

# SUSTAINABILITY: THE 'MUST HAVE' STRATEGIC INITIATIVE



Presented by



## About Institute for Supply Management®

Institute for Supply Management® (ISM®) is the first and leading not-for-profit professional supply management organization worldwide. Its 50,000 members in more than 90 countries around the world manage about US\$1 trillion in corporate and government supply chain procurement annually. Founded in 1915 by practitioners, ISM is committed to advancing the practice of supply management to drive value and competitive advantage for its members, contributing to a prosperous and sustainable world. ISM empowers and leads the profession through the ISM® *Report On Business*®, its highly regarded certification and training programs, corporate services, events and the ISM Supply Chain Capability Model. The Manufacturing and Services ISM® *Report On Business*® are two of the most reliable economic indicators available, providing guidance to supply management professionals, economists, analysts, and government and business leaders.

[www.ismworld.org](http://www.ismworld.org)

## Sustainability and the Supply Management Function

Sustainability as a business concept — as evidenced by the coronavirus pandemic, continuing gender pay gaps and the 2020 social unrest in many U.S. cities — goes far beyond climate. In fact, recently proposed SEC rules further accelerate the need for corporate to implement ESG initiatives.

With that in mind, as well as the increasing ESG focus among consumers and investors, Institute for Supply Management® (ISM®) surveyed procurement and logistics professionals on the level of their companies' sustainability focus. The results are detailed in the following white paper, *Sustainability: The 'Must-Have' Strategic Initiative*, available below.

Survey respondents were asked their companies' top sustainability initiatives, and many could have been ripped from recent headlines: ethics and business conduct, health and safety, diversity and inclusion, financial integrity, and the environment.

And which function generally leads and executes companies' sustainability initiatives? The supply management function, identified by 44 percent of respondents.

That means supply managers are not just practitioners in developing a more strategic business and helping create a more prosperous and sustainable world, they are purveyors.

As for the purveyors, the practitioners of this emerging need, how are they being prepared for this growing and critical role? Furthermore, how equipped is your organization to meet current and future ESG expectations — not only from policymakers, but also the marketplace?

Organizations worldwide use ISM capability models and assessments to generate a complete picture of individual capability and organizational maturity. Such valuable insights help leaders access knowledge and skills in key areas, including sustainability, supply chain planning and data/analytics. ISM's useful tools and compelling content can empower your team — and your organization — with a competitive advantage.

## Contact Us

Visit: [www.ismworld.org](http://www.ismworld.org)

Email: [corpinfo@ismworld.org](mailto:corpinfo@ismworld.org)

See us on LinkedIn: [www.linkedin.com/company/institute-for-supply-management](https://www.linkedin.com/company/institute-for-supply-management)

## Introduction : About the Sustainability Survey

Sustainability is a growing topic of action, not just discussion, across continents and industries around the world. Government spending and regulation in support of sustainability is rising, financial market investment in funds and companies with robust ESG (environmental, social and governance) policies and ratings are outperforming those with limited or no policies, and consumer awareness and sentiment is growing. Moreover, the coronavirus (COVID-19) pandemic has sparked a reevaluation of global supply chains, accelerating trends for sourcing responsibly and increasing transparency.

Recognizing the increased prioritization of sustainability as a strategic business initiative across all business sectors and political territories, Institute for Supply Management® (ISM®) launched a survey of supply management professionals that collected data between February 12 and June 4, 2021.

## Sustainability Thought Leadership and Execution

Sustainability stakeholders rise to the very top of organizations. In our survey, the highest-ranking stakeholders included boards of directors (35 percent), CEOs of respondents' companies (28

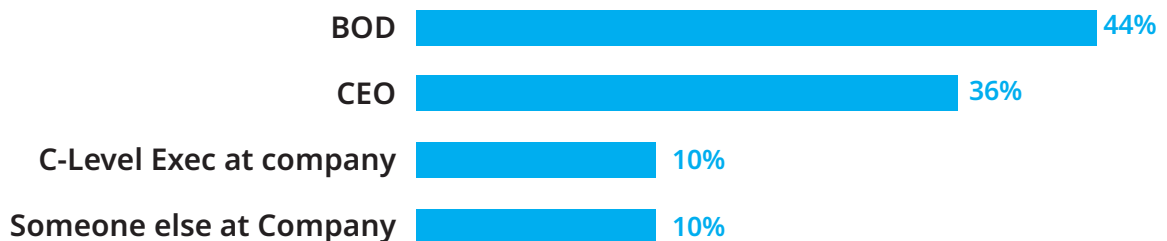
percent), C-suite executives of respondents' companies (15 percent), CEOs of ultimate parent companies (8 percent); and C-suite executives at ultimate parent companies (4 percent). (See Figure 1)

