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Winners and Losers in Sustainability: Accelerating Green Enterprise Maturity for Competitive Advantage

2nd Sustainable Supply Chain Summit October 15-17, 2008

Eye For Transport

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TRG Background

- Mission: Rapidly transform pivotal operations to increase customer & shareholder value
  - Specialize in cross-functional and multi-company challenges and critical inflection points
- Sample clients since founding in 1994:
  - Intuit, Hyperion, Yahoo, Shutterfly, Palm, Seagate, NetApp, Harland, FoxHollow, Intuitive Surgical, Lam Research, KLA-Tencor
- Over 80% repeat business
- Boutique firm leveraging a unique approach and outstanding consultants for rapid & lasting results

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TRG's Innovation Architecture

	Industry Experience
Partner with Client Executives	

	Domain Expertise
Product/Service Development & Introduction · **Supply Chain and Manufacturing** · **Customer Service and Support** · **Green Enterprise**	

	Innovation Platform
Exceptional Team · **Innovate 4 Results[SM] Approach**	

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TRG Client Sustainability Wins

- Semiconductor equipment firm
  - Restructured word-wide spare parts distribution
  - Reduced carbon footprint 7,000,000 lbs per year while raising service levels 60% and reducing escalations by 75%

- Wireless communication products company
  - Developed local triage and fast repair capabilities, eliminating many returns and cutting lead time 70%
  - Reduced carbon footprint 65,000 lbs per year and restored customer satisfaction with repair service

- Building products market share leader
  - Reduced natural gas consumption per unit production by 6%
  - Reduced carbon footprint 22,000,000 lbs per year and improved plant level profitability by 1%

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New Winners and New Losers

- Sea-changes in demographics, technology, values and resource availability
  - Drive new business winners & losers

General Motors

Toyota

1960   2008
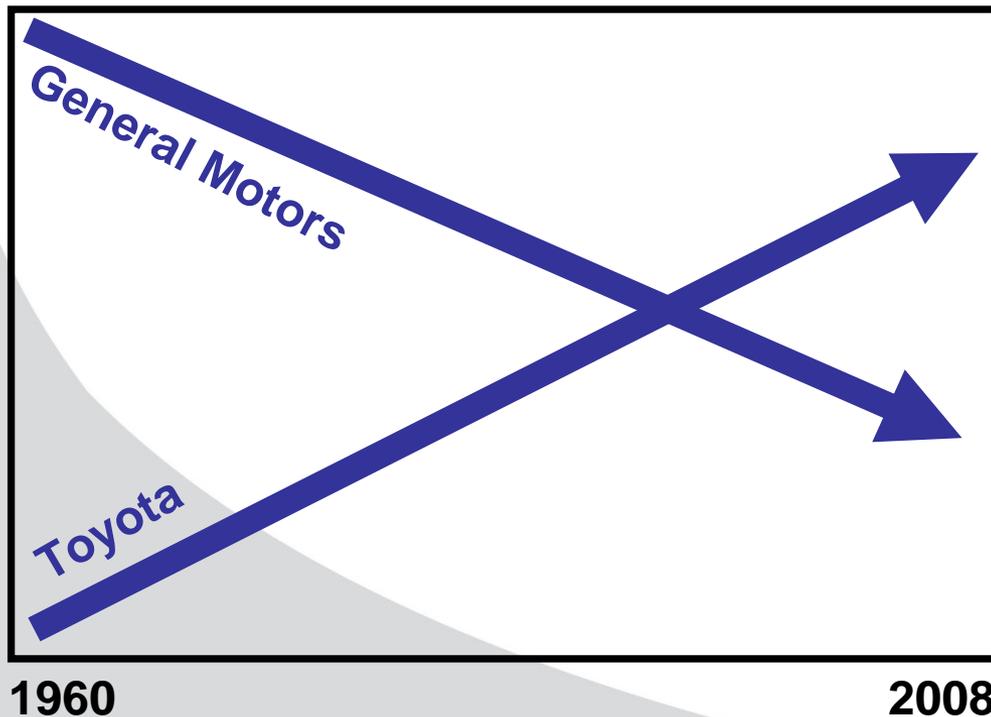
Toyota

- Embraced lower TCO, fuel efficiency, safer cars

- More innovative products

- World Leader in enterprise continuous improvement

General Motors

- Did none of the above

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Green & Sustainability Sea Change

