

Integrated thinking in action:

A spotlight on Solvay

Case studies from the <IR> Business Network's Integrated Thinking & Strategy Group

The Integrated Thinking and Strategy Group (a special interest group of the IIRC's <IR> Business Network) brings together some of the world's most innovative companies so that they can collaborate, learn from each other, challenge each other's thinking and share leading practices between themselves and those who follow them.

Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization's strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – its resources and relationships - that the organization uses or effects to create value over the short, medium and long term.

It is used by businesses to improve decision-making, accountability and communication. It is therefore essential to the development of strategy and provides a valuable connection to the board.

The project aims to assess how integrated thinking is embedded within organizations through a series of interviews to understand:

- What led the organization to embed integrated thinking
- How they used integrated thinking to shape their strategy
- How integrated thinking has helped them deploy their strategy
- What the benefits have been.

Integrated thinking in action: a spotlight on Solvay

Overview

30-second snapshot into integrated thinking at Solvay

Created in 1863, Solvay is a global chemical company. With its historical anchorage in Europe, its products serve diversified markets worldwide, from consumer goods to energy, with one main aim – to improve quality of life and customer performance. The drive to achieve its aim has resulted in 90 per cent of its revenue being generated from businesses that are among the top three global leaders in their field.

Solvay saw integrated thinking as a fundamental prerequisite to integrated reporting. It was deemed essential in fostering the creation of an internal integrated management system, which would assess the value creation process in a holistic way and provide transparent information to stakeholders.

At Solvay, integrated thinking supported the creation of internal integrated reporting dashboards which created greater connectivity between departments and enabled the evaluation of the outcomes related to the outputs produced by the business.

As a result of adopting an integrated thinking approach, greater connectivity between departments has enabled the company to become more flexible and transparent in the way it reports and delivers information to its stakeholders.

Deep dive into integrated thinking at Solvay

10 minute read

What led Solvay to embed integrated thinking?

Solvay identified the need to focus on the value creation process within its business model back in 2012. The company required an approach that would assess the impact of its value creation model and how it affected stakeholders. Solvay also wanted to align its reporting scope and boundaries to external standards.

Solvay worked on its internal processes to ensure the creation of a solid integrated management system, which would assess its outputs in light of the outcomes, to ensure value creation for stakeholders.

How did Solvay approach integrated thinking?

It took Solvay five years to publish its first integrated report (see process in figure 1). Setting internal integrated dashboards that reflected and fostered integrated thinking was believed to be a fundamental prerequisite for issuing an integrated report.

Solvay started by changing the way it looked at reporting, by moving from a report based on what the organization wanted to communicate, to a report based on what investors and stakeholders wanted to hear about.

This shift was far from easy and implied both a cultural change and the alignment of reporting scopes and boundaries. Working on culture and alignment required a joint internal effort and changes in the indicators that had been set by the organization internally.

	Management	Reporting
2012	“What stakeholders want to hear”: aligned on external standards	GRI G4 pioneer Separate Sustainability Report
2013	Alignment of reporting scope and boundaries	GRI G4 Separate Sustainability Report
2014	Revised materiality analysis	GRI G4 Combined Report: CSR section
2015	5 priority indicators in addition to financial indicators	GRI G4 - Combined Report Responsible Value Creation Model
2016	Integrated dashboards	GRI Standards First Integrated Report
2017	Integrated dashboards Increased stakeholder engagement	Second Integrated Report TCFD - SDGs

Figure 1
Solvay's journey

How has integrated thinking helped Solvay articulate its strategy?

Solvay's purpose, *"we bond people, ideas and elements to reinvent progress"*, was the outcome of a long process triggered by Solvay's CEO, Ilham Kadri, at the end of 2018. The listening process used to define its purpose involved:

- surveys, taken by 13,000 out of the 25,000 Solvay employees
- 75 hours of individual interviews
- 288 listening sessions convening 3000 people
- 25 leadership dialogues.

This extraordinary effort came with a shift in the sustainability approach endorsed by Solvay. The traditional approach used to assess whether Solvay's products represented a problem from an environmental or social perspective.

A new sustainability approach was conceived to focus on the impact that Solvay is generating in the world. The new approach is tightly linked to Solvay's purpose, focused on reinventing progress to unleash the organization's full potential. Solvay's purpose and sustainability approach have both been key to redefining its strategy and designing a new operating model.