While 86 percent of respondents said their ultimate parent company drove sustainability programs, work on sustainability is more often coordinated at the individual company level (45 percent), and among subsidiaries (9 percent), for a combined 54 percent, versus 39 percent who said such work was coordinated from the ultimate parent company. Supply chain and procurement professionals are aware of the importance of sustainability as a growing priority, as well as the central role played by their function in strategizing and executing on this critical agenda. The results of our next two questions reinforced this reality to a surprising extent.

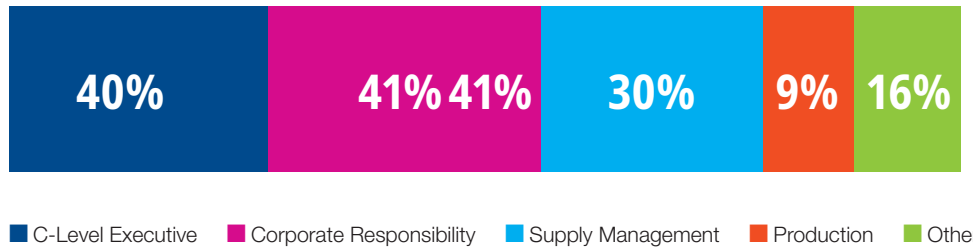
When asked which group or function leads sustainability thought leadership, respondents provided three clear choices. Corporate responsibility (41 percent) and C-suite executives (40 percent) were first and second, with supply management (30 percent) third. The next closest were "other" (12 percent) in fourth place; production, marketing and human resources (HR) tied for fifth, at 9 percent each. (See Figure 2)

**Figure 1: Sustainability Stakeholders Rise to the Very Top of Organizations**

### Sustainability Stakeholders



**Figure 2: Sustainability Thought Leadership**



The degree of supply management leadership is apparent when questioned about which group leads executions of sustainability. The degree of supply management leadership is apparent when questioned about which group leads execution of sustainability initiatives. (See Figure 3)

**Realization of Sustainability Benefits**

To understand if sustainability initiatives are having an impact, we asked if organizations were realizing measurable benefits. If benefits are being realized, respondents could share whether the level of success was above, at, or below plan. If benefits are not yet being realized, choices included time frames in the future when they are expected (within the year, one to two years out, or three or more years out), or if no benefits are expected (see Figure 4).

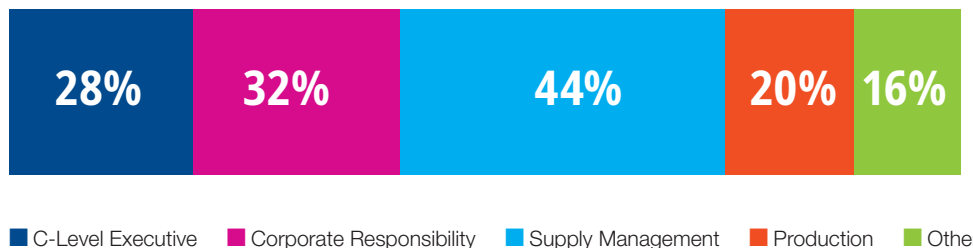
More than three quarters (78 percent) of respondents are already experiencing or expecting benefits, with most of those tracking as expected; 44 percent said benefits are being realized now, and another 34 percent said benefits are expected.

Only 8 percent did not expect to see any benefits, while 14 percent did not know if benefits were being realized or expected.