- This sea change is not going away
  - Driven by population growth and rising standards of living in the developing world
- Large demand and supply side opportunities
  - That may masquerade as regulation and Corporate Social Responsibility
- New winners and losers being created
- Winners adopt a more mature approach
  - Take realistic business-value-based actions
 - Don't necessarily adopt every green initiative

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Early Winner in Green Supply Chain

Pepsi Co.
- Significantly reduced water, fuel, electricity across Supply Chain
- Reduced packaging across all divisions by 20 million lbs in 2006
- Reduced aluminum in cans 10%, saving 75 million pounds annually
- PET bottle light weight program removed 40,000 metric tons of material
- Member of CDP, EPA and many other U.S.& global organizations

FRITO-LAY NORTH AMERICA

Water, Fuels and Electricity Use 1999–2006
1999 Baseline (Per Unit of Production*)

*Pounds or Kilograms

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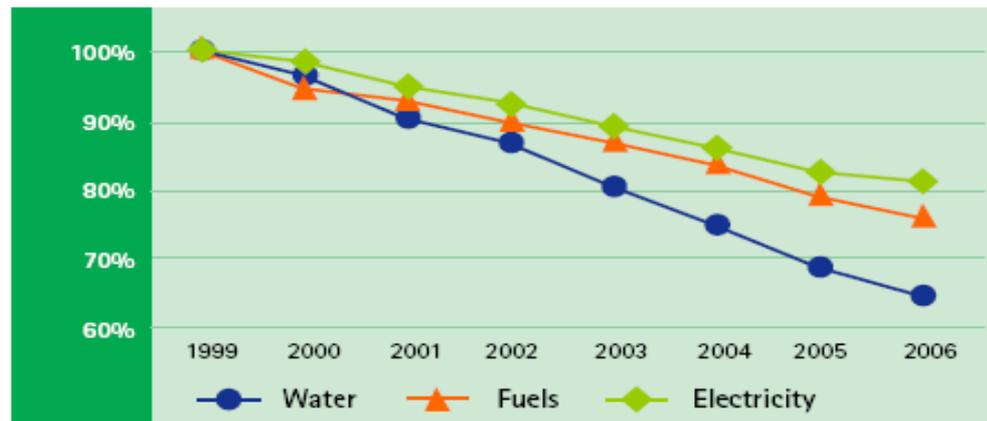
TRG Framework for Winning

Loser Characteristics	Winner Characteristics
Focus only on short term expense	Focus on building business value
Minimal knowledge of customer needs Fail to deliver targeted offerings	Deep knowledge of customer needs Bring superior offerings to market
Image not promoted or green-washing	Compelling corporate green story
Ignore operational opportunities or limit to small incremental changes	Capitalize on operational structure & collaboration opportunities
Minimal or inconsistent effort kept apart from overall business	Apply consistent effort and build robust processes integrated w/ the enterprise
Ignore green innovation catalyst potential	Leverage green as innovation catalyst (product and process development)
Disengage and comply	Engage constituencies and lead
Uninformed business decisions	Informed & realistic business tradeoffs from integrated metrics & analysis

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Four Stages of Maturity Drive Winning

Loser Characteristics	Winner Characteristics
Focus only on short-term expense	Focus on building business value
...edge... ...needs... ...target... ...mote... ...ashing	...e of cu... ...fering... ...porate...
Ignore operational opportunities or limit to small incremental changes	Capitalize on operational structure & collaboration opportunities
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Complier → **Dabbler** → **Consistent Improver** → **Enterprise Optimizer**

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Green Enterprise Maturity Model