Solvay's strategy provides a roadmap for its operating model (Solvay ONE) to leverage the comprehensive potential of the Group and focus on better delivering added value to its stakeholders, especially employees and customers. Solvay's extensive portfolio transformation has led to a decentralized operating model, with multiple cultures. The company is now moving from its decentralized operating model to one of enterprise leadership. Within this new scenario, business units remain empowered, with responsibility for generating profits, cash and returns, each one with its own specific mandate. Leaders of entities will focus on unleashing the full potential of Solvay through key cross-Group initiatives, and incentives will change to include impact on Solvay as a whole, as well as business delivery.

“We found out that if we wanted to report what we were changing in the world, we simply did not have a grip on that. For example, we sell composite materials to make planes lighter. Undoubtedly this has an impact on the plane's CO₂ emissions but we never computed a figure. Better assessing impacts is a change we intend to pursue. We have to move away from meeting stakeholder expectations qualitatively and focus on where we have a real impact and increase it and describe it.”

Michel Washer
Deputy Chief Sustainability Officer

How has integrated thinking helped Solvay deploy its strategy?

The definition of Solvay's purpose triggered a change within the organization. The Group embedded its purpose within its code of conduct. Solvay also redesigned its internal processes to support its new sustainability approach and ambition, expressed in the recently set goals of Solvay One Planet. Through Solvay One Planet, the Group has made a new climate commitment and, within that, defined a clear strategy to transition from fossil to renewable and waste-to-heat energy across its plants worldwide. The new programme has extended the Group's priorities, from five to ten, as a result of the thorough analysis undertaken to assess Solvay's impact.

Solvay's strategy is based on fostering an organizational purpose-led culture, which is supported by a specific process, the Solvay Way. The Solvay Way gives each Group entity the tools it needs to assess and improve its sustainability-related practices using a ranking system with four performance levels. Each entity has to rate its level on a scale from 0 to 4 based on its implementation of Solvay Way practices (shown in figure 2). Individual practices may apply to the site level (Research and Innovation, Industrial Campus, and Headquarters), to a Global Business Unit, or to the Group level (Corporate Function), depending on the topic. The Solvay Way is deployed throughout the Group by the leadership of all its Global Business Units and Functions and is supported by a network of more than 200 "champions" and "correspondents". The sustainability champions deploy Solvay's internal framework and correspondence in each site, thus enabling the execution of an integrated sustainability strategy.

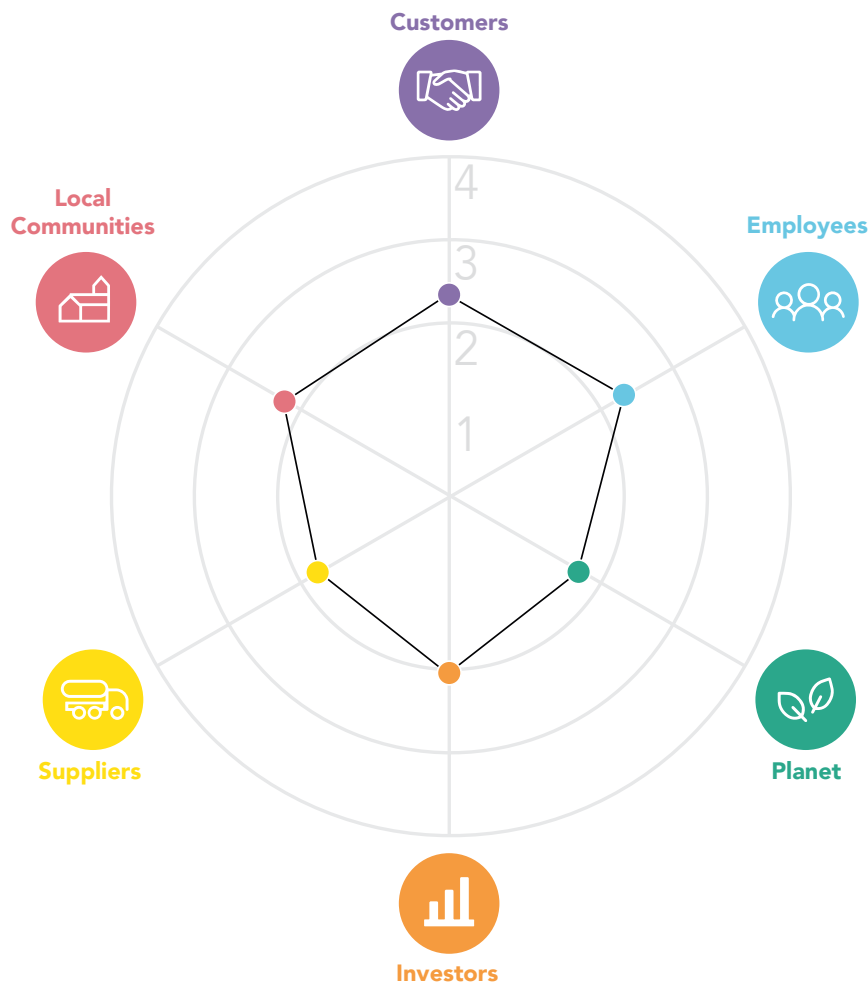


Figure 2
2019 Solvay Way Group profile (page 181 of the [2019 Integrated Annual Report](#))