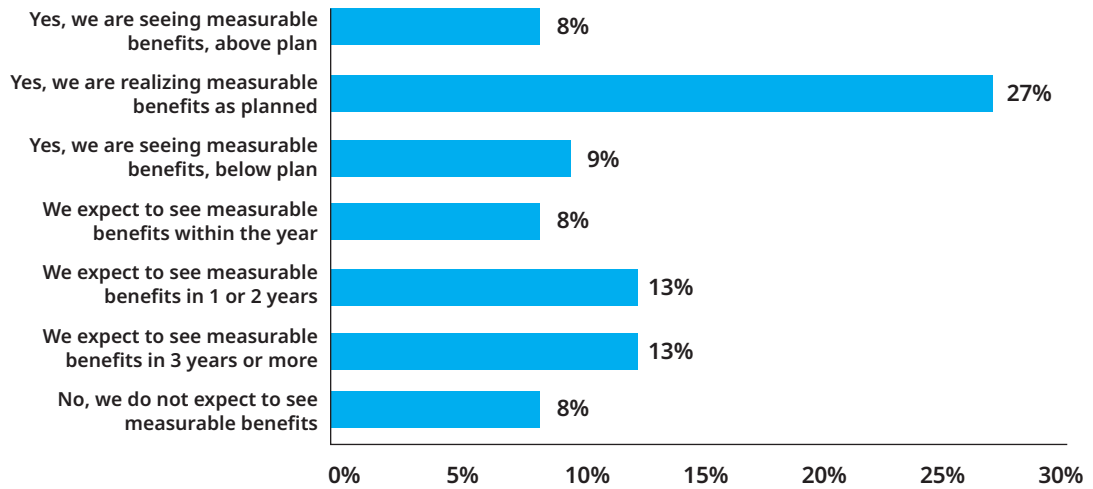
We then asked if respondents' companies have established long-term sustainability goals specifically for supply management and procurement. Sixty-two percent indicated they have established goals, with 37 percent saying they had both short- and long-term goals and 25 percent saying they had either long-term (16 percent) or short-term (9 percent), but not both. Another 21 percent are considering goals, and 11 percent do not yet plan to set goals.

Diving deeper into the level of sustainability commitment, we asked if companies had established a sustainability program for supply management, and to what extent. Almost two-thirds (64 percent) are either actively managing a well-established program (20 percent), have an active program (22 percent), or are developing a program (22 program). Another 18 percent are considering

**Figure 3: Sustainability Execution**

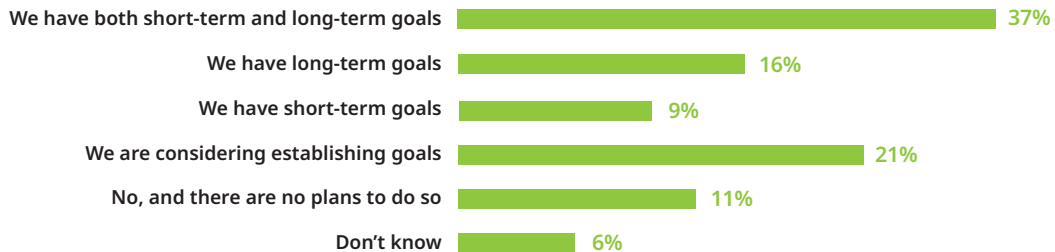


**Figure 4: Are you realizing measurable benefits from your sustainability initiatives?**

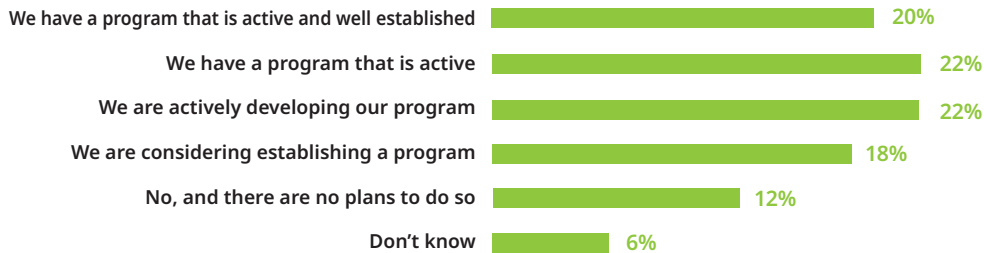


**Figure 5: Has your company established sustainability goals and programs for supply management?**

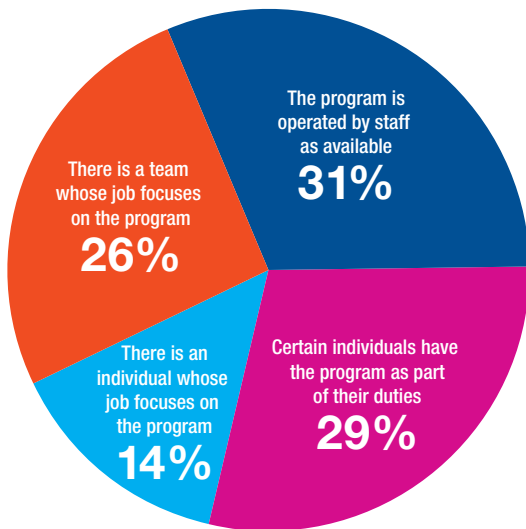
Has your company established long-term **sustainability goals** specifically for supply management and procurement?



