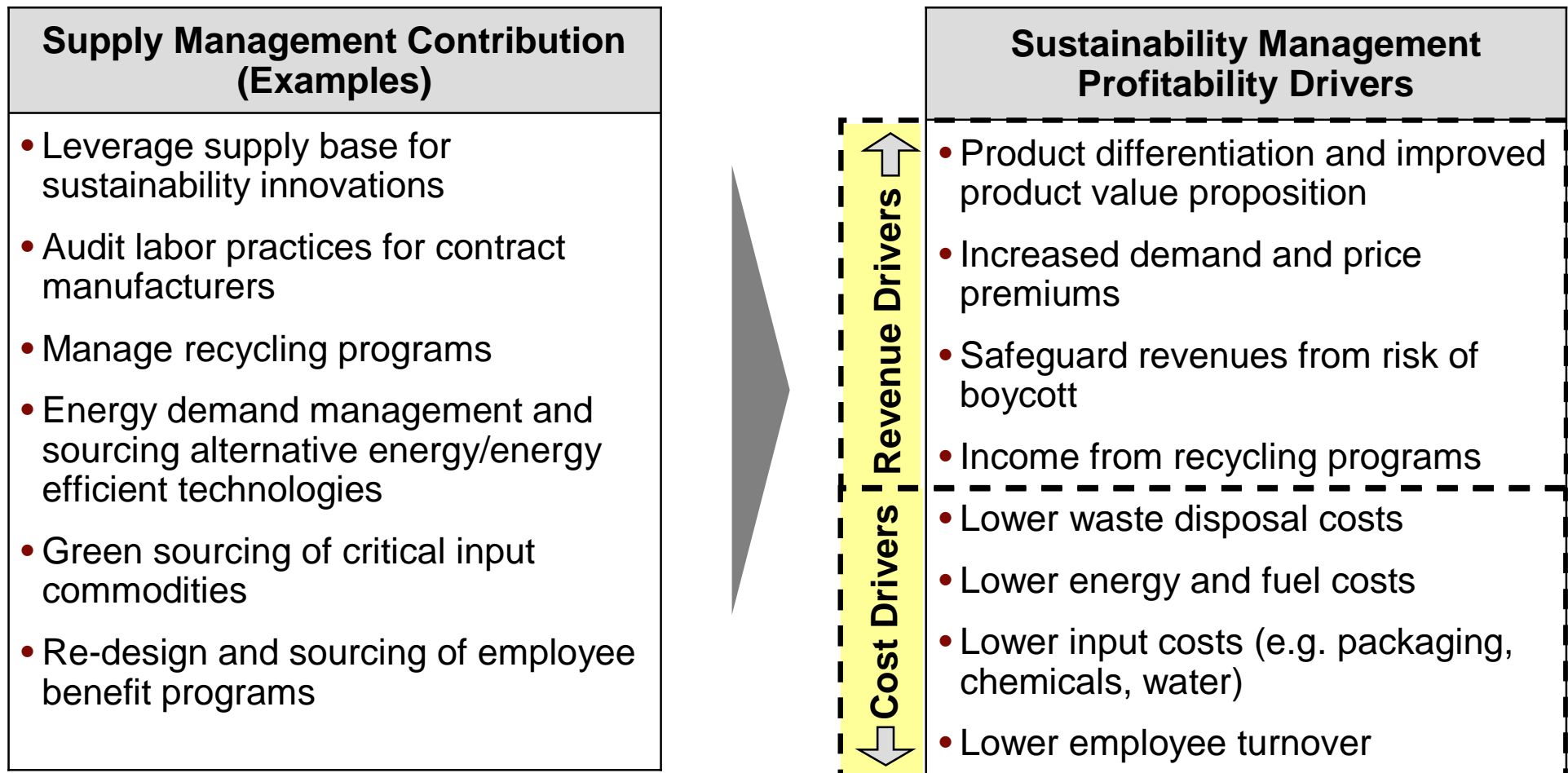
Usage of Supplier Sustainability Metrics
(% of companies)



Source: A.T. Kearney and Institute for Supply Management™ (ISM) Sustainability Management Survey, January 2007

In addition to fulfilling promises, supply management can use sustainability to improve profitability

Illustrative



Supply Management executives are facing tough questions



- Have we derived from the corporate sustainability strategy a corresponding supply management strategy?
- Have we modeled potential future supply/demand imbalances in critical input materials (e.g., water, packaging, chemicals)?
- Have we mapped our sustainability product technology road map to our major suppliers capabilities?
- Do we have a process in place to systematically and formally leverage our supply base (and secured access to) for sustainability innovation (e.g., recycling)?
- Have we fully examined the Total Life Cycle input cost implications of major upcoming “green” product changes?
- Have we formally examined the environmental and social implications and risks of our global supplier and low-cost-country sourcing footprint?
- ...

We believe there are five dimensions of successful sustainable supply management

A.T. Kearney's Framework For Success in Sustainable Supply Management

Excerpt