Solvay used to have short-term incentives aimed at fostering the execution of a sustainability strategy, which focused on sustainability issues. Incentives were traditionally linked to how the organization implemented its internal framework and how it performed in relation to external rating agencies. The organization gradually moved away from these incentive practices and now links incentive schemes to the progress of comprehensive KPIs.

At Solvay the purpose-led culture is extensively supported by the Board of Directors (BoD). Back in 2016, Solvay set up five non-mandatory training sessions for the BoD on sustainability, what it meant to foster a sustainability strategy, how this could be measured and how it affected the company. The training sessions were set up internally to ensure that a common language could be created at the corporate level around these topics. Out of 14 Directors, 13 took part in all of the training sessions and the impact was huge.

Once the training sessions were over and a decision had to be taken on whether to create a sustainability committee, the Board chose not to do so. They decided the full Board had to be involved. In light of this, sustainability is integrated in the discussions occurring at the Board level and every year the Board dedicates a specific session to an update on trends in global sustainable development issues (the Group's strengths and weaknesses, including climate change risks and opportunities) that impact the Group, its actions, and its performance.

After reviewing its materiality analysis in 2014, Solvay worked internally to align its reporting scope and boundaries. This led to the creation of internal integrated dashboards that initially set five comprehensive priorities (now extended to ten with Solvay One Planet), across multiple capitals. Solvay leveraged the dashboards that the company had set throughout its journey to issue its first integrated report.

“We used to have short-term incentives linked to progress made in the yearly self-assessment. This would lead many to focus on the scores instead of meaningful actions. Now we are moving away from that approach and we are focusing on KPIs, preferably covered by international standard setting bodies. This is a journey that does have a few challenges; there are some areas that are not yet covered by internationally recognized standard setting bodies and yet they are crucial.”

Michel Washer
Deputy Chief Sustainability Officer

“Only at that point, when the integrated dashboard had been set up, we felt that we could issue an integrated report. Issuing an integrated report without an internal integrated dashboard did not make sense to us. The report has to reflect how the company operates. This is where you may see the inextricable link between integrated thinking and reporting.”

A lot of people say that you cannot have integrated reporting without integrated thinking, but it also works the other way around. You cannot have integrated thinking without measuring it in an integrated way, which means implementing and fostering internal integrated reporting.”

Michel Washer
Deputy Chief Sustainability Officer

How has embedding integrated thinking benefitted Solvay?

Solvay's integrated thinking journey has enabled the organization to identify a few challenges in the process of becoming the business it is today.

Integrated thinking has enabled the business organization to look at its value creation process from a different perspective - the perspective of its broader range of stakeholders. This has led the company to evaluate and assess the outputs it produces in light of the effect that these have on the environment in which the company operates.

Integrated thinking has also enabled greater connectivity between departments. With strong support from the finance department, the company has managed to implement an integrated management system that supports the sharing of data across the company.

This case study summarizes the journey of integrated thinking at Solvay and was developed through the conversations that Michel Washer, Deputy Chief Sustainability Officer at Solvay, had with Professor Cristiano Busco, LUISS and Roehampton University, and Elena Sofra, IIRC.

“It is crucial to have the CFO onboard, and the finance department, in order to embed true integration in the organization. Another challenge is the cultural transformation that comes along with it. You shouldn't be looking at what is comfortable to disclose, you should just disclose because that is what the world needs us to do, be more transparent.”

Michel Washer
Deputy Chief Sustainability Officer

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The IIRC's vision is a world in which capital allocation and corporate behaviour are aligned to the wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

This publication has been produced by the International Integrated Reporting Council. The IIRC does not accept responsibility for loss caused to any person who acts, or refrains from acting, in reliance on the material in this publication, whether such loss is caused by negligence or otherwise. Copyright © 2020 by the International Integrated Reporting Council ('the IIRC'). All rights reserved.

Contact: info@theiirc.org

www.integratedreporting.org