Has your company established a **sustainability program** for supply management?



**Figure 6: Who is responsible for the supply management sustainability program?**



a program and 12 percent do not have or have not planned one. (See Figure 5)

### Sustainability Ownership and Partnership

Regarding levels of accountability, we inquired if there is a dedicated person or team responsible for the supply management sustainability program. Most respondents reported that their program is operated by staff “as available” (31 percent).

Response rates descended gradually as the specificity of responsibility narrowed from “certain individuals have the program as a part of their duties” (29 percent), to “there is a dedicated team

whose job focuses on the program” (26 percent), to “there is an individual whose job focuses on the program” (14 percent).

Looking into whether companies require critical Tier-1 suppliers to establish long-term sustainability goals, answers were fairly well distributed, with a quarter (25 percent) of respondents on one end of the spectrum saying their companies “require both short-term and long-term goals,” and a quarter (24 percent) on the other end, reporting they do not require any goals and that “there are no plans to do so.” (See Figure 6)

Expanding further into requirements of Tier-1 suppliers, our survey asked about sustainability programs. A third (32 percent) are considering requiring a program, and another 41 percent already require programs, whether the requirement is already in place (22 percent), being rolled out (7 percent) or actively developed (12 percent). This leaves only a little over a quarter (27 percent) with no requirements, nor plans to develop them.

### Tools and Metrics

In terms of tools companies use to “implement and manage” sustainability strategies, more than half (56 percent) simply use Microsoft Excel for fundamental needs while some use a mix of processes (audits, third-party scorecards, and supplier relationship management), service companies (EcoVadis and CDP) and software (Ariba, SAP and ERP). (See Figure 7)

To measure effectiveness of sustainability initiatives, fewer firms use tools, with 63 percent using only Excel and some use processes (audits and supplier scorecards), service companies (EcoVadis and CDP) and software (Ariba and SAP). (See Figure 8)

**Figure 7: Top Tools Used by Companies to Implement and Manage Sustainability Strategies**

#### Processes

- Audits
- Third-Party Scorecards
- SRM

#### Service Companies

- EcoVadis
- CDP

#### Software

- Ariba
- SAP
- ERP



**Figure 8: Top Tools Used by Companies to Measure Effectiveness of Sustainability Initiatives**

#### Processes

- Audits
- Supplier Scorecards

#### Service Companies

- EcoVadis
- CDP

#### Software

- Ariba
- SAP



When asked which outside organizations or processes are most recognized or incorporated into sustainability strategies, respondents named the following:

ISO certifications (44 percent), Global Reporting Initiative standards (30 percent), The United Nations' Sustainable Development Goals (28 percent), Sustainability Accounting Standards Board (SASB) sector standards (22 percent), other third-party goals or standards (21 percent), ISM's Principles of Sustainability and Social Responsibility (20 percent) and the Dow Jones Sustainability Indices (14 percent)