Maturity Level → Enterprise Dimension	Complier	Dabbler	Consistent Improver	Enterprise Optimizer
Sustainability Focus & Strategic Orientation				
Delivering Targeted & Superior Offerings				
Sustainability Image Marketing				
Supply Chain & Customer Support				
Leveraging Green as Innovation Catalyst				
Leadership & Engagement				
Decision Processes, Tools & Metrics				

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Green Enterprise Maturity Strategy

Current Maturity Levels

Maturity Level → / Enterprise Dimension	Complier	Dabbler	Consistent Improver	Enterprise Optimizer
Sustainability Focus & Strategic Orientation		▨		
Delivering Targeted & Superior Offerings		▨		
Sustainability Image Marketing		▨	▨	
Supply Chain & Customer Support	▨	▨		
Leveraging Green as Innovation Catalyst		▨		
Leadership & Engagement		▨		
Decision Processes, Tools & Metrics		▨		

Strategic Target Maturity Levels

Maturity Level → / Enterprise Dimension	Complier	Dabbler	Consistent Improver	Enterprise Optimizer
Sustainability Focus & Strategic Orientation				▨
Delivering Targeted & Superior Offerings			▨	
Sustainability Image Marketing				▨
Supply Chain & Customer Support				▨
Leveraging Green as Innovation Catalyst			▨	
Leadership & Engagement				▨
Decision Processes, Tools & Metrics				▨

- Identify and prioritize most effective Business-focused Green initiatives
- Develop Green Enterprise road map to competitive advantage

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Maturity Example: Supply Chain & Operations

Maturity Level ➡ Business Dimension	Complier	Dabbler	Consistent Improver	Enterprise Optimizer
Supply Chain & Customer Support	Results are accidental by-products of business as usual efforts	Isolated attempts to improve supply chain & customer support operations	Consistent efforts across supply chain and customer support with demonstrated trends in results. Environmental performance is a factor for supplier selection	Supply chain and customer support function as integrated entities in optimizing resource usage; "Green" becoming key component of operational strategy for long term structural advantage; Collaboration with suppliers/partners to develop innovative ideas to benefiting both companies

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Maturity Example - Metrics

Maturity Level → Enterprise Dimension	Complier	Dabbler	Consistent Improver	Enterprise → Optimizer
Metrics & Tools	None	Point measurement of green is present in metrics, but not full spectrum	Green coverage good but not integrated with business metrics	Green integrated with business metrics (such as carbon released per dollar of revenue); Zero-based or TCO orientation

Toshiba has developed metrics for product and process eco-efficiency which measure ratio of value to environmental impact

TOSHIBA GROUP FOURTH VOLUNTARY ACTION PLAN

INDICATOR   TARGET

Enhancement of product eco-efficiency
We aim to enhance product eco-efficiency, taking the product life cycle into account.

$$\text{Product eco-efficiency} = \frac{\text{Value of a product}}{\text{Environmental impact of a product}}$$

Factor T
Product eco-efficiency in fiscal 2010 to be 2.2 times that in fiscal 2000

Provision of environmentally conscious products — Ratio of ECPs (based on new criteria) to net sales — 60%

Abolition of use of certain chemical substances — 15 certain substances group contained in products (*1) — Complete Abolition

TOSHIBA

Maturity in Dealing With Big Trends

Maturity Level ➡️ Enterprise Dimension	Complier	Dabbler	Consistent Improver	Enterprise Optimizer
Sustainability Focus & Strategic Orientation				
Delivering Targeted & Superior Offerings				
Sustainability Image Marketing				
Supply Chain & Customer Support				
Leveraging Green as Innovation Catalyst				
Leadership & Engagement				
Decision Processes, Tools & Metrics				

• **How do various levels of Green Enterprise Maturity better address dealing with major recent trends?**

  • **Barrel of oil up to $150 then down to $90**

  • **Worldwide financial markets crisis and economic downturn**

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Driving Your Company's Maturity

- Integrate with core business processes
- Supply Chain functions can lead
- It's a process – not an event!
- Proactive and end-to-end thinking
- Consistent action
- Collaboration across the enterprise, with customers, and the supply chain
- Think profitability and competitive position
  – Not just Corporate Social Responsibility

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