### Core ESG Principles

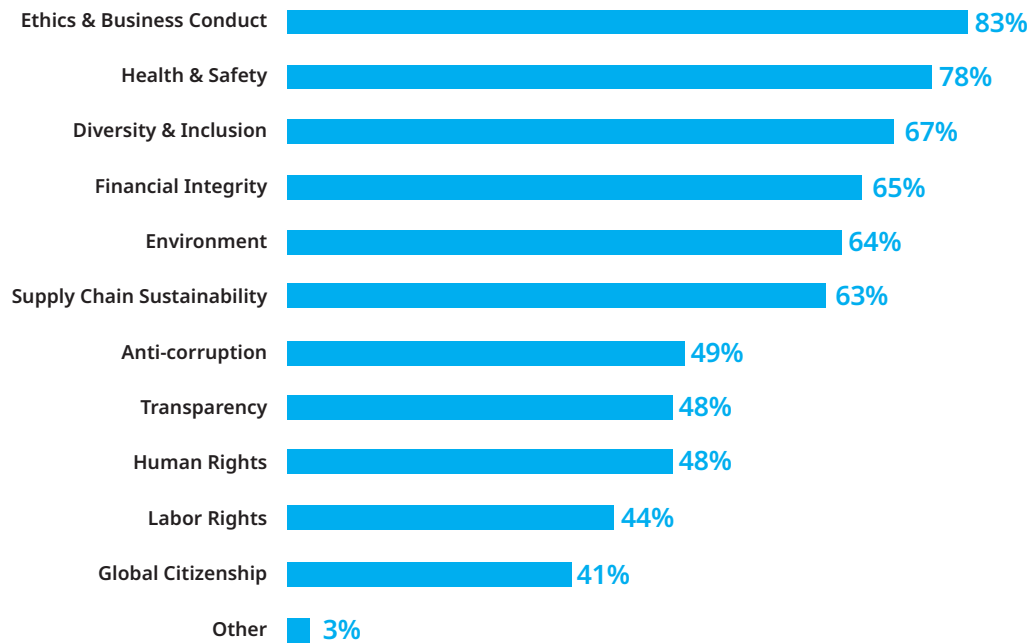
The ISM Principles of Sustainability and Social Responsibility collectively define the scope of issues that are considered within the context of sustainability and social responsibility in the supply chain.

The principles cover anti-corruption, diversity and inclusion, environment, ethics and business conduct, financial integrity, global citizenship, health and safety, human rights, labor rights, supply chain sustainability, and transparency.

Across Institute for Supply Management® (ISM®) 11 Principles of Sustainability and Social Responsibility within the ESG framework (See Figure 9), respondents were asked to share their company's top initiative subcategories by selecting all that apply on a list.

While strategic initiatives are — by their very title and nature — deemed important by most organizations, importance is not enough. In reality, what gets measured is what gets improved.

**Figure 9: Companies' Pillars/Principles/Categories by Rank-of-Importance**



## Conclusion

Sustainability is no longer just an altruistic goal. Remove the pandemic, 2020 and 2021 alone were historic years for climate-related supply chain disruptions. With 22-billion-dollar weather disasters in the U.S. alone, according to the National Oceanic and Atmospheric Administration, the supply chain has had a full plate.

“ESG was firmly put on the decision-making table in 2020 after being a strategy that was ‘nice to have, it’s now a performance issue that senior executives must address, whether they believe in it or not.”  
-Felix Boudreault, managing partner at Sustainable Market Strategies, a Montreal-based ESG research firm, told Bloomberg News in 2021.

As a result, from corporate boardrooms to the halls of government, business leaders, lawmakers and supply chain professionals must design, implement, and refine sustainability goals and programs.

### **As the supply chain function assumes this primary role, how can ISM support your Sustainability and ESG journey?**

In one word, impactful education. Begin with assessing your organizational maturity and individual talent as it pertains to Sustainability and ESG. Establish the teams baseline talent and strengths and start the process of building the foundation for success.

ISM supports that foundation by providing organizations and individuals alike a vast toolkit. Tools include 24/7 access to education to build strengths and opportunities, weekly and pertinent content including industry and economic research, leading topic driven webinars, worldwide events for networking and membership to local communities of like professionals.

This foundation of growth is also supported by the ISM certification program, including certifications in Supply Management, and Supplier Diversity. Certification ensures your team is on the same page and speaks the same language, a major necessity to stay on the path to success.

We are built on a 100-year-old mission of advancing the profession, to ensure supply teams and organizations thrive.

For senior leaders, we are your home for research. Between the ROB™ and access to CAPS®, our academic research division, we engage regularly with leaders to further understand, evaluate, and provide ExecIn’s, Roundtables, cultivating a culture of critical thought leadership and innovation within our space.

We strive to give our members the resources to keep teams current, engaged and passionate about their careers and their industries. The immediate reward is better business performance. The long-term and more critical benefit is a more prosperous and sustainable world.

We are here to serve you, to enable, grow, and empower your organizations supply chain talent.

Whether your current challenge is talent retention, risk, sustainability or more, we are the trusted resource for solutions.

Let’s connect and start the discussion today.

**Email:** [corpinfo@ismworld.org](mailto:corpinfo@ismworld.org)

**Visit:** [ismworld.org](http://ismworld.org)

**See us on LinkedIn:** [www.linkedin.com/company/institute-for-supply-management/](http://www.linkedin.com/company/institute-for-supply-management/)

**Call us at:** +1 480.752.6276, opt. 9